

A GUIDE FOR INVESTORS TEXAS PRE-FORECLOSURES

Working With the Homeowner



by Cathy Crowe

BUYING THE PROPERTY DIRECTLY FROM THE OWNER BEFORE FORECLOSURE

- Locate the property
- Look up property in the tax records – print report
- Have a CMA (comprehensive market analysis) done on the property
- Drive by the property
- Take a picture of the property
- Drive by the comps
- Take pictures of the comps
- Access the value of the property with the information that you have gathered
- Call the owner of the property and build a rapport
- Make an appointment to visit the owner and the property
- Review all communication that owner has received from lender
- Negotiate with the owner a win-win deal
- Write a contract on the property and have all parties sign the document
- Have owner sign a document to allow you to talk to the mtg. company
- Do a lien search with a title company to obtain title insurance
- Contact the mortgage company and verify information that owner gave you
- Consider your financing options
- Close the deal!

ACCESS THE VALUE OF THE PROPERTY

Do your homework and obtain a Comparable Market Analysis on the property. Look what has sold in that same subdivision in the last 6 months. If there have not been any sales during that time frame, start going out in ½ radius and build up to a 2 mile radius to satisfy the comps. Make sure you are comparing apples to apples, not apples to oranges. Look at what is on the market at the present time and how long it has been on the market. Look at what has expired and not sold in the past 6 months. Take a look at what the rental market is for that property also.

This is the most important part of the puzzle. You must be able to master obtaining values. Practice, practice, practice until you get familiar with the process.

The tax value on a property does not always indicate the market value.

Drive out to the property to look at it. Take a look at the exterior to assess the condition and estimate how much repair work will be needed to re-sell the property. Take a picture of the property.

Drive by all the comps that you have pulled. Compare those houses with your property. Take pictures. Make sure to label the photos so you know what they are when you get back to the office.

Drive the neighborhood. Find the schools, churches, shopping and other amenities which will have a bearing on the value of the property.

Once you have a rough idea of the market value of the property, you can make a judgment as to whether enough exists to make it a good investment.

How much equity need to exist to make the property a good investment? This is a personal decision that one needs to make themselves. Some may be satisfied with 20-30%. When investing in distressed property or foreclosure property, a good rule is to try to have 65% or less with the exposure you are assuming to acquire. If you are assuming a \$50,000 mortgage, making up \$2500 in back payments, late fees and legal fees, \$1000 to the owner for "cash for keys", and investing \$10,000 in repairs. You should be able to sell this property for about \$100,000.

NEGOTIATE WITH THE OWNER

The object is to have a successful negotiation with the homeowner.

Your objective is to have the owner sell you the property. If you want to take over the existing mortgage (plus any other liens against the property), it is contingent upon the mortgage company letting you do so. They will require you to make up any back payments in arrears. Then you must have the owner give you a deed to the property.

The owner might want you to give them some money. This money is referred to as “cash for keys”. You can give them money to move to another location and for moving expenses. This is contingent upon them leaving the property in broom clean condition with no damages incurred.

Making contact with the owner is not always easy. You could call him on the phone, but since he has had financial difficulties, he has had many phone calls and might be quite put off by them. You can write him a letter, but he might not open the letter, as he thinks it is just more bad news.

The best method is to walk up to the door and meet him face to face. Hopefully he will be willing to talk to you if you present yourself in the correct manner.

The scenario might go something like this:

“Hello, I am Fred Friendly and I specialize in properties facing foreclosure. I recognize that you are having some difficulties with your mortgage and it is a convenient time for you, I would like to explain how I may be able to help you.”

It is very important to make a good rapport with the person from the start. There is a fine line that you will have to master from being empathetic and being professional. It will come to you on how to handle this difficult situation, but in time you will feel at ease with making them feel at ease with you. Do not get discouraged in the beginning if you feel uncomfortable talking to the people. It will get easier as you come across more situations.



