

Recent Real Estate Deal Completed by Brian Evans

Well, I figured it is about time I submitted one of my recent deals to the FFN Deal of the month contest. This deal has not given me a huge check to gloat about YET, but it is a deal that I would consider to be one of my proudest accomplishments to date. This was a deal that I found through a yellow letter zip code mailing and I ended up purchasing a house with 100% seller financing. The house was free and clear and the seller lived out of state and was ready to sell. After buying with seller financing I immediately marketed the house and found a Lease Option buyer to move in on a Work for Equity Program.

The snapshot of the deal is as follows:

ARV: \$160,000.

Repairs Needed: \$15,000.

Terms with Seller:

- \$99,000. purchase price
- 0% interest for life of loan
- 20 year balloon
- \$412.50 monthly payment
- No payments due to seller until 6 months after closing
- If Buyer pays off seller anytime within the first 10 years of the loan, seller agrees to accept a 5 % discount on the remaining balance.
- Seller pays all closing costs.
- Additionally, seller to give buyer a one week free stay at seller's beach house in Charleston, SC. (*She told me she had it so I asked.*)

Terms with Lease Option Buyer:

- \$149,900 option to purchase price
- \$5,000 down payment
- \$1,000/month lease
- I agreed to give a \$4,800 work for equity credit upon completion of various repairs/improvements to home.
- 24 months lease agreement

Profit Breakdown:

- Up front profit = \$5,000
- Monthly cash flow for first 6 months = \$1,000 (*b/c no payments for 6 months*).
- Monthly cash flow after 6 months = \$587.50
- If my Lease Option Buyer exercises the option after 24 months then:
 - o Monthly spread and up front profit: $(\$5k \text{ down}) + (\$1,000 \times 6) + (\$587.50 \times 18) = \underline{\$21,575.00}$
 - o Back end profit: $(\$149,900 - \$5,000 - \$4,800) = \$140,100 - \$86,996.25 = \underline{\$53,103.75}$
 - o **Total Profit based on 24 month lease option: 74,678.75**

So, as you can see I am pretty happy with the terms I negotiated on this home, and frankly I hope that my Lease Option buyers don't buy, but if they decide to, then I also put in my agreement with them that I have the first right to finance them myself. Since I have no interest going out, I might as well collect interest coming in. Oh, and if it takes them more than 24 months to buy based on our agreement then the purchase price will be the appraised value at the time of closing!

Thanks Ron for all your AWESOME information. This deal wouldn't have happened without you!

Your Loyal Student,

Brian Evans
Lexington, KY
1/30/08



Here is a picture of the house



Here is a picture of my wife and I, haha.