How To Buy Bank-Owned Foreclosures In Canada

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What To Expect From This Course

This course will give you information that presents opportunities to gain profits from bank foreclosures, otherwise called as bank-owned, bank repossessed Real Estate Owned properties. You will learn in a systematic process, how to buy foreclosed properties at amazing discounts and resell these properties fast for a more profitable price.

After reading this course, you can be confident to have a reliable degree of knowledge regarding real estate under bank foreclosures. You can become more knowledgeable than the 90% of real estate investors who are not well versed with foreclosures.

How I Started

I have been going to seminars and listened to convincing gurus and speakers for years. Although, it cost me a lot of money I was still so excited about investing in foreclosures that I did not care much about the amount I was spending. However, I soon realized that I was spending money on something that did not really give me a hint on how to start.

I got highly motivated by these seminars and speeches but they did not provide me with the clear steps on how to do it myself.

I ended up hyped and confused. Eager but clueless.

Then I heard of an investor who was giving out a course. The intensive five day course was about learning to buy bank-foreclosed properties cheap and reselling them at a much higher rate.

It sounded great, but there was only one problem. The course was in the USA.

Long story short, I took the course anyway. (And paid with $5000 USD of borrowed money).

Throughout the course, the general idea I learned made sense, but most of the hands-on application was NOT workable in Canada.

So I felt that I had just wasted $5000 USD on another course that taught me something I could not really use.

Well, it wasn't a complete waste of money because the course was limited to five participants only, which made it possible for me to get a lot of my questions answered. And it sparked a mission for me to figure out how to transfer all my knowledge into something that was workable in Canada.

Over the next few months, after repeated error, I finally figured it out. I finally found the solutions to buying foreclosures in Canada and they have been validated and strengthened by my practical experience in the real estate business. I have now contributed to the development of that seminar that I took. I wrote down the steps that I learned in simple terms like how I would have wanted my learning to be like during my newbie years.

It is possible that you will have questions along this entire course about actual situations happening in the field and some of them, may not be answered by this module. In that case, it is best that you consult a real estate mentor, one who is an experienced investor like me, who can give you advice on actual issues that is playing in your head over and over again.

After you finish this course, you be equipped with the basics and should be able to start investing immediately. The conditions are ripe as foreclosures are happening in thousands every single day in Canada.

There is no difficulty at all in buying bank foreclosures. All that it takes are is a little hard work and perseverance.

Let's begin.

CHAPTER 1

- Why Should You Make Money Through Real Estate?

Why Should You Make Money Through Real Estate?

With all the many ways to earn money, why should it be real estate that you choose? To put it simply, real estate is the best means to earn money in a short period of time. In fact as much as 9 out of 10 millionaires built their fortunes through real estate.

Andrew Carnegie, known to be the one of the richest in the world wrote around 20th century that

"Ninety percent of all millionaires become so through owning real estate. More money has been made in real estate than in all industrial investments combined." - Andrew Carnegie, 1835-1919

Carnegie is popular for being a steel manufacturer but having known how real estate is the main source of money, he invested in it heavily. It is said that steel manufacturing allowed Mr. Carnegie to earn much money but it was real estate that made him keep it.

Now that it is the 21st century, there is even much more avenue to make money in real estate than in anywhere else ever before. It is high time the regular guy or gal should take advantage of the great opportunities that are found in real estate. You have all the information from the television and also form magazines and newspapers. Many people have gone superbly affluent through real estate and they come from various backgrounds.

Take time to think about it. Imagine making $50,000.00 more per year in your free time with bank foreclosures.

Imagine how different your life would be? Wouldn't you be happier with your family? Wouldn't you have more time doing things for yourself? Wouldn't you have a brighter outlook for your future?

Most people who have gone to real estate have thought of quitting their day job but it's not only that. Real estate will not only allow you to earn much for yourself but also give you peace of mind. That peace of mind is from thought that you are earning much without having to work too long hours and without any boss to answer to.

If this makes you dare to venture in real estate, then it's high time we let you in on a secret known by a small group of real estate entrepreneurs who have been making their fortunes quietly.

Chapter 2

- What Is A Foreclosure?
- Why Homeowners Get Into Foreclosure
- Why Homeowners Fail To Save Their Properties
- How Can You Profit From Bank Foreclosures?

What Is A foreclosure?

A foreclosure is a legal action taken by the bank to force the homeowner to pay the missed payments or else lose their property, say a house, at a public foreclosure auction. When a homeowner falls 3 months to 6 months or in some cases over a year behind on house payments that is when the bank hires a foreclosure attorney. The bank

hires a foreclosure attorney to take charge in the foreclosure proceedings and auction. However, every bank has a different set of rules before it starts the foreclosure process.

Why Homeowners Get Into Foreclosure

When a homeowner borrows money to buy a property, collateral must be pledged on the loan. The bank has the right to sell this property at a public foreclosure auction to pay off the loan, should the homeowner falls behind on the payments.

For instance, homeowners who are going through a divorce will most likely let their property go to auction without trying to save it. Most couples rely on both incomes to pay for the mortgage. If one person moves out and leaves the other to pay for the entire mortgage payment, the property usually ends up in foreclosure. Illness and loss of employment are also common reasons why people end up having their properties foreclosed.

Sadly, many homeowners are in denial about their situation until they come to realize that it is too late to save their property. Some would just even abandon the property altogether and let it go to auction.

Why Homeowners Fail to Save their Properties

Homeowners who are struggling to save their properties try to reinstate their loan to avoid having their properties foreclosed. In some cases, this method may succeed but most of the time, it does not. Here are some of the reasons why it fails:

- Homeowners attempt to come up with the money for the bank payments by borrowing from family, friends and other resources but only to discover that they could not make it before the auction date.
- Homeowners attempt to refinance their property only to discover that they do not qualify for a loan because they are in foreclosure.
- Homeowners file for bankruptcy and fail to live up to the bankruptcy plan. Bankruptcy protection will be removed once they start missing on their payments again, which is likely to happen.
- Homeowners try to sell their property before the auction date but do not succeed. Reasons behind these are some ask for an unreasonably high price for their properties, the properties are already in poor condition or the properties took too long to be on the market and will not have enough time to sell before the auction date.