HERE ARE THE MAIN TOPICS THAT YOU WANT TO DISCUSS WITH THE HOMEOWNER

- How much are your monthly payments?
- How many months are you behind?
- What is the total arrearage?
- What is the loan balance? The homeowner will have received a letter from the mortgage company advising him of the pending foreclosure that will state the loan balance.
- Are taxes and insurance included in the monthly payments?
- Does the owner have any judgments against him?
- Are there any other liens on the house?
- Has the IRS placed a lien on the property?

Ask the homeowner if you could tour the property. You will need to make note of the condition of everything. Use the property condition worksheet at the back of this Manuel as a guide. Make sure that all of the utilities are working. Check out the condition of the appliances. Ask about the heating, air conditioner and hot water heater. Try to be subtle, be through.

Try to determine how much it will take to get this house into shape so that it can be resold. This will help you determine what you need to purchase this property at.

If in your physical review of the house convinces you that it is a good investment candidate, test the waters with the home owner and make a cash offer to him. This will show him that you are serious about the property and it will let you know if he has other alternatives working. You must take into consideration all the facts on the property such as the condition of the house, its location and the general appearance of the neighborhood.

Your offer needs to cover the outstanding balance on the mortgage, and an offer to the seller for "cash for keys". You must make that clear to the seller that you are willing to help them out of their situation.

Be prepared for an initial rejection but be persistent in the fact that time is of the essence and that you are serious about helping him keep a foreclosure off his record.

WRITING THE CONTRACT

Once you have successfully completed your negotiations with the owner and have agreed upon a purchase price (which should be a small amount of cash ranging from \$500-\$2500), you must put the offer in writing with a contract.

Writing a contract is the step that legally precludes the owner from selling the property to someone else. This gives you the time in the next few days to continue to do your homework. You will complete the lien search with the title company. The mortgage company needs to be contacted to verify that they will allow you to take over the loan. If they will not allow that, this is the time that you need to take to obtain other financing.

If you are trying to obtain the property with a deed and the existing mortgage in place, the property is yours, with all the blemishes on it. You acquire all the obligations against the owner where the property is concerned. Any second liens, and IRS liens, tax liens, judgments, etc... That is why you must have the title searched to verify that there are no other liens or judgments against the property or owner other than what the owner advised you of in your initial negotiations with him.

Your contract must have a contingency clause that says your purchase of the property is contingent upon you obtaining financing. This says that the mortgage company must allow you to take over the existing loan and this must be verified by the lien holder. Or, that you have to obtain financing on your own from your own source.

Your contract will also have a provision making it not only conditional on there being no other judgments or liens against the seller or the property. Should the title search reveal judgments or liens against the property or owner other than what he initially disclosed to you, the contract would be rendered void. This is because one of the elements to make a contract enforceable, one is genuineness of assent. If the seller fails to disclose such a material fact as all the liens or judgments against the property or him, he may be considered to have defrauded you into signing the contract and this rendering it voidable.

It is highly suggested that you purchase a title policy for the property.

You must make sure that you close and fund the deal before the first Tuesday of the month. Just having a contract on the property does not mean that the foreclosure will be stopped.

WRITING THE CONTRACT (CONT.)

In special provisions a statement such as:

“Title to pass subject to but in no way assuming all liens of record”

This phrase essentially is your acknowledgement that you recognize there is an existing mortgage in effect; however, if you use it, you are not legally liable for any outstanding liens. Even though you are stating that you are not legally liable, you must make the regular monthly payments in order to prevent a future foreclosure while you own the house. Whenever one initiates a new loan or “assumes” an existing loan, a legal responsibility exists on the originator to pay off that loan and that responsibility does not disappear when the property is sold to someone else on an assumption bases. You can avoid deficiency judgments if you take title “subject to” rather than assuming title.

“Grantee to assume all escrows”

This means that should any escrow monies have accumulated, this simply means that you get them. But, in a foreclosure situation, the lender more than likely has used any escrow to pay interest on the loan. When the loan is brought current, the deficient escrow is also brought current. A letter to the mortgage company to inform them that you now own the escrow is customary in case there are ever any escrow overages.

You and the seller must sign the contract. If you chose to file the contract with the county clerk’s office, it must be notarized. It is not necessary to file the contract for it to be legal. Filing simply clouds the title should some unscrupulous person persuades the owner to sell the house out from under you even though you have just completed a contract.

