Hot Sheet for Retailing Properties

"Retailing"
The idea behind Retailing is simple.

- **You purchase a property in a nice sellable area at a discount, then fix it up if needed and sell it at full market value to a buyer who will live there.**
- **While this sounds simple, Retailing is actually the hardest way to invest in real estate but it usually is the most profitable when done correctly.**

Overview Of How To Retail A House
You start by locating a deal that is in an area where homebuyers are looking to buy.
After estimating what the property is worth after it is fixed up, to calculate if it is a deal, you then subtract closing costs (both when you buy and when you sell), holding costs (such as mortgage payments), repairs costs, how much profit you want to make.
This profit margin is usually 20% of the after repaired value of the property plus a hedge factor of up to 4%.
This gives you the maximum amount you can offer for the property.
If you plan to use a hard money lender, you'll also have to compare this maximum offer amount to how much you can borrow from them.
If the deal requires more than what a hard money lender will lend you, you'll have to come up with more money elsewhere.

HML loan up to 60% or even 70% of the after repaired value of the property and then from that, they set aside any money needed for repairs into an escrow account with the title company or closing agent.

Their loan is virtually solely based on the property itself, their interest rates usually run anywhere from 12%-18% and many times, the mortgage payments are "interest only".

This may sound expensive at first but it is better than giving away 50% or so of your deal to a partner. Besides, once you get into this business enough, you'll quickly learn that it isn't the cost of the money that matters but the availability of it! We'll go more in-depth into hard money loans.

You must come up with the funds to close plus any money needed to cover the repairs that are needed on the property.

You must hire repairmen and get the property ready to go on the market.

You must find a buyer, make sure they get qualified for new financing and then get them to the closing table.

Again, doing a retail deal may be a difficult and long process, but the paychecks can be enormous once you get the hang of it.

Beginner Retail Techniques

- **If you know of an investor who has a property they are retailing and you have a buyer, that investor may be willing to bring you in as a partner on the deal and pay you several thousand dollars or more for getting the house sold.**
- **Now realize we are not talking about acting as a real estate agent or charging a commission which would require you to have a real estate license.**
- **As long as the other investor gives you some type of equitable interest in the property or makes you a partner, you can sell that property and collect part of the profits without needing a license.**
- **Simply start by contacting other investors to see if they are retailing any houses. If they are, you then see if they will bring you in as a partner if you have a buyer.**
- **There are several ways in which to do this and if you are dealing with an experienced investor, they will tell you what works best for them.**
- **Most investors will be happy to work with you and have you help sell their property.**

Advanced Investor Techniques
Many advanced investors have a property resold before they buy it or have it repaired.

- **They do this buy chauffeuring around pre-qualified buyers to houses.**
- **This is similar to what a real estate agent does except that the investor shows the buyer another house they have already fixed up so the buyer has an idea of the quality of work the investor does.**
- **The investor then shows them other properties that can be bought and fixed up on the buyer's behalf. By walking the buyer through a property, the investor is able to explain what repairs could be done and what the property would ultimately look like.**
- **If the buyer likes the layout of the house and the location, the investor can then purchase the property knowing exactly who the house will be sold to and for how much. This puts the investor in a very powerful buying position.**
- **Because of their experience, they are able to squeeze the numbers and pay a higher price than other investors might be able to.**

By the time the property is fixed up, the buyer's loan application has been completely processed and they are ready to close. And if for any reason the buyer backs out, the investor simply retails the property to another buyer as usual.

Types Of Properties To Invest In
The property must be in an area where people want to live and own a home.
This does not necessarily have to be where you would want to live.
The houses will usually be in a slightly older area where you can find properties that are in need of repairs.
Home buyers tend to look for houses with at least three bedrooms (we like large 3 or 4 bedrooms) and it helps if the house has two bathrooms.