What You Need To Know To Get Started

If you plan to make money with bank foreclosures, you should filter through all bank foreclosures in your area quickly for the few properties that will make good deals. You must know exactly how to zero in on the best opportunities. To make big profits with bank foreclosures, you must know how to identify profitable properties, how to negotiate with banks and how to protect your interests.

CHAPTER 3

- What Is A Bank Foreclosure?
- Why Are There Bank Foreclosed Properties?
- Why Banks Sell Foreclosed Properties
- How Can You Profit From Bank Foreclosures?

What Is A Bank Foreclosure?

It is very likely that a mortgagor will not be able to pay the amount of money he or she has borrowed. When this happens, the bank will deprive the mortgagor of his or her right to own the mortgaged real estate resulting to a public foreclosure auction.

However, when bidders make a no-show during the auction, the bank will be forced to own the real estate. Real estates which are owned by banks are called bank foreclosures. The reason why banks hold auction for the property is the fact that having bank foreclosures are not at all likeable for a company that does not intend to invest on real estate.

It is not a surprise that bank foreclosures are sold by banks at very low prices. Read on and find out how you can make profits through bank foreclosures.

Why Are There Bank Foreclosed Properties

You might be wondering why banks do not like to get stuck with a foreclosed property despite the fact that they can earn from them. One of the possible reasons is that having one means having a little equity of the property. When this is the case, it is very likely that no bidders will show up during the public auction.

Furthermore, if the real estate is in a poor condition, it is also likely that no bidder will take interest in buying the property. Most of the time, banks offer foreclosed properties to the CRA to avoid paying the back taxes owed by the previous homeowners to the federal government.

Consequently, no bidder would want to have a property like this because the CRA has 120 days to get the property back should there be any tax issues.

Buying a bank foreclosed property with an CRA lien attached to it is like renting the property, not actually owning it for good.

Why Banks Sell Bank Foreclosed Properties

With the all foregoing possible cases of bank foreclosures, it is understandable why banks would want to give up this type of properties readily. However, aside from the mentioned possibilities, banks are eager to get rid of these foreclosed properties because they represent bad debts.

Foreclosed properties are banks' liabilities rather than assets. For every month that a foreclosed property stays unsold, the bank's income decreases. Aside from losing much, banks like to sell these properties for the following reasons:

- Since banks have arrangements with the Canada Housing And Mortgage Corporation, a percentage of the money lost by the banks from the foreclosure of the property will be compensated by the CMHC. This means that the banks can sell the property at a much inexpensive price since the CMHC has already covered a portion of the amount loss.

  For example, the bank forecloses a property which will be sold at the auction for $140,000. The bank will then make an arrangement with the CMHC as to who shall give the exact amount of money properly agreed upon. If the amount of money given is $140, 000, the bank will be confident to sell the property at $126, 000 which is more attractive than $140, 000 to bidders.

- Having too many of foreclosed properties is subject to penalty under federal laws. Moreover, banks with too much of these properties will not be allowed to borrow money from the Bank Of Canada or will be mandated to pay the loans to the Bank Of Canada at a much higher interest. For banks, having their loan application granted by the Bank Of Canada is tantamount to staying in the business.

- Normally, banks do not have a specific department assigned to deal with foreclosures. Of course, banks are only eager to deal with their assets, and not with liabilities. When there is a foreclosed property, an employee with a high position in the bank is often compelled to look for ways to get rid of that property without getting paid for it. This is no less than a burden to the employee because he will be forced to spend money from his own pockets and time reserved for his other duties.

- As banks assume ownership, they are compelled to pay for the taxes attached to the property. These taxes include property taxes, water and sewer bills, insurance bills and electricity bills. The type of house will also have an effect on the taxes to be paid. Hence, if it is a townhouse, the banks shall dish out money as condominium fee. These expenses are a waste of money because the bank is shelling out money without expecting anything in return.

- Since foreclosed properties need to be sold, banks are compelled to dish out cash in order to improve its condition. Most banks content themselves by painting only a dilapidated house, however, since all buyers want to buy a house that are in good condition, banks are then forced to spend more in order for house improvements to suit the taste of the buyers. For foreclosed properties in a different province, he bank is obliged to hire a real estate agent that they will have to pay while the property remains unsold. And this, is another expense that the bank does not like to have.

- While a foreclosed property is being improved, carrying costs mounts up, that is 6% of the sales price of the house.

How Can You Profit From Bank Foreclosures

Banks may not be able to profit from these properties. However, you can earn a lot through them. You can get the biggest advantage if you choose those whose condition range from being fair to being fairly poor. You can buy these houses, and sell them later in reasonably larger amount.

However, remember not to get stuck with houses that are very of a very poor condition because they are very difficult to sell. In other words, exceptionally poor condition houses will not make big returns for you, so better choose houses to make money with wisely. If you want to be sure if the house is safe and liveable, have a professional home inspector check the real state of the house.

Choosing the houses under fair conditions is a nice move because they are usually sold at very low prices. Moreover, since the banks want to get rid of these properties easily, they will most likely sell it to you at a much lower price.

Aside from looking into the condition of foreclosed properties, have a correct timing – that is, the time when it is more pocket friendly to buy houses owned by banks. Some banks sell properties at the end of fiscal year or after each quarter simply because they want to clear their records of bad loans. Some other banks sell at much more reduced prices especially when they have too much of them. Timing in buying foreclosed properties is highly important because you can save a lot and earn a lot.

As you look for properties, do not stop making offers. Experience proves that if you make offers once in a month, you will likely end up buying nothing, but if you make many offers in a week, you will likely get what you want. Make sure that you will not focus on one deal. As you can make many offers, so you can have many deals. Choose deals which can be advantageous on your part.

Generating profits through bank foreclosed properties is not that hard. All you have to do is find a property, buy them at a discount, and sell them a reasonably high amount.

CHAPTER 4

- 4 Ways to Find Bank Foreclosed Properties
- Bank Foreclosures You Should Avoid
- Bank Foreclosures You Should Not Buy
- What Happens After Finding A Bank Foreclosed Property

4 Ways to Find Bank Foreclosed Properties

There are four ways in finding bank foreclosed properties:

1. **Sign up to a foreclosure listing service online.**

2. **Make inquiries about the property by calling the foreclosing attorney after an auction has been made.**

3. **Write down the names of banks and financial institutions and do follow ups regularly.**

4. **Ask your real estate agent to look for foreclosed properties on the MLS.**

On a much detailed note, these four are further explained below.

