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ensure the contract's language suits your needs. After signing the contract, you gain an equitable interest in the property. You control the property via the deed. The next step is assigning your contractual rights to another investor using an Assignment of Real Estate Purchase and Sale Agreement. The new buyer will take on your responsibilities, including buying the property under the original contract's terms. It's critical to ensure the new buyer understands the original contract's terms and conditions. For transparency, a copy of the purchase and sale agreement should be attached to the assignment contract. The terms of your payment as a wholesaler will be included in this assignment agreement, typically a deposit at signing and the remainder after closing. Advantages Of Wholesale Real Estate Assignment Contracts Wholesale real estate assignment contracts come with a multitude of benefits that appeal to investors at every level. They offer a unique opportunity to turn a profit quickly, even for those with limited resources or experience. This method of investing offers significant pros, each contributing to the appeal of wholesaling real estate. Here are some of the key advantages: Quick Profits: One of the significant benefits of wholesale real estate contracts is the ability to turn a profit swiftly, often within 30 days or less. Experienced wholesalers can often close between 5 and 10 deals a month. Once you've mastered the art of finding motivated sellers and building a reliable buyers list, you can replicate this process and yield similar profits. No Credit Check Requirement: Wholesaling is an accessible strategy, even for those with poor or no credit history. Since wholesalers are merely assigning their contract rights to another buyer, they bypass the need for a credit check. The onus of credit checks and funding the property falls on the end buyer. Fast-Paced Learning: Wholesaling can be an excellent entry point for beginners into the real estate investing world. The process provides a steep learning curve, offering rapid insights into various aspects of the real estate market. It's an amalgamation of real estate transactions, equipping you with vital skills such as legal documentation, calculating After Repair Value (ARV), negotiating, and marketing that will serve you well throughout your investment career. Lower Financial Risk: Compared to other real estate investment strategies, wholesaling typically involves less financial risk. This is because wholesalers don't purchase the property but instead sell their rights to buy the property. Hence, they're not subjected to the financial burdens of owning and maintaining real estate. Building a Network: Wholesaling encourages investors to build and nurture a network of potential buyers, which can be an invaluable asset for future real estate endeavors. This list of contacts can also lead to partnerships and opportunities in other real estate sectors. Understanding Local Market: Wholesaling properties often leads to a thorough understanding of your local real estate market. As you study different properties and neighborhoods to find potential deals, you naturally acquire an in-depth knowledge of market trends and values, which is beneficial for any real estate investor. If you're a beginner in the real estate industry or seeking to expand your portfolio, mastering the art of wholesaling can significantly propel your journey toward financial freedom. By honing your ability to analyze deals, flip real estate contracts, and adapt to market trends, you'll establish a solid foundation for your real estate career. But remember, success in wholesaling doesn't happen overnight - it's all about the right education, resources, and strategic efforts. Read Also: 17 Best Cities To Wholesale Real Estate [UPDATED 2025] Challenges Of Wholesale Real Estate Assignment Contracts To effectively navigate the path of wholesaling, it's important to be aware of potential challenges along the way. This knowledge allows you to develop a more strategic approach to overcome these hurdles and ultimately achieve success. Here's a look at some of the challenges associated with wholesale real estate assignment contracts: Income Fluctuations: Wholesaling real estate contracts can result in lucrative profits within a relatively short time frame. However, the consistency of the income can vary, largely because finding distressed properties and matching them with the right buyers can take time. But remember, as a wholesaler, your primary role is to find the best deal for all parties involved, and the rewards can be well worth the effort and patience. Creating a Strong Buyers List: A key to success in wholesaling is having a solid list of potential buyers. Building this network can be a gradual process, but it's an investment that can offer you considerable flexibility when you need to sell a property quickly. A good strategy is to establish connections with repeat buyers known for their reliability. Discovering Distressed Properties: Finding distressed properties can indeed be a bit challenging, often requiring you to extend your search beyond your local market. While there isn't a one-size-fits-all method for this, remember that with each property you uncover, you're honing your research and negotiation skills. This might involve scanning newspapers, driving around neighborhoods to spot poorly maintained homes, or leveraging direct mail and social media marketing campaigns. While these challenges might seem intimidating at first, they are part and parcel of the wholesaling journey. Keep in mind that every hurdle overcome is a step forward in your wholesaling education and experience. Ready to take the next step? Join our comprehensive real estate wholesaling course to deepen your understanding and boost your success rate. Read Also: How To Find Distressed Properties To Buy Assignment Contract Vs. Double Close Among wholesalers, two common strategies are Assignment Contracts and Double Closings. Knowing the ins and outs of both can help investors choose the best method for their situation. Remember, an Assignment Contract happens when a wholesaler secures a deal with a seller and then assigns their contract rights to a buyer. This way, the wholesaler makes money without officially owning the property. On the other hand, a Double