

Pace Morby's

# REI POCKET DICTIONARY



The human connection was everything for me... So I built a community. I have a community. I have about 10,000 people in my community now, nationwide, all 50 states, and a lot of other countries. Helping each other do real estate. And the vision was: 'How can I not make this community about me, but create a vision and a culture that they all help each other even if I passed away?'

*PJ Morby*



## KEY TERMS

### CREATIVE FINANCE / noun /

Funding a deal via unconventional methods, typically without a hard money lender outside of the original mortgage secured by the seller.

### "FIND THE BUNNIES" / verb /

Pace term for finding the seller's problem. Be the person who can solve their bunny problem.

### GATOR / noun /

Someone who lends bite-sized chunks of money to transactions, make a lot quickly, high volume of transactions. In and out of transactions quickly (like a gator is in and out of the water) — usually 7-14 days.

### GATOR WRESTLING / verb /

Bringing more than one Gator (private money lender) in on a deal

### MORBY METHOD / noun /

Solution for sellers wanting a high ticket price for their home — perhaps more than it's worth. Get the loan (70% of cost) for the purchase and seller finance down payment (30%). Happens in two transactions via title company and/or promissory note or operating agreement.

### SUB-TAIL / verb /

A wholesaling strategy where the wholesaler purchases property subject to with a private money lender to pay for things such as missed mortgage payments, repairs, closing costs so the wholesaler is zero dollars out of pocket. Property closes escrow, and then wholesaler takes the property retail (on the market/MLS) to find new buyers

### SUBTO / noun /

Pace's mentorship program; a community of people doing creative finance deals.

### SUBJECT TO / noun /

Taking over someone's mortgage or lease payments; you can purchase anything on payments. Done when the seller has no equity. The seller's leverage is the interest rate they secured. You take on the payments and the interest rate of the original loan.

### UNICORN AGENT / noun /

A real estate agent who knows and understands SubTo and creative finance. They can bring these strategies to their clients.



## **ACCELERATION CLAUSE** / noun /

A provision in a note making all payments due upon a specified event occurring. A due-on-sale clause is a type of acceleration clause which makes payment due immediately if a property is sold.

## **ACCREDITED INVESTOR** / noun /

Net worth over \$1 million, excluding primary residence, income over \$200,000 (individually) or \$300,000 (with spouse or partner) in each of the prior two years. Financial professionals with series 7, 65 or 82 licenses also qualify.

## **ADJUSTABLE-RATE MORTGAGE** / noun /

Mortgage with an interest rate which fluctuates at predetermined intervals over the course of the loan.

## **ADVERSE POSSESSION** / noun, v. /

Also known as "squatters' rights." Squatter or hostile user can acquire title after a statutory period of time. Usually requires payment of taxes.

## **AMORTIZATION** / noun /

Rate at which a debt (such as a mortgage on a house) is paid off. How many payments/years to pay off. As the loan ages, the percentage of each payment going toward the principal grows.

## **APPRECIATION** / noun /

The increase in value of a real estate asset over time based on market demands.

## **APR** / noun /

Annual Percentage Rate. The amount of interest charged on your loan every year.

## **ARV** / noun /

After Repair Value, after rehab value. If the house is fully renovated, you can sell for X amount.

## **ASSIGNMENT FEE** / noun /

Income collected by wholesaler for selling a contract to an end buyer — a finder's fee.

## **ASSIGNMENT OF CONTRACT** / noun /

Wholesalers negotiate a deal with motivated sellers, getting them "under contract." The wholesaler then sells the contract to an end buyer via a document called a contract assignment.

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# REI POCKET DICTIONARY



## B

### **BALLOON MORTGAGE** / noun /

Mortgage is paid in one lump sum, usually associated with investment or construction projects that are issued short-term and require no collateral.

### **BIRD DOGGING** / verb /

The act of finding underpriced, distressed properties on behalf of investors, a short list of serious, reliable buyers they work with often.