1. Sign up to a foreclosure listing service online.

One of the best ways to find bank foreclosed properties is by becoming a member of an online foreclosure service. Thousands of these properties from all over the country can be found in these listing services databases. They categorize each property according to city, Province and postal code, so it is very easy to go through.

Using this kind of service is not only convenient but inexpensive, too. Limiting yourself to your area gives you fewer results, so it would be better to search in other municipalities. Searching for foreclosed properties within an hour's drive from your area will give you wider coverage and more choices. You will find this method very helpful in choosing the best deals in your Province.

For quick and easy access to Bank Owned Foreclosure Listings, visit:
[Foreclosuresearch.ca]

For Pre-Foreclosure Listings (that haven't been re-possessed yet), visit:
[CanadaForeclosureList.ca]

2. **Make inquiries about the property by calling the foreclosing attorney after an auction has been made.**

Through this, attending a foreclosure auction is not necessary. Just give the attorney's office a ring during the day of the auction and inquire whether or not the property was foreclosed by the bank. The property

becomes a bank foreclosed property if it's repossessed by the bank. You can make inquiries to the attorney using the following lines:

> *"Hi, I would like to inquire if 123 Sycamore Street was included in today's auction."*
>
> If the attorney gives a positive answer, follow it up with this question:
>
> *"Did the bank take it back or did a bidder buy it?"*
>
> The attorney might ask you why you need this information, so you should tell him:
>
> *"I have an interest to this property because I am an investor who would like to buy the property from the bank."*
>
> Ask whether or not the loan was a conventional loan if the attorney tells you that the property was bought by the bank.

"I am interested in making an offer to the bank, if the loan is a conventional one."

This is the time when the attorney tells you if it is a conventional loan. If it is not, it will be acquired by CMHC. Lastly, inquire for the name and telephone number of the person handling the transactions in the bank. You can make an inquiry this way:

"May I ask for the name and contact number of the person in charge at the bank?"

Always remember that banks have many branches and it would save you time and effort if you find the right person immediately, so get the right information from the foreclosure attorney. You might be referred to another officer of the bank who's handling foreclosed properties transactions upon calling the contact person.

At this point, it is the foreclosure department who is in charge of handling the property. The bank will most likely give the task of selling the property to someone from a different department.

In making inquiries about the foreclosure attorney's contact, you should ask the following:

1. The person in charge of the foreclosed properties.

2. His or her direct telephone number to save you time.

3. The right time to contact the person in charge.

Upon talking to the person in charge of the selling, you can now make an offer. The bank might not agree on the offer immediately and the person in charge might have to consult their supervisor first. In the third chapter, learn the proper methods of negotiating with the bank and getting the best rates.

REMEMBER: Always try to find out if the bank has other properties available in its inventory when talking to the bank representative. There might be some properties that

the bank is willing to dispose of. It would be good to get the properties' address so you can check them out. You can offer them a good deal if they're worth it. Take this as opportunity to discover great properties and present them to an investor.

3. Write down the names of banks and financial institutions and do follow ups regularly.

In most cases, larger lending and financial institutions have more properties to sell. Banks are not the only ones who offer loans to homebuyers, so including the lending institutions in your area will greatly help as well. Creating a list may take some time but this is highly advantageous. You can do this by going over the Yellow Pages and look for lending institutions under the following headings:

- Banks
- Financing (especially Finance Companies)
- Mortgages
- Loans

One has to be patient and persistent enough when calling lending institutions under these headings to inquire about the people in charge of bank foreclosures. It might take longer than the usual so always state to them clearly that you are an investor interested in making an offer for their Bank foreclosures.

If you keep on doing follow ups, chances are, they would eventually call your up for available Bank foreclosures in their institution. It would be good to call them at least once a month.

4. Ask your real estate agent to look for bank foreclosed properties on the MLS.

Explain to your real estate agent the type of properties that you would like to invest on. This way, he or she would look for properties that are worth it. This can help speed up the process of looking for prime real estate properties.

Inform your real estate agent of foreclosed properties that are found on the Multiple Listing Service. The MLS is a highly organized and convenient way for real estate agents

to look for properties that are available for purchase on the market. This computerized system lists down all kinds of properties in the country. Thousands of real properties that are for sale can be found on these listings.

To search for properties on the listings, your real estate agent should type the word “foreclosure” in the computer. A bank will be listed as the owner of foreclosures. This is not widely known among agents, so you better inform your agent of the kind of property you would like him to find.

The number of Bank foreclosures that would come up on the list depends on how large the area of coverage is. Have your agent list down all available foreclosures in the area of your choice. The MLS provides a listing or a one-page document of properties in its directory. It contains detailed information of each property such as:

- The property’s address.
- The asking price.
- The type of property — single family home, townhouse or condominium.
- The number of bedrooms and bathrooms.
- The number of days that the property has been on the market. This is an important detail because banks would readily dispose of properties that have remained unsold for a long time. Make an offer for properties that have been on the market for a longer period and are not in good condition. Take advantage of this opportunity since banks would easily sell them even at much lower rates.
- A short summary of the property’s current condition and other necessary details. The listing might not include complete details of each property, so it is important to go over the description several times and look for important information such as the amount you can save from buying the property.

Be on the lookout for descriptions that tell that the properties are ready to be sold. These include “Bring all offers!”, or “Foreclosure property -- bank says to sell!” or “Property in need of repairs, great deal for investor or handyman”.

Learn how to read a listing summary by having your real estate agent explain it to you. It will not take long and help you find the properties you are looking for. Last, asks your real estate agent to call the bank’s listing agent and inquire about foreclosures that received a lot of offers. If there have been many offers that were turned down by the bank, this means that the bank is not willing enough to sell the properties.

Then, have your real estate agent inquire how much was the offer for a particular property. The listing agent hired by the bank might not give you this piece of information since they are not obliged to.

Naturally, if the other offers which are higher than yours were rejected, you have to look for more affordable foreclosure.

Foreclosure investing requires little time and effort in managing a prospect. Minimize spending so much time on just one property. On the other hand, you need more time in making sure that an acquired property is sold for the highest price you can obtain. These four methods are tried and tested ways for finding foreclosed properties. Try using these methods individually or in combination for they are highly advantageous.

