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*The TurnKey Investor's*

**“Subject To”**

**Mortgage**

**Documents**

**Collection**

***Real Estate Contracts & Forms  
Your Attorney (or Title Company)  
Needs to Close “Subject To”  
Mortgage Transactions!***

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*Ascend Beyond Publishing  
Columbus, Georgia*

## **The TurnKey Investor's "Subject To" Mortgage Documents Collection**

*Real Estate Contracts & Forms Your Attorney (or Title Company) Needs to Close "Subject To" Mortgage Transactions!*

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# *Table of Contents*

<b>Introduction</b> .....	1
<b>Educational Prerequisites</b> .....	6
<b>How to Use the Documents CD-ROM</b> .....	7
<b>Individual Documents &amp; Samples</b>	
FSBO Information Sheet.....	8
Authorization to Release Information .....	11
Purchase & Sales Agreement .....	14
Warranty Deed .....	21
Limited Power of Attorney.....	24
Compliance Agreement .....	27
Real Estate Purchase Addendum & Disclosure Statement.....	30
HUD-1 Settlement Statement .....	33
<b>Individual Form Letters &amp; Samples</b>	
Notice to Lender / Mortgage Company.....	38
Notice to Insurance Company.....	41
Request for Insurance Quote .....	44
Loan Reinstatement Letter.....	47
<b>Settlement Instructions for Closing Agent</b> .....	<b>50</b>
BONUS: Deal Analysis Overview Worksheet.....	54
<b>Conclusion</b> .....	<b>56</b>
<b>About the Author</b> .....	<b>57</b>
<b>About the Management Team</b> .....	<b>58</b>
<b>Other Helpful Resources</b> .....	<b>59</b>

# *Introduction*

When I first started out in the Atlanta area, stumbling around trying desperately to close my first **“subject to” mortgage transaction**, little did I know that I would eventually become an author and teacher of the subject. But here it is over seven years later and you, the reader, hold in your hands some very important and essential information to credibly and professionally close “subject to” mortgage transactions that can withstand seller’s remorse and the passage of time.

## **The Love of Seller-Financing**

I have always loved the concept of seller-financing as a means of buying and acquiring investment property. The “subject to” mortgage is simply one seller-financing technique. However, the general public and even many so-called experienced investors dismiss the idea of seller-financing. They think it cannot happen and if it does happen, you must have used unethical and immoral tactics. As far as I am concerned, that is their issue and ignorance, not ours.

However, because of these ongoing notions by the uninformed, we cannot afford to be ignorant of the possible accusations (however false they may be) that come from this group and the consequences thereof. And yes, sometimes the very sellers and business associates we deal with are part of this uninformed group.

However, what I learned (and hopefully which you can benefit from) is that when you know how to conduct and position yourself in a credible and professional way, you will ultimately reap the rewards from your efforts. In this case, reap the rewards of acquiring investment properties without having to use your credit to qualify for new loans.

My business partner, Wes Weaver, and I love seller-financing, seller-financed deals, and the “subject to” mortgage technique. And we have gotten really good at doing them with our tag-team approach. In fact, nearly two years ago, we became “The Most Established Take-Over Home Buyers in Columbus and Phenix City”. Other so-called “subject to” mortgage investors have come and gone but we are still here and in business.

Getting to this position most certainly did not happen overnight or even a couple of years. It took five years of consistent and persistent marketing (and doing smart deals) to enjoy the position we have today.

## Hard-Earned & Hard-Learned Lessons

Along the way, Wes and I have learned quite a bit about the legalities of both the theory and execution of what we do. These have, on occasion, both been hard-earned and hard-learned lessons. In dealing with dozens of sellers (across four counties in two states), making hundreds of loan payments each year to many lenders (both large and small) across the U.S., we have a much better view, feel, and understanding for what lenders want and how to handle unexpected situations than most people.

What we discuss and teach is not theoretical. It is very real, practical, and based on actual experiences. As the years have passed, our wealth of knowledge and experience grows. And when new situations and challenges arise, we are more efficient in handling them now than ever before. We anticipate this will continue steadily in upcoming years.

More importantly, we have learned to design and refine our paperwork to help prevent or minimize recurring problems and issues. I am proud to say, thus far, we have never lost a property to any lender or seller, “subject to” mortgage transaction or not. (And no, we are still not worried about the infamous “due on sale” clause. The lenders still like depositing the monthly checks we send them.)

The foundation of our success has always been our knowing how and when to get into a deal and, more importantly, how and when to **stay out** of a deal. Our system and documents work because we use them intelligently and in close support and partnership with the professionals who do our closings.

## The Stigma of “Kitchen-Table” Closings

One of the most essential lessons I learned along the way was to stop doing my own closings. Doing your own closings without a professional closing agent is often (and unflatteringly) called a “kitchen table” closing.

