

HELP! I PAID CASH! HOW DO I GET MY MONEY BACK?

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As I meet and speak with real estate investors across the country, I have the same conversation over and over again about how does an investor get his/her cash out of a home after purchase and/or rehabilitation. There is hope, and there are ways.

The first issue deals with the number of mortgages one owns. Fannie Mae, who works the hardest for real estate investors, allows up to four mortgages for any reason, including cash out. Mortgages 5-10 at Fannie Mae (Freddie Mac stops at four total mortgages permitted) can only be for a purchase or rate/term refinance. Before you seek the cash back loan, you need to know how many mortgages are in your name. If you have a first and a second finance on your home, that equals two.

Many investors use Home Equity Line Of Credit (HELOC), credit cards, personal cash, and even retirement accounts to handle the purchase and any needed rehabilitation of a property. Once repaired, the investor will try to replace their invested capital... and then the problem arises, too many mortgages.

The solution to this situation is to get a mortgage when you buy the property up front, which we all know is costly and time consuming. This approach for mortgages 5-10 makes the entry to ownership slower, but it retains the capital for the investor.

If at mortgages 4 plus, are there options? Yes, a blanket commercial loan. A blanket mortgage covers several homes with one mortgage. Since this is a commercial loan the terms allow for an unlimited number of rental properties, and still allow cash out. Beyond the unlimited amount of mortgages allowed, once a commercial loan is issued AND the home is held in the name of a Corporation, LLC or other business entity, then Fannie Mae does not consider these personal debt, but rather, business debts. This then frees the investor up to get mortgages 1-4 cash out and 5-10 straight purchase again. I have several clients who get their maximum permitted FNMA loans then do a blanket for all of them, and repeat the process.

A second option is an investor bridge loan. Lenders, like ReCasa, will consider extending an interim, or investor bridge loan, for a free and clear property. They are typically short term in nature and do require two closings. However, it is a way to recoup your cash that is stuck in a property.

Another cause for paying cash for housing is if the home requires renovation before it can be occupied. Fannie Mae and FHA will not do rehab loans. Many real estate investors are not aware that investment rehab lenders, like ReCasa Financial Group, still exist and allow the buyer to acquire homes that need work, with a mortgage so that when rented and ready for permanent financing, the loan is NOT cash out, but a rate/term refinance.

The plan then is to operate until you have 4 mortgages in your name. THEN you need to make plans on how to finance these homes properly. If you pay cash and borrow personally, the only out may be a commercial loan, and a single non-owner occupied home has little hope of closing with a commercial banker due to the small loan size.

Feel free to contact me, Graham Montigny, to examine your present and planned real estate portfolio to make sure you do not get stuck with your cash down.

ReCasa Financial Group

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ReCasa Financial Group, LLC provides an array of products and services for real estate investors to successfully exceed their profit and investment return objectives. Financing, insurance, education, security and services offerings are tailored for each investor's situation. The core loan product provides 100% financing for rehab projects. For a free consultation or to explore how ReCasa Financial Group can assist you, please contact us at 614.221.6770. Also, make sure to visit our website at www.ReCasaFinancial.com and blog at www.GETREALestatefacts.wordpress.com.