



BE THE BANK



A guide to investing in land contracts in the USA



OVERVIEW

- Exceptional 18% Net yield typical
- Complete armchair investment
- None of the costs or hassle of being a landlord
- Uniquely packaged opportunity brought to the UK by The Worldwide Property Group allowing access to the type of investment only usually available to those with vastly greater sums
- Properties sourced in high demand areas only
- No mortgage or borrowing required – simple cash investment
- Properties “hand-picked” and managed by specialist team “on the ground” in the USA
- All closing costs covered – no fees to pay
- Purchase at just 75% of open market value
- Instant income!!
- £17,500 investment returns average £3,150 per annum
- Multiple and pre-defined income and exit strategies

TO FIND OUT MORE:



01235-553569



enquiries@w-wideproperty.com

Price

Typical cost \$28,000 (Approx. £17,500)

Available from entry levels as low as \$20,000 (Approx. £12,500) by special order

Payment Schedule

10% of purchase price to reserve

90% balance prior to completion

Typically 2-4 weeks to completion

ZERO additional closing costs





Introduction

Most property investors have at some point in their investment career taken out mortgages or some kind of financing in order to further their investment plans and strategy. If that situation applies to you, or even if you only own a residential property with a mortgage, then you will probably be aware that banks make a huge amount of money from providing mortgages and don't have to worry about any of the costs that are typically associated with home ownership, either as an investor or a residential homeowner (council tax, utilities, upkeep of the property, insurance, etc).

The Worldwide Property Group are delighted to be able to introduce to our clients the opportunity to "Be The Bank" in the USA by investing in Land Contracts (also sometimes known as Mortgage Notes or Seller Finance), which are in essence a very similar concept to providing mortgages on property and then benefiting from receiving the associated income from tenants/owners who are effectively making the mortgage payment to you as "The Bank".

This document is intended to explain some of the benefits of this investment strategy and **why it should form part of any serious investor's portfolio.**





What is a Land Contract?

- A Land Contract is in effect very similar to a mortgage in the way it operates. As the investor, you will hold a Land Contract with the tenant/buyer which operates in almost exactly the same way as a mortgage in that the buyer has a contractual obligation to pay a fixed amount to you each month.
- When investing in a Land Contract, our team will simultaneously secure a property for you and source a suitable buyer for the property under a Land Contract format who will purchase the property from you and you will take on the 'first lien' (the USA equivalent of a First Charge) and the right to receive a monthly payment from the buyer in exactly the same way as a mortgage lender would take a mortgage payment every month.
- A Land Contract is designed to be a more passive, "armchair" investment than owning a rental property as the responsibility for maintaining and up keeping the property lie with the tenant/buyer living in the property and not you as the investor.





What are the benefits for me in investing in a Land Contract

Armchair Investment: One of the greatest benefits of buying a Land Contract and “Becoming the Bank” is that a Land Contract is a hands free investment opportunity that is entirely managed on the investor’s behalf.

No Property Maintenance Costs: This is really a key point of this investment. When purchasing rental property it is always difficult to know precisely what returns you can expect at the end of each year as it is impossible to predict what capital expenditure will be necessary on a property. With a Land Contract investment the investor knows with a much greater degree of certainty what the annual costs will be as maintaining the property is the responsibility of the buyer so you won’t suddenly find yourself having to fork out to replace a boiler or repair a roof.

Diversify your Portfolio: Any serious property investor knows that they should never have “all their eggs in one basket”. Rental property investments are a fantastic way to generate wealth, but so are Land Contracts in a completely different way. Nobody should invest in only one area or asset class and Land Contracts make a fantastic addition to any serious investor’s portfolio.

Exit Strategies: Land Contracts offer fantastic net yields from Day 1 and also have multiple exit strategies in place from Day 1 – see the further section on exit strategies.

Low Entry Levels: The current opportunity to acquire property in the USA at extremely low prices means that we are able to offer Land Contract investment opportunities from entry levels as low as £10,000-£12,000 in certain circumstances.

