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The Elephant and The Mouse

Well, you've found a deal, and everyone tells you – "If you find a deal, the money will find you!" and "don't worry about the money". But if that's so, why are you having so much trouble finding the financing?

Traditional lenders have tightened restrictions so much that deals that were slam dunks just a few months ago, have become impossible to finance. Even hard money lenders, the "lender of last resort", have declined your deal, because you don't have cash to put in, or 'skin in the game'. So what do you do about it?

Robyn Thompson recently discussed exactly this problem at her recent seminar in Waltham, and she called it "The Elephant and the Mouse". I thought it might be useful, given that we have members with deals they can't finance, and we have members who have money but haven't found a deal they like. So here it is:

You, the investor, are the mouse. You have very little cash, or no cash, but you are enthusiastic and want to do the deal. You find it, analyze it, negotiate it, get it under contract, close it, rehab it, list it, stage it, sell it, and in general you make it happen. You have no money, you are the mouse. You find an elephant. The elephant has cash, but no time, or maybe just has not found a deal. You join forces, and split the proceeds 50/50.

Now, 50% is expensive! You have to find a killer deal to make that work. But killer deals are out there, especially now that the banks are negotiating. And you know that 50% of something is better than 100% of nothing.

Groups like NHREIA are great places to find elephants, and you elephants, maybe you can find a mouse with a deal you like. So start talking to people, get that network going, and maybe you can both make a deal happen!!