Advantages Of Retailing
- **The biggest advantage to retailing houses is the paydays, which can be very large.**
- **Sometimes you will be giving the buyer a seller held second mortgage as part of getting the buyer qualified more easily.**
- **After doing several retail deals and holding back several seller held mortgages, the monthly cash flow from these second mortgages can begin to add up.**
- **You can also use the second mortgages as down payments on other deals or sell them at You get to deal with prettier houses in nicer areas than if you were wholesaling and you get pride in the accomplishment that you made an old house look new again.**

Disadvantages Of Retailing
- **Of course, Retailing houses does have some disadvantages.**
- **Retailing is the hardest way to invest and there are several reasons why.**
- **First, you have to find a deal that you can buy at a steep discount which can be harder to do sometimes in nicer areas.**

- **After finding a deal, you usually have to come up with the funds to purchase the property along with the funds to hire contractors.**
- **You also have to deal with these contractors, which is probably the worst part of investing in real estate. Just ask any experienced investor what they think about dealing with repairmen.**
- **Repairing houses can be a hassle and it can be an even bigger hassle if you don't know what you are doing.**

The whole time the property is being repaired and is on the market, you have to pay holding costs such as mortgage payments, taxes & insurance.
Once you do find a buyer, you have to get them qualified for financing.
As part of getting them qualified, you may have to help them with their mortgage application as well as help them fix their credit.

- **Something you have to worry about with the buyer's new financing is "seasoning" issues.**
- **Seasoning is the amount of time you as the investor have owned the house.**
- **Banks don't like to do loans where you as the investor are reselling the house at a higher price than you bought it for.**
- **The fact that it needed work doesn't matter.**

To get around seasoning problems, many investors have their buyers get FHA or Fannie Mae financing, because these loan programs do not have any seasoning requirements.
However, these types of financing loans can result in you as the seller paying some hefty closing costs on behalf of the buyer.

All in all, retailing houses can be very time consuming and requires some skill.

Retailing Agreements
When retailing a property, there are three main phases to the investment.

First, you have to buy the property, then you have to get it fixed up, and finally ... you have to get it sold.
We already covered Purchase And Sale Agreements.
So at this point, we're going to assume you have already bought a property and are ready to structure an agreement on getting it repaired.
We'll go into more detail about finding quality repairmen later.
But first, by knowing how to structure a contractor agreement, you'll be better prepared to negotiate a repair agreement in which you are protected as much as possible. Remember, dealing with repairmen is considered by most investors to be the worst part of this business.

Contractor Agreement
You'll find the "Independent Contractor Agreement". This agreement will be worth many times its weight in gold to you as an investor.

- **It has been specifically design to address the difficulties you will encounter when dealing with repairmen and is based on avoiding the real life problems that have happened to other investors.**
- **These problems and situations will become very apparent as we cover the agreement.**

At the top of the agreement is where you put the date, your name and the contractor's name, along with the property address the work will be performed at.

Listing Repairs And Payment Schedule
In the next section of the agreement, you see where it says "Services And Payment Terms".
This is where you list the amount the total job will cost along with spaces to break down the repairs that will be performed and the amount that will be disbursed as each set of repairs are completed.
When paying a repairman who is doing a sizable job, you will usually pay them as they complete each stage of the work.
Each payment is commonly referred to as a "draw".

You'll also notice that in the first sentence of this section, it says that you will pay the contractor

"within __ day (s) after the work is completed and
Contractor has furnished Owner with written invoices".

This is designed for when you have a hard money loan with a repair escrow.

Usually, the lender will require written bills or receipts for the work that has been performed. It will then take at least a day or so for the lender to inspect the property (if they wish) and to have the escrow company release the check.
Therefore, it is important that your contractor know that he won't get paid on the spot when he shows up with a bill wanting a draw.

Contractor Draws Must Match Escrow
If you do have a repair escrow with your hard money lender, it is important that the draw schedule you have with your contractor match the escrow's draw schedule.
You don't want to have a contractor agreement that says the first draw is $3,000 when your repair escrow says the first draw is only $2,000.
Not only should the dollar amounts match, but the list of repairs the money covers should match as well.

