

THE
SHORT SALE[®]
SYSTEM



SHORT SALE[®] SECRETS

Building Your Case

Are you walking away from homeowners in distress, because they appear to have no equity? Not any more! SHORT SALE SECRETS is a comprehensive step-by-step system that teaches you how to sharpen your skills and build a short sale case that will get a YES most of the time? Make a fortune on deals, where other investors walk away!

by: *Dwan Bent-Twyford*



**Investors Edge University
Presents...**

**Short
Sale[®]
Secrets**



Building Your Case

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ABOUT THE AUTHOR

Throughout my adult life I have worked an endless string of dead-end jobs ranging anywhere from waiting tables at Denny's, to selling vitamins on the phone, to owning a tanning salon. Most of the jobs in my past paid okay, but were unrewarding and required me to work many hours. I went from job to job looking for something that I could really sink my teeth into without much success. I thought I had found it with the tanning



Dwan Bent-Twyford

salon. As it turned out, I was tied to the salon seven days a week. Every weekend when one of my girls called in sick, guess who had the privilege of working? Right... me. I got to the point where I hated the business because of the insane hours. I went for two years with hardly a day off. I decided to sell the business and get my life back.

Around this time I met a man, decided to get married, have babies, and be a stay-at-home mom. At 29, I had a baby on the way and life was looking pretty good. But, things happen, and a year later I found myself with an eight-month-old daughter going through a divorce. Life as a single mom had definitely not been in my game plan.

As a result of a very messy situation, I now had no money, no car, no job, and \$75 in the bank. It was a bleak situation. I had to borrow money from an aunt to buy a car so I could job hunt. I desperately needed to go back to work, but the idea of leaving my daughter in day care, working for someone else all week, and then paying my hard-earned money to the day-care center was unacceptable. This just was not a sacrifice I was willing to make! I needed a new game plan and I needed it now!

As fate would have it, around this time I met a group of guys who seemed to be leading a pretty leisurely life... golf every day, always traveling, constantly going out and spending money. You name it, they were doing it. Turns out, they were real estate investors. I knew I had found the answer to my prayers. Being a real estate investor would allow me the freedom to work from home and raise my daughter myself. I learned as much as I could and went for it.

I bought my first dump and went to town. I became such a regular at Home Depot and asked so many questions that when the guys saw me coming, they would run the other way. They knew if they stopped to answer "just one quick question," I would keep them for an hour asking details about my next step of rehab. I took all of the weekend classes they offered, learned what I could, and got my rehab underway. I did all the rehab on the property myself: paint, tile,

plumbing; you name it, I did it. I started to see a light at the end of the tunnel. The more I worked, the better my property looked.

After the repairs were completed, I put the house on the market, sold it four days later, made over \$20,000 on my first deal and never looked back!!!!!!

When I worked my dead-end jobs, I would work all year long to make \$20,000. To make that in one deal, working from home, and having my daughter by my side was a dream come true. I decided at that moment that real estate investing was for me. I never dreamed it would turn into such an amazing career!

As I began making a dent in the real estate market in South Florida, folks started asking me to teach them the secrets of my success. One thing led to another and soon I was teaching nationwide.

Several years ago, I was teaching at a three-day convention in Colorado when I met a great guy. We struck up a conversation, went on a date a few weeks later and recently got married! The funny thing is I swore I would never date an investor. I figured I already “eat, sleep, and drink” real estate and didn’t want to spend all my free time talking about it as well. God has a funny way of bringing you exactly what you need even if it’s not what you think you want.

Along with Bill came two bonus kids, so now we are a family of five. We spend our time teaching, doing deals, and spoiling the kids. Folks, you never know what can happen by getting involved in real estate. I now have money and a man ... I can't help you with men, but I can certainly help you make money☺.



After all these years in the business, I still love it. I love to do deals and I love to teach new investors how to become successful. Honestly, nothing gives me greater joy than to receive letters from students who have just closed their first deal and earned a huge check. I get tears reading the letters I receive. I am humbled that I have been placed in your life today so that you can change your financial future.

Keep your eyes and ears open and always be prepared for opportunity. There are deals around every corner!

Be a Blessing!

Dwan Bent-Twyford

Mission Statement

Investors Edge University

To teach others how to successfully buy and sell property and increase their quality of life. The seeds you sow today will be the harvest you reap tomorrow!

HOW DID SO MANY OF US END UP WITH UNDERWATER HOUSES?

If you are like many homeowners today, you feel overwhelmed by what is supposed to be the American dream – homeownership. We have this vision of what it is supposed to be like – cute house, white picket fence, a couple of kids, a dog in the back yard, summer barbeques, family time, and so much more.

We find a house and fall in love with it. We then find a mortgage broker who offers us an amazing deal – zero down or a low down payment or low fixed payments for two-years or something along those lines. We buy the house, move in, and all is right with the world.

Soon, our two-year low monthly payment resets, the payment raises, then it resets again and the payment continues to rise. Now the stress of making our mortgage payment is all we think about and we become disillusioned with our American dream –

The dream continues to crumble when you try to sell your house to get free of the payments only to find that property values have dropped nationwide and you now owe more than your house is worth. Sadly, there are hundreds of thousands of houses on the market that aren't selling because folks, just like you, owe more than their house is worth.

If you have the time and money, you can wait out the market and sell your property when values come back up. If you are like most American's, you don't have the time to wait it out. You want to be relieved of the stress today.

Many of you reading this training program might be another type of homeowner - **real estate investors disillusioned by the dream of getting rich buying and selling real estate.** There are so many late-night television shows that make real estate investing seem like a breeze. You bought a property hoping to make some money on it, and now it's costing you more than you can afford—every month.

The good news is that there are many solutions available that most people don't know exist. Did you know that you can negotiate with your bank to accept less than you currently owe as full payment? Are you aware that there are government programs that will allow you to rent out your house for three times the current market rents? Folks, no matter where you are in your property situation – there is a solution for you.

Education is power. As you read this program you will begin to realize that you are not alone *and* that there are solutions to your problem. You will be able to sleep again, you will have less stress in your life, and the best part is - you can start fresh and own another home again and continue the American dream - homeownership ***with knowledge!***

Short Sale Secrets - Building Your Case

As I write this there are almost 2 million people in foreclosure with the numbers expected to rise. What is a nation to do when foreclosures are on the rise? We must band together to help as many people as possible. My company has completed over 2,000 transactions and coached thousands more through tough situations to help homeowners walk away from homes they could no longer afford.

My goal is to educate you on several different options – that you can do yourself - and to help you pick the option that best suits your needs and the needs of the homeowners you plan to help. There is no reason for you to lie awake at night worrying about what you will do, or how you will make your mortgage payment or when the market will change or anything else that is negative and sucks the life out of you.

Whether in trouble or wanting to make money, this program will teach you the **number one technique** needed to make it in this tough market. Our students are averaging an 80% to 90% closing ratio on their short sales....so can you.

Join our Coaching Community today and have LIVE access to me and Bill!

www.investorsedgeuniversity.com/realestateprofits

It's just \$1 to give us a try!

You'll get: Coaching, Training Videos, Foreclosure News, A Documents Library, FREE BONUSES, The Forum, and so much more!

WHAT HAPPENED TO REAL ESTATE PRICES?

Before I jump into the program, I want to share what is currently happening in our economy.

Back in the late 1990's and in the early part of the 2000's banks had tougher guidelines to purchase a property when using conventional financing. Banks would lend you money based on your debt to income ratio *and* your credit score. Back then, a maximum of 30 percent (sometimes up to 40 percent) of your income could be used toward a mortgage payment. Meaning, if your monthly income is \$2,000, you could qualify for a mortgage payment around \$600 including principal, interest, taxes, and insurance (PITI). Most investment properties required a 20 percent down payment and proof that you could afford the investment mortgage payment in addition to your residential mortgage payment.

In some cases, the banks would stretch the loan amount allowing 40 percent of your income to be applied toward the mortgage payment.

However; what if you have a car repair, medical bills, need a home repair, need to buy clothes, or anything else? Where does the money come from? What about trying to save for retirement or trying to care for ailing parents?

Sometimes life just takes over, you have a problem, you use some of the money that should be used for the mortgage payment, and next thing you know – you're one payment late, then two, then three, then the bank files foreclosure papers, and then everything spirals out of control.

Many investors bought rental properties with no landlord experience. When their rentals sat empty, they used mortgage money to keep up the rental payments or worse yet, they spent the rental income for their own bills and fell behind on investment properties, which often ended up in foreclosure without the tenants knowing a thing. Next thing you know, the tenant is being served eviction papers from the sheriff and must move in three days. It would stun you to see how many investors are going under right now – you are not alone.

Did you know that Henry Ford went bankrupt **five times**? Think about it – he started a company and went bankrupt; started another company and went bankrupt; started another company and went bankrupt again; now it's getting hard to read – with all the naysayers in his life he started another company and went bankrupt again; still not defeated, he started Ford Motor Company – who you may be making payments to right now 😊.

If you are an investor losing your investment properties – it's okay. My advice for the future is not to buy any rentals unless you can afford to

make the mortgage payments – in addition to your bills - for five months on all your rentals. For example – say you own five rental properties and the mortgage payment is \$500 on each. This means your monthly commitment is \$2,500 a month. Unless you can afford to pay \$2,500 for five months, in addition to all your regular bills, do not become a landlord. I realize that this seems extreme because it is unlikely that all five of your rental would be vacant at the same time; however, it does happen. The great news is that in this program I am going to cover some great ways to turn your rentals into cash flow machines again.

If you look at the average life span, we live to be 75 or so. If you are in financial hardship and it takes you three years to recover, in the big picture, it's not that much time. When you recover and start over, you'll have many more good years than bad.

