

The Value of Monthly Payments

This week, I sold two mobile homes. One is a nice 14 x 70, 2/2, which sold for \$11,900. My buyers paid \$1,200 down and signed a note for \$10,700, payable 12.75%, \$261.42 for 54 months. If the note runs the entire term, I'll collect \$14,116 in payments. I'll also collect at least another \$14,000 in lot rent. I had approximately \$5,000 in this home.

The other is a 14 x 70, 2/2 in not so nice condition. One bathroom needs a complete rehab, and the other bath has a cracked tub. I paid \$2,260 for the home, and sold "as is" for \$7,500. Got \$500 down and a \$7,000 note payable 12.75%, \$331.97 for 24 months. I'll also collect at least \$260 lot rent each month.

Suppose I had been able to make a cash sale on both these homes, how much would I have lost in profits? I could probably have found a buyer for the first home who could have qualified for a bank loan. And if that were the case, I would have made a one time cash profit of about \$7,000. But then I would need to find somewhere to put that \$7,000 to work. By selling on terms, I'll realize over \$10,000 profit.

Considering the condition of the other home, no bank would have made a loan. But I was able to sell that home in less than a week, by offering financing and affordable terms. If that note runs the entire term, I'll collect \$7,967 in payments, plus the \$500 down, for a profit of \$6,207. I'll also collect at least \$260 lot rent each month. That's another \$6,240, for a total of \$14,207. And all I have to do is cash the checks.

Here's another important point I'd like to make. On the first deal, I've got approximately \$4,000 earning me 75%. On the other one, I have \$1,760 earning me over 200%. If I had sold both these home for cash, where could I have invested my profits to make these kind of returns? And also, I now have two satisfied customers who might be a source for future profits

Long Term Security

I see so many people who would rather settle for instant gratification, rather than long term security. You can spend your time, money and energy doing one deal, and get one check. Or, you can spend the same amount of time, money and energy doing one deal, and get checks for years. So rather than settle for instant gratification and one check, think long term, and get many checks. And once you have a good customer, with a good proven track record, hold on to them as long as you can.

Happy Investing,
Lonnie Scruggs