



GGB Capital LLC.

The Fundamentals of Seller Finance

Prepared especially for professionals, realtors and
property owners



Prepared and presented by:
Kenneth E. Moll, President
GGB Capital LLC
San Francisco, CA

Recent explosive growth of seller financing



- ❖ Seller financing fills the void left by conventional financing
- ❖ In 2005 an estimated 1 in 400 properties involved seller finance. By the end of 2008 it had grown to 1 in 50. Results since suggests the surge continues!
- ❖ U.S. census data suggests that still 25% - 30% of all U.S. real estate is owned outright and more still with positive equity sufficient to empower this strategy

Brief history of Seller Finance



- ❖ Seller finance blossomed during the 1979 – 1982 period when prime skyrocketed to 20% and mortgages to 18%
- ❖ The emergence and meteoric growth of sub-prime markets during the 2001 – 2007 period saw this comprise upwards of 20% of all mortgage originations
- ❖ The spectacular collapse of sub-prime in late 2007 – 2008 fueled seller finance's compelling resurgence

A Tough Question: Should I Seller Finance?



- ❖ Seller finance opens the potential number of eligible buyers by as much as 50% - 70%
- ❖ Fact: If a buyer can qualify for conventional financing he/she/they will take it. Many just can't today
- ❖ Seller finance expands the flexibility beyond traditional boundaries and can significantly shorten the seller's holding period and approx. 2%/month carrying cost

Essential: Comprehensive due diligence



- ❖ The #1 reason for default in the note business is fraud
- ❖ Think like a lender, not a landlord. Trust, but verify!
- ❖ The Five C's of good credit still apply:
 - ❖ Character – the buyer's good intentions
 - ❖ Credit – the buyer's historical track record
 - ❖ Capital – the buyer's "skin-in-the-game" (LTV)
 - ❖ Capacity – the % of income for debt servicing (DTI)
 - ❖ Collateral – the buyer's upkeep and maintenance

How a *Note Professional* creates a win-win



- ❖ The mark of a true note professional is the ability to make even the real complicated sound understandable
- ❖ Comprehensive due diligence and careful structuring generates a note that becomes highly marketable
- ❖ A note professional can make certain the note meets the needs of private investors if it is later sold, with an estimated 60% eventually sold in whole or in part

Sellers Beware: Be careful what you ask for



- ❖ Fact: you get what you ask for. Avoid unnecessary time and expense dismissing unqualified buyers
- ❖ If you offer “*No Credit – No Problem*” properties, you bring out mostly only those marginalized persons who do not represent truly credit worthy buyers
- ❖ Advertise for “*Seller Financing for Qualified Buyers*” and get those people you want who meet that criteria

What happens after the note is created?



- ❖ Knowledge the note has been professionally prepared brings a great deal of confidence to the situation
- ❖ Careful preparation and execution sharply improves all later hold-or-sell decisions regarding note
- ❖ Developing a plan for servicing the note, tracking payments, monitoring taxes and insurance, and filing appropriate year-end IRS reports all essential elements

What happens in the event of a default?



- ❖ The seller and now note holder must always be prepared to foreclose on property if buyer in default
- ❖ When speaking with your buyer, now creditor, always treat them with respect and keep lines of communication open at all [reasonable] costs
- ❖ If foreclosure is unavoidable, always retain a trustee to handle the legal aspects as the laws are quite tricky

Keeping in touch with your note professional



- ❖ Most sellers have never structured a private sale before and don't know how to conduct adequate due diligence
- ❖ The risk appetites of note investors change as market conditions change and must be carefully monitored
- ❖ Realtors who keep in touch with the seller finance market can retain a competitive edge by having one more tool to offer clients that most others won't

Happy Sales with Seller Finance!!!



Getting in touch...



- ❖ Contact Ken Moll of GGB Capital LLC at info@ggbcapital.com or 415-400-4077 for more insight as how best to utilize seller financing
- ❖ Also contact our affiliates Alan Noblitt at Seascape Capital Inc. at seascapecapital@san.rr.com or 858-672-4678, (a licensed real estate broker in California) or Eddie Speed at Colonial Funding Group at www.colonialfundinggroup.com or 800-969-1200 x700 but please do mention our name.
- ❖ Please reference this video and mention **Code #125** for a special bonus on all your note closings with us!



415-400-4077

Building a bridge of trust

GGB Capital LLC
Seller-Financing Professionals