

Section Three

Summing Up

"Education is the acquisition of the art of the utilization of knowledge."
—Alfred North Whitehead

"Without doubt, the highest privilege of wealth is the opportunity it affords for doing good, without giving up one's fortune."
—Cicero

What have you learned from this book? How can it continue to be of help to you in the future? Each reader will have a different answer to these questions depending on the factors that go to define his or her unique situation: present level of competence in real estate investing, personal goals, the location and type of property sought, financial situation, access to resources, and so on. These are the obvious variables. Then there is a host of significant additional factors, including how we relate to risk, how successfully we cultivate a win/win philosophy of dealing with others, and how we define "wealth" — that mysterious intangible that reveals what is ultimately of importance to us.

Each person is different; each will bring different expectations to a book of this type. As author, I can only speculate how my own "hidden agenda" of goals for readers might have been fulfilled through these pages. There are four goals that I hope might have been realized by the majority:

(1) The Formation of a New Gestalt.

At the outset, we wrote about the "Great Divide" that we all encounter at significant moments in our lives. If you are one who has reached that point in life (whether you are young or old) where you sense the need to seize the initiative in behalf of your own financial independence, then I would hope this book might have proved this one thing: "You can do it!" It is still possible in our day to exercise the qualities of vision, independence, creativity, trust, optimism, and educated risk-taking and coming out on top. There is no better opportunity to do this than with American income property. As one of the case contributors put it: "Why do you suppose people from foreign countries are buying so much property here? Because they know that American real estate is pure gold! Why are Americans so slow to realize this?"

This book is intended to help people gain a new perspective on their possibilities—a new gestalt of "pure

gold." Another contributor stated it this way:

"This is probably thrilling only to me. But as of January 15 of this year [1981], I had no indication that it would ever be possible for me to think of investing in real estate. The Nothing Down Seminar changed all of that. Now my only restriction has been time enough to follow up on other deals. I feel I can buy anything I set my mind to . . . Anything is possible when you see something you really want . . . For the first time, I feel great!"

(2) New Action Knowledge

The cliché has it that education is the acquisition of *knowledge*. Whitehead knew better; his quote above makes it clear that education is learning how to *use* knowledge. The goal of this book has been to supply knowledge of the type that can be used—new action knowledge. The objectives can be expressed in "How To's": How to locate desirable properties, how to analyze the deals, how to negotiate with the sellers, how to apply appropriate alternative financing techniques, how to build a team of professionals and partners, how to structure the offers and documentation to minimize risk, how to manage the cash flows, how to close on the transaction, and how to plan for future usage. Above all, the variety of approaches illustrated in this book make it possible for anyone to adapt the material to the realization of personal goals. Here is how one of the case contributors expressed his feelings concerning the type of action knowledge the Nothing Down System provided him:

"Look at a variety of properties before purchasing. Don't be afraid to make the first offer. You can protect yourself with a contingency clause (subject to inspection and verification of expenses). You can buy don't wanters! Incredible! Finally, be realistic about your goals. I plan to buy one house each year for the next ten years."

(3) Understanding the System

If this book has been successful, the reader should come away with a stronger sense of the coherence and logic of the Robert Allen Nothing Down System of real estate investing. Too often creative finance becomes a token banner flying above a hodge podge of miscellaneous techniques. What is needed is a step-by-step program that "hangs together." That is not to say that the practitioner must be caught up in a lock-step system that dictates every move. Quite to the contrary. To be successful, the Nothing Down System depends on flexibility, creative use of options, alternative approaches to solving problems.

However, the investor must have a way to organize

the options available to him in such a way that he or she is ever in control of the next move. That is why the system used in this book categorizes the flexible sources of down payments according to the *people* you meet "on the way to the closing"—the sellers, the buyers, the Realtors, the renters, the property itself (a kind of person, if you look at it that way!), the hard-money lenders, the holders of underlying mortgages, the investors, and the partners. These categories, together with option opportunities, form one major dimension of the "system." The other two dimensions comprise, in the first place, the fifty creative finance techniques of the Nothing Down Program, and in the second place, the major action steps of the actual purchase—locating, analyzing the situation, negotiating, closing (including preparing the offer and the documentation), and following through with management and future plans. Review the flow chart at the beginning of the book and note how everything fits together. Get this plan in mind—it's your roadmap to success. The following statements from two of the case contributors show that they are imbued—like all the others featured in this book—with a sense of the "win/win system" we are describing:

"This was not a win/win situation; it was a win/win/win situation where everyone was happy with the end solution. The Nothing Down win/win approach definitely works for us."