I am guessing I had done over a dozen “kitchen table” closings before I realized I was going to get myself in deep trouble one day. I had always tried to be credible, ethical, and professional by conducting my closings “away from the kitchen” at a local bank where a notary would witness the signatures of the documents.

However, no matter how hard I tried with each of these early closings, there was always this shred of doubt, skepticism, and nervousness I sensed coming from my sellers. I knew that a seller might one day come back to challenge the terms of the original closing and I would have to deal with a case of seller’s remorse. This was confirmed a year after we stopped doing our own closings. We had a couple of uncomfortable brushes with prior sellers. Fortunately, we have been able to deal with them without too much distress.

Today, we absolutely take an opposing and negative stand to “kitchen table” closings. They are simply too problematic over the long haul. Anyone who regularly engages in “kitchen table” closings will one day have one of their sellers come back from out of the blue in a real big way with seller’s remorse.

## **Credible, Professional, and Ethical**

Having said all that, there is a reason why most conventional closings are done by a third-party. They are done this way to allow an impartial third-party to ensure and witness that both the buyer's and the seller's interests of the transaction are handled credibly, professionally, and ethically. Good closing agents are credible, professional, and ethical. They do not engage or participate in questionable and unethical practices. It is simply not good business for them.

Having that realization several years ago, we have great peace and take great pride in how we conduct our closings. Nowadays, when our sellers come to our closing attorney's office, there is this aura of respect and confidence they feel upon entering a well-established law firm and sitting at a large table in a legal conference room headed up by a knowledgeable and experienced closing attorney.

We, as buyers, work just as hard as the sellers flipping through and signing the paperwork our closing attorney hands us. Everyone is doing their part while a third-party conductor directs this legal orchestra. She notarizes the necessary documents and prepares closing packets for each of us. This all happens busily right before the seller's eyes. Even if there are hiccups in the paperwork, we all sit calmly and wait for our attorney to make the necessary corrections. There is no question that what we are doing is credible, professional, and ethical. And our sellers leave with a nice legal-sized packet of signed legal documents in hand.

Compared to how we did things when I first started out, we now act and feel like the consummate professionals. We do so because we have long left the idea of "kitchen table" closings behind. We leave it to the uninformed and the risk-takers to do it themselves. It is well worth the money we pay to not have the stress and concerns we used to with our "subject to" mortgage closings.

I bring this up because this entire documents collection is based on the premise that you will work with a professional closing agent. In fact, I emphatically insist on it. If you choose to ignore my advice, then you are on your own and bear the consequences of your actions.

## **Baseline Documents**

These baseline documents are invaluable. What makes these invaluable is that these documents have been field-tested and evolved out of real-life transactions we have closed.

These baseline documents are also valuable because you do not have to create or hire anyone to write these documents from scratch. These documents will give you a running start to succeed in your own "subject to" mortgage transactions and can be changed and modified to better suit your specific situation and legal environment. I highly recommend you have your local real

estate attorney or title company review and customize these baseline documents accordingly.

In my research over the years, I have read dozens of documents, contracts, and agreements written by many authors, attorneys, and management companies. I have taken small nuggets of wisdom and insights from many of them and incorporated them into our baseline documents.

Our documents are certainly different but not necessarily unique. However, they do reflect our highly credible style of doing business. At the risk of sounding boastful, this has worked tremendously to our advantage in our business which you now can benefit from.

## **No Land Trusts Required**

One of the things I want to directly acknowledge here is that there are different interpretations of how to execute a “subject to” mortgage transaction. One important interpretation I have concerns the use of land trusts with “subject to” mortgage transactions. Some authors recommend that when you execute a “subject to” mortgage transaction, you should use a land trust. I freely admit that we use land trusts with our “subject to” mortgage transactions. However, it is not for the reason those authors often give: to “hide” the buy/sales transaction in an attempt to circumvent the lender’s acceleration (due on sale) clause within most mortgages.

We often use land trusts as an *asset protection instrument* by placing title of our investment properties in something other than our personal and individual names. For us, it simply makes good business sense to not make it easy for anyone to “find” our investment properties or “who” owns them. Right or wrong, we currently mix up how we hold title to our properties. Some properties are in our personal names (jointly or individually), some are in land trusts, and some are in corporate entities. How we approach asset protection continues to evolve as we grow and our portfolio matures.

Therefore, there are no land trust documents included within this documents collection to complicate the learning process. Land trusts are simply not essential or necessary to do a basic “subject to” mortgage transaction. The land trust is an asset protection issue, not a transactional one.

For more information on land trusts, I recommend Bill Bronchick’s “Step-by-Step Guide to Land Trusts” ([www.legalwiz.com](http://www.legalwiz.com)) and Mark Warda’s “Land Trusts for Privacy & Profit” ([www.amazon.com](http://www.amazon.com)).

