

★ LONE STAR INVESTOR SERIES ★

# TEXAS

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# SUBJECT-TO PLAYBOOK

*Acquire Single-Family Homes Across the Lone Star State*  
**No Banks. No Qualifying. No Limits.**

**Dallas-Fort Worth**  
*Fastest-Growing Metro*

**Houston**  
*Energy & Opportunity*

**San Antonio**  
*Military & Stability*

**Austin**  
*Tech & Appreciation*

**ZERO DOWN**  
*No cash required to acquire properties*

**BELOW-MARKET RATES**  
*Lock in 3%-4% loans in a 7% market*

**11 PROVEN CHAPTERS**  
*From first deal to full portfolio*

A Comprehensive Strategy Guide for Texas Real Estate Investors  
Buy-and-Hold | Wholesaling | Zero-Capital Entry | Market-by-Market Analysis

By **Joe Velez**

**IMPORTANT DISCLAIMER**

*This e-book is provided for educational and informational purposes only. It does not constitute legal, financial, or tax advice. Real estate investing involves significant risk, and subject-to transactions carry unique legal and financial considerations. Always consult a licensed Texas real estate attorney, a CPA, and a qualified financial advisor before executing any real estate transaction. Laws and regulations vary by jurisdiction and may have changed since publication.*

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## About This Guide

This playbook was written by an experienced single-family residential investor who has used the subject-to strategy to build a portfolio across Texas's most dynamic markets. The strategies here are the product of years of hard lessons, successful acquisitions, and deep relationships with Texas attorneys, title companies, and distressed sellers.

Texas is one of the best states in the nation for subject-to investing. The combination of a massive and growing population, no state income tax, diverse metropolitan markets, and a steady pipeline of distressed sellers creates a nearly unparalleled environment for this strategy. But Texas also has its quirks — the state's unique homestead laws, deed-of-trust structure, and local market dynamics require a Texas-specific approach.

Whether you are brand new to creative financing or a seasoned investor looking to sharpen your sub-to game, this guide will give you a proven, actionable framework.

**THE CORE PHILOSOPHY**

*Subject-to investing is not a shortcut — it is a sophisticated strategy that rewards investors who take the time to learn it properly. The more thoroughly you understand the mechanics, the more deals you will close and the fewer problems you will encounter.*

## CHAPTER 1

# Why Texas?

*Understanding Why the Lone Star State Is the Ultimate Sub-To Market*

Before diving into tactics, it is worth understanding why Texas deserves its own dedicated playbook. This is not just a generic subject-to guide with the word "Texas" inserted throughout. The state's unique characteristics shape every aspect of how you source, structure, close, and manage sub-to deals.

## The Texas Demographic Engine

Texas adds roughly 1,000 people per day to its population. The Dallas-Fort Worth metroplex alone is the fastest-growing major metro in the United States, with San Antonio, Austin, and Houston all posting strong growth numbers. This relentless in-migration creates several powerful dynamics for investors:

- Sustained housing demand keeps vacancy rates low, making rental properties reliable income producers
- A steady flow of new transplants creates a constant pool of quality tenants
- Long-term appreciation tends to follow population growth, building equity over time
- Growing metros generate the financial distress — job losses, divorces, relocations — that motivates sellers to do subject-to deals

## No State Income Tax

Texas has no personal state income tax. For an investor building a rental portfolio, this is significant. Cash flow that would be taxed in California, New York, or Oregon stays in your pocket in Texas. When you eventually exit properties, there is also no state capital gains tax, which improves your after-tax returns considerably.

## The Texas Deed of Trust Structure

Unlike some states that use a mortgage structure, Texas uses a deed of trust for real estate financing. In a deed of trust, a neutral third party — the trustee — holds legal title as security for the lender. This has important implications for subject-to investors:

- Non-judicial foreclosure is available to lenders, meaning foreclosures can move faster than in judicial foreclosure states (typically 21 days after posting notice)
- This speed creates urgency in distressed seller situations — sellers facing foreclosure have a shorter window and are often more motivated
- Title transfers via warranty deed, and you should always use a title company to ensure a clean transfer

### TEXAS LEGAL NOTE

Texas foreclosures move quickly. A homeowner who has received a notice of acceleration has potentially as little as 21 days before their property sells at the courthouse steps. This

urgency makes pre-foreclosure sellers highly motivated and receptive to creative solutions.

## The Texas Homestead Exemption

Texas has one of the strongest homestead protections in the nation. A primary residence is shielded from most creditor claims, which means homeowners in financial distress are sometimes protected from losing their home to creditors other than their mortgage lender. As a sub-to investor, understanding this protection matters because:

- Sellers may be more willing to hand over a property that has stopped serving their financial interests if it resolves a deteriorating situation
- The exemption does not protect against the mortgage lender, so foreclosure by the first lienholder is still a very real threat
- When you acquire a property, the homestead exemption transfers to your primary residence — not an investment property, so you must account for full property taxes

## Texas Market Diversity

Texas is not one market — it is at least five distinct major markets, each with its own supply, demand, price points, and investor opportunity. Throughout this guide, PITI refers to the combined monthly payment of Principal, Interest, Taxes, and Insurance:

Market	Sub-To Opportunity Profile
Dallas-Fort Worth	Corporate relocations, high price points, strong rental demand, competitive but rewarding
Houston	Energy sector volatility creates distressed cycles, large working-class renter base, more affordable entry points
San Antonio	Military-driven stability (JBSA), strong tenant demand, growing tech sector, price points accessible to new investors
Austin	High appreciation but expensive entry; sub-to works best when acquiring pre-2021 low-rate mortgages
Emerging Markets	Lubbock, Midland-Odessa, El Paso, Waco — less competition, motivated sellers, strong cap rates

## CHAPTER 2

# The Mechanics

*How Subject-To Transactions Actually Work in Texas*

## The Core Structure

In a subject-to transaction, the buyer acquires the deed to the property while the seller's existing mortgage loan remains in place. The buyer takes ownership and assumes the obligation of making payments on a loan that remains in the seller's name. The seller exits the property. You own it. The bank still thinks the seller owns it.

