

Declaring Bankruptcy Does Not Mean That You Cannot Continue With Real Estate Investing

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The very mention of the word bankruptcy is enough to raise one's hackles and, in fact, there are few who would not be frightened by the prospect of going bankrupt. What's more, many people are under the impression that if they declare bankruptcy and it shows up on their credit report, they would find that real estate investing would be nothing more than a pipe dream for them. However, such is not the case even though there is no denying the fact that you would probably end up being denied qualification for traditional type of mortgage that comes with both zero down payment and interest rates that are on the low side.

Try Creative Financing

However, there is more to real estate investing even after having filed for bankruptcy and you should learn about the ways to go about it despite your recent bankruptcy declaration. One way of improving your credit score would be to use what is known as creative financing in which you do not use your own personal credit while indulging in real estate investing.

Creative financing can be performed in a number of different ways that are also legal, though it does mean finding a seller who is motivated enough to sell to you. What's more, if you wish to avoid becoming totally bankrupt, you should look to what is known as owner financing in which the owner agrees to finance your purchase of the property and you agree to pay the owner rather than make use of traditional mortgage. Such deals are also known as land contracts in which all the details are laid out in the contract and which is an agreement between the person doing the real estate investing and the person selling the property.

Land contracts are binding and legal contracts though there are usually no credit checks taking place while the seller may actually ask you to pay some small amount of money as down payment, which can be as low as five percent and twenty percent on the high side.

You can also indulge in real estate investing even after having declared bankruptcy by flipping a house or even using the option to lease the property. If you use these methods, you can be sure that your credit will not be checked and it involves nothing more than acting as a middleman between a buyer and seller of property. Thus, you stand to make money in the form of the difference paid between the seller's asking price and the price that the buyer is willing to pay. However, when you flip a house it is actually nothing more than a short-term form of real estate investing.

When flipping a home, you don't need to be worried about your credit score being checked because no money ever leaves your pocket. In fact, in such cases the buyer places funds into an escrow account to the person investing who in turn takes his commission and then pays the rest of the money to the seller at the agreed-to price. In this form of real estate investing, each party gets what they want and you as the middleman get to make your cut for the time and effort that you have invested.

There is no reason why you cannot indulge in real estate investing even after having declared bankruptcy though it does require having a good deal of flexibility as well as being creative, both of which will help you make money out of real estate investing. Thus, you should consider options such as owner financing as well as leasing out properties, land contracts and even flipping properties in order to continue with real estate investing despite having become bankrupt. These options would mean not having your credit looked into and as long as you are able to locate sellers who are motivated enough to enter into a deal, bankruptcy is never going to be a major hurdle in your efforts to succeed from real estate investing.

About the Author

Dr. Green

Real Estate Investor

Internet Entrepreneur

Financial Consultant

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