High Yields: As all of the responsibilities for paying property taxes, insurance, property maintenance and other typical costs lie with the buyer, the yields that can be achieved on Land Contracts are fantastic. Our Land Contract investment opportunities offer in excess of 15% net yields to investors from Day 1 following completion.





Why is now a great time to Invest in Land Contracts?

With any investment, the key to maximizing profit almost always lies in investing at the right time. Right now is definitely a fantastic time to be looking at Land Contracts in the USA.

Land Contracts are not a new concept, they have been in existence for over 50 years in the USA, but as with any other form of property investment, they work best at a certain point in the property cycle. The continuing repercussions of the global financial crisis in the USA mean that it is still extremely difficult for many Americans to obtain a conventional mortgage and as such Land Contracts are currently extremely popular with buyers.

In very much the same way as the UK, property ownership is very much part of the American culture and you could even say forms part of "The American Dream". The demand from would be homeowners, coupled with the extremely low purchase prices of US property right now, mean that Land Contracts are currently extremely popular and proving to be exceptionally profitable for astute investors.





What are the benefits for a tenant/buyer/vendee having a land contract with you?

Hopefully it is becoming clear that there are some serious benefits associated with investing in Land Contracts, but in order for them to be a viable proposition there must also be significant benefits for the tenant/buyer/vendee who is taking out the Land Contract:

- In today's post-credit crunch market many people who want to become homeowners are unable to obtain traditional mortgage finance from big banks (particularly in America where the mortgage market is extremely compressed). These families are desperate to get a foot on the property ladder and the 'innovative' model of Land Contracts provides many families with this opportunity.
- Land Contract purchases are structured for vendees so that the total monthly payment they are making is lower than the going rental rates in the same area. That is to say that someone renting a home across the street for \$800 can BUY a home via a land contract for \$700 a month for example - thus actually saving money whilst buying a property! This can be achieved thanks to the fantastic price at which we are able to secure properties for Land Contract purchases.
- In certain circumstances a current homeowner who is in financial difficulty can be helped to stay in their home via establishing a Land Contract, whereas this would not be the case if they were continuing to be bound by the "corporate" structure of a bank. Due to the huge drop in US property prices from their 2007 peak, many current homeowners are in significant negative equity. Take the common example of a

homeowner who has the ability to pay their mortgage but is not inclined to continue to do so as they have a mortgage of \$100K when the home only has a value of \$50K in today's market. We are often able to buy the property from the bank in this example for around \$20K and offer the vendee a mortgage at \$40K – a true win-win situation and what the vendee was seeking from the start. It is also worth noting that in this example the property would typically have a value of approximately \$50-\$60k and as such the vendee has an immediate equity built in to the property as well.

- As a homeowner as opposed to a tenant, the resident is able to deduct part of their payment as interest which can be offset on their personal tax returns.

As you can see, there are benefits for both the investor and the buyer where Land Contracts are concerned – thus making them appealing for both parties.





How does the process of buying a Land Contract work?

As already explained, the process of investing in a Land Contract is deliberately constructed by our team in the USA to be as simple and easy as possible and deliver a true “armchair investment”. However, no matter how simple the investment, it is always important to understand both the acquisition process and how the investment will be handled post-completion:

- 1) The acquisition process starts in the same way as purchasing any normal rental property in the USA. The investor is guided through the process of acquiring an unencumbered, freehold property for the advertised price. As with all our properties in the USA, our Land Contract acquisitions are sourced in appealing areas where American families both want to live and own.
- 2) Following completion of the purchase the property is “Signed Up”. This process involves erecting “For Sale” signs in the windows, on the front lawn, attached to the home, on surrounding main roads, etc, etc. The area is heavily “signed” to generate purchaser interest extremely rapidly. In addition, the property is also advertised on our partners’ website which is currently the No. 1 ranked website on Google for purchase opportunities of this type.
- 3) The above process typically generates a significant amount of rapid interest for Land Contract purchasers/tenants. At this stage, our team in the USA qualify these prospects and arrange viewings of the property.
- 4) Following the property viewings, purchase applications are completed by our team in the USA who then run credit, background and criminal checks, verify employment, collect copies of state ID’s etc. Our team then select 1-3 prospective buyers in preference order and once a buyer/tenant is identified our team move to “close” on the purchase.
- 5) Our team in the USA operate a 2 step closing (completion) process separated by 6 months. This system has been specifically created to provide an added level of security for the investor. Initially, the property “purchase” goes through without signing a Land Contract or any deeds, simply the necessary documents are completed to make everything legal and to allow the buyer/tenant to get the power, gas, water turned on. The buyer/tenant then has to make 6 months payments to the investor before the rest of the legal completion documents are signed. This is done to provide a second level of protection and is effectively a “trial run” for the buyer/tenant to ensure they make payments on time before the final documents are signed.
- 6) After 6 months, the second step of the closing process takes place and the actual Land Contract is signed by our team in the USA. At that point, the contractual element of the investment is entirely completed.