### **BROKER** / noun /

Licensed via broker's license exam, which is a higher level of required education than real estate agents. Sanctioned by the state in which they're licensed and receive education beyond what the state requires of real estate agents. Agents are required to work under the supervision of a broker.

### **BRRRR STRATEGY** / noun /

Buy, Rehab, Rent, Refinance, Repeat. A real estate investment strategy focused on flipping a distressed property, renting it out, and cash-out refinancing to fund further investments.

### **THE BUFFALO STRATEGY** / noun /

Taking every part of a lead and using every tool available to you to get a deal done. Not just concerned with getting fix and flips and wholesale under your belt as a real estate investor, but extracting every piece of value from the lead like Native Americans did with buffalo.

### **BUY AND HOLD** / verb /

Referred to as "forever money", how to attain wealth, buying an asset to hold long term, with the goal of realizing appreciation.



## C

### **CARRYING COST** / noun /

The expenses incurred from the time of purchase until the time a property is sold, including interest payments, taxes, insurance and utilities.

### **CASH-ON-CASH RETURN** / noun /

The cash return on investment compared to the amount of cash invested.

### **CASH-OUT REFINANCE** / noun /

AKA cash-out refi, a homeowner refinances their mortgage for more than it's worth, withdrawing the cash difference. Typically requires at least 20% equity.

### **CHAIN OF TITLE** / noun /

Documentation of all past ownership of a property, from the present owner to the very first owner of the property.

### **CLEAR TITLE** / noun /

Known by a few names such as "free and clear title" has no liens from creditors; no question of legal ownership of the property.

### **CLOSING** / verb /

Also known as escrow and close on escrow (COE) happens via title company, an open to close time frame. There are closing costs, which involve all paperwork and paying off liens.

### **COMPS** / noun /

Comparables for house, helps determine rehab costs and sale costs. Nearby, similar square footage and bedroom/bathrooms (price, distance, value)

### **CONTINGENCIES** / noun /

Conditions that must be met by either party in an agreement before the purchase of a property can close. Intended to protect buyers and sellers, including items such as inspections, mortgage approvals and appraisals.

### **CONTRACT FOR DEED** / noun /

Also known as an agreement for sale in real estate. You're the owner, but you don't have the title until the lender (either bank or seller) is paid off in full.

### **CREATIVE FINANCE** / noun /

Funding a deal via unconventional methods, typically without a hard money lender outside of the original mortgage secured by the seller.



## D

### **DEBT-TO-EQUITY RATIO** / noun /

Measure of ownership of a property. Shows how much of a property an investor owns versus outstanding debt on the mortgage.

### **DEBT-TO-INCOME RATIO** / noun /

Compares gross income to housing and non-housing expenses.

### **DEED** / noun /

Legal document that transfers ownership from one person to another. Deed is transfer of ownership, while a deed of trust is a security interest. "The deed is the receipt of ownership." — Pace Morby

### **DEED IN LIEU (OF FORECLOSURE)** / noun /

Deed the property to the bank at preforeclosure so there's no formal foreclosure process.

### **DEED OF TRUST** / noun /

Used to protect lenders, filed with the county clerk where it is purchased. It's an agreement between a buyer and a lender stating that the buyer will repay the loan and the mortgage lender will hold the property's legal title until the loan is paid in full. Deed of trust is a security interest, while a deed deals with transfer of ownership.

### **DEFAULT** / noun /

When a homeowner fails to uphold agreed upon terms of their mortgage.

### **DEPRECIATION** / noun /

Reduction in value of property with the passage of time (wear and tear). IRS allows for depreciation tax deductions on property.

### **DOUBLE CLOSING** / verb /

Closing twice in order to wrap your own terms on a deal or to work around anti-wholesale laws. First close is with the seller and wholesaler; second is with the wholesaler and the end buyer. Both closings take place on the same day.

