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Wholesale Real Estate Investing: Simultaneous Closing by Simon Macharia

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When you are involved in real estate investing buying your houses from motivated sellers, you sometimes find that you cannot manage all the properties yourself. You have to sell such properties at wholesale prices to other real estate investors.

This is called wholesale real estate investing.

In simultaneous closing, also called double closing, you buy the property from the seller, then turn around and sell it to your buyer, usually on the same closing table. Your profit is the difference between your selling price and buying price minus any closing costs.

So when do you do a simultaneous closing?

If you stand to make a sizable amount from the deal, you do not want the seller or your buyer to know. It is common for them to walk away from the deal after getting cold feet.

Simultaneous closing is an excellent option to prevent this.

How does it work?

1) Sign the contract to buy

Once you identify a good deal, put the contract under contract to buy from the seller. Fax this to your title company or closing attorney to do title work.

2) Sign contract to sell

Get a real estate investor who buys houses in your area. Put it under contract with you as the seller and they as the buyer.

Of course, your buying price must be lower than your selling price to make a profit.

Fax this second contract to the title company. You must collect earnest money when you sign the contract.

3) Close the deals

The closing company will then prepare two closing statements (HUD1), one where you buy the property and one where you sell it.

Each transaction has its own closing fees. Usually, your buyer brings money to the title company, which is also used to close the first transaction where you buy.

If your buyer borrows money from a lender, the lender must agree to have the funds close the first transaction. You walk away with the difference between the price you sell it for and the price you buy it for less your closing costs.

Notice that neither the buyer nor the seller knows how much you make in the transaction.

Advantages and disadvantages of simultaneous closing

There are two closing costs in simultaneous closing, one when you buy and one when you sell.

The lender for the second transaction can refuse to have their money to be used to close the first transaction.   This means you must find a way to finance the first transaction.

Unless you have ready cash to finance this transaction, you might have to get transactional funding from a hard money lender. Transactional funding never leaves the closing table and just allows you to close the first transaction.

You must therefore account for this cost in your profits.

If your buyer is using a conventional lender, the lender may require that you own the property for at least 90 days.   Such a buyer cannot support a wholesale deal.

When all is said and done, simultaneous closing is a great way to wholesale properties and walk home with big pay days.

Simon Macharia - About Author:
In successful real estate investing, you must be able to sell your houses quickly to stay in business, especially in a slow market. Learn how an a interactive website for real estate investing can help you sell your houses faster by creating a buyers list and using the power of social media to reach many buyers in your market.

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