Closing involves the wholesaler both buying the property from the seller and then selling it to a buyer. In this situation, the wholesaler briefly owns the property before selling it off. This process involves two separate transactions, each with its own costs and fees. The wholesaler appears on the title and must cover all costs associated with buying and selling properties. No one strategy is better than the other—it all depends on the specifics of the deal and the investor's circumstances. Things to consider when choosing between assignment contracts and double closings include potential profit, the buyer's financing plans, and how quickly the buyer can access funds. By weighing these factors, investors can make the best choice for their situation. Read Also: Double Closing: The Ultimate Guide Wholesale Contracts: FAQs & Common Misconceptions Wholesaling brings with it a multitude of questions, particularly surrounding the pivotal tool of the trade: contracts. As essential as they are, these contracts often come shrouded in misunderstandings, especially for new investors. Real Estate Skills aims to provide you with concise answers to your most pressing questions, going as far as giving you a wholesale real estate contract PDF to work with. What Is Wholesaling? Wholesaling is a strategy where a middleman, or wholesaler, secures under-market-value properties and finds end buyers for those properties. Usually, these properties are distressed and purchased from motivated sellers, but they can also be fully renovated, move-in-ready homes. A common method is an assignment of contract, where the wholesaler makes an agreement to buy a property and then assigns that real estate wholesale contract to an end buyer before closing. This transfers the right to purchase to another party, who will then renovate the property and sell it for a profit. The wholesaler's profit comes from the difference between the price they set in their contract and the higher price paid by the end buyer. This method is popular because it doesn't need any capital investment from the wholesaler, there are no closing costs, and payment can be quick. Other variations of wholesaling include double closings and wholetail deals, which require the wholesaler to fund and close the property. Why Should You Wholesale Real Estate? Wholesaling real estate might seem overwhelming, but it offers significant benefits for both new and seasoned investors: It presents minimal risk as you're not directly exposed to market fluctuations or property liabilities, unlike traditional homeownership. It allows you to capitalize on all leads, turning potential property listings that you might not have time for into profitable contracts. Wholesaling requires little to no personal investment as profits are made from selling the contracts, not the properties themselves. As a wholesaler, you're not responsible for property repairs; the condition of the property is a factor for the investor to consider. The process isn't geographically bound; you can operate your wholesaling business virtually, making it a versatile strategy in competitive markets. Wholesaling doesn't require a real estate license, providing an alternative entry point into the property market. Is A Wholesale Contract Legal? Wholesale real estate contracts are legal and are a common real estate practice. Despite the legitimacy of the contracts and process, it is crucial that you are aware of the rules and regulations when it comes to the state the property is in. Similarly, it is widely important for both parties to communicate, agree and clarify all terms to avoid any conflicts or misconceptions regarding the contract. Furthermore, according to Restatement Second of Contracts § 317, assignments are allowed in contracts unless it's precluded in the contract. If there is no assignment clause or a clear prohibition of assignment, it is automatically allowed. However, watch out for clauses in purchase contracts that prohibit assignment. This can be true with forms that Realtors use during the wholesaling process. For added legal protection, make sure you use a proven wholesaling contract template for your specific state. What If You Can't Assign A Property To A Wholesale Contract? If the wholesale real estate contract prohibits assignment, there are two options you can consider: a standard Contract Assignment Addendum or a double closing. Contract Assignment Addendum: A Standard Contract Assignment Addendum amends the initial contract that prohibited assignment. Most real estate brokers or attorneys will have access to a similar form. In short, a Contract Assignment Addendum explains certain conditions between the seller, the assignor, and the assignee relating to the property at hand. When dealing with purchase contracts that are not assignable, an assignment contract is a strong option to consider. Double Closing: In a double closing, an investor buys a property and then resells it swiftly without making any repairs. This process involves two separate transactions. The first is between the investor and the seller, and the second is when the investor sells the property to a new buyer. This can be ideal for contracts that are unassignable to third parties, such as with some REO properties or bank-owned homes. Do You Get Paid From A Wholesale Real Estate Contract? One of the great benefits of being a wholesaler is the profit you can earn while putting in little money of your own. The main way a wholesaler gets paid is from a wholesale fee. The wholesale fee, or assignment fee, is earned when the wholesaler sells an active purchase contract (or lease option contract) and transfers the contractual rights to the buyer/investor. Another profit center for wholesalers occurs when the wholesaler buys the property and then quickly resells the property to another party at a higher price. This requires the wholesaler to actually close on the piece of real estate. The net profit from "buying low and selling high" is the wholesaler's profit. Since two real estate transactions occur using this wholesaling method, closing costs may be added. Typically, the amount and logistics of how a wholesaler will get paid are described in the wholesale assignment contract. It may also specify whether or not the wholesaler will be getting paid in escrow or outside of escrow. What Is Escrow & Why Is It Important For Wholesale