### **DUAL AGENCY** / noun /

A real estate agent representing both buyer and seller.

### **DUE DILIGENCE PERIOD** / noun /

A time frame allowing a buyer to fully examine a property via experts such as property inspectors. Contract may be renegotiated based on findings during due diligence.

### **DUE-ON-SALE CLAUSE** / noun /

A contract acceleration clause requiring the seller of a property to repay the mortgage in full if the property is sold. Created to protect lenders from below-market interest rates.



## **EARNEST MONEY DEPOSIT (EMD)** / noun /

Sum of money put down to demonstrate intent to buy a home. Hard, non-refundable even if the deal falls through.

## **ENCUMBRANCE** / noun /

Claim on a property such as a lien, mortgage or easement.

## **ENTRY FEE** / noun /

Also called "acquisition cost". Cost to get into a property. Includes back mortgage payments, renovations, cost to seller, closing cost, etc.

## **ESCROW** / noun, v. /

A bond, deed, or other document kept in the custody of a third party (i.e. a title company) and taking effect only when both parties complete the terms of their agreement

## **ESCROW COMPANY** / noun /

See also "Title Company". Closing agent who handles transactions between buyers & sellers such as deposits, deed holding and filing with county.

## **EQUITY** / noun /

Market value of a home after all debt. Can be withdrawn through various loans.

## **EXCLUSIVE OPTION** / noun /

A contract that provides exclusive rights to find a buyer for a property for a fee. Generally preferred because the wholesaler doesn't have competition to find a buyer.

## **EXECUTORY CONTRACT** / noun /

Contract that has not been fully executed yet. It's a creative finance solution used in very specific scenarios such as holding the deed but not recording it with the county to avoid a due on sale clause being called. Or because you are selling the deed again, never putting the property in your name. Controlling the deed, but not owning in the eyes of the law.

## **EXPIRED LISTING** / noun /

A listing that has moved off of MLS because it hasn't sold due to price and/or condition of the property.



## **FANNIE MAE** / noun /

Federal National Mortgage Association (FNMA). Federally chartered, owned by private stockholders; purchases mortgages and converts them to securities for sale to investors. Mortgage purchases supply funds that lenders can loan to potential homebuyers.

## **FHA MORTGAGE** / noun /

Federal Housing Administration (FHA) loans meant to help first-time homebuyers. FHA insures the loan and creates better conditions for borrowers including a lower down payment (as low as 3.5% of the purchase price), low closing costs and easier credit qualifying.

## **"FIND THE BUNNIES"** / verb /

Pace term for finding the seller's problem. Be the person who can solve their bunny problem.

## **FIRST LEG** / noun /

Referring to a portion of a real estate transaction, seller to wholesaler. "Second leg" is wholesaler to end buyer.

## **FIRST RIGHT OF REFUSAL** / noun /

A clause in a contract which gives a specific interested party a prioritized right to make the first offer on a house before the owner can negotiate with other prospective buyers.

## **FIX AND FLIP** / noun, v. /

Buying and holding a property for a short period of time with the intention of repairing and improving to make a profit when reselling ("tomorrow money").

## **FORECLOSURE** / noun /

A legal process that begins when a borrower defaults and fails to make their agreed upon mortgage payments. Bank may repossess the house if arrears are not made.

## **FORECLOSURE AUCTION** / noun /

Bank auctions the foreclosed upon property.

## **FREDDIE MAC** / noun /

Federal Home Loan Mortgage Corporation (FHLM); a federally-chartered corporation which purchases residential mortgages, securitizes them, and sells them to investors; providing lenders with funds for new homebuyers.

## **FUND OF FUNDS** / noun /

Regulated by the Securities and Exchange Commission. A fund that "smaller" real estate investors run, use their connections to gather investments, and then invest that sum of money in a larger fund run by high level investors like Veena Jetti, Grant Cardone, Tony Robbins, etc.



