THE REASONS WHY INVESTORS USE **TRANSACTIONAL FUNDING**

Matt Bell & Nick Legamaro

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INTRODUCTION

Real estate investing is a thriving niche that lures thousands of professionals and newbies alike every year with the promise of overnight success and big money.

But when you get to flip homes all by yourself, you will come to discover that more than half of what you were taught or learned from courses and books are not practical or no longer works. So, is there any secret you need to unearth or need to know? How are the big boys in the industry making tons of money every week?

The most significant problem that the majority of real estate investors out there usually face – irrespective of whether or not it is their first deal or their 200th – is capital. It doesn't even matter if you have a considerable amount of money saved up in your bank account; it is generally not enough to cover all the deals you have in mind. Almost all investors become incredibly cashflow sensitive at some point. They cannot scale beyond this point without funding help.

It also means putting your precious nest egg at high risk. And of course, getting a Transactional Funding is out of the question due to the difficulty of the entire process nowadays. The best way to go about this dilemma is by making use of a concept known as “Traditional Funding.”

In this eBook, you will learn about Transactional Funding and the reasons why many investors use this amazing concept to close deals left, right, and center. This will open your eyes to how you can also jump on the train of money-makers in the Real Estate industry without having to risk your savings or rely on hard money lenders or conventional mortgage.

So, let's dive in!

CHAPTER ONE

What is Transactional Funding?

Transactional funding – also referred to as same-day funding, short-term funding, ABC funding or flash funding – is the short-term capital that real estate investors borrow to complete deals.

This type of funding is incredibly popular with wholesalers as well as real estate investors who are interested in buying a property but without touching their own funds.

Transactional lenders – i.e. organizations that facilitate transactional funding- will always lend to investors who have a good deal regardless of credit. But there must be an end buyer who is willing to purchase the real estate property from the original investor within a short period, usually from one to fourteen days.

When these forms of transactions are carried out without any unforeseen hitches, the real estate investor or wholesaler can complete the deal and earn a whopping sum of money, all pure profit without the need to put their own money at risk or into the deal.

The primary purpose of transactional funding is to be exceedingly short-term. Some loan lengths can even be within minutes or hours.

Who Makes Use of Transactional Funding for Real Estate?

Transactional funding is the perfect option for any real estate investor that needs short-term loans to close deals. As mentioned earlier, real estate wholesalers- with signed contracts on homes that require closing on a deal- also should make use of flash funding.

Therefore, if you are a real estate investor that deals with the following:

- Short sales
- Motivated seller leads
- REOs (bank-owned properties)
- Other distressed properties

Then having this funding in your tool belt is an excellent and wise move on your part.

What is more, dealing with REOs as well as short sales requires some stipulations that call for the need to officially close and purchase a property before wholesaling it to another company or person. This is where Transactional funding plays a crucial part in your real estate business.

What are the types of properties purchased using Transactional Funding?

Below are some examples of the types of properties that can be purchased by flippers and wholesalers using flash funding:

- Single-family houses
- Multi-family
- Condos
- Commercial structures such as mobile home parks, strip malls, apartment buildings
- Land and lots
- Hurricane damaged homes
- Fire damaged properties
- REOs (bank-owned homes)
- Wholesale deals
- MLS listings

The simple fact that qualifying for this type of loan is incredibly fast and easy makes it perfect for the purchase and sale of a house or property.

CHAPTER TWO

How does Transactional Funding Work?

Transactional Funding is a popular loan that is available nationwide. It is also available for single-family, commercial properties, apartments and land. This is also called an A-B-C deal or flash funding due to the quickness of the disbursement of this exceptional type of loan.

Here is how it works:

It is assumed that in your training as a real estate investor or wholesale flipper, you've been taught how to find and acquire great deals at deep, discounted prices. You've also been taught exclusive ninja strategies that help you find the end buyer quickly, sometimes before you even find the deal.

For this example, we're going to use the letters A, B, and C to describe how this kind of deal works:

"A" represents the Seller of the property
"B" represents YOU
"C" is the end buyer

So, let's get started: you've done the work; you have your marketing in place, and your phone is ringing off the hook with highly motivated sellers. You've collected property information; you have done your due diligence and evaluation.

You made an offer, and it was graciously accepted! Again, we'll call the seller of the house "A." Now, it is time for you to find a buyer. Fortunately for you, it doesn't take too long before you find a buyer for the property.

We'll call the potential buyer "C".