After the owner has signed a contract, you need him to sign a letter addressed to his mortgage company to give you authorization to obtain information on his loan. This is called a MIL letter (mortgage information letter).

You now have a contract in hand that states that you have agreed to buy the property and that the owner has agreed to sell you the property. The contract states that you will purchase the contract only when all the conditions have been met.

AFTER CONTRACT IN HAND

It is highly suggested to have a professional do the abstract of title. You can hire a professional abstractor to do the research for you or you can have the title company do it for you. You must make sure you let them know that it is a foreclosure and you are dealing with a short period of time. If the title company does the work for you and you purchase a title policy and close the deal with them, they will not charge you for abstracting the title. If you do not close the deal or not purchase a title policy, check with them for the cost of an abstract.

Now you must contract the mortgage company that owns the loan. The contract and the letter will prove your legitimate interest in the property. Ask them to verify the arrearage and the balance on the loan. Inform them that you want to buy the property and would like to make up the back payments and confirm that they will let you take over the loan.

If the lender agrees and confirms that you will be allowed to bring the loan current and take over loan, do not make any payments or reinstatement documents yet. You will make your payment; sign the agreement only when you close on the property at the title company. Only when you can acquire the deed do you pay or sign anything. And you will only acquire the deed if it is clear of any other liens.

In some cases, the mortgage company may refer you to the trustee or their legal service to make these arrangements.

If all the above conditions are met, you may close on the property. It is suggested that you use a title company for this service.



NOW THAT YOU BOUGHT THE PROPERTY

If you bought the property from the owner before the auction...

- Re-sell the property on a new loan
- Re-sell the property on a wrap-around mortgage where you act as the bank by collecting monthly mortgage payments from your new buyer, making the underlying lien payments yourself and pocketing the difference as your profit.
- Rent the property for a high enough monthly payment to cover the underlying lien payments while you pocket the difference as profit. This allows you to own the property for an extended period of time while it appreciates in value for higher re-sale sometime in the future.
- Obtain an investor loan against the current value of the property. You could get a loan up to 80% of the value, which you can use to pay off the underlying lien and pocket the difference. You could then re-sell the property on a wrap-around basis or rent to cover the new loan payments.



PHONE SCRIPT FOR PRE-FORECLOSURE CONTACT

Hi, my name is ***** with ***** company. We track houses that are in foreclosure and we are attempting to help homeowners get out of foreclosure by offering some consulting services and some free information that would help you. We also have the ability to buy and sell homes if you are interested in pursuing that route. Would you be interested in setting up an appointment for us to come over to see how we can help you with your foreclosure?

IN PERSON SCRIPT FOR PRE-FORECLOSURE CONTACT

Hello my name is *****with ***** company and I am a real estate investor. (Hand your card to the homeowner) We track homes that are in foreclosure and attempt to meet with the homeowners to offer our services. We are here to help you get out of foreclosure by either giving you information you may not have or by just explaining to you some of the guideline for the foreclosure process. We are not lawyers and cannot offer legal advice, but we have experience in this area and can offer you our expertise. We also have the ability to buy your house with you getting some money from the deal. Can I come in to discuss what we offer in more detail?



WE CAN HELP!!!

We understand the problems that you are facing, and we would like to assist you.

We have over 16 years of experience working with foreclosures.

Time is Running Out.

Please call us at:

972-644-9885

To schedule an appointment.

ROYAL PROPERTIES

We are going to make every effort to save your house from foreclosure.

You may or may not be able to keep your house.

Depending on your circumstances, we will work with your lender to stop foreclosure.

We do not guarantee results. Please have all your paperwork available for us to evaluate.

Thank you.

PHONE SCRIPTS

Dear Home Owner,

My name is Cathy Crowe and I help people resolve problems with their mortgage companies. Public records show you are having a “situation” with yours. I am writing to see if I could be of assistance.

- If you desire to stay in your home, I can help you reinstate your loan.
- If you desire to move, I can purchase your home.

Please give me a call as soon as possible to see if I can help.

972-644-9885

PHONE SCRIPTS (CONT.)