## G

### **GAP LOAN** / noun /

Temporary loan, usually at high-interest, obtained by a borrower who intends to obtain better financing. This covers the gap between time of purchase and securing new funding.

### **GATOR** / noun /

Someone who lends bite-sized chunks of money to transactions, make a lot quickly, high volume of transactions. In and out of transactions quickly (like a gator is in and out of the water) — usually 7-14 days.

### **GATOR WRESTLING** / verb /

Bringing more than one Gator (private money lender) in on a deal

### **GINNIE MAE** / noun /

Government National Mortgage Association (GNMA). A government-owned corporation overseen by U.S. Department of Housing and Urban Development, pools FHA-insured and VA-guaranteed loans to back securities for private investment. As with Fannie Mae and Freddie Mac, investment income provides funding that may be lent to eligible borrowers.

HARD BID

## H

### **HARD BID** / noun, v. /

Going to a seller and paying the earnest money deposit (EMD) with intention to buy the property. EMD is non-refundable, if the deal falls through, seller keeps.

### **HARD MONEY** / noun /

Lent money that comes from traditional lines of credit like a bank.

### **HUD** / noun /

U.S. Department of Housing and Development. Acquires foreclosed property and sells to recover loss of foreclosure claim on the FHA mortgage.

### **HUD-1** / noun /

A settlement statement document listing all charges and credits, such as taxes, to the buyer and seller in a real estate transaction or in mortgage refinance situations

### **HYBRID LOAN** / noun /

A combination of two types of financing options, most commonly subject to and seller finance.



## I

### **INSPECTION** / noun /

To determine that the house is safe and/or repairs needed. Inspection period can last between 5 and 10 days depending on your location. Inspection report will follow.

### **INSPECTION CONTINGENCY** / noun /

A clause allowing the buyer to have the home inspected and negotiate costs or terminate the agreement with the seller based on the results of the inspection.

## J

### **JOINT VENTURE (JV)** / noun, v. /

Regulated by a joint venture agreement to bring multiple investors in on a deal. Each party retains their unique business identity while working together.

### **JUNIOR LIEN** / noun /

Lien in second position. A second mortgage or home equity loan.

## L

### **LIEN** / noun /

A legal claim on assets that allows the holder (of the lien) to obtain access to the property if debts are not paid.

### **LEASE** / noun /

A contract conveying property to another party for a specified time for a specified amount of money.

### **LEASE OPTION** / noun /

Gives the renter a choice to purchase the rented property during or at the end of the rental period at a specified price.

### **LIST** / noun /

Ex: I'm going to "pull a list." Lists are properties based on certain criteria like "properties in foreclosure," "properties with low equity," "properties owned free and clear" pulled from databases such as PropStream.

### **LISTING AGENT** / noun /

Realtor who lists on the MLS; the person who puts signs in the yards.

### **LOAN SERVICING COMPANY** / noun /

Manages administrative aspects of loans, from dispersal to the time each loan is paid in full. Includes sending the borrower monthly statements, maintaining payment and balance records, taxes and insurance.



## M

### **MATURITY DATE** / noun /

The date on which a mortgage loan is to be paid in full, as stated in the note.

### **MLS** / noun /

Multiple Listing Service. Shares information about properties on the market. Typically includes listing price, square footage, number of rooms, etc.



### **MORBY METHOD** / noun /

Solution for sellers wanting a high ticket price for their home — perhaps more than it's worth. Get the loan (70% of cost) for the purchase and seller finance down payment (30%). Happens in two transactions via title company and/or promissory note or operating agreement.

### **MORTGAGE** / noun /

Legal agreement in which a bank or other creditor lends money at interest in exchange for taking title of the debtor's property, with the condition that the conveyance of title becomes void upon the payment of the debt.

### **MULTIFAMILY** / noun /

Residential property, such as an apartment complex, condominium or a duplex, that has more than one residential unit.