Here is the transaction flow from start to finish:

1. Identify and contact a motivated seller whose property has equity or whose loan terms are favorable
2. Conduct due diligence: pull title, review loan documents, assess property condition and value
3. Negotiate and execute a purchase agreement specifying subject-to terms
4. Engage a Texas title company familiar with subject-to closings
5. Execute a warranty deed or special warranty deed transferring title to you or your entity
6. Set up a loan servicing arrangement for ongoing payments
7. Insure the property appropriately and update insurance
8. Begin managing or renting the property

### ASSUMPTION VS. SUBJECT-TO

*You are not assuming the mortgage in the legal sense. Assumption requires lender approval and transfers the loan to your name. Subject-to means you are simply taking title while the loan remains as-is. This distinction is critical — and it is the source of both the strategy's power and its primary risk.*

## What You Are Buying

When you acquire a property subject-to, you are purchasing several things simultaneously:

- The deed and legal title to the property
- The equity — the difference between market value and the loan balance
- The right to occupy, rent, or sell the property
- The obligation to make mortgage payments (contractually, with the seller)
- The interest rate, terms, and remaining amortization schedule of the existing loan

## The Due-On-Sale Clause in Texas

Every conventional mortgage originated since the early 1980s contains a due-on-sale clause. Under the Garn-St. Germain Depository Institutions Act of 1982, lenders can accelerate the loan — demand full repayment — upon the transfer of title to a new owner. This is the primary legal risk of subject-to transactions.

However, lenders rarely accelerate for several practical reasons:

- As long as payments are made on time, the performing loan generates revenue the lender wants to keep
- Foreclosing on a current loan is expensive, time-consuming, and requires legal resources
- The lender's servicing department often does not communicate with its legal department unless payments stop
- After a property transfers, the lender may simply never notice — especially early in a transaction

### MANAGING DUE-ON-SALE RISK

The primary triggers for due-on-sale enforcement are: (1) missed or late payments, (2) insurance policy changes that flag a new owner, and (3) a refinance or sale that requires a new title search. Stay current on payments, insure properly, and have an exit strategy. These three disciplines eliminate most enforcement risk.

## Texas-Specific Legal Considerations

Texas has some laws and norms that directly affect how you structure sub-to deals:

### The Texas Property Code and Executory Contracts

Chapter 5 of the Texas Property Code contains strict rules about executory contracts — arrangements where a seller provides owner financing while retaining legal title (like a land contract or contract for deed). Subject-to is NOT an executory contract because you take title at closing. However, investors must be careful not to inadvertently create an executory contract when selling or lease-optioning a property they acquired subject-to.

### The Texas Five-Day Right of Rescission

Texas gives homeowners selling their primary residence a right of rescission under certain seller financing scenarios. This generally applies to seller-financed transactions, but consult your attorney to confirm it does not apply to your specific deal structure.

### Disclosure Requirements

Texas law requires sellers to disclose known material defects via the TREC Seller's Disclosure Notice. Even in a subject-to transaction, you should require the seller to complete this disclosure. It protects you downstream when you re-sell or rent the property.

## Entity Ownership

Most experienced Texas sub-to investors take title in a legal entity — typically an LLC — rather than their personal name. This provides liability protection and, importantly, can reduce the visibility of the title transfer to the servicing lender. Consult with a Texas attorney about the optimal entity structure.

## CHAPTER 3

# Finding Motivated Sellers

*The Art and Science of Deal Sourcing in Texas*

## The Motivated Seller Profile

The subject-to strategy only works with sellers who are sufficiently motivated to hand over their deed without receiving full market value in cash. Understanding who these sellers are — and why they are motivated — is the foundation of your lead generation strategy.

The ideal subject-to seller in Texas typically exhibits one or more of the following characteristics:

- Facing foreclosure or actively behind on payments
- Experiencing divorce or separation and needing to exit a jointly-owned property quickly
- Relocating for work — especially common in Houston's energy sector and San Antonio's military community
- Inherited a property they cannot afford to maintain or have no desire to keep
- Facing financial hardship — job loss, medical debt, business failure
- Highly leveraged with little equity but a loan they want off their credit profile
- Landlords fatigued by management and willing to trade equity for a clean exit

## Lead Generation Strategies

### Pre-Foreclosure Lists

This is the highest-conversion source for sub-to leads. In Texas, the foreclosure process requires lenders to post a Notice of Trustee Sale at the county courthouse at least 21 days before the first Tuesday of each month (the foreclosure auction date). These notices are public record.

- Pull the Notice of Trustee Sale list from each county's district clerk website
- In DFW, Harris County, Bexar County, and Travis County, these lists are updated monthly and are free or low-cost
- Skip-trace the owner's contact information and reach out by mail, phone, and in person
- Be compassionate and solution-focused — these sellers are in crisis

#### TEXAS FORECLOSURE CALENDAR

Texas courthouse auctions happen on the first Tuesday of every month, rain or shine. The notices are posted 21 days prior. Set a calendar reminder monthly to pull the list from your target county. The Dallas County District Clerk and Harris County District Clerk both provide searchable online databases.

## Probate and Estate Sales

When a Texas homeowner passes away, their property enters the probate process. Heirs who inherit an encumbered property often want to exit quickly, particularly if they are out of state, cannot afford the carrying costs, or simply do not want the management burden. Probate leads are some of the most motivated sellers in real estate.

- Pull probate filings from county probate courts — these are public record
- Reach out to the executor or administrator of the estate
- Be patient — probate deals take longer, but often have excellent terms

## Direct Mail Campaigns

Direct mail remains one of the highest-ROI lead generation channels in Texas real estate. A well-targeted list combined with a compelling message drives motivated sellers to call you. Effective target lists include:

- Absentee owners (property address different from mailing address)
- High equity owners who may be ready to cash out
- Pre-foreclosure lists
- Tax delinquent lists (available from the county tax assessor)
- Owners who have owned 10+ years and may have accumulated significant equity

Your mailer should be personal, empathetic, and specific. "I buy houses in any condition" postcards perform poorly. A handwritten-style letter that acknowledges the seller's potential situation and offers a no-obligation conversation performs far better.

## Driving for Dollars

In Texas neighborhoods, distress is often visible. Overgrown lawns, boarded windows, blue tarps on roofs, mail piling up — these are signs of an absentee or distressed owner. Apps like DealMachine allow you to photograph and instantly skip-trace properties while driving, dramatically increasing efficiency.