People tend to live above their means in this country. I have traveled extensively around the world and we are the most spoiled country. Personally, I like living a spoiled lifestyle, however; I didn't come by it easily. I have had financial problems in the past, been divorced, and barely gotten by. Through a lot of hard work, cutting back, and many blessings from God, I was able to make it to the top percentage in the entire country.

Easy Money Home Loans In the mid 2000's, the mortgage industry came up with what seemed like a good ideal at the time – easy loans to boost the economy. These loans were designed to give as many people as possible the chance to live the American dream – property ownership. People are often so focused on owning a home that they are willing to stretch themselves just to do it. This is where it all started to go downhill. Too many people went out on a limb. These creative loans did just what they were supposed to do - boosted the economy. The problem is that no one really thought it **all** the way through.

It also became very easy to buy investment properties. So many people jumped on the bandwagon and invested in more property that they could actually afford. Many investors went to several different banks at the same time and borrowed from more than one just to buy multiple properties. Without landlord experience, owning multiple properties can be a recipe for disaster.

There are several different types of creative loans - still available today - and I'm going to spend some time here explaining them to you. See which one you fall into, if any ...

INTEREST ONLY LOANS

These loans were among the most popular. With a typical payment, you pay principle, interest, taxes, and insurance. The bank takes your full monthly payment and uses the money to pay for the various items. The bank keeps the interest and principle portion of the payment and saves the balance to pay the property taxes and the homeowners insurance when they come due.

These loans were extremely popular with investors because they figured property values would continue to climb and they could collect rent for a few years and then sell the properties for a quick profit. Many investors made the smallest payment possible to get as much cash flow as they could. This is called “pick a payment.”

Unfortunately, it didn't work out very well. Property values fell, the mortgage payments reset to a higher amount, rent didn't cover the new payment, investors home mortgage payments also reset, gas prices went up, people moved into cheaper rentals, properties became vacant, and investors started losing their shirts across the country.

The biggest problem with interest-only loans is that people borrow based on the payment. If \$725 is the most you can afford, you don't buy a house with an interest-only payment of \$725. You buy a house with a **PITI** payment of \$725. I feel that the lending industry used

extremely poor judgment giving loans that people could barely afford with the low interest payment knowing the payment was going to reset soon. Since most of us think in the “here and now”, people weren’t prepared when their payments started rising.

Like investors, many homeowners figured they would refinance their houses when the new payment came due because property values were rising. Unfortunately, property values dropped and people found themselves owing what their house was worth and unable to refinance. The fact that no one could refinance caused a recession. Most of the initial interest-only loans were given with a two, three, five or seven year fixed rates. This is why foreclosures are going to continue to rise – the three, five and seven year loans haven’t reset yet.

If you are caught up in one of these loans, don’t feel bad. You are not alone. There are millions and millions of people in the same boat. We realize that doesn’t make you feel better or solve your problem. We will cover **short sales** soon and you’ll begin to see light at the end of the tunnel.

Short Sales – negotiating with the bank to accept less than what you owe as payment in full.

I teach my students to **always** buy a property based on what you can afford today or what it will rent for today – including principle, interest, taxes, and insurance. Don’t buy a house based on a possible raise, a new job, low interest payments, or anything other than PITI.

LIAR LOANS

These loans are killer. They allow a homeowner or an investor to buy a house based on **stated income**.

Investors went nuts over these loans.

Typically, homeowners as well as investors have to prove their income in order to purchase a property. The more

Stated Income – means you don't have to prove to the bank what your income is. You can tell the bank you make \$100,000 when you actually make \$50,000.

you make, the bigger the house you can afford or the more rentals you can buy. Liar loans allow you to buy a property based on what you “state” that you earn. As long as you had good credit, the banks were not asking for much else. I used to make jokes that as long as you could fog a mirror, you could get a loan. Unfortunately, you need to do more than fog a mirror to own a home, but the banks made it so easy.

You might make \$50,000 a year and qualify for a \$100,000 property. By stating that you earn \$100,000 a year and with an interest-only loan, you can buy a \$200,000 property. The problem is that you really qualify for a \$100,000 property and based on the reality of things, that is what you can afford. Again, you have an emergency and next thing you know, you're using your mortgage payment money to pay for things. The term “liar loans” is a bit harsh, but it states exactly what it is – people lied to get a bigger house or to buy more rentals.

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It is incredibly important to buy only what you can afford. I know you'd like a bigger house, a bigger yard, a nicer car, and more. We all do. Bill and I discovered that when we were both younger (and still didn't know each other) we had a hard time waiting and working for what we wanted. We both bought places we could not afford, ran up too much credit card debt, made bad decisions, went through divorces and so much more.

Once we met, it seems like God just opened up the world to us and things really started to happen. When we met, we were both doing well financially, but together, we have been unstoppable. Folks, there is no shame in making mistakes. What is a shame is **not** to learn from your mistakes and then to continue to make them. All of you can make a fresh start, get further ahead, and have more than you have ever dreamed of as long as you learn from the mistakes you made this time around.

If you are in a loan that you can't afford, I'll help you get a fresh start, get into a property you can afford, unload rentals, live stress free, and start again.

ARE YOU PART OF OUR COACHING COMMUNITY YET? CHECK US OUT AT:

WWW.INVESTORSEGEUNIVERSITY.COM/REALESTATEPROFITS

FOR JUST \$1

HELOC LOANS

Homeowners love HELOC loans – **Home Equity Line Of Credit** - because you only pay interest on what you borrow. For example – say you originally bought your property for \$125,000. Over the years it has gone up in value - it's now worth \$200,000. Instead of refinancing your property for the \$200,000 it is now worth, you take a HELOC loan. You get approved for \$75,000. Along with the \$125,000 on the first mortgage, you also have \$75,000 line of credit.

The great thing about a HELOC is that you only pay interest as you use the money. If you use \$10,000 of the \$75,000 that you are approved for, you only pay interest and payments on the \$10,000 you are using. The bad thing is that people often have a hard time controlling a credit line like that. They use the money to pay off credit cards or buy things and then run the credit cards up again and get back into debt. If you used your line of credit to pay credit cards off, now you owe credit cards and your credit line is used up.

Many would-be investors use HELOC's to buy rentals. I suggest that you never use your primary residence as collateral to buy investment properties. If things go wrong, you don't want to lose your place of residence.

It is very easy to get into financial trouble with a loan like this. They are easy to get, payments can be low, and it is tempting to buy stuff with the money. You think, "I'll just buy this one thing and then I'll pay it off." Next thing you know, you're buying a second thing and the first one isn't paid off. It doesn't take long to get out of control.

As the debt builds, you decide to refinance your house to pay off the HELOC. The banks are offering an attractive, low monthly, interest-only loan. Property values drop and now you owe more than your house it worth and - boom – you are in financial trouble.

See how easy it is to get into financial trouble? I can't stress enough - only buy what you can afford today! No matter how attractive a loan looks, no matter how low the payments are, no matter what the initial cost to get into the loan...don't do it unless you can easily afford the principle, interest, taxes, and insurance with the current income you have right this very minute.

WHEN LENDING GUIDELINES LOOSEMED – THE BEGINNING OF OUR CURRENT PROBLEMS

As I mentioned earlier, banks give loans based on your income verses your debt as well as your credit score. Meaning if you make \$2,000 a month your mortgage payment would be approximately 30 percent to 40 percent of your income – if you have good credit. This means that your payment could be as high as \$800, but no more. The \$800 would be principle, interest, taxes, and insurance.

As the 2000's progressed and property values skyrocketed, many banks loosened their lending guidelines to boost the economy. Banks began to allow 50 percent to 60 percent of your income to be used toward a mortgage payment. Most banks offer an 80 percent first mortgage and a 20 percent second mortgage to total what you are borrowing.

For example, if you are borrowing \$200,000, you might get \$160,000 on a first mortgage and \$40,000 on a second mortgage to total \$200,000. By borrowing 80 percent on a first mortgage, the banks lessen their risk if you were to default. The riskiest part of a loan is the top 20 percent. If the bank takes the house at the foreclosure sale, it might lose the 20 percent second mortgage, but would recoup the 80 percent first mortgage by selling the house at the sale or by selling the house later via a real estate agent.

Typically, when you have a first mortgage and a second mortgage, the interest rates are different:

- ❖ The first mortgage offers lower interest rates, typically has less closing costs, and is a 30-year loan. Based on good credit, you might pay a 6 ½ percent interest rate and pay two points. A “point” is one percent of what you borrow. On a \$100,000 house with one point, you would pay \$1,000 toward closing costs.
- ❖ A second mortgage usually has higher interest rates, more closing costs, more points, and is a ten-year loan. You might pay nine percent interest and have four points at the closing. If the banks give enough second mortgages, they make a lot in points and interest, and it offsets the mortgages they lose in foreclosure.

Let's look at what a 60 percent debt to income payment might look like. Say your income is the same \$2,000 as in the first section. Instead of a high payment of forty percent of your income - which is \$800 – you get an even higher payment that totals sixty percent of your income – which is \$1,200. There is an \$800 dollar per month first mortgage and a \$400 second mortgage. Because the first mortgage is still forty percent of your income, you qualify for the loan. The second

mortgage puts you under each month. Now let's look at the same figures we looked at earlier:

Income -	\$2,000
Mortgage -	\$800 first, plus a \$400 second
Electric -	\$150
Car Payment -	\$300
Gas -	\$250
Phone -	\$100
Groceries -	\$400

You are going in the hole \$400 dollars each month. Again, what about saving, emergencies, retirement, kids, ailing parents, and more?

People try to juggle things, maybe take a second job, use savings to make mortgage payments, and then they get buried. Things spiral out of control and you lose your house. Along with losing your house, you lose your zest for life, you're embarrassed, you feel like a loser, you think things will never get better, you beat yourself up over where things went wrong, and so much more negative energy is wasted.

