Creating Residual Income Opportunities in Real Estate

How to Get Your Money to Work For You

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The data and scenarios presented in this book is not in any way, shape or form a guarantee that you will experience the same results. The material contained within these pages demonstrates past performance. Past performance is not an indicator for future results. The data presented is used to illustrate an educational message and exemplify learning points. Don't use this information when deciding on financial, tax, accounting, legal or real estate matters. Seek legal advice from a lawyer when dealing with contracts or any other legal matters.

Introduction

Are you interested in making money through real estate investments? It's not just for big business tycoons and multi-millionaires. Today's real estate investor could be any average, middle-class person.

The key to generating more net worth for yourself is by establishing residual income. Your net worth is the total of all of your assets, minus your liabilities. Residual income is money that comes to you monthly on an ongoing basis, from investment that you have only had to set up once. Examples of residual incomes are stocks, royalties, etc. The key to your financial prosperity is building your portfolio of residual income producers.

One of the first steps to developing a positive cash flow is to set yourself up for success. First, you will need to get rid of your debt and minimize your expenses. You will need to carefully track and account for your money. Reduce the amount of money that you spend on unnecessary items, and begin developing an asset base so you will be able to secure financing in the future. Begin actively saving cash so you can invest in real estate.

Chapter 1

Produce Income by Buying Mortgages

About Buying Discounted Mortgages

You can invest in mortgages, just like Wall Street's Mortgage Securities but on a smaller scale. Make money in the same method by buying discounted mortgages. What is it? Here is a scenario that explains how it works:

Mr. & Mrs. Smith find a house that they want to purchase. They both have excellent credit and earn decent incomes, but the Smiths are $5,000 short of their required deposit. Interest rates are at 7.5%, and they ask the sellers of the property to if they would be willing to take out an interest-only, 8 year mortgage.

What is an interest-only mortgage? It's when only the interest is paid during the life of the loan and the full amount of the actual loan is paid when the loan matures.

In our scenario, if the home's purchase price is $100,000, and they need an interest-only mortgage for the $5,000 down payment, then the Smiths would pay $500 each year for 8 years, and in the 8th year, also pay off the full $5,000. In the meantime, they would have two mortgages on their new home.

Whenever property is sold, information regarding the sale of the home is recorded at the country courthouse of the Town or City Hall. The information becomes public record. The information in these records includes:

- Purchase price
- Liens on the property
- Taxes
- Buyer's and Seller's names