## Disclaimer

Let me make the customary disclaimer and say that I am not an attorney, real estate agent, or any other certified professional. Therefore, I am not giving any professional advice. I am also not dispensing any legal expertise.

What I am dispensing are sample documents of what we use in the field (with sellers, lenders, and insurance companies) and at the closing (settlement) table. I am also dispensing my opinions as a negotiator, investor, and administrator of our own properties. In that regard, lenders, insurance companies, our closing attorney and, subsequently, our sellers and the public at large recognize us and our documents when we present them or record them into public records. We use these documents putting our reputations at stake. Fortunately, we are pretty darn good at what we do.

I encourage you to take the time to read over the documents and try to pick up the nuances and subtleties therein. I think if you pay close attention, you will appreciate many of the “bells and whistles” we have included within each document.

## An Elite Group

You are now part of an elite group of people who have access to this highly valuable and specialized information. **Do not give this information out freely!** This is part of your competitive edge! If someone wants and values this information, let them purchase it. You have come too far and invested too much in yourself to simply “give it away” to a potential competitor.

If you have any questions on how to use these documents, please feel free to contact me at [www.turnkeyinvesting.com](http://www.turnkeyinvesting.com). I will do my best to answer you. I will even take time to talk to your professional closing agent if they are nice to me! But remember, I am not giving legal advice. I am only sharing my opinions with you as a negotiator and investor of my own properties. If you can live with that, we will get along just fine.

To your investment success!

*Matthew S. Chan*

# *Educational Prerequisites*

Before you read further, you should know this Manual is the fourth title in *The TurnKey Investor's "Subject To" Mortgage Series*. It is assumed that you have the prerequisite knowledge presented in the first three titles. These are the educational prerequisites to this Manual.

- *The TurnKey Investor's "Subject To" Mortgage Success Secrets* is an introductory Audio CD that provides an overview of the areas "subject to" mortgage professionals understand and focus on.
- *The TurnKey Investor's "Subject To" Mortgage Handbook* is the oversized manual that provides in-depth discussion and material on the mechanics and issues surrounding "subject to" mortgage transactions.
- *The TurnKey Investor's "Subject To" Crash Course* is a set of three Audio CDs for advanced learners that builds, expands, and updates the material first presented in *The TurnKey Investor's "Subject To" Mortgage Handbook*. Because this material is presented in dynamic, free speaking audio format, there are more distinctions and nuances of learning that are unavailable in the printed Handbook.

It is highly recommended that you acquire the assumed knowledge by reading and/or listening to at least two of the other titles before you move forward in this Manual. ***You cannot adequately use these forms and documents without the prerequisite knowledge!***

You can find these book and audio titles at [www.turnkeyinvesting.com](http://www.turnkeyinvesting.com) or [www.ascendbeyond.com](http://www.ascendbeyond.com).

## *How to Use the Documents CD-ROM*

The files within the Documents CD-ROM were created with Microsoft Word 2007 but saved in Microsoft Word 2003 format. Therefore, I highly recommend you and your closing professional use Microsoft Word 2003 or Microsoft Word 2007 to open and customize these documents for your use.

As an alternative, additional files in Rich Text Format (RTF) have also been included for non-Microsoft Word users. However, there are no guarantees to how the documents will appear if you open these files with another software package.

Because you are the licensed user of these document files, you should not give or loan out your CD-ROM to anyone. If you need to deliver these files to your closing professional, copy the files to a floppy disk, another CD-ROM, or a USB flash memory drive to give it to them. Or you can simply email the files to them. Do not forget to include the **Instructions for Closing**.

### *Bonus #1: One-Year of Free Updates*

You have one year of free updates (through e-mail) of any revisions we make to our “Subject To” Mortgage Documents Collection. For a \$10.00 handling fee, we can send you a new CD-ROM with the updated and revised documents. Contact us at [www.turnkeyinvesting.com](http://www.turnkeyinvesting.com) for the latest updates to take advantage of this offer.

### *Bonus #2: MP3 Audio Commentaries*

Within your Documents CD-ROM, there are MP3 audio commentary files. You may play them on any MP3 player. However, any updates to these MP3 audio commentary files can be found at [www.turnkeyinvesting.com](http://www.turnkeyinvesting.com).

# FSBO Information Sheet

**Purpose:**

This form allows you to collect the necessary information to properly evaluate and assess a potential “subject to” mortgage transaction.

**Special Features / Comments:**

This form is for internal office use only and not generally shared with the seller or closing professionals.

