

## 5 Factors To Watch When Buying Wholesale Properties

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Looking for and finding low priced wholesale properties is one thing. Ensuring you have a viable deal, that comes with plenty of appeal for end buyers, and which they can actually buy may require a little more attention.

Make sure you are watching these factors...

### Deed Types

There are several types of deed used to transfer real estate. Wholesalers need to know what type of deed they can get and provide. Savvy end buyers will, and should be wary of only being offered quit claim deeds. These really offer no protection or security. End buyers want to be confident in their investment, ability to get title insurance and resell in the future.

### Unpermitted Property Changes

Many low priced distressed properties (and even some very expensive ones) are so much cheaper because they have illegal changes. That can be additions, garage conversions, subdividing units, and so on. Those can lumber new buyers with big fines, prevent them from re-selling or refinancing, and from obtaining a mortgage loan to buy your property. They can still be deals, just know the challenges. Make sure your buyers do to.

### Realistic & Appealing Spreads

Offering a property with a \$68,000 ARV for \$48,000 doesn't really leave much of a spread for the next investor. Not when you factor in 2 sides of closing costs and repairs. It may be a nice discount for a retail buyer, if they have the cash and want to spend it in that neighborhood, but make sure you know your buyers and what they want.

### Changing Mortgage Rules

It is important to anticipate changing mortgage lending rules and programs. If they tighten, they could cut plans and deals short. Fortunately, we are expected to be in a period of loosening mortgage criteria. Most analysts don't expect Dodd-Frank to disappear yet, but it could be stripped down.

### Who Pays the Costs

One of the quirks in the market since 2008 is more distressed property sellers trying to get buyers to pay the burden of past due property taxes, liens, and fines. Sometimes even there closing costs. Those costs can often exceed the purchase price too. Know who pays what.

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