## Building a Referral Network

Some of the best subject-to leads come from people who encounter distressed sellers in their daily work. Build referral relationships with:

- Bankruptcy attorneys — their clients are often behind on mortgages
- Divorce attorneys — their clients frequently need to exit jointly-owned homes
- Real estate agents — they encounter sellers who cannot afford to pay commissions after a traditional sale
- Property managers — who see landlords burning out
- Funeral home directors — they often know estate executors who need to resolve property holdings quickly

## Cold Calling and SMS

With a skip-traced list of motivated seller profiles, systematic cold calling and compliant SMS outreach can generate consistent leads. Be aware of TCPA compliance requirements for text messaging and always honor opt-out requests. Texas leads tend to respond well to direct, respectful outreach.



## CHAPTER 4

# Evaluating the Deal

*Due Diligence and Financial Analysis*

## The Four Questions Every Sub-To Deal Must Answer

Before committing to any subject-to acquisition, you need clear, confident answers to four fundamental questions:

9. What is the property worth today, and what will it be worth in 3 to 5 years?
10. What are the exact terms of the existing mortgage — balance, rate, payment, and remaining term?
11. What is the condition of the property, and what deferred maintenance exists?
12. What is the exit strategy, and does the math work for that exit?

## Pulling and Reviewing the Mortgage

Before closing, you must obtain and thoroughly review the existing mortgage documentation. Request from the seller:

- The original note and deed of trust
- The most recent mortgage statement showing current balance, interest rate, and payment breakdown
- The loan number and servicer contact information
- Evidence that payments are current (or documentation of any arrears you will need to cure)

Key figures to calculate:

Mortgage Variable	Why It Matters
Current Loan Balance	The outstanding principal you are taking on as an obligation
Interest Rate	A low rate (e.g., 3%–4%) is the core value proposition; a high rate reduces the deal's appeal
Monthly PITI Payment	Principal + Interest + Taxes + Insurance — your monthly obligation
Remaining Term	Loans with 20+ years remaining have significant amortization value
Pre-Payment Penalty	Rare on residential loans but must be checked before planning an early exit
FHA/VA Status	Assumable loans offer a powerful exit option — a buyer can formally assume your sub-to loan

## Running the Numbers

Subject-to deals in Texas are typically evaluated for one of three exit strategies, and each requires a different financial analysis:

### Buy and Hold (Rental Strategy)

This is the most common use of sub-to in Texas. You acquire the property, place a tenant, and collect the difference between rent and the PITI payment as cash flow. In Texas, a well-structured deal in a working-class or middle-class neighborhood should generate \$200 to \$600+ in monthly cash flow per door.

- Target gross rent-to-price ratio of at least 1% (e.g., a \$200,000 property renting for \$2,000/month)
- Budget 10% vacancy, 10% property management, 5–10% maintenance reserve
- Confirm that the net cash flow after all expenses exceeds the PITI by at least \$200/month

### Fix and Flip with Seller Financing Exit

Some investors acquire a distressed property subject-to, renovate it, and then sell it to a retail buyer using owner financing (a wrap mortgage or seller carryback). This generates a down payment at sale plus monthly interest spread income.

### Sandwich Lease Option

You acquire the property sub-to, then sell it to a tenant-buyer on a lease-option. The tenant-buyer makes a non-refundable option consideration payment, pays above-market rent, and has a set period to exercise their option to purchase. If they exercise, you pocket the spread. If they do not, you keep the option money and start over.

#### TEXAS LEASE-OPTION WARNING

Texas Chapter 5 property code restrictions on executory contracts make traditional land contracts and contracts for deed heavily regulated. Lease-options are generally permissible but must be structured carefully. Specifically, if the lease term exceeds 180 days, additional disclosure and protections for the buyer-tenant may be triggered. Always use a Texas real estate attorney to draft your lease-option agreements.

## The Property Inspection

Never skip a professional inspection on a sub-to acquisition. You are taking on a property that may have years of deferred maintenance. In Texas, pay particular attention to:

- Foundation issues — Texas expansive clay soils cause significant foundation movement
- HVAC systems — the Texas heat is brutal on equipment; a failing system is a major expense
- Roof condition — hail is common across Texas and can cause damage the seller has not disclosed or addressed
- Plumbing — cast iron drains in older homes (pre-1980s) can deteriorate

- Electrical — knob-and-tube or aluminum wiring in older properties creates insurance and safety issues
- Pest/termite inspection — required and important in most Texas markets

## **Title Search and Title Insurance**

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A clean title is non-negotiable. Engage a Texas title company to conduct a full title search before closing. You are looking for:

- Any liens beyond the first mortgage — tax liens, mechanics' liens, HOA liens, judgment liens
- Second mortgages or home equity lines of credit (HELOCs)
- IRS federal tax liens, which follow the property
- Title defects or breaks in chain of title

Obtain an owner's title insurance policy. In Texas, the Texas Department of Insurance regulates title insurance rates on a promulgated (fixed) basis, so you are comparing service quality and expertise rather than price. Use a title company with experience in sub-to transactions.

## CHAPTER 5

# Structuring and Closing the Deal

*From Negotiation to Keys in Hand*

## Negotiating with the Seller

Subject-to negotiations are unlike traditional real estate negotiations. You are not fighting over price alone — you are designing a transaction that solves the seller's specific problem while creating the returns you need. The best sub-to negotiators are listeners first and dealmakers second.

### Understanding the Seller's Core Problem

Before making any offer, spend time understanding what is actually driving the seller's situation:

- Are they behind on payments, and if so, by how much? You may need to bring arrears current.
- Do they have other debts attached to the property?
- What is their timeline? Do they need to be out in 30 days or 6 months?
- What does success look like for them? Sometimes it is a small amount of cash; sometimes it is simply preserving their credit.
- Are there other lienholders who need to be paid?