It is important to be aware that the entire process above is managed for the investor and requires practically no input on their behalf. The above is purely designed to demonstrate the process that takes place in the background to find and deliver suitable tenants/buyers.



How is the Investment Managed for you Post-Completion?

The key to the success of any investment is how it is managed for the investor. For all Land Contract investors there is a choice of 2 different management options offered directly by our team in the USA in order to offer the true “armchair” experience to investors. The management of a Land Contract investment is vitally important so that the investor does not have to deal with day to day queries regarding tax issues, insurance, delayed payments, etc.

It is worth noting that in both options, a “servicing company” is in place to deal with the tenant/vendee on behalf of the investor. The servicing company is a specific company who act in much the same way as a letting agent by collecting the Land Contract payments and passing on to the investor. The servicing company is also licensed and insured to carry out this business.

1) “FULL MANAGEMENT” – offered at \$60 a month

- Investor works directly with our team on the ground in the USA who take responsibility for communicating with the servicing company on the investor’s behalf.
- If any issues arise with the tenant/vendee such as late payment, partial payment, cancelled insurance, etc then our team in the USA will take care of everything for the investor directly. Our experienced team will decide on the best course of action in each case and inform the investor of what is being done but will not require any input from the investor. In most instances the first thing an investor will know about any issue is when they receive an email to explain it has been resolved and how this has been done – a totally hands free experience.
- In the rare instance of legal action being required for any reason, our team will do all the work with their own lawyers and provide the legal team with the direction they need – again, little to no input is needed from the investor.
- Our team in the USA currently run an extremely successful business managing hundreds of extremely profitable properties of their own that are owned on a Land Contract basis and in the instance where an investor opts for the “full management” service, our team are effectively empowered to treat the property/investment as if it was one of their own portfolio and deal with all the necessary management without troubling the investor.
- For all investors who choose to employ ‘full management’ on their Land Contract investments there is no charge from our team for their time, they will only charge for out of pocket expenses when they occur.

2) “SERVICING ONLY” – offered at \$20 a month

- Investor works directly with the servicing company
- If any issues arise with the land contract holder (as described above) then the servicing company will liaise directly with the investor to see how he/she wants to proceed and resolve the issue – in much the same way as a letting agent would on a Buy to Let property.
- In the instance of legal action being required for any reason the investor will be responsible for liaising/coordinating with the servicing company and lawyers to ensure that everything is dealt with in a suitable manner.
- If the investor opts for “servicing only” then our management team in the USA are still available for them to use on an ad hoc basis as they wish but will charge for their time in dealing with any enquiry or any work done.

The choice of which service the investor wishes to opt for is always entirely that of the investor but The Worldwide Property Group would recommend strong consideration should be given to employing “full management” in order to ensure that the investment runs smoothly throughout its life and is truly “hands free”.

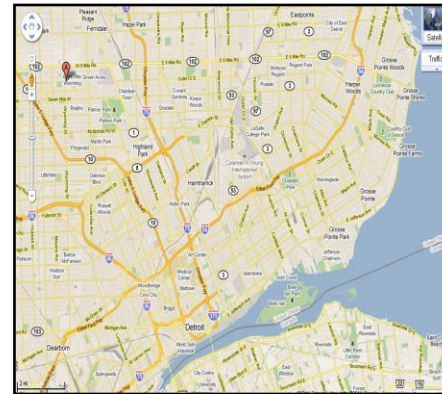
We believe our team in the USA to be the very best that there is in managing these types of investments and their experience and track record is second to none. The Worldwide Property Group are more than happy to introduce all potential investors to the head of the USA based team for an informal discussion of the above and the investment opportunity as a whole. We are certain all investors will be impressed.



