

Published based on [Discounted Mortgages are a Great Way to Generate Residual Income Through Real Estate](#)

# **Discounted Mortgages are a Great Way to Generate Residual Income Through Real Estate**

A great way to generate residual income through real estate is to buy discounted mortgages. Before you begin, you must have information on certain items such as taxes incurred by the house, price of the house, liens, name of the buyer, name of the seller, amount of mortgage and the names of the lenders. But the question is how this will help you in money

What you have to do is to find the place which has records of real estate mortgages and find a property which has 2 mortgages, i.e., the primary and the secondary mortgage. The former is usually a financial institution and the latter is treated as an individual. After this make a list of at least twenty people who are holders of the second mortgage.

Next you must contact them. You should make an offer to buy their mortgage at a discount and offer to make the payment in cash. In order to make profit, your offer should be somewhere between 60%-70% of the loan. You will succeed in buying the mortgage if the amount of cash you offer is attractive to the seller or if the mortgage amount has become a hassle for the seller. This usually happens due to certain circumstances when the mortgage owner is unable to make regular payments for the premiums.

Another way by which buying discounted mortgages can be generated is by finding a property of a seller who is planning to retire. Often, at the stage of retirement many people want to move into a place that can be maintained more easily or the person might think of moving to a different city altogether. Another important fact that a real estate investor must keep in mind is that the property that is being sought should be owned by the retiring person for free and has no mortgages.

This person should be someone who wants to move out to a place which is cheaper than the present property. You can suggest to this person that he should invest the equity balance into second mortgages. Now find a mortgage which has more value than the amount of equity. Now offer this mortgage holder two thirds of the equity cash which will be paid at closing. You or your buyer's bank at closing will put this money for first mortgage. From this amount, pay the mortgage holder and property seller their dues. The remaining amount will be your profit.

If planned carefully, purchase of a discounted mortgage is really helpful in making residual income through real estate.

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