The Tenant Buyer And Their Option Consideration

Hosted by: Joe McCall

Hey, what's up guys? Joe McCall, REI In Your Car. Hope you're doing well. I've got a simple question to answer for you.

And it has to do with a very, very common question that I get a lot in regards to the tenant buyers option deposit money on a lease option deal. How do you get that option deposit money to apply towards their future down payment? All right, so here's how it works. It's not that hard. First of all, let me just kind of give you the setup for this. Like it happens all the time, no matter what type of real estate you're doing. If you ask realtors, attorneys, title companies, mortgage brokers, can I do whatever? It could be double close assignments, short sales, put a property into a trust. You can write the contract in an LLC and then sell the LLC. Do a lease option. You know you're going to get people to tell you no, you can't do that. It's illegal, immoral, and fattening, that's just the way it is.

So don't ever just settle for the first no that you get. You've got to ask and ask a lot of people until you get the answer you're looking for. If I would have stopped and I know so many investors that have the same story, if I would have stopped the first time I heard somebody tell me no, when I asked him if I could do a lease option or a double close or put a property in a trust or do subject two's was or whatever. Owner financing. No, I mean I literally had attorneys tell me that you cannot buy a house at .50 .60 cents on the dollar, it's illegal. Are you kidding me? It makes me so mad. My blood's boiling right now already, but it's just so whatever, right now.

Let me preface all of this was saying, I'm not an attorney, I'm not a mortgage broker, I am a realtor, but, and that's about it. And I went to, I have a public school education. So here's the question that has to do with the tenant buyers option, deposit money. When I teach wholesaling lease options, one of the things that we teach is the tenant buyer makes, takes the initial option, deposit check and makes it out to an escrow company. And then if you're working with the right mortgage broker or that mortgage broker should know of a way to make that money applied towards their future down payment. And they have to know the right banks to send that too. So I get this question a lot, at least several times a month. Well, my mortgage broker says you can't do that. I've even had people tell me, I talked to every mortgage broker I talked to says that you can't do that.

And then when I drill down and I ask them, oh, how many have you talked to? It's like two or three. Well, that's normal that's right? But you know what, I don't know what to say like we do it, it's not a big deal. My mortgage broker does it. My friends and students that do lease options,

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their mortgage brokers do it. So here's the answer to it. There's like three different solutions. Again, how can you get the tenant buyers option deposit money that's made to somebody else, maybe an escrow company. How do you get that to apply towards a future down payment? Well, number one, I never in the contracts guarantee that it will apply to their future down payment. I say that they get to credit it, a credit for that money back, and that's true. So it may not be if they don't use the mortgage broker and the in the in the right bank, then I can't guarantee that that money will get applied to them, right.

So that's up to them to make sure they're using the mortgage broker that I recommend. But number one, have the tenant buyer make the check out to a escrow company, a third party escrow company. I mean, just like any normal transaction, right? When you're buying any house the normal traditional way, who do you make the check out to? You don't make it out to the seller, right? You make it out to the title company, right? Just like any normal transaction. I just get mad because these mortgage brokers get their panties in a wad when they get something that's outside of the norm that's maybe a little more creative, right, so anyway, not a big deal, it's really not. Just make sure that the tenant buyer makes the check out to an escrow company and then the escrow company makes cuts you a check after the tenant buyer moves in where you make your assignment fee and all of that.

Then you got to make sure you're working with a mortgage broker that knows how to do this. They know the right way to present it to the banks and they know the right banks to present it to. Not every bank is going to allow it, so you need to find a creative, open minded mortgage broker or banker that understands lease options that understands what you're doing that knows the right way to do it and the right banks to present it to, okay. That's number one I think if my numbers are correct. Number two, if you really had to, I mean, if you were adamant about this and you've talked to at least a hundred mortgage brokers and they've all told you no you can't do this. Then whatever, okay, have the tenant buyer make the check out to the seller and then have the seller write you a check for the assignment fee right then and there.

You got to make sure it all happens at the same time. You explain to this to the seller what's going to happen up front from the very beginning so they know, they understand how it's going to work. You tell them, listen, I'm going to make this amount of money as my assignment fee. The tenant buyers going to put this, this is the way it's going to work. You stay in control of the whole thing. You tell them in advance, this is the way it's going to work. And that yeah, shouldn't be a big deal. And when you're doing all the rest of the paperwork, then you just make the tenant buyer write the check out to the seller and then make the seller write you a check at the same time. So it's like you're exchanging paperwork, give me this, I'll give you that, ect, ect.

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All right, make sense? So here's the thing. Don't let people tell you no you can't do things that, especially people that don't know what they're talking about. A lot of mortgage brokers, they say they work with anybody that can help anybody, but really they just want to work with people that have perfect credit and can get a mortgage today and have no challenges and things like that. So you got to be working with the more creative broker who can help you with investors, investor transactions, not just lease options, but a lot of other things. And it helps if you can find a local escrow company. So just ask around, start networking with your local REIA groups. Find people that do lease options in your town and ask them who do they use. And you should be good to go.

I hope that helps and it answers, the questions about tenant buyers option deposit money upfront. Cool, all right. Hey guys, listen, one more thing. If you want my book, it talks about how to do wholesaling lease options. Go get it for free. WLOBook.com WLOBook.com and teaches you how to flip lease options for fast cash. Get in and out of a deal pretty quickly. The market is changing rapidly and you need to understand this technique if you want to have any success in this business because a lot of sellers can't sell their houses for the price that they need to and a lot more sellers now are getting open to the idea more and more open to the idea of doing a lease option.

So you need to add it to arsenal add to it as a tool in your tool belt and you'll start doing more and more deals. I tell you this, if you understand lease options and know how to daily structure lease option deals, you never have to worry about money again because now instead of getting 1 out of 20 offers accepted, when you're talking to a seller, you're going to get maybe 3 out of 20 offers accepted when you know how to do creative deals, like lease options. So go get the book WLOBook.com. See Ya.

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