### The Offer Structure

A typical subject-to offer has several components:

Deal Component	Description
Take Over Existing Mortgage	You agree to make all future PITI payments
Cure of Arrears	If the seller is behind, you bring the loan current — this is often the seller's biggest need
Cash to Seller (Equity Purchase)	If the seller has equity above the loan balance, you may pay them a portion in cash, or via a note
Moving Assistance	A small cash payment (\$1,000–\$5,000) to help the seller relocate and to create goodwill
Subject-To Addendum	A written acknowledgment that the seller understands the loan remains in their name

#### THE ETHICAL FRAMEWORK

*Your job is not to steal a property. Your job is to create a transaction that genuinely solves the seller's problem in exchange for favorable terms. Investors who approach sub-to as purely extractive burn bridges and damage the strategy's reputation. Be fair, be honest, and create win-win deals.*

## The Subject-To Addendum

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One of the most important documents in a sub-to transaction is the written disclosure to the seller — typically a subject-to addendum or a separate disclosure letter. This document should clearly explain:

- That the existing mortgage will remain in the seller's name
- That the seller's credit is at risk if you fail to make payments
- That the lender has the right to call the loan due under the due-on-sale clause
- That the seller understands all of the above and is agreeing voluntarily

This document protects both you and the seller. A seller who later claims they did not understand the transaction is a potential legal problem. The written, signed disclosure eliminates that risk.

## Closing the Transaction in Texas

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### Using a Title Company

Texas real estate closings are conducted by title companies, not attorneys (though attorneys may be involved). You need a title company that is comfortable with sub-to transactions. Not all title companies will close them, so interview companies in advance and build a relationship before you have a deal under contract.

The title company will:

- Conduct the title search and clear any title issues
- Prepare the deed and closing documents
- Ensure the transaction is properly recorded with the county
- Issue the owner's title insurance policy

### Key Closing Documents

- Warranty Deed or Special Warranty Deed — transfers title from seller to buyer
- Subject-To Addendum / Disclosure — signed acknowledgment from seller
- Purchase Agreement with Subject-To Terms — the master agreement governing the transaction
- Power of Attorney (optional) — some investors obtain a limited POA from the seller to manage the loan servicing
- Insurance Assignment or New Policy — evidence of new property insurance

### Recording the Deed

Once the deed is executed, it must be recorded with the county clerk in the county where the property is located. In Texas, recording fees are modest and the process is straightforward. Recording provides constructive notice to the world that you own the property — protecting your ownership interest.

## Setting Up Loan Servicing

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After closing, establish a professional loan servicing arrangement. Do not simply write checks directly to the lender from your personal account — this creates a disorganized paper trail and makes it harder to manage multiple properties.

Options include:

- Third-party loan servicing companies that collect your payment and disburse to the original lender on your behalf — this also creates a documented payment history
- Automated bank payments set up directly to the servicer, with a separate LLC bank account
- Escrow arrangements managed by a neutral third party, particularly useful when a seller retains any interest or concern about payment reliability

## CHAPTER 6

# Managing Your Portfolio

*Operations, Insurance, and Long-Term Strategy*

## Insurance — The Most Underestimated Step

Insurance is where many sub-to deals fall apart or create problems. When you take title, you need to ensure the property is properly insured — in a way that protects you as the new owner but does not immediately flag the title transfer to the lender.

### The Insurance Problem

When the seller's existing insurance policy has the seller as the named insured, it must be updated or replaced when you take ownership. Lenders track insurance policies because they are named as additional insured parties. A policy change can trigger a notice to the lender.

### The Solution: Non-Owner-Occupied / Investor Policy

Work with an insurance broker experienced in investment property insurance. You want a policy that:

- Names you or your LLC as the insured
- Lists the lender as additional insured (as required by the mortgage)
- Provides landlord/dwelling coverage rather than homeowner's coverage if you are renting
- Covers the replacement cost of the structure

Notify your insurance agent that this is a subject-to acquisition and let them guide the policy structure. Many experienced landlord insurance providers in Texas are familiar with this scenario.

#### TEXAS INSURANCE NOTE

In Texas, insurance is required to be maintained on properties with mortgages. Some investors use a CLUE report (Comprehensive Loss Underwriting Exchange) to check the property's insurance claim history before purchase. A property with multiple prior claims may be difficult or expensive to insure.

## Property Management

Most Texas sub-to investors use professional property management companies, at least until their portfolio reaches a scale that justifies internal management infrastructure. Property management fees in Texas typically run 8%–12% of collected rent, with a leasing fee of one-half to one month's rent for placing a new tenant.

When selecting a property manager, prioritize:

- Experience managing similar properties in the specific submarket

- A clear and enforced rent collection process
- Transparent maintenance handling with not-to-exceed limits requiring your approval
- Monthly financial reporting and owner portal access
- A track record with investors, not just homeowners

## Managing the Seller Relationship

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The seller's name remains on the loan. Even after closing, maintaining a respectful ongoing relationship is good practice:

- Provide the seller with a way to verify payments are being made — many investors provide read-only access to the loan servicer portal
- Send a brief annual letter or call confirming the property is performing and payments are current
- Have a clear protocol if the seller dies — work with their estate to ensure the transaction remains clean
- Consider a performance deed in escrow — a deed transferring the property back to the seller or their estate if you default, giving the seller security without requiring ongoing interference

## Exit Strategies

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Every sub-to deal should be acquired with at least two clear exit strategies. The most common exits are:

### Refinance into Your Own Loan

The cleanest exit. Once you have built sufficient equity (or market appreciation has increased the value), refinance the property into a conventional or DSCR loan in your own name or entity name. This removes the seller's name from the loan entirely and eliminates all due-on-sale risk going forward.

### Sell the Property

Sell on the open market when values have appreciated to where the sale price exceeds the loan payoff plus any seller equity payments, your acquisition costs, and renovation costs — with profit remaining.

### Wrap Mortgage / Owner Financing

Create a new seller-financed loan at a higher interest rate (the wrap) that includes the underlying sub-to loan. A buyer makes payments to you; you make payments on the underlying mortgage. The spread between the two interest rates is your income. In Texas, wrap mortgages have specific disclosure requirements — use an attorney.

### Sell Subject-To Again

In theory, you can sell your property subject-to to another investor, who takes over both your existing sub-to structure and your equity. This is complex and requires careful legal drafting.

## CHAPTER 7

# Market-by-Market Deep Dive

*Texas Sub-To Strategies by Metro*

## Dallas-Fort Worth

The DFW metroplex is the most competitive sub-to market in Texas. High property values, aggressive investor activity, and above-average seller awareness of home values means deals require more work to find but offer significant upside when executed well.

