

## What Exactly Is Probate Real Estate Investing?

When a person dies, their estate - all their worldly belongings - often goes into a probate court where a judge appoints an "Executor" to oversee the administration of the estate. It is the Executor's job to make sure that the belongings are divided fairly, according to the decedent's wishes. Depending on the state, the judge may also give the Executor different levels of power.



## Why Are The Owners Of Probate Property Any More Motivated Than Others?

Many times, when an heir (relative or family member) inherits property, they inherit a burden. There are estate taxes to pay, repairs that have to be made, in some cases a mortgage or second mortgage that has to be kept up to date. These are all expenses to them. Ready cash may be more important to them.

Also, there are often multiple 'heirs', some may live far away, and you have a situation where selling the house is the best option, sometimes the only option to make sure that everyone gets their fair share of the estate.

## Is It Legal To Sell Property That Is Being Probated?

In most cases, the Executor has the power to make a decision to sell - as long as he has the agreement of all the heirs to the estate. In some cases, he/she may also need the permission of the court, but even if that happens, the agreement of all the heirs will usually be all the judge needs to approve a sale of real estate. Some states require that the property be listed through a licensed realtor.

If you're looking for a great market of motivated home sellers who are most often willing to sell at a deep discount -- a market where you'll have little to no competition, then probate real estate investing is your answer!

Many investors agree, probate real estate sales are the most profitable area of real estate investing.

## How Do I Find Properties In Probate?

Wills in probate are a matter of public record. A little research at your local courthouse will get you a list of all wills present for probate. Research to find properties whose owners are eager to sell, and sell quickly.

## How Do I Contact People About Buying Their Inherited Property?

Unlike foreclosure sales, where the owners are being forced to sell when they don't want to, many heirs are eager to sell their property quickly so that they can use the cash realized. You can send out letters or postcards, make a phone call, and even pay a personal visit. Just keep in mind that you are offering a solution that they may not have considered - ready cash. In many cases, they'll be happy to accept an offer for as little as 75% of the market value of the house just to get it sold quickly, and will do anything they need to do to help the sale go through.

**HERE'S AN ACTUAL CASE STUDY:** One real estate investor, mentoring a student, said "she will make over \$400,000 on a single probate real estate deal this year."

She mailed out a few probate letters and found the owner of a free and clear house he inherited. He complained about having to maintain the property and he really wanted to sell it now but the market was slow. The house was worth about \$250,000 and needed only minor clean up. It has a good floor plan and sits on a small lake in a desirable residential community. Since the house was free and clear, she offered to buy the house for \$200,000 with terms to pay him \$1000 a month until paid. Because the house needed a little work and she needed time to find a buyer, payments would begin 90 days after closing. You read that right, she asked for the payments to begin 3 months after closing and he agreed. Do you see what happens when you ask? You can negotiate anything!

Her plan is to rent this property at \$1300 a month for the next 10 years and then sell it with 40 year owner financing for about \$350,000. In that time, rents and values will rise and by that time she will only owe the original seller \$80,000 and have a house worth \$350,000. She'll have created \$270,000 in equity. And when she sells it for \$350,000 with the owner financing it, she'll collect over \$2,500 a month but only pay out \$1,000 a month. That's right; she will clear about \$18,000 a year for about 7 years. Once the underlying mortgage is paid off, she will still collect \$2,500 a month in revenue with no outgoing payment. That's \$30,000 income a year for the remaining 29 years.

But let's say her buyer sells the property in 80 months, which is the same time the underlying mortgage is paid off. It would look something like this:

Rent spread first 10 years \$ 15,250\*

Interest spread next 80 months \$120,000

Remaining equity due \$322,563\* \*

Total \$457,813

\* After taxes & insurance, assumes a 3% annual rent increase

\* \* Based on a 7.75% interest rate paid by the buyer

A couple of other softer benefits include the fact that her profit will be taxed at the long term capital gains rate. Her other income will be offset by the expenses and depreciation during the period she holds the property as a rental, and she now has an excellent income stream to supplement her retirement. That's what I call maximizing her intellectual capital!

If you're interested in Probate Real Estate Investing, I recommend Ron Mead's training.

Probate real estate investing refers to purchasing property from estates held in probate. When a person dies all of their assets, including real estate, are transferred to probate. Depending on the complexities and circumstances, probate can last

between six months to three years. If the decedent has an outstanding mortgage on their real estate holdings, the estate is responsible for making payments. Insurance, taxes and utilities must be paid through the estate, as well as property maintenance.

Probate real estate investing provides an option to beneficiaries who are struggling to make ends meet, facing the constant upkeep of a property. This is particularly true for estates which are managed by a probate executor who resides out of town. Property maintenance and mortgage payments can cause tremendous financial burden for estate administrators.