The buyer makes and signs an offer to purchase. Remember, in this example, you are "B". You are the smart real estate investor that succeeded in bringing "A" and "C" together. So, now you have been able to execute two contracts: the "A-B" contract and the "B-C" contract.

And now, it is time for you to get PAID!

Both transactions are set to close hopefully on the same day, and you will walk away with a nice slice of cash cooling off in your bank account.

However, there is a problem: in order to comply with the laws that govern double closings, you must fund your "A-B" deal with separate funds before the "B-C" buyer completes their purchase.

You could possibly assign the contract, but then, everyone gets to see how much CASH you are making.

The deal could even fall through, or the "C" buyer may go directly to the seller, thereby leaving you with NOTHING.

Is it worth the risk to have either "A" or "C" see how much you are making? Is it really their business?

Transactional Lenders will provide the necessary cash and wire 100% of the money on your behalf, directly to the title company to purchase the property from the seller, A.

Buyer "C" brings their money to closing for the B-C transaction; you pay off the original one-day investor flip or transactional funding loan including any fees charged, and the rest of the profit is yours to keep.

Let's take a quick look at a theoretical or hypothetical example: let's say that the seller "A" has a property worth $100,000. They are highly motivated and need to close quickly. They accept your maximum offer of $60,000.

So, to purchase this property, you need a $60,0000 loan FAST. Now, let's also assume you agreed to sell that property to your "C" buyer for $100,000; there is a gross profit for you of $40,000.

Lets just say there is a transaction funding fee of only 1.95% will be charged with the loan amount, and in this case, the amount is $1,170 plus a transaction fee of $595.

It means that in this hypothetical example, you would profit $40,000 less $1,765 in transaction fees for a net profit of $38,235!

You can see why this is such a popular strategy amongst new and seasoned investors. You put a real estate deal together using none of your own money, none of your credit, and keep the lion's share of the profits.

And the best news? You can do as many of these deals as often as you want!

There is no credit check, no cash needed. All that is needed is an A-B and B-C contract to get the deal funded. Transactional Funding allows you to scale without capital constraints.

There are, however, several important things to know about this type of loan:

1. The money that is loaned must be held and not leave escrow at the title company
2. The "C" buyer money needs to be deposited in escrow before the funds to close the first transaction will be wired for the A-B closing.
3. You MUST use one of our approved title companies for BOTH transactions.

Take note that both closings don't need to be on the same day. Sometimes, these loans can take anywhere from one to five days.

However, a delay may add a small extension fee to the cost of the loan.

The transactional funding loan is your best option when you want to create a wholesale flip deal that generates immediate profits without putting any of your own money at risk. Proof of Funds letters are also available.

Qualifying for Transactional Funding

When it comes to raising funds, many investors – even those who have pristine credit histories as well as the right credentials – prefer to follow the transactional funding route instead of going through conventional banking.

The drawbacks that are associated with conventional money lenders or banking are enormous. The approval process is not only painfully inefficient but is undependable in most cases. The underwriting process takes incredibly long to accomplish – up to several weeks – and the potentially rising interest rates are not funny in any way. There is also no guarantee that you will get the loan you need.

Transactional lenders, on the other hand, can provide up to 100 percent of the funds that are required. A few of them are even more than willing to pay all the closing costs.

Moreover, the entire process can be accomplished within a few days instead of weeks. You will not, in any way, be mandated to produce reams of documents or be subjected to credit verification exercises, asset, income verification, job, and appraisals.

You will not even be required to purchase insurance or have a full title. Transactional lending is not only less risky when compared with conventional banking but also offers a more pleasant experience.

It also offers more profitable opportunities as it makes it incredibly easy for borrowers to scale up their real estate business to any level they desire.

Advantages of Transactional Funding

The following are the advantages of Transactional Funding:

1. Quick Closings

Getting your transactional funding approved can happen – and to the closing table – can happen within a few days. This is practically impossible with conventional hard money lenders. And this is perhaps why transactional funding is sometimes referred to as "flash funding."

With Transactional funding, you will enjoy the benefit of having a backup in place irrespective of whether or not you have a lot of hard cash on the off chance that something unexpected comes up so that you don't miss your closing.

And if you are trying to buy from other wholesalers out there today, they will not give you more than two weeks to close if you want to get the deal. To enjoy the biggest profits as well as the best bargains, therefore, you don't have any option than to use transactional funding or pay cash.

2.100% Financing

The beautiful thing about Transactional funding is the fact that you will get 100 percent financing of your purchase price as well as the closing costs. This will enable you to enjoy dependable no-money-down real estate deals all the time.

