

House worth \$100K

You can have it for an MAV (mutually agreed value) of \$80K by just taking over the payments. Say, you have to put up \$4,500 to cover arrearages (assuming the lender wouldn't give you a forbearance).

In order to make a profit, you now bump the MAV for your Resident Beneficiary at \$105K and charge the resident 7.5% to get in (abt \$8,000). You have now made \$25K in equity and \$3,500 in up front cash plus a positive cash flow along the way (in addition to the principal reduction and future appreciation over \$105,000).

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You first make your verbal offer to the seller at \$80K, and explain that you are an investor and intend to make a good profit (maybe). You explain that since you will have to negotiate with a resident bene., you're going to have to put a larger than actual MAV on the offer in order to have plenty of room to negotiate downward.

You then, when presenting the offer, show his Refundable Contribution as zero and show yours at the difference between the acquisition amount (80K) and the bumped MAV of \$105K. This doesn't affect hi negatively in anyway and could even lessen his tax burden if he's got gains to pay on.

Now, when you bring you resident bene. in, he sees the higher amount and doesn't worry about the difference, as he will presume that you put in \$25K in cash (unless you tell him otherwise).

At the end of the agreement term, you and your res. Bene. sell or refi and give the settlor his zero (or may he did have some equity at start); give yourself your \$25K; give the resident his initial closing costs (non-recurring); and then split the rest relative to each beneficiary's respective percentages of beneficiary interest held (assuming that the 10% held by the settlor will be relinquished to you).

Another way to bump (or "pump") the MAV is to make your offer at the \$80K and get it accepted in writing: then you turn to the Settlor and suggest that for your benefit, the \$80K be crossed out and initialed, and replaced with a higher number in order to give you some negotiating room with your resident beneficiary (you point out that doing so will raise your beginning contribution (pg 2 of Appen. 1) and raise his tax basis (a good thing if he has equity). You then say, "Let's make it, oh say, \$105,000 and although I know I'll probably never get anything close to that, it gives me more than enough room to negotiate." Again...you now have the higher MAV showing in the documents and needn't hide anything from the resident (or the settlor).

When the offer is accepted by signature of the settlor, that's also a good time have him execute the limited Power of Attorney, so that you don't have to go back to him for signatures later.

That's it...no big deal.

Bill