Investing in probate real estate can yield a nice return on investment. Usually, real estate can be purchased well-below current market value when beneficiaries are in need of cash. Purchasing probate real estate doesn't require special training. However, real estate investors who engage in purchasing probate properties should have strong communication skills and a strong sense of compassion. Probate investors work with people who have lost someone they loved. Therefore, it's important to approach estate administrators in a kind and gentle manner.

When an estate is placed into probate it becomes a matter of public record. The first step of probate real estate investing is to visit the local courthouse or get a list from a reliable company that provides current info. If you're short on funds, you can locate potential real estate deals by researching probate records yourself. In most cases, the decedent will have executed a Last Will and Testament which outlines how they would like their property and personal belongings distributed.

[Probate](#) is the legal process of administering the estate of a deceased person by resolving all claims and distributing the deceased person's property under the valid will. It's also the process of authenticating, or verifying a will, so that your executor can carry out the wishes you expressed in the document for settling your estate and appointing a guardian for your minor children.

Probate generally lasts several months, occasionally over a year before all the property is distributed, and can incur substantial court and attorney costs. Probate proceedings are usually held in the state in which the decedent had domicile or permanent residence at the time of death.

Investors engaging in this type of investment should possess [good communication](#) and negotiation skills. Since investors are working with people who have recently lost a loved one, it is important to approach the subject in a gentle and compassionate manner.

Investors can locate potential real estate deals by searching probate records and reading the decedent's Last Will and Testament. The faster and easier way to get these lists is to buy from a ["specialized list"](#) company. This insures you that you'll get the most up to date leads and gives you a definite advantage over your competition. If multiple investors are interested in purchasing probate real estate, each investor is required to submit their bid to the court. Probate real estate is perfect for investors involved in house flipping and rental properties.

If you're like most investors you're probably chasing the same foreclosures and REOs that your competition is. The only way to have a chance at success is to get the most up to date lists available in the real estate investing community. One such list has proven over and over that they really do provide [excellent leads](#).

Most probate properties don't need anything more than a little freshening up with carpet and paint, unlike foreclosures where you never know what you're going to find until it's too late. They're the ultimate motivated seller because they know they have to sell fast and the best part is they WANT to sell you their house fast unlike foreclosures where they're being forced to sell but don't want to. With probate properties you can find steady 30-50% discounts, but the twist is they're not fixers properties like foreclosures or REOs in which your discount is only about 15-20% because of other investors driving the price up.

If you've ever read a book, attended a seminar or listened to a CD on real estate investing, you will have heard this one statement over and over; "You've got to find motivated sellers." Motivated sellers are few and far between and making a creative offer to someone that isn't motivated will frustrate and waste both your and the seller's time. Motivated sellers are more likely to consider seller financing if they feel they cannot sell through other means. Motivated sellers tend to be very honest and forthwright about the condition of the home.

The movement to avoid probate is primarily motivated by the desire to avoid probate fees. The heirs often are truly motivated and IF you know what you're doing and have a system for finding

[unlimited motivated seller leads](#), probate investing will be very lucrative.

Another plus, is that you have highly motivated sellers who appreciate you helping them get on with their lives. Unlike foreclosure properties, where you're dealing with a seller who DOES NOT WANT to sell you their house; with probate you're dealing with a motivated seller who WANTS to sell you their house quickly.

The potential to make significant money is HUGE because you're dealing with "highly motivated sellers" who know they have to sell fast and at a discount. Probate real estate investing is usually an unemotional motivated seller and one of the great benefits of probate real estate investing.

Of course, with the leads, you'll need a great introduction to the executor of the estate. When you're contacting them, you must remember that they could be the brother, the sister, the son or daughter of the deceased. This is why I said earlier, "it's important to approach the subject in a gentle and compassionate manner." The probate letters from the [REIM Complete Package](#) are written with this in mind. An entire series of pre-written Probate letters allow you to demonstrate your "sensitivity" without you having to sit down and try and feel emotional about someone you don't even know.

First, you must make a good first impression. These people may or may not be extremely distressed over the loss of this person, but you should always treat them as if they are. (Assume the norm).

## **Marketing Resources:**

For Up To Date Leads- <http://www.usleadlist.com/Products.html>

For Pre-Written Real Estate Marketing Letters (Pre-Foreclosure Letters, Occupational/Re-Location Letters, FSBO Letters, Out Of State Owner Letters, Subdivision Letters, Zip Code Farming Letters, Distressed Property Letters and Stressed Out Landlord Letters), Autoresponders, Free Reports, Private Money Sales Tool- [REIM Complete Package](#)

For Pre-Written Real Estate Letters and other Real Estate Resources- [REIM Letter Series](#)