When To Pay
As part of the first section of the Independent Contractor Agreement, it also states the contractor will be paid after the work is performed.
Of course, you don't want pay a contractor upfront and then have them run off with your money without doing any work.
However, most contractors will want some type of payment upfront so that they feel comfortable starting the job and so that they have money for supplies.
The best way to handle this is to give the contractor a partial draw on the first day they show up on the job and are working.
The contractor should not have a problem with getting paid right as they start work.

If the contractor states that they need money for supplies, you can meet them at the hardware store and pay for the supplies they need to get started.
This does not mean you'll buy everything the contractor needs to do the whole job.
Just buy what they need to get rolling.

You can address how you want to handle this in the paragraph entitled "Materials".
The contractor knows the business and should understand that you are being cautious.
If the contractor has a problem with this, then don't use them!

Time For Completion
You must clearly establish when the contractor will complete the job.
Otherwise, the contractor could take 90 days to do the job when they said it would only take them 30 days.

The best thing to do is ask the contractor how long it will take them to complete the job and then allow them some extra time.
If for instance, the contractor says the job will take three weeks, you can allow them a total of four weeks. After that you will penalize them "X" amount of dollars for each day the job is not completed.

Because this penalty would normally be deducted from the last draw, there is a chance that the contractor would abandon the job if it ran way past the stated completion date.

So, if by the second to the last draw it looks like the contractor will go past the completion date, you'll want to begin setting aside money to go towards a possible penalty.

Depending on how long the job was supposed to take, you could set aside a few days worth of penalties or a week or more's worth.

Everything needed for you to address imposing a penalty is included in the paragraph entitled "Completion Date".
This paragraph also addresses the fact that additional unforeseen work may need to be added.
In which case, the two of you must agree in writing as to the additional cost and time those repairs will require.

Listing Agreements
Once you have the property fixed up, you may decide to list it with a real estate agent, or sell the property on your own. This is assuming you didn't get the property sold before it was finished, like most experienced investors do.

- **If you decide to list your property, the standard way to list a house with a real estate agent is with an exclusive agency agreement.**
- **However, you're not going to turn over exclusive control of your deal to a real estate agent.**
- **We have included an Addendum To Listing Agreement which will help to protect your interest while at the same time helping to get your property sold faster.**

The Buyout Agreement

- **As an investor, you cannot let the real estate agent take control of your investment for six months and leave you with no back door if you find your own buyer.**
- **But it can be hard to get an agent to agree to cancel their listing agreement if you find a buyer first.**

- **Paragraphs 1 and 2 of the Listing Agreement Addendum address your ability as an investor to continue marketing your property and to have the ability to cancel the listing agreement if you find a buyer.**
- **Because you are an investor, you need a buyout agreement that states if you find a buyer before the agent does, the agent will agree to cancel their listing agreement.**
- **In return, you can offer to reimburse them for any expenses they have incured.**
- **Chances are, the most the agent is doing anyways is listing the house on the MLS.**
- **If the listing agent (or another agent) finds a buyer, they get paid.**
- **If they don't find a buyer before you do, you can agree to pay them a few hundred bucks to cover their expenses. They don't have anything to lose.**

Under such a listing agreement, you will not put up your own "For Sale" signs because any buyers being sent by a real estate agent would be able to contact you directly, thus circumventing the real estate agent and allowing you to sell the property yourself.
So let the agent know that you won't put any signs on the property and that you will be doing your own marketing efforts by putting out flyers and running ads in the newspaper.

Not having a sign up of your own shouldn't be a factor for you at this point. You should have already had a sign up while you were rehabbing the house.
This means that most of the people that drive through the area on a regular basis should have already seen your sign.

Offering A Bonus
As part of your listing agreement, it is a good idea to give a $500 bonus to the selling agent.
If an agent has a buyer they are showing houses to and the agent knows your property has an extra $500 bonus, the agent is going to push your house on that buyer.

Realize, this extra $500 goes to the "selling" agent and does not go to the listing agent (unless they are also the agent who sells the property).
There is no reason to give a $500 bonus to the listing agent when they aren't going to be doing any extra work.
By giving the $500 bonus only to the selling agent, your property now goes to the top of the list of properties the agents are paying attention to showing to their buyers.