## FSBO INFORMATION SHEET

Call Date: \_\_\_\_\_ Lead Source: [ American Classifieds / Columbus-Ledger / Other \_\_\_\_\_ ]

1. Seller Name: \_\_\_\_\_ Phone #: \_\_\_\_\_

2. **Address:** \_\_\_\_\_ **#BR / #BA:** \_\_\_\_/\_\_\_\_

City: \_\_\_\_\_ ZIP: \_\_\_\_\_ County: \_\_\_\_\_

3. How long occupied? \_\_\_\_\_ **Square Footage:** \_\_\_\_\_ **Age of Property:** \_\_\_\_\_

Garage? [ Yes / No ] Central air / heat? [ Yes / No ] Pool? [ Yes / No ]

4. Condition of property? [ Excellent / Good / Fair / Poor ] Status: [ Owner-occupied / Rental / Vacant ]

5. Repairs & maintenance Needs: \_\_\_\_\_

6. Who are the Owners? \_\_\_\_\_

7. Listed with Realtor? [ Yes / No ] How long listed? \_\_\_\_\_ Listing expires: \_\_\_\_\_

8. Last recent appraisal? \_\_\_\_\_ Appraised Amount: \$ \_\_\_\_\_

9. What does Seller think house is worth? \$ \_\_\_\_\_ How did Seller determine? \_\_\_\_\_

10. **Mortgage Info**

1<sup>st</sup> Balance: \$ \_\_\_\_\_ Lender: \_\_\_\_\_ Pymt: \$ \_\_\_\_\_ Interest: \_\_\_\_\_%

2nd Balance: \$ \_\_\_\_\_ Lender: \_\_\_\_\_ Pymt: \$ \_\_\_\_\_ Interest: \_\_\_\_\_%

Type of Loans: [ VA / FHA / Conventional ] Behind payment Info: \_\_\_\_\_

11. Any Liens? Bankruptcies? Chapter 13? Chapter 7? Foreclosures? \_\_\_\_\_

12. **\*\* Reason for Selling:** \_\_\_\_\_

**How much cash does Seller need?** \$ \_\_\_\_\_

13. When does seller want to move? \_\_\_\_\_ Where will they move? \_\_\_\_\_

14. Comments: \_\_\_\_\_

\_\_\_\_\_

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### Office Use Only

Seller Motivation: Excellent / Good / Fair / Bad

Comps Range: \$ \_\_\_\_\_ Monthly Rents Range: \$ \_\_\_\_\_

## FSBO INFORMATION SHEET

Call Date: 5/20/08 Lead Source: [ American Classifieds / Columbus-Ledger / Other \_\_\_\_\_ ]

1. Seller Name: James & Susan Sellers Phone #: 706-555-3344
2. Address: 123 Anywhere Street #BR / #BA: 3 / 2  
City: Somewhere ZIP: 32777 County: Muscogee
3. How long occupied? 5 years Square Footage: 1,500 Age of Property: 19 years  
Garage? [ Yes / No ] Central air / heat? [ Yes / No ] Pool? [ Yes / No ]
4. Condition of property? [ Excellent / Good / Fair / Poor ] Status: [ Owner-occupied / Rental / Vacant ]
5. Repairs & maintenance Needs: Leaky toilet, dirty carpet, master BR needs paint
6. Who are the Owners? Occupants living there
7. Listed with Realtor? [ Yes / No ] How long listed? \_\_\_\_\_ Listing expires: \_\_\_\_\_
8. Last recent appraisal? 12/10/2005 Appraised Amount: \$120,000.00
9. What does Seller think house is worth? \$130,000.00 How did Seller determine? Self-estimate
10. **Mortgage Info**  
1<sup>st</sup> Balance: \$120,000 Lender: ABC-XYZ Mortgage Pymt: \$1,011.11 Interest: 6.50%  
2nd Balance: \$ \_\_\_\_\_ Lender: \_\_\_\_\_ Pymt: \$ \_\_\_\_\_ Interest: \_\_\_\_\_ %  
Type of Loans: [ VA / FHA / Conventional ] Behind payment Info: 3 months behind
11. Any Liens? Bankruptcies? Chapter 13? Chapter 7? Foreclosures? None we know of
12. \*\* Reason for Selling: Unexpected medical bills hit & they got 3 months behind  
How much cash does Seller need? None
13. When does seller want to move? 6/2/08 Where will they move? With family out-of-town
14. Comments: House is decent shape overall, some trouble spots, packing now

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### Office Use Only

Seller Motivation: Excellent / Good / Fair / Bad

Comps Range: \$125,000 to \$135,000

Monthly Rents Range: \$950 to \$1,100

# Authorization to Release Information

**Purpose:**

This document gives you written permission to verify with the lender the seller's loan information and status.

**Special Features / Comments:**

This simple document does not require notarization. It is used during preliminary discussions with the seller. However, it can also be used after the closing.