

## Frequently asked questions about property trading

{slide=Who can swap properties? CLICK TO OPEN ANSWERS}

Anyone. Trading homes is just another way of selling real estate. The concept is especially beneficial to someone who is moving to a different location and simply wants a similar place to live in. Exchanging properties is also an alternative way for investors or second home owners to move assets to different locations, thereby spreading and reducing the risk.

Contrary to a common belief, home swappers don't need to own the property free and clear. But if there is a mortgage and little or no equity, seller will have to qualify for a new mortgage as a buyer for the property he/she is swapping for. Please read more on this below.

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{slide=How does this work?}

The concept works as follows: I'll buy your house, but only if you buy mine. It can also be viewed as two separate transactions taking place at the same time where party A buys a house from party B, while party B buys the house from party A. The exchange takes place on the same date via a simultaneous closing. Both parties pay off any existing loans and obtain new financing on the home they are buying. The only complication is to complete the closing for both parties on the same date. {/slide}

{slide=Have there been successful home exchanges in the past?}

Yes. Many swaps take place behind the scenes daily. At least six cases have been widely covered by the local and national media and we know of one person who swapped three times and listed a few more of his properties for trade at GoSwap.org. {/slide}

{slide=What are the benefits of permanent home exchange?}

Value preservation. By swapping the property instead of selling it the traditional way, sellers have a higher chance of receiving close to the appraised value. Since the seller is not liquidating to an investor and is dealing directly with the new property owner, both parties in a trade can agree on property values they are comfortable with, and not the values dictated by foreclosures and short sales in the area. This especially applies to declining markets or hard to sell properties.

In cases where homes are financed through conventional lenders, the values will be determined by the appraisals. Our point is that in declining markets sellers are often forced into accepting offers far below the current appraised value. By trading instead of selling, sellers are not forced into liquidating to investors, which would allow them to use any accumulated equity and apply it towards the down payment on the new home.

No more double mortgage payments because owners pay off the mortgage on their existing home and obtain a new mortgage on the new home - all on the same day closing.

Swapping homes also reduces moving hassles as it eliminates the need for storage of belongings while in the search of a place to live in. The concept works as simple as "I will buy your house if you buy mine" so owners simply move to their new homes after closing.

No more dealing with renters when you have a home on the market that is not selling, while you already purchased your new home.

No more trying to find a short term rental to live in while looking for a new home. Short term leases are expensive, and breaking a lease is costly, but all of these hassles are avoided when trading houses permanently.

Swapping homes makes it easier for borrowers to obtain financing on the new home. As long as a borrower has a contract to sell the current home, banks will not count the current monthly mortgage obligation against income during the loan qualification process on the new house that the borrower is trading for. Most homeowners with an unsold home on

the market have a tough time purchasing a new home before their current home is sold or at least under contract. Swapping homes eliminates this problem altogether because both parties bring two contracts to the loan officer: one sale contract in which the homeowner is selling the current home and another purchase contract in which he/she is a buyer of the new home. Since contracts require a closing on the same date for both properties, the bank will not use the monthly payment from the current mortgage as a liability, nor will it use the old mortgage balance in total loan to value ratios. Having fewer liabilities helps the borrower to qualify for the new loan and negotiate better mortgage terms.

Sellers could also save on commission and advertising fees if they find a property match by owner. Savings could be in thousands, or about \$5,000 per \$100,000 in property value. GoSwap.org does not charge any commission..

This is all possible as long as you find your acceptable match. Notice, it does not say "perfect" because for this swap concept to work out you need to become more flexible as far as your swap criteria goes. This ensures you will get many swap proposals.

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{slide=Do I need to hire a professional to finalize the exchange?}

On the East Coast a knowledgeable real estate lawyer is recommended to ensure the transaction flows as smoothly as possible. Real estate agents should only be used if they listed a property or found your exchange property. Otherwise, the lawyer, the mortgage company, and the title company will handle the closing.

(edited by Dave Dessecker) On the West Coast the use of a good Exchange Title Company Escrow that has an on site accommodator and legal staff is preferred over a regular attorney. The accommodator is usually not needed, but may be necessary at the last minute before closing if something goes wrong.

