

A primer on real estate financing

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Abstract:

In the "Working With Lenders" chapter, [William Bronchick] finally gets away from the basics and starts explaining challenging topics such as how to negotiate with lenders. "Virtually every fee a lender asks for can be negotiated. However, don't expect the lender to waive every fee, charge no points and get no back-end fees [yield spread premiums]," the author explains.

Full Text:

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Whether you are buying or refinancing a home or investment property, William Bronchick's "Financing Secrets of a Millionaire Real Estate Investor" provides insight on realty finance alternatives. The book begins very simply, explaining promissory notes, mortgages and deeds of trust. But it becomes more detailed and interesting.

The author, a successful real estate investor, understands real property financing very well. Toward the book's conclusion, he shares creative finance methods that would have been far too complex to understand at the book's beginning. The book's first few chapters are downright elementary, perhaps suitable for a beginner real estate principles course. But the book gradually picks up momentum, such as by explaining mortgage foreclosure procedure and how to work with different types of lenders.

In the "Working With Lenders" chapter, Bronchick finally gets away from the basics and starts explaining challenging topics such as how to negotiate with lenders. "Virtually every fee a lender asks for can be negotiated. However, don't expect the lender to waive every fee, charge no points and get no back-end fees [yield spread premiums]," the author explains.

"Because the mortgage brokering business is not highly regulated in most states, there are a lot of fly-by-night operations," he adds. Then he explains how some mortgage lenders use bait-and-switch tactics to lure borrowers to make loan applications. Bronchick next proceeds to list questions to ask lenders to determine if they are reputable.

Although the author obviously has dozens, perhaps hundreds, of personal real estate finance experiences to share, he rarely uses any personal examples that would have made the book more practical and useful. Instead, Bronchick relies on generalities and non-specific advice to readers.

However, the author covers virtually all the traditional and creative finance methods applicable to home and investment financing. For example, he spends an entire chapter discussing lease-options and why they can be especially useful when acquiring fixer-upper property for little cash, which the home buyer will quickly increase in market value either to retain long-term or quickly sell at a profit.

Each chapter begins with a quote about the topic, usually from someone famous. Some are pretty dull, such as Francis Bacon's "Knowledge is power." But I especially enjoyed: "If there were no bad people there would be no good lawyers," by Charles Dickens; "Except for the con men borrowing money they shouldn't get and the widows who have to visit with the handsome young men in the trust department, no sane person ever enjoyed visiting a bank," by Martin Meyer; and "A loan shark is simply a thief without a Wall Street office," by Lyndon LaRouche.

The excellent appendix includes an interest payment chart, state-by-state foreclosure guide and sample financing forms.

If you enjoy very basic, short real estate books, you'll love this one. But if you want depth, details, real-life examples, and lots of practical ideas, you will be disappointed. Hopefully, this book is just the first half of what should have been a great book about practical real estate finance methods. I'll be waiting for the sequel. On my scale of 1 to 10, this realty finance book rates a 9.

"Financing Secrets of a Millionaire Real Estate Investor," by William Bronchick (Dearborn Trade Publishing Co., Chicago), 2003, \$18.95, 137 pages.

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