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Cheat Sheet: "Seller Financing" Real Estate Investing

The **Seller Financing** strategy allows investors to purchase a property directly from the seller, with the seller acting as the lender. This strategy is ideal for investors who want to avoid traditional bank financing and negotiate flexible terms. Here's your step-by-step guide:

1. What is Seller Financing?

- The seller provides a loan to the buyer instead of requiring a traditional mortgage.
 - The buyer makes payments directly to the seller over an agreed-upon period.
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2. Key Benefits

- **Flexible Terms:** Negotiate interest rates, down payments, and repayment schedules.
 - **No Bank Involvement:** Avoid strict lending criteria and lengthy approval processes.
 - **Faster Closing:** Complete transactions quickly without waiting for bank underwriting.
 - **Win-Win for Both Parties:** Seller earns interest, and buyer gains access to financing.
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3. How It Works

1. **Find Motivated Sellers:** Look for sellers who own their property outright or have significant equity.
2. **Negotiate Terms:** Agree on the purchase price, down payment, interest rate, and repayment schedule.



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3. **Sign the Agreement:** Draft a **Promissory Note** and **Deed of Trust** (or Mortgage).
 4. **Make Payments:** Pay the seller directly (monthly, quarterly, etc.).
 5. **Own the Property:** Once the loan is paid off, the property is fully yours.
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4. Key Documents

- **Promissory Note:** Outlines the loan terms (amount, interest rate, repayment schedule, etc.).
 - **Deed of Trust or Mortgage:** Secures the loan with the property as collateral.
 - **Purchase Agreement:** Details the sale terms and conditions.
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5. Risks and Mitigation

- **Seller Default:**
 - **Risk:** Seller fails to pay off an existing mortgage (if applicable).
 - **Mitigation:** Verify the seller's mortgage status and include a due-on-sale clause.
 - **Buyer Default:**
 - **Risk:** Buyer fails to make payments.
 - **Mitigation:** Include a clear default clause and retain the right to foreclose.
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6. Finding Deals

- **Direct Mail:** Target absentee owners or sellers with high equity.
- **Networking:** Build relationships with real estate agents, wholesalers, and attorneys.



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- **Online Marketing:** Use Facebook, Craigslist, or Google Ads to find motivated sellers.
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7. Example Deal

- **Property Value:** \$200,000
 - **Down Payment:** \$20,000 (10%)
 - **Loan Amount:** \$180,000
 - **Interest Rate:** 5%
 - **Repayment Term:** 10 years
 - **Monthly Payment:** \$1,909 (principal + interest)
 - **Rental Income:** \$2,200/month
 - **Cash Flow:** \$291/month
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8. Pro Tips

- **Verify Title:** Ensure the property has a clear title before proceeding.
 - **Negotiate Favorable Terms:** Aim for a lower interest rate or longer repayment period.
 - **Build a Team:** Work with a real estate attorney, title company, and property manager.
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9. Script for Talking to Sellers

"Hi [Seller's Name], I help homeowners who want to sell their property quickly and earn interest on their equity. I can purchase your property with seller financing, giving you steady income and a guaranteed sale. Would you be open to discussing how this could work for you?"