Does this sound like anyone you might know – maybe even you.

Whether you are a homeowner in distress, a real estate investor in distress, or just looking for a great deal for yourself – I have something

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for you. It is never easy to start over, but it may be necessary. I promise, life can be great again. You can own a home, you can invest in rentals, you can become wealthy, you may even share your story and offer encouragement to others ... we do!

WHAT IS A SHORT SALE?

In a nutshell, a “short sale” is negotiating with a mortgage holder to accept less than what is owed as payment in full.

A short sale is my favorite strategy when I have a distressed homeowner who owes the bank close to or more than what the property is worth.

☞ Here’s how it looks: The homeowners owe \$200,000 to their first mortgage holder and the payments are in arrears. Their property is worth \$200,000 in retail condition. With the proper negotiating strategies, you get the bank to accept \$100,000 as payment in full. Therefore, purchasing a \$200,000 retail property for 50% of its value. Sweet, huh?

With proper negotiations you can take deals that most investors pass on and turn them into amazing deals. Some of my largest checks have been from deals that had no equity.

There is a lot of controversy surrounding short sales. Many investors state that banks don’t do them or that you can’t get good deals any more. Folks, I have been doing short sales since 1996, before I even knew they were called short sales and banks do them!

Short Sale Secrets - Building Your Case

The key to successful short sales is to build a great case and a replicatable business. When you get a short sale accepted, do something nice for the bank representative. Take the time to build relationships within the banking industry. Building these relationships will insure your success. At some point, you'll be able to call the reps and simply make your offers verbally. Once the offers are accepted, the rep will tell you what to send.

Imagine ... only having to make a call and, bam, the deal is done. Investors, that day will come. In the mean time, I'll teach you how to make money along the way.

Don't let anyone discourage you from becoming a short sale expert. Do what we do and you'll be very successful.

That is what you want, isn't it?

WHY DO BANKS SHORT SALE?

There are many reasons why banks accept short sales. The main reason is because the payments are late and the homeowners can prove that they can no longer afford the property.

- ☞ The property does not have to be in foreclosure for the bank to accept a short sale. Some banks require the foreclosure notice to be served, while others will accept a short sale when just a few payments are late.

There is no specific number of payments that must be delinquent. Even one payment is enough at times. Often homeowners will call you when they are not yet in default, but cannot make any more payments. In this case, contact the bank, let them know that the homeowners will not be making anymore payments, and open negotiations for a short sale before the payments are even late.

Let's look at a few more reason why banks short sale:

- The mortgage is in arrears or foreclosure.
- The property is in poor condition.
- The homeowners have hardships and cannot make the payments anymore.
- New homes in the area are being chosen over existing homes.

- ☑ The area or neighborhood has depreciated in value.
- ☑ The bank's shareholders are concerned when there are too many defaulted loans on the books.

☞ Banks have reports due at the end of each quarter. They are more inclined to accept short sales at the end of a quarter to "clean up their books." The absolute best time to get short sales accepted quickly is the last quarter of the year. I have called banks on December 10th and been told the short sale would be accepted if I'd close by the end of the month! If you are reading this program in January, don't let that piece of information discourage you. Banks short sale all year, they short sale faster in the last quarter.

- ☑ Some banks are required to prove a loss each month... let's help them out.
- ☑ Some banks are required to keep a cash reserve of up to six times the retail value for **each REO**.

☞ It breaks down like this: The bank has a \$200,000 property and is required to keep six times that amount as a cash reserve. This means the bank is sitting on \$1,200,000 in unlendable money. Imagine if the bank has 2,000

REO means real estate owned. Once a property is taken by the bank at the foreclosure sale it is considered an REO. An REO is a liability, not an asset. Too many liabilities will cause any business to go under if not dealt with quickly.

foreclosures across the nation! The homeowners could drag the foreclosure on for two years utilizing the bankruptcy system. Would it be better for the bank to sit on \$1,200,000 for two years or accept a short sale today? The answer is obvious. The short sale is a relief.

- ☑ The area is crime ridden.
- ☑ The area is riddled with foreclosures proving a decline in the area.
- ☑ Many people don't realize that banks wholesale money. Banks borrow money from larger banks and lend it to you. These banks must show reports in order to borrow this money.

☞ Think of it like a credit report: Every defaulted loan is like a black mark on the credit report. The more foreclosures a bank is carrying, the riskier it appears. If you were a larger bank lending to a smaller bank, would you lend your money to the bank with more or less defaulted loans? Exactly ... less! The bank needs to borrow this money as inexpensively as possible so that it can make money lending it to you.

As you can see, a short sale is often a welcome answer to a big problem. If the bank takes the short sale it can write the loss off and clean up the books before any reports are due.

WHAT ARE THE REQUIREMENTS FOR A SHORT SALE

As we have discussed, banks do short sales for many reasons – too many properties in default, quarterly reports due, year-end reports due, you built a good case, they are worried that you might file bankruptcy and stall the process, you have several properties and the bank wants to cut its losses, and many more reasons.

What the bank requires is lots of real information to prove your case. We gather as much information as we possibly can. Start working on your list today. These items are not required by the bank, but they will help you get a yes. The bank doesn't usually have a specific requirement other than you prove there is an actual hardship. It is very easy to prove hardship because it is real. Start today and gather some items that will help you with your short sale.

- ✓ A cover letter stating why we are asking for the short sale – we would use different cover letters here – one from a homeowners point of view and a different one from an investors point of view.
- ✓ A hardship letter describing your situation with as much detail as possible and lots of proof – investors and homeowners alike need to do this step.
- ✓ Low comparable sales or other foreclosures or distressed properties in your area.
- ✓ Pictures of any disrepair your property might have.

Short Sale Secrets - Building Your Case

- ✓ A net sheet showing the bank what it will make, after expenses, if it accepts the short sale. The title company doing the closing will do this for you.
- ✓ A sales contract showing that you have a buyer – if you don't have a buyer yet, now is a good time to start looking for one.
- ✓ Some statics showing how many properties are on the market right now compared to last year.
- ✓ Have a real estate agent prepare a list of price drops in the last three months.
- ✓ A list of the registered sex offenders – this is not necessary, but has a great shock value when trying to negotiate with an out of state bank rep.
- ✓ Pictures of boarded up houses in the area.
- ✓ Pictures of new construction in the area.
- ✓ Crime reports in the county and neighborhood.
- ✓ Tax returns showing your loss of income.
- ✓ Copies of medical bills.
- ✓ Copies of any and all late bills and payments – phone, electric, credit cards, water, car payments, insurance, or anything that you can get your hands on.
- ✓ Paycheck stubs or lack thereof.
- ✓ Bank statements showing that you have no money.
- ✓ If you have any accounts that got closed, send that as well.
- ✓ If you have pawned anything to pay for bills or groceries, show the stub for that.

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- ✓ If you have filed bankruptcy – show the papers.
- ✓ If you are going through a divorce, show the lawyer papers and fees.
- ✓ If you are involved in a probate situation, show whatever paperwork you have.
- ✓ Anything else you can think of that will show the bank all the reasons it should accept a discount and let the property go for less so that you can get a fresh start in life.

The more information you can provide, the more hardship you can prove, and nicer you are to the bank rep, the better your chances will be to get a deeper discount. The deeper the discount, the easier it will be for you to sell the property and get a fresh start.

DOES A REDEMPTION PERIOD AFFECT THE SHORT SALE?

A short sale can be done anytime during the default prior to the lender taking the property via the sheriff's sale, courthouse steps, trustee sale, or foreclosure sale - it is called different names in different areas. we'll use the term "sheriff's sale" to keep it simple.

☞ Several states have what is called a "**redemption period**" after the foreclosure sale.

☞ Most banks will still negotiate a short sale during the redemption period.

Redemption Period: This period gives the homeowners one last opportunity to keep their home. Although the property has gone to the sheriff's sale, during this time the bank is still not the owner. The homeowners own the property until the last day of the redemption period. The homeowners may find the money to pay off the bank and keep their home, thereby redeeming the home.

When a property has a redemption period and has "gone back" to the bank at the sheriff's sale, contact the homeowners and speak with them about working out a short sale with their bank. Remember, technically the property still belongs to the homeowners until the last day of redemption.

It is important for you to understand that in a redemption period homeowners cannot make up back payments. Their only option is to

pay off the loan completely or the bank will take the property. Selling it to you is considered paying it off.

Some areas have very long redemption periods (up to two years), which make it almost impossible for investors to bid on property at the sheriff's sale itself.

To determine if you are in a redemption state, simply call your county courthouse and ask for the foreclosure department. The clerks who answer the phone are usually very cooperative in answering questions and can tell you how long your redemption period is, if you even have one.

➤ **This is “MUST KNOW” information.**

Is there a benefit to living in a redemption state? Absolutely not! Wherever you live is great!

WHERE DO I BEGIN?

It is important to realize that when submitting a short sale package, you are building a case. The better the case, the deeper your discount. As you read the rest of the program, you'll see that we focus on the case. Think of yourself as an attorney preparing for a court hearing. If the attorney shows up unprepared, the case will be lost.

How many of you remember the OJ Simpson trial? Did you think he was guilty? If you think he is guilty, why do you think he walked away from a double murder charge? His attorney's built a great case. His case was presented better than the prosecution's case. Short sales are the same concept: The better the case, the better the deal.

Having done so many over the years, I know exactly what the banks are looking for.

Before you submit your first short sale package, let's look at an overview of what you are about to do:

- You are going to submit a total of three offers. Each offer will have a different focus and will be higher than the previous.

Short Sale Secrets - Building Your Case

- ✓ **The first offer** will focus on the homeowners, their distress, the distress of the property, and the overall hardship of the situation. This will be your initial offer and your lowest.

