



7 Big Reasons to Invest in Pre-Foreclosures

Real estate investing is the perennial wealth builder, and the transition from working a job to achieving wealth. If you've thought about investing in real estate before, but didn't go for it [thinking you need tens of thousands of dollars in savings, think again! It's not completely necessary to have a huge pile of cash and perfect credit to buy a house cheap and resell it for a profit. It's especially not necessary in the pre-foreclosure market. Pre-foreclosures are houses in the default phase of foreclosure; where the bank has filed initial foreclosure papers but the auctions or repossessions have not yet occurred. Buying during the pre-foreclosure period is one of the best ways for anyone to get involved in real estate investing. With little more than a few hundred dollars and some specialized knowledge, you can buy a house at a huge discount and resell it for a higher profit later.

7 Reasons to Make the Move

1. When people are in default on their mortgage they have stopped making payments to the bank. Thus, when you are negotiating with the seller and the bank, right up until the point where you buy, no-one is making the payments. For beginner investors worried about holding costs, this is a huge advantage.
2. Pre-foreclosures are a well defined market. One of the most deadly mistakes rookie investors make is trying to be a jack-of-all-trades, going after any and everything they can lay their eyes on. The result of this lack of focus is they are soon back on those 9-5 jobs. Because of this well defined market, pre-foreclosures allow you to develop focused marketing campaigns and standardized processes to get deals completed and closed.
3. One of the fundamentals of real estate investing is contacting and talking only to motivated sellers, and avoiding all the rest. Sellers in pre-foreclosure are some of the most motivated sellers you will find. Their world has been turned upside down, they are about to lose their house, and their motivation is such that they just want out of the house and the bank off their back. By buying houses from people in pre-foreclosure, creating 30%+ equity spreads on houses often in good condition is not a difficult thing to do.

4. Buying houses in pre-foreclosure enables you to create unusually large equity spreads. Recent economic uncertainty has caused a lot of foreclosures, and the rate changes will cause more in years to come. If banks had to take back all of the properties that went into foreclosure the FDIC would shut them down. They know this, so they try not to take properties back that they do not have to. By requesting the lender discount what is owed on their payoff, large spreads of equity can be created on houses that are totally “maxed out” with loans. This can not be done on loans not in default.

5. Because lenders are under pressure to liquidate bad loans rather than take the property back, large discounts can be negotiated. Become familiar with the issues that cause lenders to discount. This will give you even more negotiating power.

6. If your plan is to buy and hold the property, having good enough credit and financials to get back financing excludes many people from getting into real estate. On top of this, if you do get a bank loan, your financial exposure is at it’s maximum when everything is in your own name and personally guaranteed. Buying houses in pre-foreclosure allows you to simply take over the existing financing already in place. No qualifying needed. You can take title to the property in a land trust, begin making payments on the existing mortgage(s), and still get all the tax advantages, appreciation, depreciation, without any of the risk of being personally liable for the mortgage and the property.

7. If you have ever bid at an auction for property at the courthouse steps, you are only too aware of the competition breathing down your neck. Avoid this crazy experience by buying the house during the pre-foreclosure period—before the auction.

Make no mistake; there are many ways to make healthy profits in real estate investing. But when you look at how easy pre-foreclosure makes it to buy houses cheap and resell for profit, all the while helping people out of agonizing life circumstances, it makes great sense to ask the Joa Team about getting involved.