

Should I Sell My House to a "Wholesaler?"

Better yet...What is a Wholesaler?

Wholesale...to purchase at a discounted price.

Everyday you see signs by the curb "I buy houses" or "Cash for your house." You may have received marketing letters and post cards wanting to buy your house. In general, these are sent by wholesalers. They put these signs up, or mail you letters and post cards in hope that you will call them so they can make an offer on your house. Overall, wholesalers spend thousands of dollars on marketing.

SO, WHAT ARE WHOLESALERS?

Wholesalers are companies or individuals who want you to sign a contract to sell your house at a significantly discounted price. They then sell that contract to investors at a higher price, making money on the spread between what you are to be paid and what the investor pays. The difference is their fee for finding the "deal."

AM I SELLING MY HOUSE TO THE WHOLESALER?

Generally, not. Usually the wholesaler does not want to actually buy your house. They only want the contract to control your home sale. They ask you to sign an "assignment" contract, which they can turn around and "assign" to an investor for a price higher than what you will be paid.

Here's an example: You need to sell your house, so you contact a wholesaler you found on a roadside sign. Someone comes out, looks at your house, estimates the cost of repairs, determines the "after repair value" of the house after it is fixed up, then finally offers you a price. This may be substantially lower than what you are expecting. This price is called the "maximum allowable offer."

The wholesaler will acknowledge the good features of your house, but if you object to the price offered, they'll then point out the bad features and the high cost of repairs that are needed to make your house marketable in order to justify the offer amount.

They may talk about all the memories you have from living in your house, then ask if you wouldn't feel good having a new family move in to create their new memories.

If you agree to their numbers, you'll be asked to sign a contract giving the wholesaler the right to assign that contract to an investor. He/she or the company will advertise your house, looking for an investor to buy the contract. Hopefully, they have explained the process well enough that you understand the process.

Let's say your house is worth \$200,000 and the needed repairs are \$30,000.

The wholesaler is going to offer you 60% to 80% of the value of your house, then subtract the estimated repairs.

For example: $\$200,000 \times 60\% = \$120,000$ minus $\$30,000$ repairs = $\$90,000$ maximum offer. In this example, the offer to you is $\$90,000$.

Then...they will turn around and may market the contract, for say $\$110,000$, giving them a $\$20,000$ commission on the sale of your house.

An investor can purchase the contract from the wholesaler for $\$110,000$, invest $\$30,000$ in repairs, then sell it for $\$200,000$, thereby making a profit of $\$60,000$.

Is this a good deal for the wholesaler who made $\$20,000$? Yes! Is it a deal for the investor who made $\$60,000$? Yes, it is! Is this a good deal for you? Maybe, maybe not.

Contracting to a wholesaler is good because they can market to hundreds of investors. You just give up a lot of money. In some circumstances, folks will find the ease of the transaction justifies the lower profit they get,

We are not wholesalers; we don't take assignment contracts. Our intention is to buy your property for a fair price, then hold it as a rental or depending on circumstances, sell it. And our transactions are simple and easy.

Before you call a wholesaler, call us. We might be able to offer you a better deal.

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