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Beware of Residential Back Flips by [Investors Edge University](#)

Article published on March 28th 2012 | [Business](#)

The key to success on Back Flipping/Leasebacks is DISCLOSURE, DISCLOSURE, DISCLOSURE!

The proper paperwork is KEY to doing them right. Here is a quick summary of how this process works:

- * You find a homeowner in trouble
- * They want to stay in their home
- * You are able to get their property under contract and you do a successful short sale
- * You close on the property
- * You then sell it to a landlord (another investor looking for long-term wealth)
- * The landlord agrees in advance that he/she will lease it back to the homeowners for THREE years (three years is key to not going to jail)
- * The homeowner and landlord agree in advance to a purchase price which increases a little each year
- * The homeowner makes all their payments on time
- * The homeowner works on fixing their credit in the meantime
- * At the end of the designated time the homeowner is able to buy their house back for LESS than they originally owed because of the great short sale that you did in the beginning of the deal

You get paid in the beginning when you get the property short sales to a great deal.

For example:

â€¢ You may have found a property worth \$200,000 that has a \$200,000 balance on it.

â€¢ You are able to do a great short sale because you work with Bill and Dwan and get the property for \$100,000.

â€¢ You sell it to a long-term landlord for \$125,000 and put a smooth \$25K in your pocket.

â€¢ The landlord agrees to sell it BACK to the homeowner for \$150,000.

â€¢ The homeowner signs a lease, pays rent, and in three years buys the property BACK for \$150,000.

â€¢ The landlord makes a \$25,000 profit as well as collecting a monthly profit on the rent.

â€¢ You made \$25,000 for a quick flip.

â€¢ The homeowner was able to buy their home back for \$50,000 LESS than they originally owed!

The main reason this creates a win/win situation is three-fold:

- You make a quick paycheck

- The landlord has an instant tenant with a goal to buy the property back

- The homeowner doesn't have to move out of their home

So Dwan, where is the risk?

- The risk is that most investors directly lease the property back to the homeowner "BIG MISTAKE!"

- Most homeowners fail in this kind of a deal and have to be evicted.

- Eviction causes hard feelings and many homeowners will contact an attorney.

- Once an attorney is involved they will be all over your business.

Let's look a potential scenario where you and the homeowner have become great buddies and you feel safe leasing it directly back to them and don't heed my advice:

The homeowner rocks along for six months making all payments on time, everyone is happy. Suddenly they lose their job and fall behind on payments (remember, they were in foreclosure when you met them). You start getting upset because they are now three payments behind and you are still making your mortgage payment to the bank. Soon you realize that you have no choice but to evict them! here is where the trouble begins!

You tell them they have to move and they say, "This is my house!" You remind them that it is YOUR house and that they are renting from you. They hire an attorney who hates investors and next thing you know you are standing in front of a judge. The homeowner is crying about how you stole their house out from underneath them, how they didn't understand that you owned their house, how you took advantage of their lack of knowledge, and so on.

Even though you have done everything right, you will still lose. Judges usually take the side of the poor, defenseless homeowner. We know two different investors who were brought up on charges of BACK FLIPS/LEASEBACKS and in both cases each investor had to GIVE back all the homes they had ever done and they received jail time as well as hefty fines.

One guy had to give back over 80 homes and the other over 20! Needless to say they both lost everything.

Leasebacks can be an amazing way to make money because you truly get a chance to give a distressed homeowner a second chance to save their home. The key is to be realistic: If the homeowner still isn't working, makes less than before, can't afford the new rent payment or is still struggling they have a 90% chance of failing. It is better to simply do a short sale now and give them some moving money and part friends.

If they are 100% back on their feet you are better off to help them do a Loan Modification and collect a small fee for negotiating if you are successful. 85% of ALL homeowners who go into a Loan Modification will fall out in 120 days and you can buy the property then by doing a short sale and never having to look back.

If doing leasebacks is something you decide sounds great then let us share how we have been able to complete 357 of them with NO problems! remember what I said: Disclosure is the key to success!

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Article Keywords:

Real Estate Investing Strategies, Real Estate Investing Training, short sale

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