You can even let your listing agent know that you plan to fax a flier to other realty offices within the area referencing the listing and the $500 bonus.
By doing this, you are drawing extra attention from all the agents to your property and giving them $500 of extra motivation to get your property sold quickly.

Remember, in this business "time is money".

Every month that goes by that you have not sold the property, is another mortgage payment that you have to make.
If offering the extra $500 bonus gets the property sold thirty days faster, that $500 technically has not cost you anything and has probably saved you valuable time and money.

The Right To Cancel
If the agent is not performing as they should, it can be very hard to get them to cancel their listing agreement.
To keep from getting locked in with an agent for a long time, you'll want a listing agreement for not more than ninety days.
If the agent is doing everything they said they would and are working hard to market the property, then you can agree to renew their listing agreement after the ninety day period.
However, if it turns out they aren't following through, you'll need to be able to sell the property yourself and/or find another listing agent.
This is covered in paragraph 6 of the addendum.

What If The Agent Says No
If you explain your position and your needs as an investor properly, the agent should not have a problem with the items in the addendum.
The agent must understand that you are a real estate investor and not the average home seller.
If they want to work with you on selling your investment property, then they must work with you, not just take over control.
If the agent doesn't like it, go find another agent who understands how to work with an investor.

Once You've Sold The Property Yourself
If you listed the property and the real estate agent gets it sold for you, they will handle almost all the paperwork in regard to the sales agreement and required disclosures.
If you sell the property on your own (or otherwise find a buyer before the agent does), you'll have the buyer sign a Purchase And Sale Agreement as we covered previously and then let the agent know you have a pending contract.

Remember though, always keep the property on the market and take backup offers. You don't want to lose precious marketing time if the buyer falls through.

Lead Based Paint Disclosure
Don't forget also, as a part of your sales agreement with the buyer, you must give the lead based paint disclosure.

Authorization To Release Loan Application Status
If your buyer will be getting a loan to purchase your property, you'll also want to get them to sign an Authorization To Release Loan Application Status.
This is the same form you will have a buyer sign anytime they are getting financing, whether it is a wholesale deal or a retail deal.
It allows you to check the status of the buyer's loan application and to make sure things are moving along smoothly.

Remember, you always want to stay in control of your deal. This means not letting a buyer jerk you around by tying up your deal while they are not applying for a loan as they should.
This form also gives authorization for you (or your mortgage broker) to pull their credit and for you as the seller to assist in their application process.

Exit Strategy for Retailing

Executing A Retail Deal
For the purposes of this section, were going to assume you have bought a property that you plan to fix up and sell to a homebuyer who will qualify for a new purchase loan from a bank.

Getting The House Ready To Sell
Once you have closed on the property, your first task is to get the property fixed up and ready to sell.
To get a head start on doing the repairs, it is best if you begin getting repair estimates before you even close.
Not only will this allow you to more accurately setup your repair escrow, but you'll be able to have the contractors start on the repairs right after you close.

Take Before And After Pictures
Furthermore, before starting any of the repairs, you'll always want to take some "before" pictures of what the property looks like.
You can then take some "after" pictures later when you are done.

These photos can serve several different purposes.

- **First, the new buyer's lender may want to see proof of the work you did which would constitute why you are selling the property for more than what you bought it for.**
- **Furthermore, when getting the property re-appraised, you can show the pictures to the appraiser as evidence of the previous condition of the property and why you bought it at a discount.**
- **You can also use the pictures to show private lenders (or people with IRA accounts) what types of investments you have done in the past and how good you are at rehabbing properties.**

Start On The Outside

When starting the repair work, you should always start by focusing on the exterior of the property first.
This will allow you to begin marketing the property as soon as possible.