3. Affordability

Using the services of hard money lenders or traditional mortgage financing to fund every real estate deal that comes your way will eat deeply into your profits, no thanks to the considerable fees and paying a lot of points.

This could make or break a transaction, and so instead of following that route, getting transactional funding will be a lot cheaper and less time-consuming as well.

You will also get to enjoy the bonus of having more money in your bank account and on the table, as it were.

4. Qualifications, Not Required

Applying for a hard money loan or conventional mortgage, i.e. credit checks, whether or not you have gone through a foreclosure or bankruptcy, etc.

Transactional funding does not require all of that. You will not be forced to verify your income, whether or not you are holding down a job or how much money is cooling off in your bank account.

Transactional funding also does not require you to have an appraisal of any sort. All that is required is the property seller (A), you (B), and an end buyer who is genuinely interested in the property you want to flip. Then you must have organized documents such as executed contracts.

Remember that the approval of Transactional funding is based primarily on the strength of the deal as well as the property.

5. Behave like a Cash Buyer

Do you know that with Transactional funding, you will get to act as a real cash buyer and be able to call for more significant discounts when making an offer on properties?

This is possible since you don't have to jump through several underwriting hoops, which is common with conventional hard money lenders. This also implies that there won't be any delay whatsoever in getting your transactional funding approved.

When this happens, you will have a decisive edge over your competitors, and you will also be able to do two things:

- Make a more extensive spread on each deal, or
- Be able to flip homes that come with low retail price tags which makes them move faster.

6. Lower Risk

Another beautiful thing about having access to an excellent transactional lender is that you will be able to flip houses easily and quickly. You will be able to get in and out without having to deal with the risks that are usually linked with speculation or holding on appreciation.

CHAPTER THREE

Is Transactional Funding Legal?

Flipping houses is a tricky business, especially when it comes to staying out of trouble with the law or avoiding undue and unwanted attention from the authorities. And regrettably, many of the real estate programs and courses out there are outdated as most of what you were taught are no longer valid or has become illegal.

But thankfully, this does not include the subject matter at hand, which is transactional funding.

Simultaneous closings – otherwise known as “Dry closings” – in which a real estate investor makes use of the money belonging to a buyer to fund a double closing and then pay the seller is frowned upon and is in some cases and/or states illegal, which can attract the attention of the authorities.

And technical issues can ensue, especially with the recording of deeds as it may not be ready in time to meet the end buyer's lender's requirements. This could, of course, end up jeopardizing your real estate deals.

Transactional funding - or flash funding- is, however, a different ball game entirely. This particular type of financing will provide the funds you need to close your A to B transaction with the seller.

Then, you can go ahead and have a separate closing for the B to C side, which will cash you out with the end buyer via their bank financing or a cash purchase. This is entirely legal; however, the mechanics may be somewhat different from the scenario laid out here as it significantly depends on where the end buyer is sourcing their funds from.

In most cases, though, you – as the real estate investor – will be able to close both ends of the deal within three days. You may even be lucky enough to close it on the same day.

However, you may encounter a situation in which the end lender may want to set eyes on the recorded deed obtained from the first transaction. So, you may have no choice than to wait for up to two weeks or more.

But thankfully, the best transactional lenders out there are rolling out extended financing options today. This implies that you can have as much as 40 days to pay back the loan.

So, to answer the question "Is transaction funding legal?" The answer is a resounding "Yes," it is entirely above board and legal. To be on the safer side, however, you may consider using either a title company or a closing attorney who is:

- Comfortable with this particular type of real estate deal
- Knows how to facilitate a seamless transaction on both ends, and
- Fluent with the different requirements of a variety of lenders

CONCLUSION

As conventional banking process continue to take ages to grant approval for loan applications, transactional funding continues to make its mark, thanks to its less-stressful, dependable, and low-risk method of financing real estate deals.

And if you want to succeed as a real estate investor and wholesaler, building or developing relationships with different types of lenders is highly crucial. This is because you may never know when you will need to use a particular type of funding, such as Transactional funding.

This will enable you to have an exit strategy any time you are faced with the situation of needing to get funds within a short time frame. When non-assignable contracts come your way for properties or houses that you want to wholesale, you will be able to quickly complete the deal via a double close with Transactional funding.

Anything that has to do with real estate investing is associated with an element of risk. However, as a real estate investor, you must always be ready to take calculated risks if you want to enjoy the profits from the deals you complete.