

### **There's Still Money Out There!**

*Ask, and ye shall receive. John 16:24*

Talk about a buyer's market! With millions of foreclosures across the nation in the last year – there are plenty of houses out there at terrific prices – from homeowners and especially from banks!

But finding properties isn't enough. You've got to be able to buy them at the right price. That, no matter how you slice it, takes money. But these days, aren't mortgages impossible to get?

Well, conventional mortgages are certainly harder to get these days. But even if you can get an affordable bank loan, you shouldn't be spending your money on monthly mortgage payments anyway. Why? Because you'll quickly find yourself over-leveraged. You want your business to grow, right? So use your money to invest in the systems that will bring in more money, like marketing and operational expenses.

If conventional loans are such a bad idea, what's the answer? Forget real estate investing altogether? Go to truck driving school instead?

Definitely not! But there's a great funding alternative that's available in any market: private lenders. Regular folks, just like you and me, who have money to invest. Think they're not out there? Think again. Whether you realize it or not, you do know people who have thousands, or even tens of thousands, of dollars available for investment.

What's so great about private lenders? Here are some of the advantages:

- ▶ You'll be more able to survive the cash flow game. You'll be able to buy more houses, and you won't go broke doing it.
- ▶ With a private lender, you'll increase your ability to close fast and make all-cash offers. That means much greater negotiating leverage and ultimately, a lower purchase price.
- ▶ Your exits will be quicker and more profitable because you'll have the money to renovate quickly and professionally.
- ▶ Private loans are cheaper and more flexible. No points, no closing costs, and no junk fees.
- ▶ You'll define the terms of repayment. You can arrange to pay back the loan monthly, in a lump sum, or in some combination, depending on your cash flow needs. You can either pay it back and keep all your profits, or treat the transaction as a partnership and give the lender a share.
- ▶ You will avoid arbitrary limits on how many loans you can have.

- ▶ You won't need a credit report to get a loan.
- ▶ You'll be in a position to buy more expensive homes.

All right, you say. It sounds pretty good. But where do I find these lender people? Do I have to join the country club? Start going to the symphony? Nope. Every time you meet someone with an old retirement account you've just met a potential lender. There are more of them than you might think, and they're pretty much everywhere. They're relatives, close friends, and business partners. They're churches and other nonprofit organizations looking to build income. After all, who wouldn't like to make 10%, 12%, or 15% on money that's currently just earning in the single digits? Especially if that investment is protected by a security deed, promissory note, and insurance?

But, you say, I can't just go around asking relatives for \$10,000. You don't have to. Just open your mouth and tell people what you do. Ask if they know someone who might be interested. Then, back it up with marketing materials. I use a two-step marketing approach that includes a CD presentation and a "credibility kit" to demonstrate why I can be trusted with someone else's money. It includes a resume, current information about the market, sample spreadsheets, articles, and other information that shows the benefits of investing in real estate even in this market.

Perhaps you think you've got nothing to put in your credibility kit because you're new at this. Or perhaps you think your resume is a little "thin" on experience. But just as you need to get creative when you're working with sellers, you can be creative on your own behalf, too. Not dishonest, mind you. Never, ever dishonest. But definitely creative. However you market yourself, though, make it professional. Uncle Bertram isn't going to trust you with his nest egg if you give him a "brochure" printed on a fluorescent pink "brochure" with cheesy clip-art and a bunch of spelling errors.

As with any investment technique, working with private lenders does have its tricks. Getting an education is critical, because you may run afoul of federal securities laws if you market yourself in the wrong way. Having an attorney review your material is also smart.

And it's also important not to exceed appropriate loan-to-value ratios; even though you're not bound by strict conventional mortgage terms. You must know how to act prudently so that your lender is not at risk. Always ask yourself how you would feel if you were making this investment with your own money.

So don't call truck driving school just yet. There are investment tools and techniques that work even in this market for those who are willing to get educated and get moving. There really is money available for real estate investing. All you have to do is ask.

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**Synopsis:** If you think you can't get a property loan in this market, think again. Private lenders are everywhere, and they can provide investment money that will help your business grow no matter what the market. It's a matter of getting educated – and then, simply asking.