Dear Homeowner:

My name is Cathy Crowe and I buy homes. I am not a bankruptcy lawyer or a real estate agent. I am a private investor who buys homes for cash.

I can help solve your problem, or offer you an alternative path out of your dilemma. I would like to offer you some help with your current situation. Your home was posted for Foreclosure on August 3, 2018. On September 7, you will lose your home in foreclosure if you don't pay off the mortgage and back taxes.

If I knew more of your situation, then I would be able to determine if I could help you.

Please call me as soon as possible. At the very least, 14 days prior to Foreclosure Tuesday which is the first Tuesday of each Month.

Sincerely,

Cathy Crowe



PHONE SCRIPTS (CONT.)

Dear Homeowner:

My name is Cathy Crowe and I would like to buy your house. I am a local investor-agent that is willing to purchase your house for CASH, PRIOR to the foreclosure date.

I can help solve your problem, or offer you an alternative path out of your dilemma. I would like to offer you some help with your current situation. Your house is posted for Foreclosure on September 7, 2018. On September 7, you will lose your house in foreclosure if you don't pay off the mortgage or reinstate the loan through the foreclosing Trustee.

If I knew more of your situation, then I would be able to determine if I could help you.

Please call me as soon as possible. Time is short.

Sincerely,

Cathy Crowe-League

CALL NOW

972-644-9885

PHONE SCRIPTS (CONT.)

Dear Homeowner,

I understand the anguish you are experiencing with your home foreclosure and would like to help you to save your credit and return to a normal lifestyle by purchasing your home prior to lender repossession. We can also possibly provide some additional equity cash directly to YOU for movement expenses, rent, or to spend at your own discretion.

My name is _____ and I am a private investor who purchases residential properties, at wholesale, for cash, in the Collin County area. I am not a Bankruptcy Lawyer, nor a Lender, nor a Realtor.

Due to our 14 yr. history we have strong relationships with agencies and can close on your house, and possibly get money in your pocket, very quickly, usually within 2 to 5 days, while still giving you up to 30 days to move.

I understand the urgency of your situation. Your house was posted for foreclosure on _____. If you fail to act now you will loose your home to foreclosure on _____. If you wait until after the foreclosure date, there is nothing I, nor anyone else, can do to assist you. Remember, there is a significant difference between creditor delinquencies and a home foreclosure.

In the next few days you will receive offers similar to this one from other investors. 9 out of 10 times we can match and BEAT these offers, giving you the most value for your home. Please allow us to help you and to provide a possible solution to your dilemma. I look forward to meeting with you and discussing your situation. Please call me as soon as possible, or at the very least, 7 days prior to the foreclosure date stated above.

Sincerely,

972-xxx-xxxx

PHONE SCRIPTS (CONT.)

Dear Home Owner

My name is Cathy Crowe, and I am very interested in buying your home. I am a real estate investor in the Tarrant County area. Because of our 14-year track record we have strong banking connections that will allow us to close more quickly on your home. You will have your money sooner and have no worries about the deal falling apart because financing could not be obtained. We can close in 2 to 5 days but give you in most cases a full 30 days after closing to move.

I would like to meet you in person and shake hands. Please don't hesitate to give me a call even if you are not interested in selling your home at this time.

Sincerely,

Cathy Crowe-League

972-644-9885



FORECLOSURE?

When your house has been posted for Foreclosure, the following actions with their problems and solutions are available to you.

Action	Problems	Solution
1. Get current.	Need thousands of dollars.	Sell to us.
2. Sell house yourself.	No MLS = low showings and probable no sale even with a big discount, slow market.	Sell to us.
3. List house with Realtor.	Pay 6% commission fee = more showings, little equity out. No guarantee sale. Might not close in time.	Sell to us.
4. File Bankruptcy.	30-60 day grace period, then it all starts again. \$500 and up cost to file. No guarantee sale.	Sell to us.
5. Sell to us.	NONE, Provided house is in good shape and passes inspection.	We will buy it.

