

The Pitfalls of “Kitchen Table” Closings in “Subject To” Deals

By Matthew S. Chan

(Book Excerpt from “The TurnKey Investor’s
“Subject To” Mortgage Handbook”)

I have written this article to give my opinion on what is sometimes taught by some seminar instructors on how to conduct “subject to” mortgage transaction closings. Some teach that you can and should do “kitchen table” closings.

What they mean by a “kitchen table” closing is that you must first prepare all the forms and documents at home ahead of time.

You then contact a notary public and arrange to have him meet you at the seller’s home and have them sign the paperwork in their house!

And while a “kitchen table” closing is technically legal and allowed, I view it as low in credibility and professionalism. I think it lends itself to too many problems down the road if the seller decides to challenge the deal.

As I mentioned throughout my book, it is incredibly important that the seller feels good and takes seriously the “subject to” mortgage transaction. Having their ongoing cooperation throughout the next several years by making the transaction credible is essential for having a long-lived “subject to” mortgage continue to work for you.

Making the “subject to” mortgage closing as close as possible to a customary closing with conventional financing goes a long way to communicating the message. The sellers leave with a closing packet clearly documenting who did the closing and

how it was done with their copies of the paperwork.

Conducting a “kitchen table” closing in someone’s messy home, no matter how well prepared ahead of time, leaves an unprofessional and “unofficial” atmosphere that I do not want sellers to have. It can only lead to potential trouble and conflict with the sellers years later if they ever choose to contest the transaction.

Customary Closings

I classify the closings we do with our real estate attorney as a “customary closing” because it is customary to the area we are in. In other parts of the U.S., it is customary to have title companies, or even lenders do closings.

I am a firm proponent of performing customary closings with “subject to” mortgage transactions for credibility and perception purposes.



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