An Example of a Land Contract Investment Opportunity



Built in 1972 this home is located between two historic streets, 8 Mile and Outer Drive. The latter being one of the most popular and expensive streets that runs the entire length of the city. On the popular North West side of Detroit, this 4 bedroom, 1 bath brick ranch style home is just shy of 1,200 sq. ft. of living space, plus the same 1,200 sq. ft. in the basement. **Last mortgage of record was in 2007 and was for \$88,000.**



PURCHASE PRICE	\$28,000
Monthly Income to investor from Land Contract vendee/tenant	\$440
Annual Income to investor from Land Contract vendee/tenant	\$5,280
GROSS YIELD	18.9%
ANNUAL DEDUCTIONS	
Servicing Only Facility (full management available at \$60pcm)	\$240
NET INCOME	
Net Annual Income	\$5,040
NET YIELD	18.0%

Key Investment Features

- 'You are the bank' - holding a 15 year mortgage @ 11% interest
- Capital and Interest monthly payment of \$440 to you
- Taxes and insurances paid for by tenant/vendee
- Payments outstanding = 180
- Outstanding Capital balance = \$39,212.05
- Outstanding Interest balance = \$40,487.95
- Total outstanding balance = \$79,200 (for an outlay of just \$28,000)

Property Features

- Four bedrooms all located on the ground floor (ranch style)
- Dining area located in the large open kitchen
- Built in 1971
- Home is located near or within easy driving of:
 - Southfield and other suburban Detroit neighbourhoods
 - Downtown Detroit



What are the Exit Strategies?

With any investment, the strength and variety of exit strategies is possibly the single most important factor in deciding to invest. This is an area where investing in Land Contracts truly shines – the exit strategies are multiple and pre-defined and it is extremely easy to see how this is one of the most profitable investment strategies currently available in global property markets. See below for an overview of exit options from this investment:

- 1) **See the investment through to maturity:** This is the most simple of the exit strategies for a Land Contract and provides a clear framework for timeframe of and return on investment. The length of a Land Contract is typically 15 years and if you take the previous example detailed on the previous page, the Land Contract holder could expect to see a gross return of \$440 per month for the 15 year duration of the Land Contract (i.e. 180 payments). During that period the investor would see a capital return of **\$79,200** and at the end of the 15 year period the Land Contract would be “paid off” and the vendee would take ownership of the property.
- 2) **Re-sell the Land Contract during its lifespan:** In the USA there is an active market for the re-sale of Land Contracts from as early as 1 year on from their commencement (these are known as “partially seasoned loans”). Once a Land Contract has been established and the vendee/tenant has established a payment record of at least 1 year it is possible to “trade on” the Land Contract to another investor for a proportion of the remaining value.

In the previous example, if the Land Contract had been in operation 2 years then the figures for a re-sale would look something like this:

Monthly Payment on Land Contract	=	\$440
Servicing Only Cost Per Month	=	\$20
Total NET Income Received by Investor in Initial 2 Year Period	=	\$10,080
Remaining Payments Due by Vendee [\$440 x (180-24)]	=	\$68,640

Land Contract Sale Price		Income Already Received	=	Total Return To Investor	
\$41,184	+	\$10,080	=	\$51,264	- low return
\$54,912	+	\$10,080	=	\$64,992	- high return

A subsequent investor at this point may then purchase the Land Contract for 60% to 80% (depending on market conditions at the time) of the remaining value and the figures would look as follow:

\$68,640	x	60%	=	\$41,184	- low return
\$68,640	x	80%	=	\$54,912	- high return

In this example, the initial investor would have returned an income of between \$51,000 and \$65,000 from an initial investment of \$28,000 and would have exited the investment in as short a timeframe as 2 years. This would represent an annual return on investment of between 41% and 66% - not bad!