"Don't wait for opportunities to come to you. Plant seeds all over with many concerned people. Some are bound to flower. Know the seller's needs. Listen to what he says and read between the lines as you listen."

(4) Taking Action

Above all, this book is intended to persuade the reader to take action—to set goals, form alliances with competent professionals, learn the system, and act! No one can say it better than the contributors to this book. Here is how one of them put it:

"Jump in! If the numbers are there and you make the move, you'll find yourself thinking, analyzing, working, etc., to make it all work out. Then you can't wait for the next one."

New gestalt, new action knowledge, understanding the system, taking action—these four major items constitute the thrust of the book *How to Write a Nothing Down Offer*. To make it easier for the reader to use the material in a practical way, we conclude with a series of a "finder's indexes" that provide cross-referencing to the case studies from the point of view of the most important parameters of investing.

Finder's Indexes

- A. **Location Index** — How to relate the cases to areas of reader interest
- B. **Source Index** — How to trace don't wanters leads across the cases
- C. **Property-Type Index** — How to identify cases concerning properties in your size-range
- D. **Price-Range Index** — How to find cases that feature properties in your price range
- E. **Techniques Index**
 - (1) **Master List of the Fifty Robert Allen Nothing Down Techniques** — How to locate the descriptive vignettes for each of the fifty techniques
 - (2) **Techniques Matrix** — How to identify which cases use which techniques
- F. **Financing Index** — How to relate financing approaches to each of the cases
- G. **Index of Clauses**
 - (1) **Instruments of Purchase** — Wording for the various financing approaches
 - (2) **Contingencies** — Risk-reducing strategies
- H. **Documents** — How to locate in the book transcriptions of the most frequently used documents

Index A

Location Index

The numbers following the names of the cities refer to case studies.



Index B

Source Index

source of lead	total number	case study
1. Classified Ad	21	3, 5, 9, 10, 11, 13, 17, 19, 22, 27, 29, 34, 35, 36, 39, 40, 43, 44, 48, 49, 50 (including two buyer's ads: 17 and 22)
2. Real Estate Agent	17	1, 2, 6, 7, 8, 15, 20, 24, 28, 30, 32, 37, 38, 41, 42, 45, 46
3. MLS Book	7	12, 13, 14, 16, 31, 33, 38
4. Colleague or Friend	5	4, 13, 25, 26, 47
5. For Sale Sign	3	21, 23, 4*
6. Exchange Broker	1	18

Conclusion: Classified ads are the most important source of leads. Agents come next, followed by the grouping of miscellaneous sources. Best advice: use *all* sources simultaneously — you never know when you will hit a gold mine.

**Indicates transaction discussed in case study addendum.*

Index C

Property-Type Index

TYPE OF PROPERTY IN TRANSACTION	CASE STUDY
180 Units (townhomes) plus Land	34
72 Units	48
70 Units (mobile home park) plus 7 Mobile Homes	22
35 Units plus Restaurant	20
19 Units	43*
14 Units	49
12 Units	17
11 Units	43
10 Units	38
9 Units plus 3 Units	7
8 Units	19
7 Units plus Lot	9
6 Units	45
5 Units	41
4 Units	44
3 Units	1, 5, 29*
2 + 2 + 2	36
2 + 2	13, 21
2	2, 29*, 35, 39
Single Family Homes:	
1 + 1 + 1 + 1	29
1 + 1 + 1	18
1 + 1	4, 4*, 28, 32
1	3, 6, 8, 10, 11, 12, 14, 15, 16, 23, 24, 27, 29*, 30, 31, 33, 37, 38, 42, 46
Condo	40, 47, 50
Mobile Homes (7)	22
Mobile Home (Single)	25, 26
TOTAL: 543 Rental Units	57 Transactions in 50 Case Studies
256 Buildings	Average number of rental units per transaction: 9.5
	Median = Single Family Home

*Indicates transaction discussed in case study addendum.