Putting Up Signs

Once you have completed the exterior repairs, you can then begin marketing the property even while you are still repairing the inside.
Just be sure to put up mini blinds so that potential buyers will not be able to see the work in progress on the interior.
To market the property, you should begin by placing a sign in the front yard and putting signs on nearby street comers that have arrows directing people to the property.
The "For Sale" sign you use should be one of the pre-made signs you can get at the hardware store which has a white square for you to write your phone number in.
You'll see many investors who have custom printed signs that look very professional.
However, your objective when selling a house is to not look too professional, but to just look like a regular person selling your home.
You don't want signs that make you look like a real estate firm because some people feel they'll get a better deal if they buy directly from an owner.

On Site Salesmen

As we said, you should begin marketing the property once the exterior repairs are completed and the property looks nice from the street.
This means that some potential buyers will come by while your repairman is still there working on the inside.
Therefore, you'll want to make sure the repairman captures the name and phone number of every potential buyer who stops by, and that he has a stack of your business cards so he can hand out.

You can tell the repairman, if they write down the name and phone number of a person who stops by and that person ends up buying the house, you'll pay them an extra couple of hundred dollars on top of their repair bill.

Suddenly, you'll have an on-site salesperson doing everything they can to get that property sold to each person who stops by and asks questions.

Best of all, it costs you nothing unless the repair guy hooks a buyer and even if you have to pay him a couple hundred bucks, he is still saving you time and money in the long run.

Once repairs are totally complete (and the repairmen are gone) it is then time to begin marketing the property more heavily by putting out fliers in the neighborhood and placing ads in the newspaper.

You may even decide to list the property with a real estate agent but you should only do that if you feel you are having a hard time getting the property sold.

Running Newspaper Ads and Internet Ads

Running an ad in the newspaper is a pretty cost-effective way to advertise a house, especially when compared to paying a real estate commission.

What To Say In Your Ads

Because your ad is going to be competing against all the other ads that are in the newspaper, you have to make your ad stand out so it will attract the most buyers.

One of the best ways to generate a lot of calls is to run a "Rent-To-Own" ad, even if your intent is to get the house sold now and not do a lease option.

By putting "Rent to-Own" as the title of your ad, you will get a lot more buyers calling you.
You will tend to receive a higher number of buyers who can't qualify or who have difficulty in qualifying.
The key is that many people think they can't qualify for a new loan when they actually can.
That's why it's your job as an investor to know what flexible bank programs are available and to quickly screen these calls to figure out which buyers you can and cannot do business with.

Other titles to put on your ad include "No Bank Financing", "No Qualifying Seller Financing", or "Owner Will Help".

Run an ad with one of these titles and you'll find yourself swamped with callers interested in buying your house.
In fact, don't be surprised if you literally get hundreds of calls.

What Not To Put In Your Ads

There are of course a few things you won't want to put in your newspaper ads.
First, don't put the address of the property.
You want callers to call you to get this information so that you can capture their name and phone number.
This allows you to more effectively promote the house to the potential buyer and later follow-up after they have seen the property.
If you put the address of the property and they don't like the house when they drive by it, they will never call you and you won't be able to put them on your buyers list for other deals.

You won't want to put the price of the house in the ad either.
Many buyers will have a price range they're trying to stay within.
Again, if your property is out of their price range, they probably won't call.
In addition, don't list the number of bathrooms if there is only one.
Many home buyers are looking for at least one and a half bathrooms or more and you don't want to state things in the ad that may be considered a negative feature.

You may ask ...

- **"Why should I try to sell someone something they don't want?"**

Remember, just like when running ads on a wholesale deal, your objective is not all about selling the property but building your buyers list as well.

Answering Calls

There are several things to do when you answer the calls on your ad.

Is The Caller Looking To Buy Or Rent?
First, when someone calls on your "Rent To Own" ad, you need to figure out if the caller's intent is to own the property or if their intent is to just rent it.

Most callers will respond that they want to buy the property.
If the caller says they want to rent, let them know that you are looking for someone who will ultimately buy the property, and you will only do a rent-to-own with someone who has been pre-approved for a loan.