## N

### **NATIONAL ASSOCIATION OF REALTORS** / noun /

(NAR) is the largest trade union in America with about 1.4 million members working in the residential and commercial real estate industries.

### **NEGATIVE AMORTIZATION** / noun /

Amortization is the process of paying off a loan with regular payments so the amount you owe on the loan gradually decreases. Negative amortization occurs when the debt owed continues to rise, regardless of regular payments, because payment is not enough to cover the interest.

### **NOVATION AGREEMENT** / noun /

Legal document used to alter or transfer previously established (via original contract) contractual obligations from one party to another.

Ex: sub-lease or obligatory renovation of a property



## **OPEN ESCROW** / verb /

Officially start the transaction. Happens when an offer is accepted. Opening an escrow account with a title company where EMD and other payments are held.

## **OPM** / noun /

"Other people's money".

## **OWNER'S POLICY** / noun /

Title insurance, listed on the HUD-1 doc. Typically paid for by seller. Covers the buyer from a prior claim coming against the property title before the date on the purchase contract.



## **PITI** / noun /

Principal, Interest, Taxes, Insurance (Complete Mortgage)

## **PRELIMINARY TITLE REPORT** / noun /

Report you get when opening escrow listing liens, taxes, issues, and who else is on the mortgage or deed.

## **PRIMARY LIEN** / noun /

First position before junior lien. The first mortgage.

## **PRIVATE MONEY** / noun /

Lent from another person or fund rather than an institution.

## **PROMISSORY NOTE** / noun /

Also referred to as a "note". A document written by the title company, recorded and filed against the property with county recorder's office regarding when and how (dates and interest rates) much will be paid to lenders.

## **PROBATE** / noun /

Referring to the legal process of giving recognition to a will or estate, appointing an executor to distribute assets to the intended beneficiaries. Ex. When the alien died, his house was tied up in probate.

## **PURCHASE AND SALE AGREEMENT** / noun /

(PSA). Document detailing earnest money needed, closing date and the contingencies buyer and seller have agreed upon. Sets the transaction in motion toward closing.



## R

### **RECAPTURE RATE** / noun /

Rate at which invested principal is returned.

### **RECORDING** / verb /

Filing a document for public record. Recording gives the public notice of an interest or transfer.

### **REFINANCE** / verb /

May allow a borrower to get a better interest rate on their mortgage, depending on the market. Replaces the original mortgage with a new one with more favorable terms.

### **RENT TO OWN** / noun, v. /

A type of lease option where renters will rent for 3-7 years and have the option to buy the house, allowing them to build their credit.

### **RESCISSION** / noun /

Cancellation of a contract by law or mutual consent. Borrowers have a right to cancel certain mortgage refinance and home equity transactions within three business days after closing, or for up to three years in certain instances.

### **RESPA** / noun /

Real Estate Settlement Procedures Act. Requires lenders to disclose all settlement costs, practices and relationships, protecting consumers in residential real estate purchases.

### **REVERSE MORTGAGE** / noun /

Allows the borrower to access the unencumbered value of the property. Typically applied to older homeowners to borrow against the equity of their homes.

### **RIGHT OF INGRESS OR EGRESS** / noun /

Egress is a person's legal right to exit a property. Ingress is the right to enter a property. It is generally used in rental or easement situations in which the tenant needs access to a shared driveway, a private road to the property, etc.

### **ROI** / noun /

"Return on investment". Measurement of net profit, relative to total cost. High ROI indicates favorable yields for investors.

### **ROLLOVER MORTGAGE** / noun /

Short-term mortgage amortized over a long period, but due in only a few years. When due, it is rewritten at the current market interest rate.



## T

### **TAX LIEN** / noun /

Legal claim against your property for back taxes owed to the government.

### **TAX SALE** / noun /

Buying the property by paying back old/back taxes.

### **TITLE** / noun /

Document showing legal ownership of a property.