Index D

Price Range Index

selling price in thousands	case study	selling price in thousands	case study	selling price in thousands	case study	selling price in thousands	case study
\$2,950	34	\$140	49	\$70	47	\$49.9	33
929	48	132.5	29*	69.3	5	48	1
700	20	120	29*	66.5	3	43.2	11
375	34	112	50	64.9	42	42.5	16
325	22	110	39	64	13	41.0	30
280	17	110	37	60	41	38	2
245	9	102.1	18	60	13	35	8
220	43*	92	21	57.5	38	35	4
195	14	92	18	57.5	12	34.6	27
165	36	90	23	56.9	44	28.5	24
165	19	80	7	56	15	25	35
160	45	80	6	53.9	28	16.4	32
159	29	77.6	18	52.9	28	14.4	26
155	10	75	29*	52	31	10	46
145	43	72	40	50	4*	3	25
141.5	38						

Total \$10,014,600 (61 transactions in 50 case studies)

Average Price Per Transaction: \$164,174

Median Price: \$72,000

*Indicates transaction discussed in a case study addendum.

Index E

Techniques Index

Master List of the Fifty Robert Allen Nothing Down Techniques

Brief vignettes describing each technique can be found on the indicated pages.

- | | | | |
|--------|---|--------|---|
| No. 1 | The Ultimate Paper Out, 19-20 | No. 29 | Refinance Boat, Car, Stereo, or Other Personal Property, 140 |
| No. 2 | The Blanket Mortgage, 20-21 | No. 30 | VA Loans, 140 |
| No. 3 | Life Insurance Policy, 21 | No. 31 | FHA Loans, 140 |
| No. 4 | Contract or Wrap-Around Mortgage, 21 | No. 32 | The Second Mortgage Crank, 140-141 |
| No. 5 | Raise the Price, Lower the Terms, 22 | No. 33 | Variation of the Crank: Seller Refinance, 141 |
| No. 6 | The Balloon Down Payment, 22 | No. 34 | Buy Low, Refinance High, 141 |
| No. 7 | High Monthly Down Payments, 22 | No. 35 | Use Discounts from Holders of Mortgages, 205-206 |
| No. 8 | Defer the Down Payment with No Mortgage Payment, 22 | No. 36 | Moving the Mortgage, 206 |
| No. 9 | Your Own Savings and Inheritances, 60 | No. 37 | Creative Refinance of Underlying Mortgage, 206-207 |
| No. 10 | Supply the Seller What He Needs, 60 | No. 38 | Pulling Cash Out of Buildings You Own But Don't Want To Sell, 207 |
| No. 11 | Assume Seller's Obligations, 60 | No. 39 | Making A Partner of the Holder of an Underlying Mortgage, 207 |
| No. 12 | Using Talents, Not Money, 60 | No. 40 | Selling of Second Trust Notes, 237 |
| No. 13 | Borrow Against Life Insurance Policy, 60 | No. 41 | Borrow Partner's Financial Statement, 243 |
| No. 14 | Anything Goes, 61 | No. 42 | Borrow Partner's Money for Down Payment, 243-44 |
| No. 15 | Creation of Paper, 61 | No. 43 | Borrow Partner's Money for Down Payment Until Your Money Comes, 244 |
| No. 16 | The Two-Way Exchange, 61 | No. 44 | Your Cash Flow/My Equity Or Some Combination, 244 |
| No. 17 | The Three-Way Exchange, 61 | No. 45 | You Put Up the Cash; I Put Up the Time and Expertise, 244 |
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| No. 20 | Rents, 129 | No. 48 | Sale Option Back, 279 |
| No. 21 | Deposits, 129 | No. 49 | The Earnest Money Option, 280 |
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| No. 23 | Splitting Off Part of the Property, 133 | | |
| No. 24 | Small Amounts of Money from Different Banks, 140 | | |
| No. 25 | Cash-By-Mail Companies, 140 | | |
| No. 26 | Credit Cards, 140 | | |
| No. 27 | Home Improvement Loans, 140 | | |
| No. 28 | Home Equity Loans, 140 | | |

Which Are The Most Popular Techniques?

RANK	FREQ. (No. of Ref.)	%	TECHNIQUES
1	39	19.4%	No. 4 Contract/Wrap
2	27	13.4%	No. 6 Balloon
3	13	6.5%	No. 32 Second Mortgage Crank
4	10	5.0%	No. 19 Borrowing Realtor's Commission
			No. 45 Partner's Cash/Your Expertise
5	9	4.5%	No. 21 Deposits
6	7	3.5%	No. 1 Ultimate Paper Out
			No. 20 Rents
			No. 36 Moving the Mortgage
7	5	2.5%	No. 13 Borrow Against Insurance
			No. 15 Creation of Paper
			No. 24 Small Amounts from Banks
			No. 42 Partner's Money for Down
8	4	2.0%	No. 5 Raise Price/Lower Terms
			No. 9 Savings and Inheritances
			No. 10 Supply Seller's Needs
			No. 11 Assume Seller's Obligations
			No. 34 Buy Low, Refinance High
9	3	1.5%	No. 8 Defer Down/No Payments
			No. 37 Creative Refinance
			No. 50 Lease Option
10	2	1.0%	No. 14 Anything Goes
			No. 16 Two-Way Exchange
			No. 26 Credit Cards
			No. 28 Home Equity Loans
			No. 39 Holder as Partner
			No. 40 Selling Notes
			No. 44 Cash/Equity Combo