- ✓ **The second offer** will focus on the distress of the neighborhood, crime, job losses, natural disasters, or whatever is happening in the area. In this offer, you'll raise your initial offer to get closer to the number the bank countered at.

- ✓ **The third offer** is your highest and final offer. In this offer you will focus on the financial loss to the bank by denying your short sale. You'll break down, step-by-step, how much the bank will actually lose, how long this will take, and you'll send a copy to the loss mitigation reps boss.

HOW MUCH DO YOU OFFER?

The best way to determine your offer is to first determine your exit strategy. I'll use a \$100,000 property with a \$100,000 mortgage balance as our example.

- ☑ If you plan to **wholesale** the property to a rehabber, you need to know that rehabbers want to buy at 65% of the retail value. This means that on a \$100,000 property, a rehabber will pay \$65,000.
- ☑ If you plan to **rehab** it yourself, you could pay as much as \$65,000 or 65% of the value.
- ☑ **Landlords** will pay up to 80% of the retail value or \$80,000. When you find a property in mint condition, sell it to a landlord for a higher profit.

We begin our negotiations with an offer of 40% of the retail value of the property. However, there are times we offer less and other times more.

Here are four examples:

- ☞ Example 1: Let's say the property is worth \$100,000 **in retail condition** and the homeowners owe \$100,000. Their property

needs basic work: new carpet, updated kitchen and baths, etc. On a property like that, we would start at 40% of the retail value making our offer \$40,000.

There is nothing worse than making what you think is a good offer and the bank immediately says, “Yes.” Your first thought is, “I paid too much.” We hate when that happens!

- ☞ Example 2: Let’s say the same property needs \$30,000 in rehab. Then we might offer somewhere between \$25,000 and \$30,000. Once the bank takes the property at the sheriff’s sale, rehabs it, and pays real estate commission, they’ll make the same amount later as they’ll make selling it to you today.
- ☞ Example 3: Same deal with one adjustment. The property is worth \$100,000 (in retail condition) as before. Only this time, the homeowners only owe \$65,000. The property needs basic work: carpet, paint, updated kitchens, etc. Since the mortgage balance is \$65,000, asking the bank to take \$40,000 is not much of a short sale. In this case, we might offer 50% of the mortgage balance or \$32,500.
- ☞ Example 4: Same deal as Example 3. Homeowners owe \$100,000, but the property is in mint condition. We might offer

as much as \$65,000 or \$70,000. We could sell it to a landlord for \$80,000 and still have a great deal.

The bottom line is: There is no correct offer. The best way to determine your offer is to start with the retail value and work backwards depending on what your exit strategy is.

- ✓ If you plan to keep the property you can offer more.
- ✓ If you plan to wholesale it (**our #1 exit strategy**) you have to account for the rehabber as well as your sale proceeds. **We have an amazing wholesale system – HOW TO TURN \$10 INTO \$10,000 IN 30 DAYS OR LESS. Check it out!**
- ☞ When wholesaling property, you make what is called an **“assignment fee.”** This is the difference between what you paid for the property and what you sold it for. It is difficult for most investors to believe wholesaling is as easy as it is. We have done over 2,000 deals and can tell you ... wholesaling is the easiest way to make money in the real estate investing world.

To determine what a typical assignment fee is on your area, look at the retail prices. A typical assignment fee is **10% to 15% of the retail value** of the property. If a property is worth \$100,000

Short Sale Secrets - Building Your Case

in mint condition, you should expect to make \$10,000 to \$15,000 as an assignment fee. If properties sell for \$500,000 in mint condition in your area, you should expect to make \$50,000 to \$75,000 on each deal. If properties sell for \$35,000 in your area ... move 😊.

See why we like to wholesale? You can make huge money on properties you never own, never qualify for, and you never need money or credit. It is, by far, our favorite way to make money in real estate. We do short sale/wholesale combinations all day long.

- ✓ If you plan to sell it to a landlord, you can pay more.

For example:

RETAIL VALUE:	\$100,000
SHORT SALE OFFER:	40,000

\$60,000 LEFT ON THE TABLE

(You plan to wholesale)

REHAB COSTS:	-	10,000
COST OF MONEY:	-	5,000
REHABBER PROFIT:	-	20,000

YOUR PROFIT: - 25,000

This leaves a window to negotiate of \$25,000. If the bank does not accept your offer of \$40,000, you still have a \$25,000 window. The more you pay, the less you make. The rehabber will still want to make \$20,000, the cost of money will still be \$5,000, and the rehab costs will still be \$10,000. Your figure is the only number that is negotiable. If you raise your offer the entire \$25,000, you will leave no money for yourself.

If you begin the negotiations at \$40,000 and end at \$50,000, you still make \$15,000 for yourself. Not a bad days work.

Again, for more information on wholesaling, invest in our program: ***How to Turn \$10 into \$10,000 in 30 Days or Less.*** It works!

Check out:

www.InvestorsEdgeUniversity.com/trifecta to learn more!

Work the numbers backwards to determine your highest offer and start as low as possible. Having a larger negotiating window will allow you to get more of your offers accepted.

The biggest mistake new investors make is offering too high.

➤ **IF YOUR OFFER DOES NOT EMBARRASS YOU, IT IS TOO HIGH!**

You can always go up... rarely down. Do not be afraid to make low offers. The worst that will happen to you is that the bank will say no, and then you will make a higher offer. It's not the end of the world, so offer low. We can't stress enough how vital this is to your success.

We want to make a point here. Regardless of the property value, start your offers at 40%. We are using an example of a \$100,000 property. You may live in an area where the average property sells for \$500,000 or 2,000,000 or more. The value of the property had nothing to do with the offer. Actually, more expensive properties can be easier to short sale because of the cash reserve issue.

These techniques also work on commercial buildings, apartment buildings, and more.

Once you have decided your exit strategy, it's time to find some distressed properties so you can put this concept to work. If you are still having a hard time deciding which exit strategy to use, look at your cash situation. If money is an issue, don't consider anything else except wholesaling.

If you have always wanted to buy, fix, and sell, become a rehabber. A word of caution, we have seen many an investor go broke on their first deal because they were inexperienced rehabbers.

Our philosophy is for you to wholesale a few deals, build a huge cash reserve, and then quit your full-time job. Once you have a solid cash flow, start keeping a few rentals. Wholesale three and keep one or wholesale four and keep the next two or however you want to do it. It is important to build long-term wealth. Wholesaling is awesome; however, if you take six months off, so does your income. Landlording is a way to build passive income and long-term wealth.

FINDING DISTRESSED AND FORECLOSED PROPERTIES

Finding distressed and foreclosed properties is easy. We are going to share a few of our favorites. We like them because they are easy and don't require a large investment.

Regardless of which method you chose, get started! The more advertising you do, the more deals you'll close.

How do you determine which advertising methods are working best for you? Track your expenses. Tracking advertising costs will allow you to determine methods bring the best result for the investment.

The best way to track leads is:



Use a different name on each method of advertising.

For example, your newspaper ads may say to ask for Sue. The postcards may say to ask for Barb. If you are using different newspapers, use different names in each ad.

Short Sale Secrets - Building Your Case

Homeowners will typically ask for the name in the paper. You simply say that Barb or Bill are not available and that you are happy to help. Then proceed with your questions.

NEWSPAPER ADS

We find newspaper ads requesting distressed properties to be a great source for locating properties. We run ads in the classifieds under the



“Real Estate Wanted” section.

Here are some examples of ads that have worked for us:

“Distressed? Overwhelmed by bill collectors?
Facing foreclosure?
We can help. Ask for Sue. 555-555-5555”

“WANTED!! Distressed properties.
Confidential telephone consultation.
Ask for Bill. 555-555-5555”
“Cash for your house. Any condition, any situation.
No equity, no problem. Ask for Bob. 555-555-5555”

Be prepared. When you run ads like these, your phone will ring off the hook. Make sure the message on your answering machine or voice mail mentions the ad. Try to be available to take the calls. Consider using your cell phone for the phone number in your ads.

Your outgoing message should say something like:

☞ “If you’re calling about the newspaper ad, please leave your name and number. Your call is very important to me and I will get back to you soon.”

You may have one ad running for distressed sellers and another running to build your buyers’ list. Make sure your message is generic so it covers all ads you may be running.

Respond to messages as soon as you can. Time is of the essence. The people who call about your ad are likely responding to ads from other investors as well. It takes a lot of courage for distressed homeowners to reach out for help, so it is very important for you to call them back as soon as possible. If you can, go see them and their property the day they call you and try to negotiate a deal before they get cold feet.

“Call homeowners back as soon as possible.”

“CASH FOR YOUR HOUSE” STREET SIGNS

We love to use **cash for your house** signs. They are one of our most profitable ways to find deals. We have made an incredible amount of money from them. The first day we used signs, we received six phone calls by the time we had put out just 25 signs.

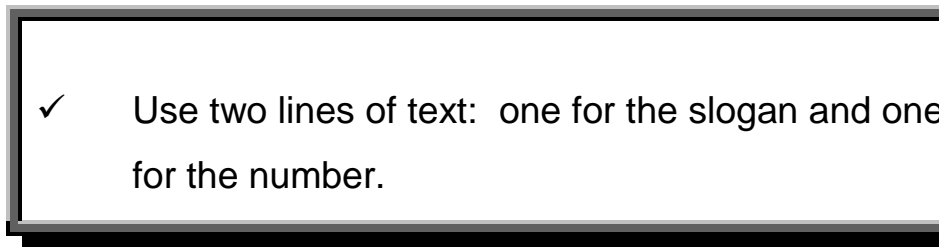
Another day, we put out only 13 signs and closed three deals as a result. The result was over \$85,000 on those three deals!

