Option contracts are one of the best ways to make money in real estate with little or no money down. A real estate option contract is defined as an agreement between a seller and a potential buyer of real property that allows the potential buyer the right to buy at a specific price within a specific amount of time. Typically a deposit or option fee is

paid to the seller or property owner for the right of the option granted in the contract. Because an option is derived from a sale of real estate contract, it's considered a financial derivative. This means that the contract itself can be transferred or assigned, and may be sold to another buyer at a profit.

One of the greatest things about an option contract is the benefits it provides the buyer. With an option there is more time to secure financing, complete inspections, attract business partners, market the property or investigate potential pitfalls to the deal. Securing an option to purchase or control a real estate investment means that while you're researching the condition of a property, its title or lien history, and all the things that could affect its value and settlement, you won’t lose the option to purchase. Once you’ve completed all your research, obtained your funding, located a another buyer or gathered up all your partners, you can then execute the option or decide to fore go its execution if it seems like a bad deal. No harm, no foul, and all the while the only thing you’ve paid for is the option – if you’ve even had to pay for it.

Options are also great if you’re good at spotting a deal, but you don’t necessarily have the cash in hand. Let’s say you’ve found a seller wanting to get rid of a $100,000 property for fifty percent of market value. You’re the first one to know about it. You don’t have the cash in hand, but you’re pretty sure you can get it shortly or find someone who’s interested in buying the house outright for the market value. What you can do is convince the seller to accept an option to sell for price they’re looking for or maybe a little bit less. If you know the property will sell at least sixty percent of the market value, you can sell your equitable interest in the property for sale thats stated in the terms your option contract. For example, I use options to partner up with other wholesalers who can’t find buyers for their current wholesale property inventory. Simply by stating in the terms that once I locate a qualified buyer with an earnest money deposit I will have my end buyer sign an assignment contract for the rights of the original sales contract. On the other hand, when I am not partnering up with another wholesaler I can simply assign my rights to my option contract I have with the original seller to my end buyer with the same assignment contract that may have different terms in it to ensure settlement. It sounds too good to be true, right? Well that is the reality of real estate option contracts.

In short, real estate options are an excellent method for a real estate investor to complete his or her due diligence around a property before jumping in head first. Or if you spot a “killer” deal on the market that is impossible to pass up, you won’t have to empty your pockets to close a deal. No matter what property you’re looking at buying, an option can be one of the best ways for you to control a piece of property you want with little money out of pocket. And on top of it, you can just sell your option or forego if you’re having second thoughts or can’t find a buyer.

Happy Wholesaling :)

Marcel a.k.a. "The Wholesale Kid"