

# HOW TO PURCHASE YOUR "DREAM HOME" WITH NO CREDIT CHECK

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# HOW TO PURCHASE YOUR "DREAM HOME" WITH NO CREDIT CHECK

Most real estate salespeople will tell you without hesitation that no-one can purchase real estate without a down-payment or credit check. They will tell you that a credit check is an essential part of the process and that you better have a fistful of cash before you ever think about buying a home. Of course, nothing could be further from the truth!

Everyday throughout America, tens of thousands of people are acquiring homes without being subjected to a credit check or spending a cent of their own money as a down payment.

The reason why real estate salespeople don't even want to consider real estate transactions that are creatively packaged and don't require cash is obvious! They receive their commissions only when there are cash transactions.

No one should deny a real estate salesperson commissions. In many cases it is their expertise in the real estate field that can help a person find great buys. They know the market in their areas and deserve the commissions they earn. However, in times of high interest rates when money is tight, many are increasingly willing to be creative by allowing their commissions to be paid via a note or by deferred payment. Still, there are even better ways if you want to avoid down payments and credit checks.

## HOW A DREAM HOME CAN BE PURCHASED WITHOUT A CREDIT CHECK

The Veterans Administration (VA) and the Federal Housing Administration (FHA), a division of Housing and Urban Development (HUD) have been encouraging and promoting home ownership through their agencies for years. When people are denied a home loan by a bank or other lending institution, FHA will insure a home mortgage loan by giving the lending institution a 100% guarantee against any losses that may be incurred if the buyer does not repay the loan. Another benefit of getting a FHA loan is that the interest rates are usually lower than the standard bank rates for home mortgages.

The VA will also guarantee a home loan up to 100%, which also allows a buyer to receive a home loan through a bank or other lender. A credit check is required on the "original" buyer of the home, but here's the loophole!

While it is true that from March 11988 onward, all assumable VA loans require credit approval, the good news is that these changes in credit check approval only apply to those loans that were made "**after March, 1988,**" **ALL VA LOANS MADE BEFORE MARCH 1988 ARE STILL ASSUMABLE BY ANYONE REGARDLESS OF THEIR CREDIT!**

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**GEOGRAPHIC LOCATION - Scoring systems are adjusted for differences in geographic locations,. For example, home ownership may not score high**

**in an area where there is a high incidence of credit problems, reoccurring employee/employer differences, low income, etc.**

**EMPLOYMENT - The longer you have been on a job the better.**

**OCCUPATION - Occupations can be divided into many categories with a high to low score within each category for different occupations.**

**AGE - Older is not considered better until you pass age 40. Under 25 to the end of your 30's receive the lowest scores. The rationale is that people under 25 haven't proven they are a good credit risk. People in their 30's are still raising a family, buying a home, and tied down with enormous expenses. This is also the time most people declare bankruptcy**

**INCOME - The higher your income the more points you will receive.**

**TELEPHONE - Having a telephone is an indication of stability. Give yourself more points.**

**AGE OF AUTOMOBILE - No auto is a low score, but the newer the vehicle the higher the score.**

**DEPENDENTS - One to three indicates responsibility and stability. After three, points drop rapidly.**

**CITIZENSHIP STATUS - Non-citizens receive negative points.**

**BANK ACCOUNTS - You receive high points if you have a checking and savings account.**

**CREDIT REFERENCES IN-HOUSE RECORDS - A good payment record will earn you more points.**

**CREDIT CARDS - The more major credit cards you have the better.**

**BANK LOANS - A current bank loan will increase your score.**

**FINANCE COMPANY LOANS - You will receive negative points for each finance company loan.**

## **TWO POWERFUL STRATEGIES THAT CAN GET YOUR APPLICATION APPROVED**

Credit checks are requested by banks, lenders, and other creditors to see if there are negative items in your file. The more negative items you have, the less your chances of credit will be. As we have seen, creditors look for stability and reliability in an applicant. A steady source of income will receive a high score, but even more important than an income amount is a creditor's belief and perception that you are both willing and able to pay back a debt.

In other words, even if you fail to pass certain criteria or formulas, your application can still be approved on another level that will get you the credit you want no matter what a scoring system profile says.

Motivated sellers are the best kind to deal with, because they will want to help themselves by helping you. Lack of money or credit shouldn't be your primary concern when purchasing a home. Creative negotiating and positive thinking will get you what you want.

### **CREATE A DEAL THAT BENEFITS BOTH YOU AND THE SELLER**

Creative negotiating can lead to financing arrangements that benefit both the buyer and the seller. There must be a willingness, however, by both the buyer and seller to give and take, before the most favorable environment for a creative financing situation can be created. For example, if you want to purchase your dream home with nothing down, you might consider paying a little more.

On the other hand, if you are investing money out of your pocket on a down payment, then the sale price and terms should be favorable to you. A smart, yet flexible home buyer can often afford to pay a premium price provided it's not too far out of line with the market value, and he can get attractive terms and no down payment.

### **FIND OUT WHAT THE SELLER WANTS**

Many sellers want a steady income and don't need front money in the form of a down payment. Most buyers never consider asking a seller what they want! If you can guarantee a nice monthly income to someone who prefers a steady check, you can have yourself a nothing-down deal. Find out what the seller really wants!