### **TITLE COMPANY** / noun /

See also "escrow company." Verifies funds and property, disperses payments to everyone involved in the transaction.

### **TITLE INSURANCE** / noun /

See also "owner's policy." Protects the buyer from claims filed against the title such as outstanding liens or taxes.

### **TRANSACTION COORDINATOR (TC)**

/ noun /

A person who arranges and interfaces with all parties in a pending transaction to streamline the process, collect deposits and prepare contracts to keep on schedule for the close of escrow date.

### **TURN KEY** / noun, adj. /

A fully renovated property an investor can purchase and immediately rent out.

## U

### **UNDER CONTRACT** / adj. /

A seller has accepted an offer from a buyer but the transaction has not yet closed.

### **UNDERWRITER** / noun /

A financial expert who takes a look at your finances and assesses how much risk a lender will take on if they decide to give you a loan.

### **UNICORN AGENT** / noun /

A real estate agent who knows and understands SubTo and creative finance. They can bring these strategies to their clients.

### **USDA HOME LOAN** / noun /

Offered by the United States Department of Agriculture (USDA) helping low and moderate-income citizens purchase homes in eligible rural areas.

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## QUITCLAIM DEED / noun /

A deed giving all interests a person has in a property. If the grantor has good title, good title is conveyed; if the grantor has outstanding liens on the property, good title is not conveyed



## V

### VACANCY RATE / noun /

The percentage of unoccupied units in a rental property at a given time.

### VA MORTGAGE / noun /

Service members, veterans, and eligible surviving spouses can receive home loan guarantees by private lenders. The Department of Veterans Affairs guarantees a portion of the loan, which creates favorable terms for the borrower.

## #

### 1031 EXCHANGE / noun /

Tax code allowing investors to reinvest proceeds from a deal into a similar investment to defer paying taxes on capital gains.

## W

### WHOLESALER / noun /

Finds properties for sale and gets them under contract, and then takes contracts to investors to buy at an increased rate (low barrier of entry, "today money," don't need a license).

### WRAP / noun, v. /

Adding your own terms on to an existing contract for a deal.  
Ex. "wrapping" your own terms around an existing deal



## S

### **SECOND LEG** / noun /

Referring to a portion of a real estate transaction, wholesaler to end buyer. "First leg" is seller to wholesaler.

### **SECTION 8** / noun /

Federal government housing program for low-income families and disabled and elderly individuals to rent housing based on eligibility criteria such as income and family size.

### **SELLER FINANCE** / noun, v. /

The seller uses their equity or free and clear status to fund the buyer's purchase via payments, the amount and timing of which are agreed upon in the deed of trust. Seller finance = debt free property; seller acts as bank.

### **SHORT SALE** / noun, v. /

The type of real estate transaction implored when the seller owes more money on the property than what it's worth, so they sell at a lower amount. Lender must agree to accept less than the mortgage amount owed by the current homeowner. In some cases, the difference is forgiven; in others, the homeowner must make arrangements to settle the remaining debt with the lender.

### **SPLIT-RATE INTEREST** / noun /

Loan charging one interest rate for the land and another rate for property improvements.

### **SUB-TAIL** / verb /

A wholesaling strategy where the wholesaler purchases property subject to with a private money lender to pay for things such as missed mortgage payments, repairs, closing costs so the wholesaler is zero dollars out of pocket. Property closes escrow, then wholesaler takes the property retail (on the market/MLS) to find new.

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### **SUBJECT TO** / noun /

Taking over someone's mortgage or lease payments — you can purchase anything on payments. Done when the seller has no equity. The seller's leverage is the interest rate they secured. You take on the payments and the interest rate of the original loan.

### **SWING LOAN** / noun /

Short-term loan made when a borrower purchases a new home but has not yet sold their old home.

### **SYNDICATE** / noun /

Group of investors who pool capital to buy or build property.