To save your time searching and get referred to a real estate agent that specialises in foreclosures, visit: BuyForeclosures.ca

Bank Foreclosures You Should Avoid

Foreclosures are usually priced to their value when they are listed for sale. Banks would like to get as much from their properties so their offer might not be exactly low. Banks make offers in different ways and it is hard to tell if the offer is low. Avoid a scenario like:

- Offers that are higher than yours are recently rejected by the bank. As an example, the property that you have found has a $200,000 fair market value.

You are only willing to pay $130, 000 or 65% of its value. You were then informed by your real estate agent that your offer was not accepted.

There are two offers of $136,000 and $150,000 each. These two offers are much higher than your offer of $130, 000. Before you make an offer, try waiting for a month or two since the bank might offer it at a much lower discount after dealing with the property for a couple of months. Keep the information you have about this property just in case you'd make another offer.

- If the property has been turned into marketable condition upon the bank's investment, it also increases its market value. If only a few small repairs were made, then this is the right time to make an offer. If the property is all fixed up and ready for its new owner, then find another properties on the listing.

The methods presented should be used to your advantage. Be smart and use your time wisely in looking out for foreclosures with great potential.

Foreclosures You Should Not Purchase

There are certain properties that should be rejected to save you from future complications. If you are not sure about a property, keep these warnings in mind.

- Properties in bad locations should not be purchased since it would be difficult to sell it. Such examples are rundown sections in certain areas which would-be owners could not be proud of. Properties in rural areas are also not attractive to buyers since it would take so much time to go from one place to another.

- Properties that are in worst conditions should not be wasted time on. If they badly need repairs or are good enough to be destroyed, do not even think of making a deal. A property like this is not even worth the land since you have to pay for a demolition job and clean-up services which can be very expensive. Before purchasing a property, consult a professional home inspector to assess how much repair is to be done.

- Buying properties in a high-end neighbourhood should also be avoided because properties in an expensive address are more difficult to sell than "bread and

butter" houses. Buyers of $1,000,000+ houses are just a few, while there are a lot of middle class families willing to purchase $250,000 houses. Properties that are affordable and would need only a few repairs are easier to sell.

What Happens After Finding A Bank Foreclosed Property

It is easier and faster to make an offer for Bank foreclosures that have potential as long as they are in good location and would only need a few minor repairs. You have to take into consideration all the repairs that are to be made in making sure that the property is attractive to the buyer.

But before making an offer, here are some of the steps that need to be followed:

First, it is important that your real estate agent knows how to find the fair market value of the property. The estimates of the fair market value should be reasonable. The next chapter will tell you how to din a good real estate agent. Next, visit the property and inspect it yourself. Arrange a visit with the banker since most foreclosures are open for inspection before an offer is made.

Upon visiting the house, list down the possible repairs that are needed in the said property. You need to present this list to the banker before making an offer. Through this, you might be given a discount for the repairs you are going to make. Lastly, make an offer based on the amount of money you are expected to earn from the property. (Chapter 6 will give you some ways on how to do this.)

You are now ready to make an offer to the bank upon completion of the steps mentioned above. Before making an offer to the bank, you must learn how to verify:

1. A house's fair market value.

2. The potential profit you can make out of it.

These two areas will be discussed in the next two chapters.

CHAPTER 5

- How Do I Find The Fair Market Value Of Bank Foreclosures?
- Appraisers
- Real Estate Agents And Why You Need One
- How Can I Find A Good Real Estate Agent?

How Do I Find The Fair Market Value Of Foreclosures?

Foreclosed properties may be a burden to banks. However, it can do the opposite to you. If you want to invest in bank foreclosures, the first thing that you should do is to find a real estate agent who will find the most lucrative foreclosed properties for you.

To work best with your real estate agent, you should outline to her the prerequisites of your investment. Hence, explain to her the necessity of finding properties with a fair market value. Having foreclosed properties with a fair market value can be sold faster than those which require you to dish out money to merely improve their states.

Moreover, foreclosed properties with a fair market value will not require you to spend some cash for appraisal. Most of the time, a fair market value is the only real value to look for in the market.

Appraisers

There may be times when you have found promising properties yet, you are having hard time with your agent figuring out their market value. If this is the case, you should hire an appraiser who is duly trained in finding out the exact market value of different properties including foreclosures.

Most of the time, appraisers do their job by making use of comparables in the neighbourhood. However, when no comparables are present in the neighbourhood, appraisers look for comparables in other neighbourhoods. The search for a comparable is not the only major requirement for appraising a property, it is said that an appraisal can be a little difficult. Hence, the service rendered by a trained person is highly needed.

Appraisers can definitely determine the exact market value of properties. However, they can take out some of your cash because you have to pay them for their services. So avail only of the service of the appraiser if you have already found a bank that sells foreclosed properties at a very low price.

Real Estate Agents And Why You Need One

Dealing with real estate is not at all hassle-free. Since you cannot allocate most of your time in selling bank foreclosed properties and cannot do all the things needed, you have to hire real estate agents. Since real estate agents are professionals, most people nowadays turn to them whenever they have a property to sell. With an agent to work with, any property will have its chances of being sold quickly.

Real estate agents receive commission through heir work. The commission can range from 3%-6%. Most of the time, a 6% commission is the most preferred by real estate agents this is because there are cases when a real estate agent has to share the commission with another real estate agent.

This case usually happens when your agent finds a property, however, another agent from another agency finds the buyer. Even if another agent finds the person to whom the property will be sold, your agent will partake of the commission, hence your agent and the other agent will have 3% commission each.

However, unless the property is sold, real estate agents will not receive their commission. For this and for the fact that they will pay for the marketing of the property, all agents are encouraged to hone their craft in order to earn cash immediately. The best real estate agent who can market bank foreclosed properties is the one that can identify the market value of these properties. This way, you will not hire the service of an appraiser.

How Can I Find A Good Real Estate Agent?

If you haven't tried investing on bank foreclosures before, you should pick the real estate agent with a good background. Before you decide, have several agents to be personally interviewed. Getting to know several agents will give you enough choices in selecting the best.

