BECOMING THE BANK: HOW DEBT FREE PROPERTY OWNERS CAN GAIN EXTRA INCOME THROUGH SELLER FINANCING

Property Owners that have no mortgage or conventional debt on their property, are legally able to hold a mortgage on the properties that they sell to a new buyer for a number of advantages:

1. Seller financing increases the income that you receive in the sale of the property. The mortgage interest becomes additional income.

2. Deferred capital gains Since you do not receive all the income of the sale at one time, you can defer the amount of capital gains taxes that you pay, as the mortgage payments would be taxed as mortgage income in monthly amounts.

A mortgage naming the seller as the MORTGAGEE, and the BUYER as the MORTGAGOR

A sale of property with a seller financed mortgage would yield additional income for a Seller that owns the property free and clear. To keep it simple, I will use the figure of $100,000.00. If a property sells for $120,000.00, the owner could receive $20,000.00 in cash, and finance the remainder. A mortgage at 6.5 % over a period of 20 years would yield a total of $198,935.78 in total reversion (income to the Seller). The Seller receives $734.78 in income for the next 20 years as the note is paid in full over time.

Loan Amount	100,000.00
Interest Rate	6.5000%
Number of Months	240
First Payment Date	4/1/2014
Interest Rate Per Month	0.5417%
Regular Payment	745.58
Total Interest	78,935.78

Total Sales Price + Total Interest = Total Reversion, or total income to the Seller. The Seller avoids a large up front capital gains tax. This is a way to beat the high cost of living, be a responsible bank, and hold the note personally, or in the form of a Limited Liability Company, or whichever way your accountant or counsel recommends.

Your position as the owner of a property with no mortgage debt allows you the opportunity to become the bank, and accrue the interest that the bank would receive through financing.

Carrying mortgage notes involves additional risk, however risk and profit go hand in hand.

Some of these risks include 1. There is the risk that the owner may prepay the mortgage, or refinance, and 2. There is also the risk that a buyer may default on a mortgage, in which case, the property would default back to your ownership, in which case you could sell or lease the property again, for additional profits . 3. The buyer may have a strong relationship with a bank, or be financially stable enough to pay for the property in cash, in which case, your income will remain the contracted sales price. The profit in this market is attainable, and your property will become able to provide income as we are able to market and promote the properties separately, and replace the role of the banks in providing financing, or be flexible to be able to provide that option. Buyers want to see a trusted lender for financing, however the strategy for seller financing allows Sellers to be the trusted lender and gain additional income.

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