Logging Your Calls

When someone calls on your ad, you're not going to fill out the Buyer PreQualification Worksheet just yet.
You are going to answer any questions they have, get their name and phone number, and direct them to the property.
To help keep track of the buyers who call on your ad, you should use the Property Marketing Log.

Let the buyers know that you will have your mortgage broker go over their information and if there are any problems, you will go over them when you meet them at the house.

Once you have told the buyer a little bit about the property, have them go look at the property and peep in the windows.

If you like, you can leave a key somewhere (or in a lock box) if you're not worried about someone doing something to the property or stealing something.

You'll also want to get a timeframe from them as to when they will be looking and when they will call you back to let you know what they thought.

Meeting Buyers And Showing Houses
One thing you should not do is run around meeting buyers when they haven't even seen the outside of the house or the neighborhood.

Prequalify The Buyers First
Once the buyer has driven by the outside, if they show an interest in seeing the home more (or actually buying it), then fill out the Buyer Pre-Qualification Worksheet.

As part of this worksheet, you'll need the name, address, social security number, birth date, employer, and gross income before taxes, for both spouses.

(You won't need a list of all of their debts because they will show on their credit reports.)

Both Spouses Present
If there is a spouse involved, you're only going to show the house to both spouses at the same time. If you show the house to only one of them, you're simply wasting your time and will end up having to make a second trip to show the house to the other spouse. So, before getting off the phone, always ask if the buyer has a spouse and make sure both decision makers will be there.

What If The Buyer Already Has Financing?

If the buyer says they already have a mortgage broker and have been prequalified, then you won't need all their personal information.
Instead, get their mortgage broker's name and phone number so that you can confirm that they have been prequalified for a loan.

Have The Buyers Bring Their Check Book

In addition, let the buyer's know to bring their checkbook because if they like the house, you are going to need a deposit. If they have a problem bringing their checkbook and putting a deposit down when they look at the house, then they are most likely not serious buyers or are just shopping around.

Pulling The Buyer's Credit

Once you're off the phone, you'll want to do a quick check of the buyer's credit to make sure they have a chance of actually buying your home.
You can do this online or you can fax the Buyer Pre-Qualification Worksheet to your mortgage broker and have them pull it.

There are even small credit bureau companies out there who can provide you with computer software that connects to their database.

You would then only have to pay a small fee of around $10 for each credit report you pull.
To find one of these companies, look in the phone book or ask a mortgage broker for a referral.
Many of these services provide credit report services to landlords and will even come right to your door and load the software in your computer for you and configure it.

Just let the company know that you are an investor and will need to pull credit reports for potential buyers and tenants.

By the way, you do not need someone's signature or written permission to pull their credit.
All you need is their permission, which is evidenced by the fact they gave you their name, address and social security number, and the fact that you discussed with them that you were going to have them prequalified.

Now, if you (or your mortgage broker) pull the buyer's credit and find that there is no way that they can qualify, then there is no reason for you to meet the buyers at the house, at which point you can call them back to cancel the appointment and tell them why.

If everything looks OK and you have made sure you won't be wasting your time by showing the house, its then time to meet the buyers to see how they like the inside of the home.

Don't Try To Oversell The House

When the buyers show up to look at a house, they will always want a little privacy to discuss between themselves without you standing right behind them.

They don't need you showing them where the kitchen is or where the bedrooms are at (they can figure this out on their own).

Let the buyers know that they are free to look around the house by themselves and if they need anything to call you.
This will give them a low pressure, relaxed atmosphere where they can discuss the home between themselves and come to a decision as to whether or not they want to own the home.
If there is anything about the house that is special, you may want to point that out, but that is about all.

Fixing Buyer's Dislikes

If the buyers see something about the house they don't like, such as the color of the carpet, ask them what color they would prefer.
Then let the buyer know that as soon as they are qualified for the loan, you will have new carpet installed in that color.

Whatever the buyer's objection is, say to them ...