If you have acquaintances or friends who are real estate agents, you may contact them and get to know their background in marketing properties well. If you cannot find an agent who is a close associate, you may look up in Yellow pages directory under "Real Estate". You may also phone realty offices nearby or interview agents through the phone.

If you resort to a realty agency, do not forget to ask for an agent who works with investors. The advantage of working with an agent who has worked with investors is that you will be able to have an excellent deal through which you can generate much profit out of the properties that you will sell. When you find the agent that you want to work with, tell her right away that you will be selling bank foreclosures whose market value you should know immediately.

It is important that you constantly call your agent in order to get updated about the deals that she makes with potential buyers. You might be stuck with an agent that does not prioritize you. Do not let this happen to you. It is actually easy to find agents who will say that they are willing to work with you, but in the long run will least prioritize your property. So interview several experienced agents first before finally selecting one.

To get referred to one of the best real estate agents in your area that specialises in foreclosures, visit: BuyForeclosures.ca

Questions You Should Ask To Know Your Agent

There are possible questions that you can ask when you interview applicants.

1. Have you experienced working with investors before?

If the answer is no, you have to tell the agent the importance of having worked with an investor. To have worked with an investor means having the properties get sold quickly. But if ever you get stuck with an agent that has not worked with an investor, you should let your agent know that you invest in bank foreclosures to gain profit.

Tell her that the properties that you want to sell are those with a fair market value because they are the easiest to sell on the market. Aside from this, your agent should pick properties that are situated in neighbourhood where properties are usually sold quickly.

2. How long have you been a real estate agent?

   The number of years usually indicates the expertise of an agent. However, in some cases there are less experienced agents who are intelligent enough to find buyers and make deals with them. Hence, it is better if you end up with an agent who does the necessary things to sell properties quickly.

3. How willing are you to allocate time to work with me?

   In this question, you should tell the agent that you intend to invest on bank foreclosures most of the time, so you need her cooperation the whole time you will work with her. This will also mean that while she is working for you, she will be receiving several commissions as well.

The things mentioned above are just some of the questions you should ask to the possible agents you will work with. The purpose of the interview is not only to find the agent with the most number of credentials. What you truly need is the one that can render the service that you need and can do what needs to be done.

CHAPTER 6

- The Easy Bank Foreclosure Profit Formula

The Easy Bank Foreclosure Profit Formula

Once you have set your sights on a promising bank foreclosed property, you need to get your hands on it as soon as possible since it could make you a lot of money. However, it is not merely getting your hands on these properties that you should do; you also need to figure out how to do the correct computations in order to calculate the amount of profit that you could possibly earn in the future.

This chapter will teach you an easy formula to do just that. But before we delve into that, you need to keep in mind that it is important to buy property that is not more than 65% of their fair market value. This means that you will be given a 35% discount. Also, you need to remember that if the property you are planning to buy needs a lot more than the usual cosmetic repairs like a new paint job or carpeting, you should subtract the cost of such from the price that you are offering.

The 35% comes in handy in this situation since there will surely be a lot of other costs that you will need to pay for as the deal pushes through.

Now, let's go to the computation. In order to calculate your potential profit in a particular deal, you have to know the five different expenses or costs that are usually incurred in deals like these. The first expense is the overall amount or purchase price that you are offering to the bank for the property. Next is the purchaser's settlement cost, these are the costs that are related to the buying and selling of the property.

Once the settlement of the property has taken place, both the buyer and the seller must pay for the transfer of ownership documents, as well as the legal fees, transfer taxes, the fees for the new deeds and more. In retrospect, you will need to fork out around 2% of your purchasing price for you – the purchaser's – side of the cost of settlements. This number is merely an estimate and you may have to pay a little more or even less, depending on your area.

The third cost that you will need to know about is the cost for fixing up the place. These costs are related to getting your property into optimum marketing condition so that you will be able to show it well and sell it fast. Fix-up costs include paying for paint jobs, carpet installations, plumbing and electrical repairs, renovations or updates as necessary and even yard work.

This might seem like a lot but in reality, they are vital for you to be able to make the property look appealing. Then, you need to know about the carrying cost. These are the monthly expenditures for things such as your loan payments, property taxes, utilities and insurance premiums. You need to factor in approximately four months of carrying cost just to be on the safe side. This should be at around 1% of your money. Finally, you have your marketing cost.

This is the amount that you will spend in advertising your property and going into settlement with your prospective buyer. The general estimate for this would be around 10%, which is broken down as follows: 6% for your real estate agent's commission, 2% for the seller's settlement fees. And 2% for helping your buyers pay their side of the settlement fees.

The latter might sound like a completely ludicrous concept, but it is the reality in selling property. Most of the buyers barely have enough for the down payment and can hardly afford to buy a house without help from the seller. With the way the economy is going today, the sellers are most likely going to need to help the buyers with the settlement costs. Because of this, you will need to factor in all these five costs so you can calculate the profit you will have and see if it's all worth it.

Now that you have all five costs, you can proceed in calculating. However, bear in mind that these are simply approximations and you will need to contact a contractor to help with your estimates, especially concerning the fix-up costs.

Let's say that the property that caught your interest is in a good neighbourhood and that the houses in the area sell fast at fair prices. The house is in pretty good shape, only needing a new paint job, carpeting and a few general repairs. You have also found a bank that is willing to sell the property to you. Let's say that the property has a fair market value of $100,000.

After discussions and negotiations with the bank, you consent to paying $65,000 for it. After conferring with your contractor, he estimates the total fix-up to be $3,500. Let’s calculate your potential profit.

1. Purchase price: **$65,000**

2. 2% of the purchase price for your settlement costs: **$ 1,300**

3. Estimated fix-up costs: **$ 3,500**

4. 4 months of carrying costs: $ 3,400

   $200 a month for insurance and utilities;

   $650 a month on your first trust loan of $65,000 (1% of the $65,000 = $650).

   This adds up to $850 a month X 4 months = **$3,400**.

5. 10% of the fair market value of $100,000 = $10,000. (6% real estate agent commission, 2% percent seller’s settlement fees, and 2% for helping the buyer pay his settlement fees). **$10,000**

   Total for all five of your major costs: **$83,200**

   Now, let’s see now how much potential profit you could make.