Our signs are simple and easy to read. They look like this:



We see folks who put ten lines of text on their signs.

Investors, keep it simple.



You can find these sign companies on the internet. We use www.banditsigns.com for our signs. They have great prices.

ASK FOR DAVID!

Use large print. Remember, most people reading your signs are driving and cannot read ten lines at 65 miles an hour.

These signs are inexpensive. They can cost as little as \$1.50 each in boxes of 100. You can find them at a marketing company listed in the phone book or on the Internet. If you're on a tight advertising budget, these reasonably priced signs might be a good place to start. Put them on wooden stakes at exit ramps, street corners, and median strips.

➤ Stay out of neighborhoods.

Nothing makes folks any madder than when an investor drives through the neighborhood and places signs in people's front yards. It's a surefire way to get Code Enforcement all over you.

The next time you are sitting at an intersection, look around. Chances are you'll notice signs that say:

- ✓ Work from home
- ✓ Lose weight now
- ✓ Home-based businesses available
- ✓ Stuff envelopes for quick cash

Folks, people use these signs to attract customers because they work. Again, we love them.

In some areas of the country, county inspectors frown upon these signs. Be certain to check with your local county to see what the sign regulations are. You may need a permit or some form of permission. We don't want to see you get a huge fine for using "Cash for Your House" signs. If you use caution placing them, you should be okay.



Another great place to put these "Cash for Your House" signs up is on your own rehabs. You can plant them right in the front yard of the property you're rehabbing. Any rehabber would love to have more houses in the same neighborhood.

NETWORKING

The best thing about networking is that it is *FREE!* Networking is a great opportunity. Every person who has ever met us knows what we do.

We leave cards:

- ✓ At the dry cleaners
- ✓ With tips... make sure you are a good tipper if you do this
- ✓ At the gym
- ✓ At local doctors'/dentists' offices
- ✓ At schools
- ✓ With bankers
- ✓ When we get our oil changed

Another great place to network is with local churches and charities. Call these places and inform them that you help folks in distress. Let these organizations know that the next time someone comes in needing help with the mortgage payment, you are available. We have gotten so many deals from charities and churches.



☞ In every neighborhood where you want to own property, there are: churches, schools, and charities.

Make sure these folks know you by name.

POSTCARDS

We are big believers in mailing postcards. Through the years, we have had tremendous success using them. We mail to everyone who is in the public records:

- ✓ Newly filed foreclosures
- ✓ People who have just filed bankruptcy
- ✓ Heirs going through probate
- ✓ Folks going through a divorce
- ✓ People behind in their real estate taxes
- ✓ Landlords who have just completed evictions

Distress comes in many forms. Many times the foreclosure is the result of a distress that has been going on for quite some time.

- ☞ For example, a couple needed two incomes to qualify for a property. Now they are going through a divorce. One income cannot afford the property and struggles to make the payments. After several months, the foreclosure begins. The result of the divorce was the foreclosure.

By mailing to folks going through divorce, you may be able to help them before the foreclosure happens. We get a huge response this way and are able to help many homeowners.

This information is available at your local courthouse and in the legal paper. When we first started, we could not afford to subscribe to a service that could provide this information to us.

We spent many a day at the courthouse gathering information, and then went knocking on doors. If money is an issue, go to the courthouse in person and copy the information in the foreclosure file onto the **courthouse worksheet**. Then either call, or knock on doors of homeowners.

As soon as you can afford it, subscribe to a service; it saves a lot of time. We now subscribe to a service that sends this information in label form directly to our office. It makes it extremely easy to use. If you call your local courthouse, the foreclosure clerk should be able to tell you who publishes this information.

Below is an example of a postcard we use. We keep the theme of offering solutions to problems instead of just offering cash for houses.

Courthouse
Worksheet: This form is in the “Forms” program. Simply copy the information from the file onto the sheet and you will have all the information you need to proceed with the deal.

☞ Often, homeowners are looking for solutions before they come to the realization they have to sell.

Offer solutions or friendly advice and the deals will roll in. Remember, it's all about win-win.

www.DwanStopsForeclosures.com

Quick Solutions for Your Property Problems!

Facing foreclosure?
Divorce?
Rental Nightmare?
Behind in payments?
Death in the family?
Need to sell quickly?
Downsized?

Stop waiting & worrying and call us for a **free, confidential,** telephone consultation.

We have the solution! Our company specializes in solving real estate related problems. Your search is over! We're here to help.

Our goal is to offer a win/win solution. We can help even if you have **NO EQUITY**. Pick up the phone right now and get control of your life again. We are here to help!

WE ARE THE SOLUTION TO YOUR PROBLEM!

WE OFFER SUCH SOLUTIONS AS:

- ☞ Loan Modifications*
- ☞ Forbearance Agreements*
- ☞ Short Sales*
- ☞ Quick Closings*
- ☞ Deed in Lieu*
- ☞ FREE Advice*
- ☞ Confidential*
- ☞ Fast Acting*
- ☞ 20 Years Helping Homeowners*
- ☞ 1,000's of Satisfied Clients*

***Ask for Dwan
555-555-5555***



MAGNETIC CAR SIGNS

The great thing about magnetic car signs is you're always working. When you're driving your kids to school, or going to church, the grocery store or the mall, people will see your signs no matter what you're doing. Think about the signs that you see.

You'll notice:

- ✓ Lawn maintenance
- ✓ Snow removal
- ✓ Day-care centers
- ✓ Catering Companies

We also get magnetic car signs at:

www.banditsigns.com.

They are about \$40 for a set.

Call today and order "Cash for Your House" street signs and they'll send you a set of magnetic car signs **FREE!**

Why do people use them? Because they work!

☞ We recently got a deal because we were sitting at a bank's drive-up window. A man came up and said, "Hey, I just inherited a property and I can't take care of it. I tried to start rehabbing it, and I can't afford to continue doing that. It's an hour away from where I live. I have been coming down here to work on it every night, and it's turning into a real burden. Can you help me?"

Imagine sitting at a bank's drive-up window and getting a deal with \$80,000 potential profit! Business is everywhere, folks. People even come up to us at stoplights.

☞ One of our students got his first deal from a car sign. He went to a restaurant, parked his car in the parking lot, and went in to meet a friend. A man saw his sign, followed him to the parking lot and into the restaurant to get his card. He had three houses he was losing in foreclosure and he needed the student's help. The student got all three properties.

Our signs are simple. They say, "CASH FOR HOUSES" with a large phone number. We've actually had investors say to us, "Oh, no, those signs are so tacky."

☞ If you're worried about tacky car signs, you need to change your attitude.

Once you get a check for \$25,000, the "tacky factor" gets lower.

- ☞ The bigger the signs, the better.
- ☞ The tackier your car, the more covered it is in signs, the more phone calls you will get.

Do whatever it takes to get noticed!

We have another fantastic program, **Foreclosure Fortunes in Your Own Back Yard**, that has over 50 sure-fire ways to find distressed homeowners. This program is amazing and covers many methods that are free or very cheap. Call us at 303-838-5474 to grab a copy for just \$299. You **MUST** mention this program to get the discount!

As new investors, we didn't have much money. Any advertising that was expensive was out of the question. We became very creative and still had more deals than we knew what to do with.

Here is a quick sample of what you can expect to find in our **Foreclosure Fortunes** program: Advertising in church and school newsletters, bus benches, flyers, doctors offices, working with charities, word of mouth, working with handicapped, and more!

BUILDING YOUR CASE

You've found a property and your exit strategy is in place, let's talk about the items needed to submit your short sale package to the bank. We'll outline the basic steps to a successful short sale and then walk you through each step in detail.

1. Find a property owner in distress.
2. Put a deal together with the homeowner.
3. Have the homeowner sign an authorization to release form.
4. Fill out a sales contract for the amount you want to offer the bank and have the homeowner sign it.
5. Call the Loss Mitigation department at the bank.
6. Fax or upload to **Equator** your offer along with the following:
 - a. Your cover letter explaining why you can't offer full price and asking for a waiver of deficiency.
 - b. The sales contract.
 - c. Justifying comps of the area.
 - d. Pictures, if you have them.
 - e. A net sheet or closing statement (a sheet that shows the bank exactly how much they will net after closing costs, taxes, etc. are paid).

Equator:
This is a bank computer system where the bank has you upload your paperwork opposed to faxing it. For the purpose of this program we will use the word FAX even though you may be required to use Equator with some banks.

- f. A hardship letter from the homeowner that mentions the dreaded word.... bankruptcy.
- g. Estimated list and cost of repairs, using retail repair prices that the normal homeowner would pay for these items.

Student Testimonial ... Mike and Janet's Story

You are WONDERFUL! We attended the OREIA convention in Columbus last November and loved your presentation. We purchased your books and tapes and it was a fabulous investment. Please keep in mind we have attended many seminars and purchased other books and tapes and in our opinion yours are THE BEST!

We were in the middle of taking over a deed. The owner was giving us the home and was walking...no matter what. There was a mortgage balance of \$89,000. Payments were high; \$850. The home was worth about \$105,000 and needed \$10,000 in repairs. So you could see we had questions on whether we wanted the deal.

When we heard you talk about “**short sales**” we were excited and decided to give it a try. Dwan coached us, even calling from a boot camp, to help us with the right presentation. We bought the home for \$67,250 and wholesaled it the same day for \$75,000 making a profit of \$7,750 IN ONE DAY!!!

Thank you, thank you!!!

Mike and Janet

SUCCESSFUL SHORT SALES START WITH THE HOMEOWNER

You've already completed step one – you have an interested homeowner. Once you have determined that they have no equity, explain the short sale concept to them and let them know that if you are successful in your negotiations, you'll be able to help.

☞ Be certain they understand that if you cannot come to an agreement with their bank that you will not be able to help them and that they will still be in foreclosure.