RANK	FREQ. (No. of Ref.)	%	TECHNIQUES
11	1	0.5%	No. 2 Blanket
			No. 12 Using Talents
			No. 17 Three-Way Exchange
			No. 23 Splitting Off Property
			No. 27 Home Improvement Loans
			No. 33 Seller Refinance
			No. 35 Holders' Discounts
			No. 41 Partner's Financial Statement
			No. 43 Partner's Money Till Your Money Comes
12	0	0.0%	No. 3 Insurance Policy
			No. 7 High Monthly Down
			No. 18 Lemonading
			No. 22 Splitting off Furniture
			No. 25 Cash-By-Mail Companies
			No. 29 Refinance Personal Property
			No. 30 VA Loans
			No. 31 FHA Loans
			No. 38 Pulling Cash Out of Own Buildings
			No. 46 Rolling Option
			No. 47 Equity for Options
			No. 48 Sale Option Back
			No. 49 Earnest Money Option

Total of 201 References

Techniques Matrix

		Techniques																								
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25
Cases	1	1			4		6																			
	2	1			4		6					11								19						
	3	1			4		6														20	21				
	4	1			4																					
	5				4															19		21				
	6				4																					
	7				4	5					10				14											
	8						6				10															
	9						6		8												20	21				
	10				4		6				10															
	11											11													24	
	12						6								13											
	13	1			4										13											
	14															14										
	15						6									15				19					24	
	16						6									15										
	17																16			19	20	21				
	18				4													17								
	19				4										13					19		21				
	20				4	5	6		8											19	20	21				
	21				4						10									19	20	21				
	22	1			4															19	20	21				
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	29		2		4											15										
	30				4											15										
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	37				4		6													19						
	38				4																					
	39				4		6										16									
	40				4		6									15										
	41				4		6																		24	
	42	1			4	5	6		8											19						
	43				4		6																			
	44				4		6																			
	45				4		6								13											
	46				4		6																			
	47				4										13											
	48				4				9												20	21				
	49				4				9																	
	50				4		6		9																	
Technique		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25
Total		7	1	0	39	4	27	0	3	4	4	4	1	5	2	5	2	1	0	10	7	9	0	1	5	0
References																										

		Techniques																									
		26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	
Cases	1											37															
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48							32														45						
49																										50	
50																										50	
Technique		26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	
Total References		2	1	2	0	0	0	13	1	4	1	7	3	0	2	2	1	5	1	2	10	0	0	0	0	3	

Index F

Financing Index

TYPE OF FINANCING USED AS BASIS OF TRANSACTION		TOTAL NUMBER	%	CASE STUDY
1.	Assumption	12	22%	9, 11, 12, 22, 28, 30, 31, 33, 38, 41, 47, 48
2.	Contract/Wrap	11	20%	2, 5, 13, 19, 22, 24, 25, 26, 38, 39, 43
3.	Purchase Money Mortgage (or Trust Deed)	9	16%	6, 7, 16, 20, 21, 27, 42, 44, 46
4.	Refinance	7	13%	1, 3, 14, 23, 34, 36, 40
5.	New First Mortgage (or Trust Deed)	5	9%	8, 29*, 32, 35, 37
6.	Exchange	3	5%	17, 18, 38
7.	"Subject To" Purchase	3	5%	15, 29, 29*, 29*
8.	A.I.T.D.	2	4%	10, 45
9.	Lease Option	2	4%	49, 50
10.	Personal Unsecured Note	1	2%	4
		55 Transactions in 50 Deals	100%	

*Indicates transaction discussed in a case study addendum.

Index G

Index of Clauses

The following listing of clauses gives the text location where the originals are used in the documentation for the cases. Readers should also consult the commentary to each case for additional advice on the clauses. See also the section on filling out the Universal Earnest Money Receipt and Offer to Purchase, pages 7-15.

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