Best sub-to targets in DFW include:

- South Dallas and south suburban markets where values have room to appreciate
- Pre-foreclosure lists in Tarrant County, which has active working-class neighborhoods
- Absentee owners who acquired properties during the 2010–2015 run-up and have substantial equity
- Corporate relocatees who need to exit quickly rather than managing a sale process

FHA loans are common in DFW's first-time buyer price range (\$200,000–\$320,000), making assumable sub-to acquisitions particularly attractive. Look for 2020–2022 originations with 3%–4% rates.

## Houston

Houston's oil-and-gas economy creates cyclical downturns that produce motivated sellers, particularly in outer suburbs like Katy, Sugar Land, and League City. The market is massive, diverse, and generally less competitive than DFW for off-market deals.

- Target energy-sector professionals who have been relocated or laid off
- Harris County has an active pre-foreclosure calendar with significant volume
- Flood-affected properties require careful insurance and remediation analysis — not all are worth pursuing
- Houston's lack of zoning creates unique value-add opportunities in transitional neighborhoods

## San Antonio

San Antonio is arguably the most accessible market for newer sub-to investors in Texas. Lower price points, a stable military-driven tenant base, and a steady volume of motivated sellers make this market forgiving for learning the strategy.

- Joint Base San Antonio drives enormous rental demand from military families
- VA loans are widespread — and VA loans are assumable, creating a powerful sub-to exit option
- Price points in the \$140,000–\$250,000 range are highly rentable with cash flow positive numbers

- The city's consistent population growth (top 10 nationally) supports long-term appreciation

#### SAN ANTONIO VA LOAN ADVANTAGE

San Antonio has a high concentration of VA loan originations given Joint Base San Antonio's military population. VA loans are assumable with lender approval. A sub-to deal on a VA loan gives you an assumable mortgage as a built-in exit strategy — a buyer can formally assume the low-rate VA loan from you.

## Austin

Austin is the highest-appreciation market in Texas over the last decade, but also the most expensive entry point. Sub-to works in Austin primarily when you can acquire a property with a 2020–2022 vintage loan at a 2.5%–4% interest rate. The interest rate arbitrage against today's rates creates immediate cash flow and significant exit value.

- Target 2019–2022 purchases in outer Austin markets: Cedar Park, Round Rock, Pflugerville, Kyle
- Tech sector layoffs and remote work reversals are creating motivated seller inventory
- The Austin-Round Rock MSA still has strong rental demand, but vacancy has loosened since the 2021–2022 peak

## Emerging Texas Markets

For investors willing to focus on markets with less competition, several Texas cities offer strong sub-to fundamentals:

Market	Sub-To Opportunity
Lubbock	Texas Tech University creates stable rental demand; affordable price points; less investor competition
El Paso	Military base (Fort Bliss) drives VA loan volume; border economy creates unique distressed seller profiles; highly affordable
Waco	Baylor University anchor; tourism from Magnolia Market; steadily appreciating with low entry costs
Midland/Odessa	Permian Basin energy creates boom-bust cycles; bust periods generate highly motivated seller inventory
Corpus Christi	Gulf Coast economy; military presence; affordable and often overlooked by institutional investors

**CHAPTER 8****Building Your Team***The Professionals You Cannot Succeed Without***Your Core Texas Sub-To Team**

Subject-to investing is a team sport. The quality of your professional network determines the quality of your deals, your legal protection, and your long-term results. Build these relationships before you have a deal — not while you are under contract.

**Texas Real Estate Attorney**

This is your most important team member. You need an attorney licensed in Texas who is specifically experienced in creative financing transactions, not just standard residential closings. Your attorney should:

- Draft or review your purchase agreement and subject-to addendum
- Advise on entity structure for taking title
- Draft any seller financing (wrap mortgage or owner carryback) documents
- Review lease-option agreements for Chapter 5 Texas Property Code compliance
- Be available to consult on deal-specific questions before you close

**Title Company**

Not every Texas title company will close a subject-to deal. Find one that has done it before, understands the transaction structure, and will not torpedo your closing at the last minute. Interview at least three title companies in your target market. Ask specifically: "Have you closed subject-to transactions before?"

**Insurance Broker**

Find an independent insurance broker who works with real estate investors and understands how to structure landlord policies on sub-to acquisitions. In Texas, Farmers, State Farm, and numerous independent carriers offer investor-grade policies. The broker should understand the lender-notification issue and help you navigate it.

**Loan Servicing Company**

A third-party loan servicing company collects your payment and disburses it to the original lender, creating a documented payment trail. Recommendations include national servicers that specialize in sub-to and seller-financed transactions. Ask in your local REI network for Texas-preferred servicers.

**Property Inspector**

Use a licensed Texas inspector (TREC-licensed). Develop a relationship with an inspector who understands the specific issues of Texas homes — foundation movement on expansive soils, HVAC wear in extreme heat, hail damage, and pier-and-beam foundations common in older Texas neighborhoods.

## **Contractor Network**

Build relationships with reliable, fairly-priced contractors before you need them. In Texas, you need a solid HVAC company (critical), a foundation repair company familiar with pier-and-beam and slab foundations, a roofer who works with insurance claims, and a general handyman for routine turns.

## **Real Estate CPA**

Texas's no-income-tax environment simplifies state tax planning, but federal taxation of real estate income, depreciation, and eventual gains requires a knowledgeable CPA. Find one who works specifically with real estate investors and understands depreciation schedules, passive activity rules, and 1031 exchanges for your exit planning.

## CHAPTER 9

# Common Mistakes and How to Avoid Them

*Hard Lessons from the Field*

## Mistake #1: Not Verifying the Mortgage Before Closing

The number one deal-killing mistake is closing without independently verifying the loan terms. Sellers sometimes misrepresent the loan balance, rate, or payment amount — occasionally through dishonesty, but more often through ignorance of their own loan details. Always get the most recent mortgage statement directly from the servicer (you can sometimes call as the seller's authorized representative) and confirm the payoff balance before closing.

## Mistake #2: Skipping the Title Search

Acquiring a property with an undiscovered second mortgage, IRS lien, or HOA lien can turn a good deal into a financial disaster. Title search is non-negotiable. The cost is minimal compared to the risk of acquiring a property with hidden debt.

## Mistake #3: Taking Title in Your Personal Name

Holding investment real estate in your personal name exposes your personal assets to any liability arising from the property. Use an LLC. This is especially important in Texas, where the legal and business environment is favorable to entity formation. Talk to your attorney about whether a single-member LLC or a series LLC structure makes sense for your portfolio.