You must negotiate the following with the homeowners before you proceed with your end of the deal:

- ✓ Agreement to the amount of money they will receive for moving expenses
- ✓ The homeowners move out date

REQUIREMENTS FOR FINANCIALLY DISTRESSED HOMEOWNERS

Assuming your homeowners are at least one payment late, we'll consider them under "financially distressed homeowners."

The number one item the bank requires is proof that their story is true. Anyone can call and state that they can't afford their house anymore and that they want to walk away from it. With proof, banks can be surprisingly easy to work with. Here are the cold, hard facts that the banks have to consider:

- ✓ Markets are down.
- ✓ It is taking months to sell properties.
- ✓ Property values have dropped over 30 percent in most states.
- ✓ Insurance rates are rising.
- ✓ Taxes are going up.
- ✓ Gas is out of control.
- ✓ Interest rates are up.
- ✓ Payments are resetting at record increases.
- ✓ Unemployment is high.
- ✓ Bankruptcies have never been higher in our countries history.
- ✓ Banks are painfully aware that these circumstances can lead to increased foreclosures.

If the homeowners are behind in payments, but not yet in foreclosure, a short sale is definitely possible. You'll start by contacting the **work-out** department. The property would not yet be in the loss mitigation department. Typically, loss mitigation comes into the picture once the foreclosure paperwork has been filed. People are often confused about what a foreclosure is and what a pre-foreclosure is. Here is how we classify the terminology:

- A **pre-foreclosure** is a property where the payments are late, but the foreclosure papers have not been filed.
- A **foreclosure** is a property where the foreclosure papers have been filed, but the homeowners still own the house.
- A **bank-owned** property is where the payments were late, the foreclosure papers were filed, the house went to the sale, and the bank now owns the property.

Many people consider a foreclosure a property that already went through the entire process and is now owned by the bank. We want to make sure you use the proper terminology so that when you are reading the papers, watching the news or talking to loss mitigation, you know what everyone is really talking about.

Since financial hardship typically does not happen overnight, gather information from the past two years. Typically, a homeowner begins by missing a payment here and there: being 30 days late on a

mortgage payment, missing an insurance payment, being late on a credit card, paying two months of electric at once, and so on. Once the foreclosure is filed, things seem to spin out of control. This is why we want you to gather information from the past two years. It shows the unraveling of their finances.

If you are an investor and bought properties at the top of the market, find articles that show the beginning of the market decline, when your tenants moved out, copies of late payments and all of the other items we mentioned above.

Since you are financially distressed, again, proof is your best bet. Start putting your “Proof of Hardship Package” together. This program has a complete hardship package that we have put together for you – letters, websites, forms, and so on. Some of the information we can’t put together for you; it is information only you can provide. Here is a list of information you will need. Gather and photo copy as much of these items as possible:

- Two years of tax returns that show that their income has dropped.
- Copies of lay-off notices or proof that they were let go.
- Copies of late electric bills.
- If the homeowners are involved in a divorce, provide proof.
- Copy any medical bills they have had in the past two years.

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- Articles of market declines in the area.
- Copies of any investment properties you bought that have dropped in value.
- Proof of empty rentals.
- Proof of any rentals that were trashed by tenants.
- If they are not getting child support, show proof.
- Write a letter explaining the hardship.
- If you or anyone in your family has been to counseling, show proof. Counseling shows emotional distress.
- If there is a probate situation, get a copy of the death certificate.
- Copies of your bank statements – savings and checking. We are assuming that cash flow is very low right now. If the bank sees that homeowners have cash, it will want it.
- If they have tapped into their 401 or any retirement fund, show that as well.
- If they have cashed out a life insurance policy to make mortgage payments, show proof.
- Maybe they have used the college fund to keep up with the mortgage payments.
- If they have pawned something, show proof.
- If they are in jail or know the owner of any property who is in jail – definite hardship.
- If they have refinanced any property and used the money to make mortgage payments, show proof.

We're sure you get the idea. The more financial hardship you can prove, the deeper the short sale. The deeper the short sale, the easier it will be for you to sell the property.

- ☞ **Something to remember – whether investor or homeowner – whether in distress or not – once a bank accepts a short sale, you must sell the property. The bank wants the property off the books.**

FINANCIAL AGREEMENT WITH THE HOMEOWNERS

- ☞ When dealing with homeowners without equity, we explain that one of their best solutions is a short sale.
- ☞ We explain to the homeowners that if we can negotiate with their bank to accept less than what is owed as payment in full (as long as the amount is acceptable to us) we will purchase the property.
- ☞ We also explain that we need their help in obtaining the short sale, as the bank will require items that only they can provide.

If they are in agreement, then we proceed with executing the paperwork for our short sale package.

- ☞ One of the first questions you should ask the sellers is what they are seeking as a result of your help.

The answers will vary from “nothing, just help my credit,” to “\$3,000 to get moved with,” to an unreasonable amount of money that will kill the deal.

Most homeowners with no equity simply want out of their situation. We always tell them that if we are able to work out a deal with the

bank and actually purchase the home, we will give them whatever they need to move with.

There are two reasons for this:

- ☞ One, we want to help them financially.
- ☞ Two, if the sellers should move out during the short sale negotiation, we want to maintain communication with them in case the bank requires additional information.

Knowing that they will receive cash when the deal is complete will motivate them to continue to cooperate with you.

Any amount of money you agree to give the homeowners is fine; however, this figure cannot appear on the closing statement. It must be on a separate agreement. At the closing you are required to sign a form stating that you are not **giving** the homeowners any **“sale proceeds.”**

- ☞ The legal way to avoid a problem is to pay them to clean the house, or for another service, such as debris removal.

- ☞ You can also buy appliances, computers, baseball cards, antiques, furniture, cars, or anything else of value.

When **purchasing** an item from them, you are technically **buying** something, not **giving** sale proceeds.

- ☞ To do this, you must use a “**bill of sale.**”

(A bill of sale is covered in detail later.)

We like to buy items that have a perceived value. If we pay the homeowners \$5,000 for a baseball card collection, who is to say what it is worth? If you are an avid collector, it might be worth more to you. Your opinion dictates the price.

What is a fair amount of money to give homeowners in foreclosure? There is no real answer. We feel that they should not be rewarded for not making their mortgage payments; however, they do need to move and start over.

There are many gurus teaching investors to give the homeowners \$500 and tell them to move out.

Make sure you follow us at:

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www.twitter.com/TeachRealEstate

www.InvestorsEdgeUniversity.com/blog

www.investorsedgeuniversity.com/realestateprofits

www.investorsedgeuniversity.com/trifecta

www.facebook.com/BillTwyford



Here is our question to you: Can you move with \$500?

If not, why would you expect someone else to? These folks are trying to start over. They need money for a moving truck, first month's rent, security deposits for the rental, electric, water, phone, and so forth.

Be fair when dealing with these folks. You have **20 deals** around the corner and this is their **one and only** chance to start fresh.

Remember what we always say ... you reap what you sow, so sow some good seeds.

The reason their payment cannot show on the closing statement is that the closing statement is reviewed by the bank just before closing. The bank will not accept thousands less than what is owed, pay all the sellers' closing costs, and then allow the sellers to leave the closing with a profit. Can you blame them?

MOVE OUT DATE

This is the key question we use to encourage the homeowner to move out quickly:



When are you planning to move in with family?

Without being blunt or rude, this question will imply that they must move out soon and will put the thought in their minds that they could move in with family. Most homeowners aren't thinking clear and don't consider that as a possibility until we mention it.

Moving in with family is a great option. There will be no requirement for a credit check or for first and last month's rent and security deposit (money they don't have and would want from you).

It is impossible to expect the sellers to move out immediately when you are not promising an exact result. Often, when the seller is not moving in with family, they need moving money. Therefore, the homeowners will remain in the home until closing.

How do you handle homeowners who need to stay in the property until the day of closing?

- ☞ Hire a moving truck the day of closing.
- ☞ Have the movers load the homeowners' belongings.
- ☞ Have the homeowners come to the closing while the moving truck is in the driveway of the subject property.
- ☞ After the closing go to the property and do a walk through.
- ☞ Determine if the property is in the same condition as when you went to contract.
- ☞ Buy something from them and give them the cash so they can get going.
- ☞ You pay the movers as a good deed.

➔ Why is it so important to get them out immediately?

- ☞ If you have wholesaled the property to a rehabber, the rehabber will want to begin work immediately.
- ☞ If you give them several days to move out and they don't, guess what? Your rehabber now has to go through the eviction process. (Not a good way to build a relationship)

- ☞ One of the homeowners could get into a car accident or die before they move out. Your rehabber now has to evict a widow or widower or put someone out who is now disabled or recuperating.
- ☞ The homeowners could file bankruptcy and live free in the rehabbers' property for months.
- ☞ The homeowners could fall asleep smoking in bed and burn the house to the ground.
- ☞ A natural disaster could come along and destroy the property.

Why do any of these things matter to you? You are trying to build a replicatable business. If you have sold the property to rehabbers and now the rehabbers can't get the homeowners out, they will never do business with you again.

In addition, if you plan to keep the property for a rental or rehab it yourself, you now have a major problem that could become very costly.