"If I replace it or give you what you need, are you ready to make this your next home?"
If they say yes, that the item is the only thing holding them back from buying, then it is up to you to calculate your profit and decide whether you are willing to do what it takes to get the house sold.
Many times, it is as simple as putting in a new range and refrigerator, or hiring a handyman to do a minor alteration to the house.

Don't Push For A Yes

When trying to convince the buyer to buy the home, don't push to hard for a "yes".
You want a buyer who is serious and excited about buying your house.
If the buyer seems wishy-washy and you have to push and drag them, they are never going to make it to the closing table. It is in your best interest to find another buyer and stop wasting your time.

If the buyers say they want to think about it, do not try to push the sale here either.
Do, however, remind them that while they are thinking about it, other buyers are looking at the house.
And get a time from them as to when they can call you back to let you know what they decided.

You Found A Buyer

At this point we're going to assume you have found a buyer and they want to buy the house.

Don't Take The House Off The Market

Even though you now have a signed sales agreement and a deposit, you're not going to take the house off the market. (This is just like when wholesaling properties.)
You don't want to lose several weeks (if not a month or more) of marketing time by wasting your time with a buyer who ends up not qualifying or changing their mind about buying the house.

Getting A Deposit On The Sales Agreement

The first thing you're going to want to do is get a sales agreement signed and get a deposit.
Of course, you'll want to get as much of a deposit as you possibly can.
Start by asking the buyer how much of a deposit they can afford to put down.
If they respond by asking how much you require, tell them 5% of the sales price.
If they balk at this, you can agree to take $1,000 but nothing less.

It is perfectly legal to take a backup contract as long as you disclose that the contract is contingent on the first buyer not closing.
Of course, you'll only want to disclose this once a buyer has looked at the property and stated they are interested in buying it.

Getting The Buyer To The Closing Table

To help make sure your buyer makes it to the closing table, you must stay in control of every aspect of what is going on with your buyer's loan application and the closing.

The Buyer's Own Financing

If the buyer has applied for a mortgage loan on their own, that mortgage broker (or bank) will not release information to you as the seller unless you have a letter from the borrower authorizing them to release information.

Just have the buyer sign an Authorization To Release Information form.
Then stay on top of their loan and make sure everything is moving along.

Having Your Mortgage Broker Do An Application

If the buyer still needs to apply for a loan, you're going to lead them by the hand to the mortgage broker to do a full-blown loan application.

Some of the information you'll need the buyers to bring to the appointment includes:

- **Pay stubs for the last 30 days.**
- **Last two year W2s.**
- **3 month's worth of bank statements.**
- **And the names, phone numbers, and addresses of their landlord or mortgage company, and their employer.**

Following Up On Your Buyer's Loan Application
After the buyers have made a loan application, you'll want to follow-up every few days to make sure it is going smoothly (which is rarely the case).
You don't want the buyers' loan application sitting on the mortgage broker's desk for days without being touched.

Dealing With The Loan Processor

After the mortgage broker took the loan application, they may have transferred it to their processor who will process the rest of the application.
If so, you will want to find out who this processor is and deal with them directly to make sure that everything is being handled properly and that the buyer is submitting all required paperwork to them as needed.
If the processor is waiting on a paper from the buyer (such as a pay stub or a bank statement), you'll want to get in contact with the buyer and push them to get those papers to the processor as quickly as possible, even if you have to meet the buyer and get the papers yourself.

Every time you call the processor, you are reminding them that the loan is there, and they should appreciate your help in getting documents in.
Realize though, this doesn't mean you are going to call and harass them.
You're simply going to work as their assistant and help them get the loan done.

Some of the items to check with the processor on include:

- **Any verifications of employment (VOE's for short).**
- **Any verification of mortgage (VOM), or Verification Of Rent (VOR).**
- **Proof of funds for their down payment.**
- **Appraisal**
- **Survey**
- **Termite report**
- **Payoff letters for any underlying financing.**
- **And finally, once the buyer has a loan approval and all conditions have been met, have the buyer apply for a hazard insurance policy.**

Once everything is complete and in order, your last step is to coordinate a closing time between your buyer, the mortgage broker, and the closing agent.