What are the Exit Strategies? (Contd)

- 3) **Tenant/Vendee “pays off” Land Contract early:** This is not an exit strategy that can be ‘defined’ by the investor but rather one that is driven by the tenant/vendee. This strategy can arise in one of two different circumstances; either if the vendee chooses to refinance their Land Contract into a traditional mortgage (unlikely in the current US financial climate), or the vendee has a change of financial circumstances and is able to use their own funds to “settle” the Land Contract. The return from this exit for the investor depends on the exact point at which the tenant/vendee pays off the loan, but to take the example of the Land Contract being paid off after 2 years on the example property above, the figures would look as follow:

Land Contract Payments Received by Investor in Initial 2 Year Period (\$440 x 24)	=	\$10,560
Outstanding Balance Remaining on Land Contract after 2 Years <i>(remember the vendee initial purchase price was \$39,212, whereas the investor purchase is \$28,000)</i>	=	\$36,438
Therefore Amount Repaid to Investor is \$10,560 + \$36,438	=	\$46,998

As such the profit on the initial investment in 2 years is \$18,998 or an annual return on investment of 34%!



- 4) **Tenant/Vendee “defaults” on the Land Contract and the property is reclaimed by you:** On the face of things, most investors would imagine that this is not an ideal scenario for the investment, but in actual fact it can prove to be the most profitable for the investor in the long run. Bear in mind that as in the above example, a “performing” Land Contract will generate net yields of up to 18%, it will only take just over 5 years (out of 15) worth of payments on a Land Contract for the investor to have recouped their entire initial capital outlay. If a vendee/tenant was to default in year 6 (for example) then at that point it would be arranged for the vendee/tenant to be evicted and then the investor would be back in the position of owning an unencumbered property asset that they could then either sell on the open market at a notable profit, set up with a new Land Contract buyer for another 15 years or rent out to a traditional style tenant. It is amazing to say so but many experienced Land Contract investors make more money from their investment when a vendee defaults than at any other time!

The multiple exit avenues above truly illustrate the fantastic opportunities and flexibility provided by “being the bank”. Just like a regular bank issuing a mortgage, some vendees will pay their loan off early, some will see the Land Contract through the full 15 year term and some will default at some point along the way. The most exciting factor is that by “being the bank” you can make profit no matter which of these scenarios plays out. Over and above this, the whole process can be managed for the investor as part of the lifetime aftercare service that The Worldwide Property Group is able to provide.



Frequently Asked Questions

Below are a list of some of the most frequently asked questions relating to Land Contract investment. If you have any further questions then please feel free to ask your dedicated property consultant:

Q: Over what length of time are Land Contracts typically set up and does this vary at all?

A: *It is standard practice that Land Contracts are set up over a 15 year period.*

Q: Are all Land Contracts set up on a Capital and Interest (Repayment) basis or are some set up on an interest only basis?

A: *All Land Contracts are set up on a Capital and Interest Basis. That is to say that if the Land Contract runs for the full 15 years then the vendee/tenant will pay off the Land Contract in full. As much as anything the reason for this is that "Interest Only" is not a concept that is commonplace in American financing.*

Q: What is the typical interest rate that the vendee/tenant will be paying on a Land Contract?

A: *The interest rate can vary between 5% and 11% depending on a multitude of circumstances. The important point, however, is that the total amount to be repaid by the tenant/vendee to you remains standard. This can be adapted with either a lower interest rate and higher purchase price for the tenant/vendee or vice-versa. Either way it makes no difference to the yield or return that the investor can expect. 11% is the prevailing rate for 90%+ of these opportunities.*

Q: What is the average timescale for a Land Contract Purchase from reservation to ownership?