Let me share a story with you ... Several years ago we sold a townhouse to a family with twin nine year old girls. The day of the closing came and there was a hurricane on the horizon. The insurance companies in Florida have a box drawn around the state and surrounding ocean areas. If a tropical storm is "in the box," no one will issue insurance. The homeowners show up at the closing with

their worldly possessions on a moving truck, expecting to move in immediately after the closing. At this point, none of us realized there was a storm in the box. We are told at the closing that the homeowners insurance would not be issued because they were paying for it out of closing. Because of this, the transaction could not close. We were told to come back the next day and try again. The homeowners went to a friends' house for the night and we went home. To make a long story short, seven storms came in and out of the box. The homeowners wanted to move in, but we could not get the proper kind of insurance to allow this. They were using all their cash to close the transaction and could not afford a hotel. They ended up sleeping in a friends' garage for two weeks! We felt terrible, but could not risk letting them live in the property in case it was destroyed by a storm. Once we closed, they moved in. About a week later they called stating that the roof had been damaged in the winds and rains. Although the roof looked fine, upon our inside inspection, it had a major leak. We were in no way responsible to fix the roof, but decided it would be the right thing to do as we knew they had used every dime they had to close the transaction. They were so grateful. Had we allowed them to move in and someone had been hurt, we could have lost everything we had worked for. Likewise, the property could have been destroyed and the deal would have fallen apart.

What does this have to do with getting people to move out before your closing? Everything! If you were selling the property to a rehabber

and the homeowners were stuck in the house because of a storm, there is no telling what disaster could result from this.

☞ The point is that you never know what can happen.

You **never** want homeowners living in your house, whether buying or selling, just in case. One wrong move and you are in a lawsuit.

Now that you have negotiated the details, it's time to collect paperwork from the homeowners. You'll need several items to start:

- ✓ A signed "Authorization to Release Information" form
- ✓ A signed sales contract with the price you are offering the bank
- ✓ A hardship letter written by the homeowners
- ✓ Proof of all hardships
- ✓ Pictures of the disrepair

AUTHORIZATION TO RELEASE INFORMATION

This is the only document that will allow you to speak directly with a lienholder about another's private account information. This must be delivered (usually via fax) to the lienholder before any information is released to you.

☞ **Understand: This form does not authorize you to do anything on behalf of the homeowner, only to obtain information.**

Obtain a separate Authorization to Release for each lienholder.

Below is the form we use. Feel free to make any changes necessary for your specific situation. Remember, use a different form for each lienholder. You don't want one lender knowing what the other is doing; it can cause too many potential problems.

Some lenders are now asking for notarized Authorizations because too many investors have signed the homeowners' names without their permission ... imagine that!

AUTHORIZATION TO RELEASE INFORMATION

To Whom It May Concern:

I give my permission for you to release any and all information to YOU- THE INVESTOR regarding my property located at "1279 Smith Street, Dayton, Ohio 45388" in reference to any mortgage(s), liens or judgments, medical bills, credit reports, or bankruptcy process or anything else needed.

SIGNED _____

CO-BORROWER _____

Borrower _____

Address _____

City/St/Zip _____

Bus. Phone _____

Res. Phone _____

S.S.# _____

Mortgagee _____

Phone # _____ Fax # _____ Email _____

Loan # _____

Contact _____

GOING TO CONTRACT

The next item we need from the homeowners is a signed sales contract. There are several places you can get your hands on a contract for your state: Title company, attorney, real estate agent, or online.

- ☞ A note of caution for you: Beware of investors who use their own contracts.

Many times these contracts call for the investor to:

- ✓ Pay all the closing costs (on both sides).
- ✓ Pay real estate taxes (pro-rated or not).
- ✓ Give up escrows.

In other words, these contracts are usually VERY one-sided. This is fine for you when selling, but NOT GOOD when buying from others.

In today's world it is BEST to use the real estate contract for YOUR state. The different states change their contracts so often we feel it is safest to stick to what YOUR state has already approved.

When the bank entertains a short sale, it must see that the seller is willing to sell at the lower price and walk away with no proceeds. The sales price on your sales contract is the amount you are offering the bank, not the balance on the mortgage.

When you complete the sales contract, who is the buyer? Are you buying it personally, in your company name, or Land Trust? Are you the real estate agent representing either party?

☞ **Personal Name:** This gives the bank no reason to think you are an investor trying to make money from the deal.

☞ **Company Name:** Based on the name of your company, it could imply an investment company looking to make a deal, causing the bank to be cautious.

☞ **Land Trust:** Making yourself Trustee gives you the ability to speak to the bank as if you are a paid representative in the transaction. Land Trusts are different in every state so take the time to learn about them.

☞ We have a great Land Trust Agreement at:

www.investorsedgeuniversity.com/realestateprofits.

- ☞ **Real Estate Agent:** As an agent, you are considered a neutral third party. The bank assumes you are trying to do what is best for the homeowners.

Typically, we'll take the sales contract in our personal name and change the name before the closing to one of our corporations. If your company is called something like: Cash For Houses, Real Estate Investor Group, or anything that insinuates you are in the deal for the profit, consider changing the name, or opening a new company, with a more professional name, for your short sales. Something that sounds like a bank or lending institution - Smith Financial Group or something along those lines.

REAL ESTATE PURCHASE AGREEMENT For Property in Foreclosure

NOTE: Consult with a local attorney who is an expert in your state's foreclosure laws. While these clauses are provided, they are not a substitute for qualified legal counsel. This is an example to show you how to fill out a contract.

PURCHASE AGREEMENT dated this ____ day of _____, 20__ by and between _____ and _____ (individually/collectively) as "Seller" whose address is:

_____, as "Buyer" whose address is:

LANGUAGE OF THE CONTRACT: If this is checked _____ Seller affirms that he/she is fluent in English and that English is the language principally spoken at home. If this is not the case, Seller requests that this contract be translated into _____.

PARTIES INFORMATION:

Seller's address: _____

Phone number: _____

Fax Number: _____

Email: _____

Buyer's address: _____

Phone number: _____

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Fax Number: _____

Email: _____

THE PROPERTY. The parties hereby agree that Seller will sell and Buyer will buy the following property, located in and situate in the County of _____, State of _____, to wit:

The Property is currently in foreclosure and subject to the following encumbrances, liens or judgments.

Name _____	Amount _____
Name _____	Amount _____
Name _____	Amount _____

Unless specifically excluded, all other items will be included, whether or not affixed to the property or structures. Seller expressly warrants that property, improvements, building or structures, the appliances, roof, plumbing, heating and/or ventilation systems are in good and working order and that it owns such property free and clear of any encumbrances except those specifically stated herein. This clause shall survive closing of title.

NOTE: Seller shall also relinquish and transfer to Buyer any and all right to any and all tax or insurance escrows funded in order to satisfy any of those costs. No credit shall be given to Seller for this transfer.

2. WARNING REGARDING ASSUMPTION OF ANY MORTGAGE, DEEDS OF TRUST, OR OTHER LIENS OR ENCUMBRANCES

Buyer will pay only the purchase price for the Property and will not assume or pay off any loans unless specifically stated in this Section 2. Seller understands that any debts or liens now on the property, if not paid off or satisfied, may still be the Sellers responsibility after closing. If Buyer agrees to satisfy any debt, it may do so in any way it deems appropriate so long as Seller has no further liability for that particular debt.

Buyer agrees only to satisfy the following debts of Seller

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- a. _____
- b. _____
- c. _____

WARNING: BUYER _____
and _____, WILL NOT
ASSUME OR PAY ANY PRESENT MORTGAGE, DEEDS OF TRUST, OR
OTHER LIENS OR ENCUMBRANCES AGAINST THE PROPERTY. THE
SELLER, UNDERSTANDS HE/SHE WILL REMAIN RESPONSIBLE FOR ALL
PAYMENTS DUE ON SUCH MORTGAGES, DEEDS OF TRUST, OR OTHER
LIENS OR ENCUMBRANCES AND FOR ANY DEFICIENCY JUDGMENT UPON
FORECLOSURE.

I HAVE HAD THE FOREGOING READ TO ME AND UNDERSTAND THE
PURCHASER, WILL NOT ASSUME ANY PRESENT MORTGAGES, DEEDS OF
TRUST, OR OTHER LIENS OR ENCUMBRANCES AGAINST THE PROPERTY
DESCRIBED AS.

- a. _____
- b. _____
- c. _____

DATE _____ SELLER _____

SELLER _____

3. PURCHASE PRICE. The total purchase price to be paid by Buyer will be
\$ _____ *** paid as follows:

- a. Monetary Consideration.
Earnest money deposit applied (see below) _____
Loan payoff (approximate amount) _____
Balance due upon Actual Possession by Buyer _____
- b. Seller financing _____
Cash due to Seller at Closing _____
Payment due to Seller upon vacating _____

*** The Parties agree that if a short sale is necessary the purchase price may be
adjusted when negotiating with the mortgage company. All payoff amounts are
estimates based upon Seller's disclosures and are subject to change.

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4. check if applies THE SHORT SALE - THIS OFFER IS CONTINGENT UPON A SUCCESSFUL SHORT SALE WITH _____, THAT IS APPROVED BY THE BUYER.

5. EARNEST MONEY AND DEFAULT. RIGHTS IF BUYER DEFAULTS

a. Earnest money in the amount of \$10.00 shall be paid, at the sole discretion of Buyer, in good funds or as a note to Seller but only after the right of Seller to terminate has expired.

b. If the transaction hereby fails to close solely due to a default by Buyer, the Deposit, if any, shall be retained by Seller as liquidated damages hereunder; thereafter, neither party shall have any further liability or obligation hereunder.

c. If the transaction hereby fails to close due to a default by Seller, the Earnest Money shall be given to the seller. Buyer realizes that all earnest monies are non-refundable.

6. DUE ON SALE DISCLOSURE Seller also understands that ANY existing mortgage not paid off or satisfied by the Buyer may have a "due on sale" clause that may be exercised by the lender. Lender, by right, may choose to accelerate the loan and demand full payment for the amounts due under the loan. Seller is completely responsible for the payment of the note to the lender if the lender exercises this right.

