



# **SUBJECT-TO AND CREATIVE FINANCING STRATEGIES**

Introduction to 'Subject-To'  
Deals & Related Financing  
Options

# OVERVIEW

Introduction to Creative Financing Methods:

- Non-traditional methods to acquire real estate without conventional loans.
- Useful for investors needing flexibility or sellers seeking fast solutions.

What Will Be Covered Today:

1. What 'Subject-To' Deals Are and How They Work.
2. Comparison: Lease Options, Seller Financing, and Land Contracts.
3. Advantages and Risks of Creative Financing.
4. Mock Scenario for a 'Subject-To' Deal and Risk Management.

# WHAT IS A 'SUBJECT-TO' DEAL?

## Definition:

- Buying a property 'subject to' the existing mortgage remaining in the seller's name.
- Buyer gains ownership without assuming the seller's mortgage loan.

## How It Works:

1. Buyer takes control of the property but leaves the loan in the seller's name.
2. Payments continue under the original mortgage.
3. Seller transfers title to the buyer without changing the loan.

## Why It's Used:

- Quick acquisition without credit checks or new loans.
- Ideal for distressed sellers needing fast solutions.

# COMPARISON OF FINANCING METHODS

## Subject-To:

- Buyer takes control, seller's mortgage stays.

## Lease Option:

- Rent-to-own structure; buyer may purchase later.

## Seller Financing:

- Seller finances buyer, no bank needed.

## Land Contract:

- Buyer pays seller over time; title after full payment.

# WHAT IS A LAND CONTRACT?

## Definition:

- A contract between the buyer and seller with payments over time.

## How It Works:

1. Seller holds the title until full payment is made.
2. Buyer has equitable ownership but not legal ownership.
3. Full title transfers upon final payment.

## When It's Used:

- Ideal for buyers with limited credit or savings.
- Great for sellers seeking steady income streams.

# ADVANTAGES OF CREATIVE FINANCING

## 1. Lower Barriers to Entry:

- No need for traditional loans or high credit scores.

## 2. Flexible Terms:

- Customizable to fit buyer's and seller's needs.

## 3. Faster Transactions:

- Minimal bank involvement.

## 4. Solutions for Distressed Sellers:

- Avoid foreclosure while providing quick sale options.

# RISKS AND CHALLENGES

## 1. Due-on-Sale Clause (Subject-To):

- Lender might call the loan due.

## 2. Non-Ownership (Land Contracts):

- Buyer doesn't receive full title until fully paid.

## 3. Trust Issues:

- Requires trust and clear agreements.

## 4. Default Risks:

- Buyer default risks seller in financing and land contracts.

# MOCK SCENARIO — SUBJECT-TO DEAL

## Scenario Overview:

- Seller: John, behind on mortgage payments.
- Buyer: Sarah, investor seeking property without a new loan.

## Deal Details:

- John's mortgage: \$200,000 at 4.5% interest.
- Market Value: \$250,000.
- Sarah offers \$5,000 to help John move out and takes over payments.



# RISK MANAGEMENT FOR SUBJECT-TO AND LAND CONTRACTS

## 1. For Subject-To Deals:

- Be aware of due-on-sale clause.
- Use escrow for mortgage payments.

## 2. For Land Contracts:

- Ensure fair, binding contracts.
- Use title insurance to prevent issues.

## 3. General Risk Management:

- Hire legal professionals for documentation.
- Build clear exit strategies.

# RECAP AND FINAL THOUGHTS

## What We Covered Today:

- What 'Subject-To' deals are and how they work.
- Comparison with lease options, seller financing, and land contracts.
- Advantages and risks of creative financing.
- Managing risks with proper planning.

## Next Steps:

- Explore how these methods fit your strategy.
- Use mock scenarios to practice.



# Q&A

Any Questions?

Thank you for your time!