

Not Quoting an Interest Rate

By NOT quoting an interest rate when negotiating with your buyer, you can sometimes add several extra payments to your note, and increase your profit considerably. I'll cover one of my sales to illustrate what I mean.

This home was priced at \$11,900. When talking with the potential buyers, I learned they could pay \$1,500 down, and "about" \$250 per month. If the note had been structured at the usual 12.75%, (the industry standard) I would be due 55 payments of \$250.67, totaling \$13,786. But since I had not quoted the buyers an interest rate, or the number of payments, I asked the buyers if 60 payments of \$250 per month would work. It did. So I'll collect \$15,000, an extra \$1,214. If you run the numbers, you will see that the interest rate works out to be 15.47%, instead of 12.75%. The difference in the interest rate is less than 3%, but it's added five more payments to my note.

Were the buyers concerned what the interest rate would be? No, they never asked. Were they concerned how many payments there would be? Again, they never asked. Their only real concern was being able to buy the home with affordable payments. So, keep this tip in mind when structuring your next note. It will put more money in your pocket.

I've found that people who live by the "How much down, How much a month" mentality like things to be simple and easy. So instead of structuring a note with an odd payment amount, round it off to the next highest even number and adjust the interest rate. It makes it easier for them when they write the check, or get a money order.

To your success,
Lonnie