## Mistake #4: Ignoring Insurance

Going even one day without proper insurance on a subject-to property is reckless. Texas is vulnerable to hail, wind, flooding, and tornadoes. A major event with no insurance can wipe out your equity and leave you with a loan obligation on a destroyed asset. Insure the property before you take title — or at closing.

## Mistake #5: Failing to Communicate Payment Reliability to the Seller

The seller's greatest fear is that you will stop making payments and their credit will be destroyed. Address this fear directly and often. Provide them with access to verify payments. Put your payment commitment in writing. A seller who trusts you will not panic and create problems. A seller who is uncertain may take adverse action — like calling the lender — that accelerates the loan.

## Mistake #6: No Exit Strategy

Acquiring a sub-to deal without a clear exit plan is a recipe for getting stuck. Before you close, know your primary exit (refinance, sell, wrap) and your contingency exit. Run the numbers on each scenario. If the only exit is a refinance but you have no path to qualify for a loan in 24 months, reconsider the deal.

## **Mistake #7: Overpaying for Equity**

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The whole point of a sub-to deal is to acquire favorable financing. If you pay the seller close to full market value for their equity, you may eliminate the upside that makes the deal worthwhile. Be disciplined on price. The seller is getting value through the creative structure — they do not need to also receive retail equity pricing.

## **Mistake #8: Not Using an Attorney**

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This bears repeating: Texas subject-to transactions have meaningful legal complexity. Using boilerplate documents downloaded from the internet, or worse, no documents at all, exposes you to serious legal risk. Pay for a qualified Texas real estate attorney. The cost is de minimis relative to the size of the transaction and the downside of poorly structured documents.

## CHAPTER 10

# Scaling Your Portfolio

*From First Deal to Financial Freedom*

## The Portfolio Building Roadmap

Subject-to investing, done correctly, is a wealth-compounding machine. Each property acquired with below-market financing generates cash flow that funds your operations, builds reserves, and eventually provides capital to acquire more deals. Here is a proven framework for scaling:

### Phase 1: Foundation (Deals 1–3)

Your first three subject-to deals are about learning the process, building your team, and proving the model to yourself. Go slowly, do deep due diligence, and keep the deals simple. No complex lease-options, no heavily distressed properties, no out-of-market acquisitions. Master the basics first.

- Focus on one Texas metro
- Use a single LLC for initial acquisitions
- Keep leverage conservative — do not stretch financially
- Document everything meticulously — build operational systems now

### Phase 2: Systematization (Deals 4–10)

Once you have closed three deals without major problems, begin systematizing. Your lead generation, due diligence, closing, and management processes should be documented and increasingly delegated. At this stage, begin building your direct mail or marketing infrastructure for consistent deal flow.

### Phase 3: Acceleration (10+ Deals)

With proven systems and a reliable team, you can begin scaling more aggressively. At this stage, many investors begin pursuing multiple markets, bringing on a dedicated acquisitions person or VA (virtual assistant), and using cash flow from the portfolio to fund new deal costs.

## The Power of Below-Market Financing

To appreciate the wealth-building impact of sub-to, consider a simple scenario: you acquire 10 properties in Texas on mortgages originated between 2020 and 2022 at an average interest rate of 3.5%. Current 30-year mortgage rates are in the 6.5%–7% range. On a \$200,000 loan balance, the payment difference between 3.5% and 7% is approximately \$433 per month per property.

Across 10 properties, you are generating approximately \$4,330 per month in additional cash flow purely from the interest rate advantage — before considering any other value drivers. Over a year, that is roughly \$51,960 in extra cash flow. Over five years, that approaches \$260,000, before accounting for appreciation and principal paydown.

**THE INTEREST RATE ARBITRAGE EFFECT**

*The sub-to investor who acquires 10 properties on 3%–4% mortgages in a 7% rate environment is not just buying real estate — they are buying an interest rate arbitrage machine. At roughly \$433 per month per property in payment savings, every month that passes without a rate environment change puts more money in your pocket.*

## Texas Long-Term Wealth Fundamentals

Beyond the mechanics of individual deals, Texas offers a macro tailwind for long-term real estate wealth that is hard to replicate in most states:

- No state income tax maximizes retained cash flow and dividend-like distributions from your portfolio LLC
- Population growth across all major metros sustains demand for housing, supporting rents and values
- Business-friendly regulatory environment attracts corporate relocations that drive housing demand
- Relatively landlord-friendly laws compared to states like California or New York (though tenant rights are evolving)
- Deep, liquid real estate markets in DFW, Houston, San Antonio, and Austin provide strong exit options

## CHAPTER 11

# The New Investor's Fast Track

*Wholesaling Subject-To Deals with Zero Capital*

## Why This Chapter Exists

Every chapter up to this point has assumed you intend to acquire and hold — or at minimum acquire and manage — the properties you put under contract. But there is a powerful alternative path that is particularly well-suited to brand-new investors: wholesaling subject-to deals.

Wholesaling a subject-to deal means you find the motivated seller, negotiate the subject-to terms, get the property under contract, and then assign that contract — or double-close — to an experienced investor buyer who takes over the deal. You never actually acquire the property. You never make a mortgage payment. You never deal with tenants. You earn an assignment fee for finding and structuring the deal.

Done correctly, this is a legitimate, repeatable business model that requires no cash, no credit, no real estate license (in most cases), and no prior experience owning investment property. It is, in the most literal sense, a zero-money-in strategy.