Please note that realtors specialize exclusively in marketing properties and therefore should never be substituted for lawyers specializing in property law. If you are having problems locating and negotiating a trade deal, look for an exchange broker who is familiar with multi-leg exchanges in your area. {/slide}

{slide=How much will a typical exchange cost?}

The costs are the same as one would incur when buying and selling a property because real estate exchange is simply selling one property and buying another. GoSwap.org does not charge any commission for exchanging real estate.{/slide}

{slide=What if I don't have any equity in my home, can I still swap?}

The short answer is yes, but let's first define equity. Equity is the value of a property after deduction of loans against it.

For instance, if John has a house recently appraised at \$300,000 and his total obligations equal \$300,000 then John officially has no equity. Believe it or not, John can still swap his house for any house as long as John can come up with a down payment and qualify for a new loan for the house he is swapping for. Zero down payment loans from banks are vanishing as quickly as they appeared, so the only alternative way to obtain a no-down payment loan is by creating a second mortgage or by tapping into equity of another property. In conclusion, even property owners with no equity can swap as long as they are able to qualify for a new mortgage.{/slide}

{slide=Can I swap for a more expensive property and how would this work?}

Yes, the value is less relevant (unlike other real estate exchange sites tend to emphasize).

More importantly is the ability of the buyer to obtain a new mortgage on a more expensive property.

Again, we need to look at a swap transaction as two separate deals in which you are first selling the property and then buying your new property. This is precisely why we created GoSwap.org as the most versatile platform. Buyers and

sellers are not limited by property types and their values. If everyone wanted to swap even than finding a match would in fact be like finding a needle in a haystack. We encourage sellers and agents to be open minded and list as many possible swap combinations as possible. {/slide}

{slide=What if one owner has no mortgage while the other has no equity?}

This is perhaps the ultimate scenario and was brought up to me as an example by an experienced swapper and I'm sure this can occur in real life.

Well, even this one can be done, although with some difficulties. Again, let's look at this example as two separate transactions.

Let's just take John from our example above with his \$300K fully mortgaged home and Lisa with her \$200K condo, no loans, so 100% equity. John would have to qualify for a new loan of \$200K, less down payment, to purchase Lisa's condo (since he is downsizing, qualifying may not be an issue). The initial \$200K of the \$300K for Lisa's new home will come from John because he is buying the condo from her.

Lisa has to come up with \$100K to pay for the difference between the two homes because she is buying a more expensive one. The \$100K for Lisa will have to come from sources outside of this home exchange, i.e. a savings account, HELOC (line of credit on another property), or the sale of another property.

Lisa's side of the equation is not as complex, but she needs to bring \$100K to the closing table to pay for John's more expensive house or obtain a new loan for this amount.

And what if John's and Lisa's properties were worth \$200,000 each -- an equal value?

Then John would have to qualify for a new loan to purchase Lisa's condo for \$200K, while Lisa will not have to bring any money to the closing table.

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{slide=What about some examples of more creative trades?}

No problem.

Suppose Joe, a vacation home owner, has a long term vacancy in his rental and he is looking for a nice car. So he decides to swap the lease of his rental for something of value and posts this on GoSwap.org.

Along comes Amanda who is excited to take a long vacation from her corporate job, but has little savings to spare other than the equity in her nice BMW that she no longer needs.

Let's run some numbers and see how the two can benefit by swapping. Let's assume Amanda's Bimmer is valued at \$30K with an outstanding loan balance of \$20K (so \$10K equity) and Joe wants \$2,000 per month for his vacation rental. Joe and Amanda could swap the \$10K equity for a 5 month lease of the vacation home.

How? Joe would essentially pay \$30K Amanda for the car, of which \$20K will pay off the car loan and \$10K will pay for the vacation rental lease.

The advantage to Amanda, the car owner, is that she does not have to liquidate the car to a dealer and receive a lower trade-in value. The advantage to Joe, the vacation rental owner, is the fair price of the car. Since he buys the nice car directly from the owner at the "private party value" (which is lower than the dealer retail). Additionally, he rents his vacation rental for a good chunk of the year. So it is a win-win to both parties after all--which is the premises of each successful trade.

As anyone can see, this model can be applied to just about anything of value--just use imagination and believe in possibility of success.

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{slide=Do you help orchestrate deals or do you simply help traders get together?}

We provide the platform for traders to be matched and communicate with each other. The actual closings are handled by title companies, agents, and attorneys. We are actively trying to involve real estate agents in the process and recently introduced GoSwap.org Metros, in which a real estate professional can specialize in house swapping and represent an entire metropolitan area.

