

Cheat Sheet to Deal Structure Hierarchy

Deal Structure You Can Use To Close More Deals
And Make More Money

Bill Walston

Hey! It's Bill...

And I wanted to share a few insights with you about one of my FAVORITE topics...

Creative Deal Structure!

Knowing how to structure deals is the MOST critical aspect of real estate investing. You could lose out on tens of thousands of dollars NOT KNOWING how to properly put a deal together and present the seller an offer he simply can't refuse :)

And most folks don't have a clue about how it's done.

I do. I've been putting deals together for over thirty years - most of them **NO MONEY DOWN**. (Or not MY money, anyway.)

Using what I call the "Deal Structure Hierarchy," I'm able to make an offer on **any** property, regardless of underlying financing.

It goes like this:

A hierarchy for both buying and selling using creative financing strategies

BUY		SELL
Subject to the underlying loan		Lease and Option
Wrap or Second		Contract for Deed
Contract for Deed		Wrap or Second
Lease and Option		Subject to the underlying loans*

*I RARELY get this far in the hierarchy on the sell side

Now, when I'm looking at structuring a buy side deal I always start at the top of the hierarchy because if you're buying a property **you** want to have the most control of the property in the deal.

So we start at the top of the hierarchy and make a "subject to" offer. This gives you the most control since you would be getting the deed to the property by simply taking over the payments on the underlying loan. (Note: You are NOT **assuming** the loan - you're simply making the payments.) If the seller isn't inclined to accept a "subject to" offer then we move down the hierarchy in our negotiations to a wrap or second mortgage offer. In this offer we're still getting the deed **BUT** we're

signing on the dotted line. We still control the property but we also take on the legal obligation of debt that we don't have with just the subject to structure.

As you progress down the hierarchy you have **LESS** control of the property, but you still have a profitable deal.

Now, let me point out that you CAN enter the hierarchy at any level depending on the seller's situation or the market conditions at the time. While I prefer starting at the top of the hierarchy every deal doesn't lend itself to that. We have to be flexible.

Taking a look at the hierarchy of structure when SELLING the property you'll see that it's the very opposite of the structure when buying. When we're selling a property we want to have more control than our buyer – so our hierarchy moves from least to most control for the buyer. Again, you can enter the hierarchy at any level depending on the deal specifics.

As my Sweet Granny used to say, if your only tool is a hammer, everything looks like a nail.

The more tools you have in your tool box, the more options you will have as an investor. If you learn these tools, the deal structure hierarchy, you will be able to make offers on ANY property so that it makes sense to you and is a reasonable solution for the seller.

Happy investing!!

ABOUT THE AUTHOR

Bill Walston is one of the most sought after business and tax strategists in the real estate investing community. His passion is teaching and creating strategies that help real estate investors do more deals, make more money, and live a tax deductible lifestyle. He excels at bridging the gap between learning and doing.

Bill holds an undergraduate degree in Accounting and Finance and a graduate degree in Tax Law.

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