### THE WHOLESALER'S ADVANTAGE

*Wholesaling is not a lesser version of real estate investing — it is a distinct business that builds skills, capital, and relationships that will serve you for the rest of your investing career. Many of the most successful buy-and-hold investors in Texas started as wholesalers.*

## How Sub-To Wholesaling Works

The mechanics differ slightly from traditional wholesaling, where the value is simply a distressed property at a below-market price. In sub-to wholesaling, the value you are delivering to your buyer is threefold:

- A motivated seller who has agreed to let their existing mortgage ride
- Below-market financing terms — especially a low interest rate the buyer cannot get anywhere else
- A structured deal with documented terms, disclosure, and a clear path to closing

Here is the step-by-step flow of a sub-to wholesale transaction:

13. You find a motivated seller through your lead generation channels
14. You analyze the deal: existing loan balance, interest rate, payment, property value, and condition
15. You negotiate and execute a purchase agreement with a subject-to addendum, naming yourself (or your LLC) as buyer — with an assignability clause
16. You market the deal to your investor buyer list, presenting the mortgage terms, equity position, and cash flow potential

17. You assign your purchase contract to the investor buyer for an assignment fee, typically \$5,000–\$20,000 depending on the deal's value
18. The investor buyer closes the transaction with the seller and takes title subject-to the existing mortgage
19. You collect your assignment fee at closing — often through the title company

## What Makes a Sub-To Deal Wholesaleable

Not every sub-to opportunity is a strong wholesale candidate. Investor buyers paying an assignment fee are looking for clear, quantifiable value. The deals that move quickly in the wholesale market share several characteristics:

Deal Characteristic	Why Buyers Pay More For It
Low Interest Rate on Existing Loan	A 2.5%–4% rate in a 7% market is immediately compelling — every investor buyer can calculate the monthly savings on the spot
Positive Cash Flow from Day One	After PITI and your assignment fee is built into the numbers, the deal should still cash flow for the buyer
Clean Title	No surprise liens, second mortgages, or IRS encumbrances that complicate the close
Seller Already Educated	A seller who understands and has signed the subject-to disclosure is far easier to hand off to a new buyer
Below-Market Purchase Price	Equity cushion protects the buyer and justifies your fee
FHA or VA Loan	Assumable loans are premium wholesale inventory — buyers have an additional built-in exit strategy

## Setting Your Assignment Fee

Your assignment fee is negotiated between you and your buyer — it is not regulated. However, pricing it correctly matters enormously. Too low and you leave money on the table. Too high and you kill deals by making the numbers not work for the buyer.

A practical framework for setting your fee:

- Start with the after-repair value (ARV) or current market value of the property
- Subtract the existing loan balance to calculate gross equity
- Subtract the buyer's minimum acceptable equity cushion (typically 20%–25% of value for buy-and-hold buyers)
- Subtract estimated repair costs and closing costs
- What remains is the room for your assignment fee

In Texas's working-class and middle markets, assignment fees on sub-to deals typically range from \$5,000 to \$15,000. In higher-value markets like Austin or North Dallas, fees can reach \$20,000–\$30,000 or more when the financing terms are exceptionally favorable. Never sacrifice a deal over a few thousand dollars — a fair fee that closes beats a maximum fee that kills the transaction.

#### TEXAS LICENSING NOTE FOR WHOLESALERS

In Texas, you do not need a real estate license to wholesale properties using an assignable purchase contract on a property you have equitable interest in. However, this area of law is nuanced and has been subject to regulatory attention. Consult a Texas real estate attorney before launching a wholesaling business to confirm your specific structure is compliant with current Texas Occupations Code requirements.

## Building Your Investor Buyer List

A wholesale business is only as good as the buyers waiting to purchase your deals. Building a strong investor buyer list is the most valuable asset you own as a wholesaler — and it costs nothing to build. Start on day one, before you have your first deal.

### Where to Find Investor Buyers in Texas

- Real Estate Investor Associations (REIAs) — Texas has active REIAs in every major metro. DFW REIA, Houston REIA, San Antonio REIA, and Austin REIA all hold regular meetings packed with active buyers
- BiggerPockets — The largest online real estate investor community. Post in your local market forum that you will have sub-to deals and watch buyers respond
- Facebook Groups — Search "real estate investors [city name] Texas" — most markets have active groups with thousands of local investors
- Title Companies — A title company that closes sub-to deals has a built-in Rolodex of investor buyers. Ask them to introduce you
- County Records — Pull a list of recent cash buyers and LLCs purchasing residential properties in your target county. These are your most active buyers
- Hard Money Lenders — They know every active investor in their market. Build a relationship and ask for referrals to buyers looking for creative-finance deals

### Qualifying Your Buyers

Not all interested buyers are real buyers. Before spending time marketing a deal to someone, qualify them with a brief intake conversation:

- What markets and price points are you actively buying in right now?
- Do you have experience with subject-to transactions?
- How quickly can you close — do you have cash or financing ready?
- What does your ideal deal look like in terms of cash flow and equity?
- Have you worked with a wholesaler before, and how did that go?

Build a simple spreadsheet or CRM with your qualified buyers, their criteria, and their contact information. When you have a deal, your first call is to the three or four buyers whose criteria it matches best.

## Marketing Your Deal to Buyers

When you have a subject-to contract in hand, your marketing to buyers should be fast, specific, and numbers-forward. Investors do not buy stories — they buy spreadsheets. Your deal presentation should include:

- Property address, photos, and condition summary
- Current market value (with comps)
- Existing loan details: balance, interest rate, monthly PITI payment, remaining term, lender name
- Your assignment fee
- Estimated market rent
- Projected monthly cash flow after PITI and management
- Any known repairs needed
- Estimated equity at close (value minus loan balance minus assignment fee minus repairs)
- Seller motivation and timeline

Keep the presentation to one page or a brief email. Active investors evaluate deals quickly. If the numbers work at a glance, they will call you. If they need to decode a wall of text first, you will lose them.

### THE 72-HOUR RULE

*Speed matters enormously in wholesale. When you get a sub-to deal under contract, your goal is to have an assigned buyer within 48–72 hours. The longer a deal sits, the more seller anxiety builds and the more likely something goes sideways. Have your buyer list ready before you need it.*

## The Double-Close Alternative

Some wholesalers prefer a double-close over a straight assignment, particularly when they do not want the buyer to see the original contract price (and thus the spread). In a double-close:

20. You close on the property in your name or LLC (the A-to-B transaction)
21. Immediately — sometimes the same day — you close the sale to your investor buyer (the B-to-C transaction)
22. Transactional funding (short-term bridge capital borrowed for as little as one to three business days) covers the A-to-B close if needed

Double-closes are more complex and involve two sets of closing costs, but they provide privacy around your fee and work well when you want maximum control over the transaction. Texas title companies that work with investors are familiar with double-close structures.