   Sales price based on the fair market value: **$100,000** minus

   Total for all five of your major costs: **$83,200**

   Potential amount of profit you could make on this deal: **$ 16,800**

Not bad when you consider that all this can be done in your spare time! The formula may seem a little complicated the first few times you use it, but you will soon get used

to it. After using the formula a few times, you will see that this is an easy way to figure out the amount of profit you can make on a bank foreclosure deal.

Keep in mind that this formula is meant to be an estimate of the amount of profit that you can make. A property could take four months to sell, or even two. The actual fix-up costs of a property could be a little less, or a little more.

When using this formula, always keep in mind that you could make more or less profit, depending on the actual figures that apply when you complete the deal. Use this formula whenever you have a bank ready to sell a foreclosed property to you. Let the formula tell you if there is enough profit in the deal to know if it's worth your time.

CHAPTER 7

- Negotiating With Banks
- 4 Factors That Indicate The Banks' Motivation To Sell
- Terms Or Price?
- Ways To Negotiate Bank Foreclosures
- How To Negotiate With A Banker

Negotiating With Banks

The most excellent way to be successful with bank foreclosures is to be familiar with the terms used. You should know the in and outs about these type of properties when you are trying to make an offer. And for that, you should be the one who is in control. And by any chance, you probably are the only one who might be taking an interest on the property. This could mean that the bank might also be interested in selling the property to you.

4 Factors That Indicate The Banks' Motivation To Sell

When selling the foreclosed property, there are a lot of factors that needs to be considered in making a decision on selling the property.

1) Type of property – the type of property is very important. Aspects like where it is located and how long it has been on the area should be noted. The condition of the property is also one of the biggest aspects to consider. If the property is in a bad condition, then the bank will be much obliged to sell it with a bigger discount.

2) The number of properties that the bank has in its record – The more foreclosed properties, the more discounts you'll get. You have to be sure to ask the bank as to how many properties do they have available.

3) How long the property has been in the bank's hands – If the property has been with the bank for a long time, the banker will be more compelled to sell it, and thus he will be more than willing to give you a bigger discount.

4) The time of the bank's fiscal year – When the fiscal year of the bank is drawing near, they would also like to organize the assets that are good for them and the assets that they consider a liability before the next fiscal year starts. A bank's fiscal year may start in March and end the next February. Banks like to dispose of non-performing assets before the start of the next fiscal year.

Terms Or Price?

The perfect bank foreclosure transaction would be the one wherein you were clever enough to get a big discount and convince the bank to lend you the cash for you to be able to purchase the property (although, it would be hard to find a bank to give you both benefits).

In a lot of cases, it is either you are be able to attain the price or the terms but never both. If ever you had the chance of attaining both, it will generally be a negotiation between the two. This might be able to explain price and term more clearly.

Terms:

Terms can be anything that you desire them to be. For instance, you told the bank to clean up the property once a month for about 5 years, that is called a term. It can be any agreement that you want. More sensibly and more virtually, you may possibly ask the bank the majority of these terms.

Price:

If you want a very low price for the foreclosure, you would have to make a cash offer – a cash offer that they could not resist. By generating a very tempting offer, they would have to sell you the property at a very good price.

The Role of the Bank

Finance the property for you. Given that you are doing business with a bank, you can ask them to loan you some cash for the foreclosed. For the bank, it would be a win – win situation. You will be the one paying them after all.

Give you an interest rate at least 1% below the on going rate. Being able to get even just one percent discount would still be able to help you save money. One percent means a thousand dollars, so that would mean that you would be able to save a thousand dollars on your property.

Charge you no points. Getting points would also mean additional percentage on your loan. Although this might be one of the few things that you have to deal with when getting your loan, you have to make negotiations with the bank. Present them an offer that would be beneficiary for you and the bank.

Pay all of your settlement costs. Make sure to pay all your settlement costs. These costs could easily go higher if not dealt with. You might end up paying more than what you purchased. And when you feel that the time is right to start you negotiations with the bank, then you can choose on which of these of these alternatives you would consider a priority for you:

- Price (a large discount)
- Terms (low rate bank financing)
- Both price and terms (a little bit of everything with regards to the discount and the low cost).

If you are planning on selling the property, then you have to get a large discount. But if you want the property for your own personal use, then the terms might be of much use for you.

Ways To Negotiate Bank Foreclosures

It is often intimidating to deal with bankers, especially of established financial institutions. However, if you are negotiating with them, you have to learn to assert yourself and prove them that you mean business. Follow these tips:

- Be decisive on your prospected property and assert when necessary. Bankers would often give you a tough time when negotiating, but always stay polite but firm on your approach.

- Tell the banker that you are here to make a profit and by doing so, you can also help the bank by handing over a problematic foreclosed property to your hands. It's a win-win situation.

- Be reasonable when settling the price and terms. If possible, negotiate a rate that is more than what you are willing to pay, so that you can also make some necessary requests with the bank.

Always remember that by purchasing a bank foreclosure, you are doing the bank a favour. Most foreclosures that were not sold during the foreclosure auction are either in poor condition or are not worth the deal at all.

Banks are more than willing to get rid of these properties so ask the banker for the price first before making a deal. They might not have a set price after a foreclosure auction, but let the banker present the price first because it might be less than what you are offering.

How To Negotiate With A Banker

It is best to set a good price first before negotiating on terms when making an offer for a bank foreclosure. This can prevent you from the hassle of discussing about terms when in fact, the bank wants to sell it for a full price.

On the other hand, it is more convenient to deal with banks than property owners because they have a systemized way of doing things. As professionals, they see the foreclosed property as an investment and you, as an investor, can make a profit out of it. The downside is, they can be strict and assertive, so do not cower. But instead, give them an offer they can't refuse. Here is an example of dealing with a banker:

> You: *"If I will buy the property within 30 days and pay in cash, what is the lowest set price?"*

Here, even if you are negotiating for the banker to finance the property on your behalf, you still have to ask for the lowest possible price.

> Banker*: "The lowers price we have set for the property is $140,000."*

You: *"I think this price is more than the property's worth since there are still so much to be done to make it more attractive on the market."*

Of course, you have to prepare a list of repairs to assert what you mean. There is no need to point out minor problems, only the major repairs but you should add that small repairs should be done, too. Then, tell the banker that there are properties in the neighbourhood that takes time to be sold. This is because the properties are not in solid condition and to make them marketable, they have to be repaired and beautified.