A: *If an investor is purchasing a single "pre packaged" Land contract investment then the entire process can be completed on average inside 6 weeks, including a tenant/vendee being signed and in situ. The key to this occurring is the investor dealing with any paperwork promptly as in our experience this tends to be the single element that is most likely to cause any delay. The process really is remarkably simple and the investor is guided through each stage by our dedicated team.*



Frequently Asked Questions (Contd)

Q: I appreciate from the earlier explanation that in certain circumstances a tenant/vendee will default on their Land Contract and that this can be extremely beneficial for me as an investor, but I am keen to know that this process is managed “ethically” and also to know how the process of evicting a defaulting vendee is carried out?

A: *The short answer to this is that our simple goal is always to act as ethically as possible to try to keep people in their homes so our team will generally try to work things through with the vendee whenever possible. If the tenant is late paying then our team will contact them, find out why and resolve the situation if at all possible. Our team will send collection letters from a collection agency and our lawyers will also send the initial eviction paperwork. In many circumstances, the tenant/vendee will react to this and act to rectify the situation. As long as a tenant/vendee is paying and making an effort to rectify the problem then our team will work with them - the moment the forward progress stops, our team will move to evict. When this happens, in many cases the tenant/vendee will leave voluntarily rather than going to court, but if court action is required then the typical timeframe to evict is 90 days. At the end of this period the investor gets the property back and everything they have earned to that point is pure profit!*

Q: What do you mean when you say that ongoing costs with regards to the property are the responsibility of the tenant/vendee and not mine as the investor?

A: *This is a fundamental difference between investing in a Land Contract and buying a traditional Buy to Let Property (whether in the UK or the USA). The overseeing of the property is the responsibility of the tenant/vendee - this includes keeping the property in good order, paying relevant taxes and insurances, mowing the lawn, sweeping the snow, etc. If you own a Buy to Let property as an investor and the boiler breaks then the tenant will call you or the property management company and you will have to get it fixed. If the same thing happens in a Land Contract investment then it is the tenant/vendee’s responsibility to fix it. Think about the residential property you own and live in – if the boiler breaks then do you call your mortgage company and ask them to pay to fix it? No, you have to do it and pay for it yourself!*



Next steps

- If you are interested in this opportunity then please speak to a Property Consultant at The Worldwide Property Group who will explain the next step in the reservation process.

Tel: 01235-553569

Email: enquiries@w-wideproperty.com



Whilst every care has been taken to ensure the accuracy of the information contained in this document, The Worldwide Property Group does not guarantee or take responsibility for their accuracy



The Worldwide Property Group and the AIPP & FIABCI

AIPP

We are proud to be accepted as a Member of the Association of International Property Professionals (AIPP) and as such in an effort to improve the professional standards of the international property market, Members of the AIPP have voluntarily committed themselves to industry regulation.



When you see a company is a Member, it means:

- A Company has been vetted and approved.
- A Company has submitted to industry standard training.
- A Company has agreed to follow the AIPP Code of Conduct, one established to help and reassure you, the buyer, by ensuring Members follow professional guidelines.

What is the AIPP?

The AIPP has been set up to guide and to regulate the international property market and to provide quality assurance to customers. Members have signed to follow all aspects of the AIPP Code of Conduct. The work of the AIPP and that of its Members will improve the quality of the service and product delivered to the consumer when buying property overseas. It is a non-profit organisation.

In short, AIPP membership is the stamp of approval for international property companies. On our website and in all our literature, you will see the AIPP Member Logo from now on. It's a reminder to you at all times that we are following professional industry standards and working hard to deliver customer satisfaction through honesty, integrity and accountability.

You will see no difference to the quality of professional service we are already offering you. It's good to know though that the company you are dealing with has met and will continue to meet industry standards of professionalism in the international property market.

FIABCI



By being members FIABCI (The International Real Estate Federation) we have instant access to a global network of professionals in 60 countries. FIABCI is a team of experts that via education and discussion integrate to ensure businesses and clients have access to the professionals that are needed to support projects in real estate investments.

The Worldwide Property Group cannot offer financial advice and is not authorised by the Financial Services Authority to do so. Please be aware, the purchases of overseas properties are not investments which are regulated by the Financial Services Authority. All investors should seek relevant advice in relation to their personal circumstances before proceeding. The Worldwide Property Group acts as a promoter and / or introducer for third parties.