Here is a Los Angeles Metro page for example:

[http://goswap.org/los\\_angeles](http://goswap.org/los_angeles)

More on metros here: <http://goswap.org/agents.html>

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{slide=What sort of advice do we offer to home sellers?}

We suggest to all current sellers to be a little more open minded, to think out of the box, and to try house swapping. The worst that could happen to the seller is receiving a few swap proposals and not being interested. The best that could happen to the seller is finding a match and living happily thereafter. I think it is a no-brainer. In case of a successful swap, we suggest using a real estate lawyer to handle both transactions. There is little that can go wrong under normal circumstances assuming both parties are qualified, both properties are appraised at approximately the value of the contract price, and there is an escape clause in the contract stating that each party is relieved in case of one party not being able to go through with the trade for any reason.

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{slide=Is it right to think of permanent trades actually as "simultaneous sales"??}

Precisely.

The parties would still get together for one big closing, so nobody is left carrying two mortgages.

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{slide=So what exactly happens to the existing mortgages?}

Most existing mortgages will be paid off at closing. A possible exception would be an assumable mortgage that can be transferred into the new owner's name, but these are rare; therefore, we will not discuss them in detail. Since property swap involves simply party A buying a property from party B, in a typical swap party A's mortgage will be paid off from party B's proceeds, and party B's mortgage will be paid off from party A's proceeds. Because most transactions are financed, actual funds are coming from the mortgage companies for both parties, plus equity that either party had (if any).{/slide}

{slide=Is your site reserved for people looking to make permanent trades...?}

...or can people also trade temporarily -- as in a vacation?

We have a temporary swap Vacation and Timeshares category, but our specialty is permanent property trading across multiple asset classes valued \$5,000 or more: homes, land, cars, RVs, boats, planes, and businesses.

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{slide=Why should we choose to advertise on your site over CL or other sites?}

Actually, we suggest advertising on many sites, but here are your advantages advertising on GoSwap.org.

The problem for permanent property swappers advertising on Craigslist (CL) is that it is currently impossible to segregate properties for permanent exchange from temporary exchange, not to mention segregation by property class (homes, condos, land, cars, RVs, etc). All of the swap listings in CL are piled up in one single category. Plus, we think that CL's housing swap section was originally meant for temporary swap because when you post a listing, it calls for the "rent amount" value, not property value. So CL is not really for permanent swap listings, but sellers are using it as such.

From the buyers point of view, it is very hard to search for specific multi-state swap matches because the only option available is a text search and if an exact search string matching a listing phrase is not entered, the listing will not appear in the search results.

Each metro city within Craigslist has its own sub-domain, e.i. <http://jacksonville.craigslist.org>. This sub-domain aspect actually makes it impossible to search within all craigslist locations at once. A user has to go to each metro within CL and repeat the search--very time consuming for someone searching within a large area, say entire state of Florida, which has 17 "sub-craigslist".

From the sellers point of view, each CL listing expires in 30-45 days, which makes it a little more time consuming to actually maintain the listing for a lengthy period. On a bright side, CL listings are likely to receive more hits, granted a chunk of those hits is a result of a mismatched or unintended search.

We at GoSwap.org have spent a great deal of effort to invent a mini search engine that produces precise swap matches based on specific criteria entered including property type, location, value, and features. Moreover, users can save their searches and get notified of all new listings that match their criteria.

Perhaps our biggest difference (and we certainly think it is an advantage for the general public) is everyone can search and view the listings--we don't hide them unlike some of our competition. We also offer real time "matchmaking" service--search and get immediate results. Our competitor Online House Trading, for instance, is not releasing any listings to the general public, which defeats the purpose of advertising, if you ask me.

Our advice to sellers? Any of the property swapping sites can potentially produce a lead, so advertise everywhere and increase the overall chances of receiving offers.

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How to Swap Real Estate  
Video Interactive Guides  
\$2.99 view online

{snippet guides}

-  
How real estate trading works

-  
What happens to mortgages

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Combine creative financing & swapping

10 minute audio/video presentation +

Short video presentation of the key concepts of owner financing:  
Avoid common mistakes(,

Negotiate better deals(,

Benefit from owner financing.

View online immediately after payment.

Please post more specific questions or your own swap scenarios and ideas on our Real Estate Exchange Forums

For more information on permanent home exchange and creative ideas please read:

A step by step guide on selling or swapping real estate in a slow market?

Continued: How does permanent home exchange work?