Contracts? According to Rocket Mortgage, "Escrow is a legal arrangement in which a third party temporarily holds money or property until a particular condition has been met (such as the fulfillment of a purchase agreement). It's used in real estate transactions to protect both the buyer and the seller throughout the home-buying process. Throughout the term of the mortgage, an escrow account will hold funds for taxes and homeowner's insurance." In short, escrow will hold your earnest money and will be applied appropriately throughout your home-buying process. Nonetheless, if you are getting your wholesale assignment fee paid through escrow, you may receive a check from the title company themselves. The money that was put into that account may have included the price that would be used to pay the wholesale fee. On the flip side, being paid outside of escrow entails that the end buyer will pay the wholesaler directly. Who Buys Wholesale Real Estate Contracts? As we have discussed these contracts in terms of a seller, wholesaler, and buyer, who falls into the category of being a buyer? Who buys wholesale real estate contracts? Rental Property Investors: Rental property investors are a large portion of those who buy wholesale contracts. For example, landlords look for discounted properties that can be fixed up and rented out. These deals must meet their criteria of gaining adequate profit from leasing the home to tenants for passive rental income. House Flippers: Fix and flip investors purchase these contracts as they can flip the house, especially those in distressed and dilapidated conditions. Property Developers: Property developers purchase these contracts, hoping to find land that can be developed. The property is then torn down or scraped, then used to build on. An assemblage of contiguous properties is also a possibility for property developers from these contracts. This is when an investor owns a large area of properties which results in a larger site to develop a larger, more valuable structure, such as an apartment complex or business. Additionally, wholesalers themselves participate and purchase these contracts. Depending on the property and profit they get off of it, they may choose to buy contracts to sell to other investors in their network or keep it as an income-producing rental property. Can You Get Out Of A Wholesale Real Estate Contract? A contract is a legally binding document, so don't hold your breath if you think it's easy to get out of it. As you sign a contract, you agree with the terms and conditions that are listed within that document. You also take on any consequences that may occur with it if you breach the contract. Wholesale real estate contracts contain contingency clauses that allow a party to terminate the agreement without repercussions when certain terms aren't met. This part of the contract clarifies any conditions that need to be met in order for the contract to be legally binding. Once the conditions are met, the contract then becomes binding. A specific contingency to be aware of is the inspection contingency, also called the due diligence contingency. This states a specific time period for the buyer to have the home inspected. With this contingency, the buyer is able to cancel the contract or negotiate certain actions for the seller to take if appropriate for the home. It is important to note that not all contracts will have an inspection contingency clause. New investors can lose money, even in a low-risk wholesale deal, without the right training and guidance. This contingency clause may be overlooked, so it is important to be aware of it. Here's an example of a basic due diligence contingency in a contract: "Closing will take place on or before: ___ at ___ or TBD, Subject to a 45-day period in which the buyer/seller shall be permitted to do necessary due diligence and to clear any title problems." So, how do I get out of this contract? There are two options, one good and the other not so much. The first option is the situation you would typically want. This is when you ask to cancel the contract within the contingency time period. This will typically permit the cancellation of the contract and your earnest money deposit will be refunded back to you. However, as you have committed earnest money, the situation may not look so hopeful for you if you are outside the contingency period. The earnest money becomes non-refundable when the contingencies in the contract are removed or expire. This will result in the loss of your earnest money deposit if you cancel the contract. Final Thoughts On Wholesale Contracts We've introduced you to the world of wholesale contracts and examined the wholesaling process in its entirety. It's clear to see how these contracts play a key role and what you need to be mindful of throughout the process. Wholesaling provides both wealth creation and educational benefits for anyone interested in the real estate business. The method you choose - whether it's wholesaling, house flipping, or passive real estate investment - is entirely up to you. Remember, your drive and determination will yield benefits far beyond financial gain. The rewards will be clear and tangible. Legal contracts are critical to wholesaling and demand your serious attention. Read every contract thoroughly—knowledge is power when it comes to negotiating outstanding wholesale deals. Ready to Take the Next Step in Real Estate Investing? Join our FREE live webinar and discover the proven strategies to build lasting wealth through real estate. Whether you're just getting started or ready to scale, we'll show you how to take action today. Don't miss this opportunity to learn the insider tips and tools that have helped thousands of investors succeed! Seats are limited—Reserve Your Spot Now! *Disclosure: Real Estate Skills is not a law firm, and the information contained here does not constitute legal advice. You should consult with an attorney before making any legal conclusions. The information presented here is educational in nature. All investments involve risks, and the past performance of an investment, industry, sector, and/or market does not guarantee future returns or results. Investors are responsible for any investment decision they make. Such decisions should be based on an evaluation of their financial situation, investment objectives, risk tolerance, and liquidity needs.