Cathy Crowe & Associates

We Buy, Sell, Lease Homes

Cathy Crowe
972-644-9885

Don't forget, call us at least 7 days before
Foreclosure Tuesday

OPTION TO BUY

Address of Home

For \$_____ and other good and valuable consideration, had and received, I hereby grant to _____ and or his assigns, the Option to Purchase my house for the next _____ Days, at a price to be agreed upon which should approximate the Payoff of my Mortgage, taxes and any other liens or encumbrances, plus the sum of _____ to be paid to me, providing it passes the inspection of his contractors. This option may be extended by mutual agreement.

Signature

Signature

Name Printed

Name Printed

Date

Date

PROPERTY INFORMATION SHEET

Name: _____ Date: _____

Home: _____ Work: _____ Cell: _____ Fax: _____

Email: _____

Address: _____

City: _____ Mapsco: _____

Asking Price: _____ Tax Value: _____ ARV: _____

Why are you selling? _____

What is your plan if it does not sell? _____

Loan	Loan Amount	Monthly Payments	% Rate	Name of Mortgage Company
1 st				
2 nd				

Are taxes and insurance included in your mortgage? _____

Are you behind on your mortgage? _____ How much? _____

Would you sell your house for what you owe? _____

Will you owner finance? _____ Will you lease option? _____

of Bedrooms _____ # of Bath _____ Sq. Ft. _____ Age _____

Garage _____ Carport _____ Brick _____ Frame _____

Condition of Property: _____

Any Offers _____

Comments: _____

MARKET VALUE WORKSHEET

Property Address _____

Tax assessed value \$ _____ CMA value \$ _____

1st mortgage loan balance \$ _____ 2nd mortgage loan balance \$ _____

Loan payments, accrued interest, and late payment charges in arrears \$ _____

Legal fees owed \$ _____

Total amount needed to cure the default and reinstate the loan \$ _____

Liens and judgments liens recorded against the property \$ _____

Property taxes owed \$ _____

Total amount owed against the property \$ _____

Property's estimated repair and clean-up costs \$ _____

Cash for keys \$ _____

Property search, acquisition, and closing costs \$ _____

Estimated equity in property after purchase \$ _____

Auction sale date _____ Minimum bid \$ _____

Type of loan in default: FHA () VA () Conventional () Private ()

Original loan date _____ Original loan amount \$ _____

Interest rate _____ Assumable? _____

Monthly loan payment: Principal \$ _____ Interest \$ _____

Taxes \$ _____ Insurance \$ _____ Total payment \$ _____

Mortgage Company _____

Contact Info _____

Loan # _____

A B C Management
1208 Any Street
Suite 2-142
Your Town, TX 75002

Date: _____

Payment Processing
Address: _____

Re: Loan # _____

Gentlemen:

Please be advised that I have retained a management company in Dallas, Texas to collect the rents and make the loan payments on the above-described property. The company is:

A B C Management
1208 Any Street
Suite 2-142
Your Town, TX 75002

Phone: 214-xxx-xxxx
Attn: Mr. M

Beginning with the payment due on _____, your check for my loan payment will come directly from A B C MANAGEMENT. Please forward future statements or notices regarding changes in the amount of our payment to A B C Management. Thank you.

Sincerely,

AUTHORIZATION TO RELEASE INFORMATION

Authorization dated this _____ day of _____, 20_____

Borrower(s): _____

Loan No.: _____

Property: _____

TO: _____

I/We the undersigned hereby authorize you to release information regarding the above Referenced loan to: _____ and/or their agents/assigns. This form may be duplicated in blank and or sent via facsimile transmission. This authorization is a continuation authorization for said persons to receive information about my loan, including duplicates of any notices sent to me regarding my loan.

Borrower
SSN: _____

Borrower
SSN: _____

DISCLAIMER

This book and seminar if you attended can help jump start your career in foreclosure investing and help you understand the foreclosure process. But in no way is this book or seminar will be able to guarantee that any of its contents will get you a contract or purchase a property in the foreclosure process. Having success at buying property in foreclosure requires that you continuously attempt to contact defaulting homeowners and or bid at the auction. You must be willing to do the legwork, research and other preparation due diligence activities to be successful.



Over 35 Years of Experience in Real Estate



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