Banker: *"What price can you offer for this property?"*

NOTE: Give the banker an impression that you have carefully calculated the cost of the property by giving him a price that is not rounded off. For example, instead of stating $240,000, say $230,200. By giving him a set price such as $240,000, he may be tempted to counter your offer.

You: *"$230,200 is a fair price, considering the repairs that need to be done. With this price, the bank can finance the property without any points and pay my closing costs as well."*

At this point, listen to the way the banker reacts because this will show his negotiating style.

He might counter your offer by saying, *"$230,200 might be a fair price indeed, but I would need cash as payment for the property."*

In this case, always get something in return whenever the banker asserts a new term. As an example, when he says you should pay in cash, you have to lower the price to $227,500.

The banker might get tired of dealing and sell it at a much lower price. This is the point when the banker would say that he needs to talk to the real estate agent or contractor in charge of the property before accepting your offer. Do not worry since he might just consult the agent whether or not the price you are offering is worth the property.

Usually, the bank pays the agent 6% when the property is sold. If the banker finds a buyer, the agent will get a lower commission. Hence, the real estate agent will have to double check the cost of repair to be done. In some cases, they might overestimate since they are not trained to do so and tell the banker that what you are offering is reasonable.

Contractors even give higher estimates which puts you in a better position. As soon as the banker is done speaking with the agent and the contractor and was given higher estimates, the banker will think that you have made a great offer. On the other hand, if you are unsuccessful with your negotiation, politely tell the banker to call you if he'd change his mind.

Do not just stick with one property deal because there a lot out there. Make a list and write notes as well. Follow up on these properties after a few weeks. They might get tired with dealing with the others and might agree on selling you the property at a low price. This is why follow up is very important.

There are a lot of ways to deal with bankers and you will develop your own style in a matter of time. Use the one that works best for you and always keep in mind that bankers are more than willing to get rid of foreclosed properties.

Chapter 8

- Tips On Writing Contracts For Your Advantage

Tips On Writing Contracts For Your Advantage

When you are ready to make a bank foreclosure or an offer, you should write it down. You do so by filling out a form called real estate sales contract that is found in your Province.

These real estate contracts are created for the benefit of the real estate agents and their clients as well. The purchasers were not a priority for this contract and so for your benefit as a purchaser, you have to make a couple of adjustments.

The type of contract that you can use as an investor would vary from Province to Province. This can get a bit tricky, so it's best to consult a real estate mentor who has experience with real estate contracts, especially when you are doing creative financing like no money down deals.

However, if you are just doing a straight forward purchase, then a notary public, lawyer or real estate agent will suffice.

You can get contracts designed for real estate investors here.

CHAPTER 9

- The Best And Fastest Way To Earn Money "Flipping" Bank Foreclosures
- Steps In Flipping Bank Foreclosures

The Best And Fastest Way To Earn Money "Flipping" Bank Foreclosures

Flipping bank foreclosed houses is one of the easiest way to make money in real estate. How does it work? It starts by having a contract which states that you can buy a bank foreclosed property at a deep discount and selling it to an investor for a price. This practice is known as “flipping” a contract or “flipping a house”.

It is basically selling the contract of a house to an investor. It might sound easy, which is actually true and can conveniently be done to your other contracts as well. If you want to earn some cash and avoid shelling out money, flipping houses is a good thing to do since all you need is just a small deposit in the bank for your contract.

Flipping contracts is also one of the best ways to start out in real estate if you don’t have enough money. All it takes is just a small amount of money to serve as deposit on a contract and you are on your way to earning thousands of dollars in just a matter of time. By flipping a contract to another investor, you are actually handing over all the rights and privileges you have under the contract.

At this point, the investor has the right to buy the foreclosed property according to the price stated in the contract – the right that he bought at a certain amount from you. However, when dealing with a banker, you have to look closely at the real estate contract because the banker might ask you to deposit a bigger amount, more than that of the homeowner.

On the other hand, it depends upon the foreclosed property and whether or not the bank really wants to get sell it badly. The deposit for the contract should be between $100 to $500 tops. Include the weasel clause "This offer is subject to the buyer's partner's approval" for more guidance. This can prevent you from losing the deposit if the property has not been flipped to an investor.

The reason why you have to pay close attention when drafting a contract with a bank is perhaps, the banker will not include a clause that will allow you to flip the house to other people. This means that the banker would include the phrase “and/or assigns” in the contract which should be beside your name.

This is a way for the banker to know who the prospective owner of the property is. He or she might not be able to afford the property because of a bad credit, or being financially incapable because of unemployment. This sense of hesitation is expected because this might be the first time that the banker has worked with you. This is the banker’s way to guarantee that by selling the foreclosed property at a discounted price, the deal will be done successfully.

You can avoid this dilemma by informing the banker that you are unsure of whom or what title should be placed the property to. It could be your corporate name or your business partner’s. You can appease the banker by asking him to include a clause in the contract which allows you to ten business days to finalize the name to take title to the property. You can flip the property within this span of time.

4 Steps In Flipping Bank Foreclosures

At this point, flipping a contract might seem difficult, but only if you do not know how. Here are some steps to guide you in the flipping process:

STEP 1:

Make a list of investors who are willing and are ready to settle on good deals you would come up with. Do this before meeting and signing a contract with a banker. Inform your investors to prepare a good amount of money as soon as you have closed a deal. One way to invite investors is to post an advertisement in the investment property section of the most widely circulated daily in your locality.

Do an interview and do not forget to ask for their name, contact number, and whether he is qualified to make a fast loan from his bank. It means that the bank has granted him permission to make a loan before he even needs the money.

You have to make it clear to your investors that the reason why you ask them to prepare money is to be able to close a good deal conveniently. You have to make them understand by being sincere and by giving him a letter which contains all the details.

There are a few things to consider if you wish to close a deal with a bank-owned home. Such as –

- A pre-qualification letter from a lender. (Get one by filling out this form here)
- How fast your client can decide once you put across a good deal.
- The type of property your client is willing to buy – condominiums, townhouses or single family houses.
- The specific area in town he likes to move in.
- Your client's capacity to pay once he chooses a property.
- The number of properties your client wants to buy.

