

CREATIVE MORTGAGE TALK

A Periodic Newsletter on Creative Financing

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MY CALENDAR ISN'T BROKEN

I am just a Procrastinator! Although you are not receiving this issue until September, I will try to get current before the year is over.

USING BARTER TO CLOSE TRANSACTIONS

One of the most important concepts of Creative Financing, and indeed of all financing, is the concept of barter. Barter is simply the process of exchanging something that you have for something that you want more. It is the basis of every transaction and was the basis for all transactions prior to the creation of money. Money simply makes accounting easier, because it is a negotiable commodity that can be used in exchange for everything, whereas, barter involves exchanging something you have for something that someone else has.

WORDS OF WISDOM

“You’ve got to use what you have to get what you need to get what you want.”

Peter Fortunato

For the purposes of discussing Creative Financing, I will define barter as the process of exchanging anything that is not money

for purchase of real estate. One of the common forms of barter that we hear a lot about is the process of exchanging. Actually, barter and exchanging are synonymous terms. But when people speak about exchanging they are often referring to the process of a tax-deferred exchange pursuant to Section 1031 of the IRS code. While Section 1031 exchanges are a very prudent way of minimizing the tax burden, it is possible to make exchanges that are not tax deferred. For purposes of Creative Financing we will not worry about the tax consequences of the exchange.

Only exchanges of real estate for real estate can be tax-deferred. In addition to exchanging real estate for real estate some of the more common types of barter include the following:

- Personal property for real estate
- Services for real estate (*one of the more creative uses of exchanging services for real estate was a real estate developer who had his barber provide him with a number of certificates good for one haircut as a down payment on a lot purchased by the barber*)
- Sweat equity. This is actually a form of exchanging services for real estate

but it involves the Buyers performing work to repair or improve the value of the property being purchased. Sweat equity arrangements should always be secured by a performance based Deed of Trust.

- Debt for real estate. Some of the more common forms of debt that are bartered for the purchase of real estate include the following:
 - Exchanging a Deed of Trust, which the Buyers hold on property previously sold, as part of the purchase price.
 - Creating a new Deed of Trust against equity in property that the Buyers already own and exchanging it as part of the purchase price.
 - Creating a Deed of Trust on property owned by others and exchanging it as part of the purchase price for the property being purchased. (*A good use of this technique is when parents want to help their children acquire property. They can create a Deed of Trust against their property and the children can exchange that as part of the purchase price of the property they desire.*)
 - Stocks bonds or other securities owned by the Buyers

To determine if the use of barter will assist in making the transaction, you should ask all **Sellers** the following questions:

- *What do you plan to do with the cash you receive from the sale of your property?*

- *Is there any reason that you wouldn't trade part of the equity in your property for what you want?*

To further determine if the use of barter will assist in making the transaction, you should ask all **Buyers** the following questions:

- *What do you own that you are willing to sell to buy the real estate you want?*
- *Is there any reason you wouldn't trade that for the real estate you want?*

Remember that items offered in barter can be accepted by the licensee as part of the real estate commission. If you aren't considering barter as part of the transaction making process, you may be missing out on transactions that could be made.

CASH NOW SELLER FINANCING™

With today's financing, many properties and many Buyers will **not** qualify for a bank loan. The way to sell non-financeable properties is to use Seller Financing. **Buyers love it!** Unfortunately, many Sellers will not consider this effective and time proven financing option because the Buyers' down payment is not enough to meet their needs.

The answer to this dilemma is simple. We will pay **CASH NOW** for Seller Financed Notes with a simultaneous closing so the Sellers walk away from the closing with the cash they need.

A FREE WEBINAR

To learn more about this concept, visit our website at www.Cash4You.net and take our new Webinar titled "**MORE SALES WITH CASH NOW SELLER FINANCING™.**"