## Building Capital Through Wholesaling

The most strategic use of wholesaling is not to wholesale forever — it is to wholesale until you have the capital and experience to become the buyer. Here is the path many successful Texas investors follow:

Timeline	Milestone
Months 1–3	Learn the market, build your buyer list, generate leads, make offers
Months 4–6	Close your first 2–3 wholesale deals, earn \$10,000–\$40,000 in assignment fees
Months 6–12	Use wholesale income to fund your own first acquisition — either as the sub-to buyer or a traditional purchase
Year 2+	Run wholesale and buy-and-hold simultaneously; wholesale deals fund acquisitions; acquisitions build long-term wealth
Year 3–5	Portfolio generates passive income; wholesaling becomes optional but profitable as a business

## The Unique Advantages for New Investors

If you are brand new to real estate investing in Texas, the sub-to wholesale path offers a set of advantages that no other entry strategy can match:

### Zero Capital Required

Traditional real estate investing requires down payments of 20%–25% for investment properties, plus closing costs, plus reserves. A \$200,000 property requires \$50,000 or more out of pocket before you turn a key. Sub-to wholesaling requires exactly zero. Your only costs are marketing (direct mail, driving for dollars, skip tracing) — which can be started for a few hundred dollars or less.

### No Credit Qualification

You are not borrowing money. You are not applying for a mortgage. Your FICO score, debt-to-income ratio, and employment history are irrelevant. The only qualification that matters is your ability to find motivated sellers and connect them with qualified buyers.

### Speed of Skill Development

Wholesaling compresses years of real estate education into months of practical experience. By your fifth deal, you will know how to read a mortgage statement, evaluate a deal, negotiate with distressed sellers, build a buyer relationship, and navigate a closing with a title company. These skills make you dramatically more effective as a buy-and-hold investor later.

### Low Downside Risk

Unlike owning property — where a bad tenant, a failed roof, or a vacancy can cost you thousands — wholesaling's worst-case scenario is a deal that falls through. You lose the time and marketing cost of that deal. You do not lose a property, a mortgage payment, or a repair budget. This low-stakes learning environment is ideal for building confidence and competence.

## Income That Funds Future Investments

Assignment fees create capital. A new investor who closes four wholesale deals in their first year at \$10,000 average per deal has earned \$40,000 — enough to fund an LLC, build a marketing budget, hire a real estate attorney on retainer, and make their first buy-and-hold acquisition. Wholesaling is the on-ramp to the highway of long-term wealth.

## The Mindset Shift Every New Investor Needs

The biggest obstacle most new investors face is not capital, credit, or market knowledge. It is the belief that they need to have everything figured out before they start. They wait until they have more money. They wait until they understand the market better. They wait until the timing feels right.

The sub-to wholesale model dismantles every one of those excuses. You do not need money — the strategy is designed to operate without it. You do not need perfect market knowledge — your buyer list is full of experienced investors who will tell you whether your deal makes sense. You do not need to wait for better timing — motivated sellers exist in every market condition, in every economic environment, in every Texas city.

What you do need is the willingness to make offers, to have uncomfortable conversations with distressed sellers, to learn from deals that fall through, and to keep going when the first three sellers say no. That willingness — not capital, not credit, not connections — is the actual entry requirement for this business.

### THE ONLY REAL BARRIER TO ENTRY

*Every experienced sub-to investor in Texas was once a new investor staring at their first pre-foreclosure list, unsure where to begin. The ones who built portfolios are the ones who made the first call anyway. Your competitors are sitting on the same information you have — the only difference is action.*

## Your 30-Day New Investor Action Plan

If you are starting from zero today, here is a concrete 30-day roadmap to your first sub-to wholesale deal:

Timeline	Action
Days 1–3	Set up your LLC, open a business checking account, and retain a Texas real estate attorney for a one-hour strategy consultation
Days 4–7	Attend one REIA meeting in your target market. Collect contact information from at least 10 active investors. These are your first buyer leads.
Days 8–10	Pull the pre-foreclosure list from your target county's district clerk website. Skip-trace contact information for 50 homeowners on the list.
Days 11–20	Begin outreach — direct mail, phone calls, door knocking. Your goal is 5 substantive

	conversations with motivated sellers.
Days 21–25	For sellers who express interest, conduct a full deal analysis: pull comps, verify loan details, assess condition. Make offers on deals that pencil.
Days 26–30	If you have a deal under contract, present it to your buyer list immediately. If not, evaluate what you learned and optimize your outreach approach for the next cycle.

Most new investors do not close a deal in their first 30 days — and that is completely normal. The goal of the first month is not a closed deal. It is a system: a lead generation channel running, a buyer list started, a team assembled, and a deep enough understanding of the market to recognize a good deal when it appears. Build the system, and the deals will follow.

#### TEXAS REIA RESOURCES

Texas REIAs are one of the most underutilized resources for new investors. The Houston Real Estate Investors Association, DFW REI Club, San Antonio Real Estate Investors Association, and Austin Investors Group all hold regular meetings where you can network with active buyers, find mentors, and access market intelligence that would take months to gather on your own.

# CONCLUSION

## Your Next Steps

Subject-to investing in Texas is not a secret strategy. It has been practiced by creative real estate investors for decades. What separates successful sub-to investors from those who struggle is not access to secret knowledge — it is the discipline to execute correctly, the patience to find the right deals, and the commitment to serve sellers with integrity.

Texas gives you every structural advantage: a massive and growing population, no state income tax, a diverse set of markets at every price point, a steady supply of motivated sellers, and a legal and business environment that rewards entrepreneurial action. The opportunity — for investors willing to do the work — is both real and enduring.

Begin with these concrete next steps:

23. Identify your primary Texas market and study it deeply — attend local REIA meetings, drive neighborhoods, understand the price points and rental rates
24. Build your team before you have a deal — attorney, title company, inspector, insurance broker
25. Set up your LLC and business banking infrastructure
26. Launch your first lead generation channel — start with pre-foreclosure lists from your target county
27. Study the loan documents on every deal until you can read a mortgage statement and deed of trust fluently
28. Close your first deal conservatively and learn from every step of the process
29. Build on that foundation, one property at a time

### FINAL THOUGHT

*The best time to start building a subject-to portfolio in Texas was when interest rates were at historic lows. The second best time is now — because those low-rate loans still exist on properties across the state, and motivated sellers are still choosing creative solutions over difficult traditional sales.*

## The Texas Subject-To Playbook

*For Educational Purposes Only — Consult a Licensed Texas Real Estate Attorney Before Executing Any Transaction*