To effectively organize your transactions and at the same time to smoothen out your entire business venture, you have to go through a certain process.

You can create a separate file on all the investors that you have talked to. Once you have a significant number of investors, these letters will come in handy. When you get a good deal, all you have to do is to get the files and find the investors who want a foreclosure. Then, you can contact these investors and get as high a fee as possible.

STEP 2:

Next, you need to get a signed contract to buy a foreclosure at a deep discount. Apparently, the cheaper the agreed amount that you have with the bank, the greater the amount you can ask from the investor you flip the contract to. Most investors like the idea of buying a property for 20% to 25% less of its real market value.

Since you can buy properties for a lesser price, you can make at least 5% of a property's market value after you flip the contract. But of course, there are also some investors who would settle for just a 5% to 10% discount of a property's market value. If you are lucky to come across an investor like this, you can make a tremendous 15% profit from that deal alone. That means a great amount of money.

Remember: Your signed contract must have the words, "and/or assigns" right after your name in the purchaser's section of the contract. This authorizes you to "flip" the contract. You will actually be assigning the contract to an investor, but the word "flip" is remembered easier.

Example:

Purchaser's Name: YOUR NAME and/or assigns

To illustrate the figures involved, suppose you have found a property with a market value of $200,000. You have closed a deal with the bank to purchase it for a total of $130,000. This is just 65% of the property's real market value. Then, you have found an investor who would like to buy the same property at 70% of its original price ($200,000).

That means that he is willing to pay $140,000 for the property, the same property that you bought for only $130,000. So at the end of the day, you get a clean amount of $10,000. Your investor will pay you $10,000 and he or she will pay the bank $130,000.

In this transaction, there are no other costs and no other money involved except the money you gave as a contract deposit. The investor who will buy your contract must pay you back your deposit on top of the purchaser's settlement because he the one who is actually buying the property.

Just imagine if this investor is willing to buy the property for 80% of its original market value. That would give you a whooping 15% or $30,000 on this deal alone!

STEP 3:

After you have a signed contract with the bank, you can call all the investors you have lined up. When you already have a particular investor ready to buy the contract, you must assign that contract to him. To do this, you need to write up and agreement that states, “I, YOUR NAME, hereby assign all of my rights and privileges under this contract to JOE Investor for $ to be paid at settlement.” In the bank, fill in the amount of money that the investor has agreed to pay you, including your contract deposit.

STEP 4:

The last step is to go to the settlement with your investor. This is important because you do not want any last minute complications ruining the deal. The banker has no idea who the investor is and might get confused. At the same time, the investor does not know the banker and might also get confused.

At this point, the banker should have no problems whatsoever with you flipping the property as long as the bank gets the total amount of money that is due at settlement according to the contract. You should be there during the settlement to make sure that everything will be according to what was agreed. You might also want to collect your profit while you’re at it.

If you follow everything mentioned above, then there should be no reason for any complications to arise. Honestly speaking, I have worried about this the first time I flipped a bank foreclosure. But my mentor assured me that all bases were covered, and my experience has borne this out.

Follow these steps and you will be on your way to making thousands of dollars using very little capital. Flipping contracts is just as simple as it seems. Try it, and you won’t believe that making thousands of dollars in your spare time could be so easy.

One last thing I want to stress out is to remember your real estate agent. I recommend paying your real estate agent at least 1% of the sales of any properties you flip. Your real estate agent has helped you put together a lot of information. Much of this information he or she has given you has not led to a deal but has required him or her, the time and effort anyway. When you flip a property, chances are that investors would have their own personal real estate agent. Since it is your agent who has helped you get the deal by providing you information, he or she is entitled to some sort of compensation.

Never be cheap with your agent for he or she is your greatest ally when in comes to foreclosure investing and you will be working together for a long time. Never expect anyone to work for you without expecting any incentive. Always be fair to the people you do business with and it will come back to reward you.

CHAPTER 10

- 6 Steps To Get Started

6 Steps To Get Started

Here are six simple steps that you should follow to earn money out of bank foreclosures:

Step 1: Review chapter 4 and employ the four methods in searching bank foreclosures pointed out there. You will find a bigger number of deals if you use several methods in searching for bank foreclosed properties. Therefore, use all the methods discussed in chapter 4 and discover more opportunities you can seize.

Step 2: After you have determined which property you would prefer to present an offer on, you should first get information on its actual market value by inquiring a real estate agent. This is a very important prerequisite to step 3.

Step 3: Calculate the possible rate of profit you will acquire from the transaction by using the formula presented in chapter 6. With this formula, you will be able to ascertain the purchasing price to push for the bank foreclosure. With the price already set, you can proceed to a banker.

Step 4: Review chapter 7 and practice the tips on negotiating with a banker before actually approaching him. Once you have talked with him and he conveys his agreement with the price you offered for the foreclosed property, proceed to chapter 5.

Step 5: After you have already decided on buying a foreclosure at a lower price and you have convinced a banker with your offer, put the deal in paper. Make a written contract that will bind the foreclosed property's sale. You can talk to a mentor to make sure that all the necessary information are stated in the contract. Never forget your weasel clause!

If you are considering to turn over the property, then remember to include the words "and/or assigns" after your name on the paper.

Step 6: After you have completed all the steps above, you have already clinched a property with a competitive price. Now you can begin renovating, if necessary, so you can sell it at higher price soon.

Conclusion

Purchasing bank foreclosed properties is a great way of seizing opportunities out of properties that may appear promising at auctions prompted by foreclosure. Banks will rather sell these properties at discounted prices than be bothered about maintaining such properties.

By this time, you may want to consider about seeking help from a real estate mentor. While this course is comprehensive enough, a great deal of effort and time are saved if a mentor guides you through the process.

When I was just a newbie in the field, I had an mentor who could evaluate the deals I was planning to make and who would encourage me if I was making the right moves. I believed I could still begin even if he was not around, but I could never be too sure of my steps had he not been there.

Just be determined in what you are doing and you will surely be surprised at the huge amounts of money you can earn in an amazingly short time.

I am grateful to you for spending time to study this course and I wish you great luck in your efforts.

Aiden Win
"Mr. Foreclosure"

Recommended Resources

SEE OUR LATEST
REAL ESTATE INVESTOR RESOURCES

CLICK HERE

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