### **BUYING WITHOUT CASH MEANS BECOMING A SUPER NEGOTIATOR**

Sometimes you will require super negotiating skills if you decide to buy a home without using your own money. After you have found your dream home, you and the seller will have to sit down and negotiate a final agreement. The following three rules should be followed to enable you to get the best possible deal:

- 1) Get the selling price as low as possible.**
- 2) Negotiate a very low down payment, or no down payment agreement.**
- 3) Be aware of all the methods available to you in buying real estate whereby you would pay some cash, or no cash up front.**

The first five of the following options involve some cash up front, the remaining seven do not. At the top of the list the buyer buys out the seller's full equity. At the bottom of the list the buyer pays nothing down and doesn't secure the debt. Somewhere in-between you should be able to agree on a compromise that benefits both parties involved.

### **BUYING OPTIONS AVAILABLE**

## **TO REAL ESTATE BUYERS & SELLERS**

- 1) Cash to existing mortgage**
- 2) Cash to down and refinancing**
- 3) Cash down with seller taking back the contract, second mortgage, etc.**
- 4) Some cash plus equity in other property**
- 5) Cash plus mortgage on other property**
- 6) No cash but equity in other property**
- 7) No cash, equity plus mortgage on purchased property**
- 8) No cash, equity plus mortgage on other property**
- 9) No cash, mortgage on purchased property**
- 10) No cash, mortgage on other property**
- 11) No cash, wrap-around where seller carries paper with or without a promissory note.**
- 12) No cash, unsecured note for complete equity**

## **NEGOTIATE "LOW" & "LONG" TERMS**

Always think in terms of 1) Low Interest; 2) Low Monthly Payments; and 3) Long-Term Payoffs as you develop home buying transactions. Make a transaction benefit you by negotiating hard all the way. Decide ahead of time what your "No-Deal"! cut-off point is. Be prepared to walk away from any deal that goes beyond your low-interest and low-payment cut-off. And remember, the longer the payback terms the better off you will be. High interest rates, high payments, and short-term payoffs can destroy a fledgling financial situation.

## **INCREDIBLE BARGAINS ARE EVERYWHERE!**

It only requires a simple search to find great real estate buys that require no down payments or credit checks. You can start your search by picking up newspapers in and around the area you are interested in. Then carefully review the classified real estate ads and begin contacting both home owners and real estate agents. Don't be afraid to call agents! They might provide the lead that leads you to your dream home. Keep a list of your contacts and note the results. Make a minimum of 3-4 contacts every day. You will know who the really motivated sellers are through conversation. Then, if you are interested, take advantage of the situation and follow through.

## **HOW YOU CAN PROFIT BY OBTAINING OPTIONS**

Obtaining an option to purchase real estate can make you some fast and easy profits. When it comes to real estate, options favor a buyer over the seller 10 to 1!

Here's how an option to buy can make you huge amounts of money:

To begin with, find a piece of property that is priced to sell at under market value. Let's say that the property you decide on is priced at \$99,000 but the actual market value is \$125,000. And remember, these kinds of bargains are available everywhere! Your next step is to tie up the property with an option, which may or may not require a modest options fee.

Let's say that the property increases in value by only 10% during the period of time you hold your option, which in many parts of the country might be a very modest increase. Now you would have an option to buy property that is now worth \$137,500, still for \$99,000. Now you have an incredible opportunity to make a \$38,500 profit!

Options are favorable to the buyer over the seller because at the end of the option period, the potential buyer can exercise his option if conditions are favorable and make a tremendous profit from the transaction. On the other hand, he can also walk away from the deal if conditions appear unfavorable.

### **USE CONTINGENCY CLAUSES WHEREVER NECESSARY**

Contingency clauses can give you many advantages when you are ready to make a deal. Contingency clauses can stack real estate agreements in your favor. What you are doing in effect, is specifying certain conditions that allow a contract agreement to be valid.

Basically, there are two reasons for using contingency clauses:

- 1) The contingency clause is of great importance to the deal; and**
- 2) You simply want more time and are using a contingency clause to get it.**

Some of the typical reasons for these clauses include statements such as:

1) Contingent on buyer arranging suitable financing; 2) Contingent on buyer selling his property before the deal is valid; 3) Contingent on appraisal; 4) Contingent on the buyer's accountant or attorney inspecting all records; or, 5) Contingent on the seller agreeing to your specific terms, etc.

### **DELAYED DOWN PAYMENT CONSIDERATIONS**

If the seller absolutely demands all or part of the down payment in cash, don't exclude the possibility of agreeing on a "Delayed Down Payment." This tactical move should at least be considered, especially if you have already lined up a buyer for a fast resale

### **DON'T OVERLOOK SELLERS AS A SOURCE OF INVESTMENT CAPITAL**

The same person you are buying property from may also act as your lender. Today, sellers are lending money to buyers in almost half of real estate transactions. The borrowed equity is

secured by either a personal note, or a second or third mortgage. This method amounts to lending money to the buying party.

### **USE FIRST AND SECOND NOTES INSTEAD OF CASH**

When you are ready to purchase your dream home, think in terms of non-cash ways to obtain it. First and second notes can easily serve as the equivalent of cash money. The advantage of using notes in place of money is that you receive 100% of the value of the note. If you wanted to convert a note to cash by selling the note, chances are you would have to accept a discount price on it. This discount could range anywhere from 10% to 30%, depending on the time left on the note, interest, and the history of payments. When buying real estate, it is wise to substitute notes for cash. In this way you can receive 100% value for your paper.