My/Our initials attest to my/our Understanding and Acceptance of paragraph 6:

Seller _____ Seller _____

7. CLOSING. A closing shall occur on or before _____ at _____ title company chosen by Buyer unless otherwise agreed by the parties in writing. Seller shall deliver at closing a General Warranty Deed subject only to those liens and encumbrances specifically set forth herein and a title insurance policy in an amount equal to the purchase price and any other requested documents. Buyer shall pay any and all costs of such policy and the closing costs for the transaction. Seller shall pay all utilities to the date of possession and any escrows shall be assigned to Buyer. No later than the end of closing on the Closing date defined herein, Seller shall surrender possession to the property in broom clean condition, and free of all personal items and debris at delivery of deed.

Seller agrees and understands that any personal property left on premises will be considered trash and will be disposed of without consideration to Seller.

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8. Both the seller and buyer agree that according to the condition of said property, and the poor market value, and the seller's situation, said property is worth between

\$ _____ and \$ _____.

My/Our initials attest to my/our Understanding and Acceptance of paragraph 8:

Seller _____ Seller _____

9. ACCESS.

Prior to closing, Buyer shall be entitled a key and be entitled, upon no less than 24 hours notice to access to inspect, show partners, lenders, inspectors and/or contractors prior to closing. Buyer may place an appropriate sign on the property prior to closing for prospective tenants and/or assigns.

10. ASSIGNMENT

Buyer may assign, without limitation this contract to any entity prior to closing. Buyer has many different entities and this property will be taken by one of the buyer's entities.

11. Acknowledgment of Parties and Waiver of certain claims against Buyer.

a. Seller understands that Buyer is not acting as an agent or representative of Seller. Additionally, this agreement in no way should be understood to create a partnership, joint venture or any other business relationship between the parties except that of buyer and seller.

b. This Agreement has been drafted by Buyer and Seller acknowledges that they have been advised to seek legal advice before executing this document. By signing this Agreement, Seller states that it has been advised by its own legal counsel or has chosen not to seek such advice before execution.

My/Our initials attest to my/our Understanding and Acceptance of paragraph 11 b:

Seller _____ Seller _____

c. In any event, Seller agrees to waive any claim for damages other than actual damages caused by a breach of this agreement by Buyer.

12. Governing Law. This agreement and all questions relating to its validity, interpretation, performance and enforcement (including, without limitation, provisions concerning limitations of action), shall be governed by and construed in accordance with the laws of the State of _____.

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13. Severability. If for any reason whatsoever, any one or more of the provisions of this Agreement shall be held or deemed to be illegal, inoperative, unenforceable or invalid as applied to any particular case or in all cases, such circumstances shall not have the effect of rendering such provision illegal, inoperative, unenforceable or invalid in any other case or of rendering any of the other provisions of this Agreement illegal, inoperative, unenforceable or invalid. Furthermore, in lieu of each illegal, invalid, unenforceable or inoperative provision, there shall be added automatically, as part of this Agreement, a provision similar in terms of such illegal, invalid, unenforceable or inoperative provision as may be possible and as shall be legal, valid, enforceable and operative.

14. If a Realtor is involved they will receive the payout of _____% of the sales price. The realtor(s) named below will be entitled to split this fee.

Name _____ Phone _____
Name _____ Phone _____
Name _____ Phone _____

15. ADDITIONAL PROVISIONS

SELLER AGREES WITH ALL ADDITIONAL PROVISIONS _____ THROUGH _____.

SELLERS INITIALS _____ Dated this _____ day of _____ 20____

Seller

Seller

Received by Seller at _____ (time)
_____ (date)

Buyer

Buyer

ADDITIONAL PROVISIONS – OUR SPECIAL CLAUSES

1. One of the buyers/sellers is a _____ licensed real estate agent in the State of _____.
2. Buyer agrees to allow title company to release said deposit to Seller immediately.
3. Buyer agrees that if subject property does not close for any reason, the deposit is non-refundable and will be rolled-over to another property. If the Buyer backs out then they lose said deposit.
4. Buyer agrees to purchase subject property in “as-is, where-is” condition.
5. Buyer agrees and understands that Seller has never lived in subject property and guarantees or warrants nothing.
6. Seller acknowledges that Buyer is an investor and intends to resell subject property for a profit as soon as possible.
7. Transaction is contingent upon the Sellers ability to transfer title on or before the stated closing date as Seller is not owner of record and must close with owner of record first.
8. Sellers realize they will receive no proceeds from this transaction.

HARDSHIP LETTER

This letter is a must. It must be written by the homeowners, states the reasons for the distress, and why the bank should accept less as payment in full. Anything stated in this letter that can be backed up with proof, should be.

For example:

- ✓ If the homeowner has medical conditions and/or bills, obtain doctors' letters and medical bills, using a separate "authorization to release" form to obtain this information.
- ✓ If there has been a divorce affecting income, obtain the decree.
- ✓ If the sellers' credit is shot, then obtain a copy of their credit report.
- ✓ If they have filed bankruptcy, include proof.

You get the idea. Here are sample hardship letters from actual homeowners. All of these short sales were successful. You may have to help the homeowners with the letter by pointing out the distress. Many times when a person has lived in a property for a long time, they

no longer see the disrepair. Don't be worried about hurting their feelings; this letter is a key factor to your being able to help them.

In the following letters, the key sentences are in **boldface**. This is to remind you to ask your homeowners to use these sentences in their hardship letter. We typically ask for a five or six page letter. When you ask your homeowners to write a hardship letter, they tend to write a few sentences. When you ask for five or six pages, you might get two or three.

Make certain the homeowners use these key sentences in their hardship letter and that the letters are very detailed.

SAMPLE HARDSHIP LETTER #1

Name and address of bank

Loan #12345

Dear Mr. Banker:

I am writing this letter to share some of the hardships I have endured over the past year. As you know, my property located at 8172 Smith Street is currently facing foreclosure. **I have tried to sell the property for months and have gotten only one serious offer because of the poor condition of the property.** Based on the offer I have, I urge you to please accept the \$40,000.00 being submitted by Mrs. Investor.

Please accept this offer as payment in full. **My attorney has advised me to file bankruptcy, but I prefer to avoid further destruction of my credit.** I just want to move on and start over.

I am enclosing my bank statements from the past three months, late notices on my car, and anything else I can find that shows the financial trouble I'm facing. I have also enclosed my last year's tax returns.

I am in the clothing industry and am currently looking for another field in which to work. So far, I haven't had much success.

If there is any other information you need, please feel free to call me.

Sincerely,

Distressed Homeowner

SAMPLE HARDSHIP LETTER #2

Dear Mrs. Banker:

I am writing this letter to explain what is happening in my life. As you know, my property located at 1287 N.W. 10th Avenue, account # 1002349830, is in foreclosure.

I bought my house two years ago from a guy in foreclosure, how ironic. He had four big dogs in the house and they completely trashed the property. My intent was to buy the house, help him out of a bad situation, and then bring the property to market condition and possibly sell it for a profit.

I started projects in every room, but did not get the chance to finish any of the projects because my wife ran off with her boss and we began a long messy divorce. Forty thousand dollars later in attorney's fees, I am sitting in a house that is a wreck, needs over \$100,000 worth of work, I have no money to make up the back payments, and no potential income at this time to repair the house. **I have been trying to sell the property via ads in the paper. I have shown the property to several folks who ran when they saw all the work needed. I was able to get one offer.**

The offer is less than what I owe, but I am desperate. PLEASE accept this offer from Ms. Investor. Ms. Investor is my only hope. **My**

attorney says I should file bankruptcy, live free for two years, and fight the system. I don't want a bankruptcy and a foreclosure on my credit. I have had enough of the court system and don't want to get tangled up in a legal battle over this house. I was lucky enough to get custody of my three kids in the divorce and we just need to move on and start our lives fresh. My life has been bad enough for the past year. I just need someone to give me a break. PLEASE accept this offer. Ms. Investor will be awaiting your reply.

Sincerely,

Distressed Homeowner

SAMPLE HARDSHIP LETTER #3

Dear Mr. Banker:

I have fallen behind in all my bills because I was in an auto accident last year and lost my job. I am now disabled and will not be able to go back to work anytime soon. My wife can't get a second job because I can't take care of the kids in my condition and my car was repossessed six months ago. We barely make ends meet to put food on the table for our children.

Please work with my buyer, who is willing to pay more than anyone else has offered for the property in its current condition. I haven't had the money to keep up my house or pay for the repairs it has needed. We have buckets in each room to catch the water when it rains and my brother-in-law is going to try to put a canvas or tarp over the roof this weekend to help out.

I don't know what else to do and really need your help. **My attorney has advised me to file bankruptcy, fight the system, and live free for 18 months, but if you will allow the sale of my property to Mrs. Investor, I won't have to.**

Sincerely,

Mr. Distressed Homeowner

As you can see, these letters are pretty sad. The better the letter, the better your chances of getting your short sale accepted. The bank needs to see that the homeowner CANNOT afford to keep the property. If the bank thinks for one minute that the homeowner just doesn't want it anymore, they will say no.

Banks base everything on the numbers. We try to put some emotion into the deal. By writing a sad letter and backing it up with proof, we attempt to get the loss mitigation rep emotionally involved in the situation. When the reps feel bad for the homeowners, they are more likely to give you a deeper discount to help out.

In all hardship letters, we ask the homeowners to mention filing bankruptcy. The banks know that a homeowner with a good attorney can file bankruptcy and buy up to two years of **free living**. During which, the bank cannot take the house in foreclosure.

Earlier we told you that many banks have a cash reserve of unlendable money. If a bank knows a piece of property will be tied up in bankruptcy for two years and that the homeowners are in distress, it is likely to accept the short sale in lieu of waiting out the bankruptcy process so it can free up its money.

SAMPLE PROOF OF HARDSHIP

MONTHLY NET INCOME		MONTHLY EXPENSES		Copies Provided	END OF MONTH CASH FLOW
Itemized List	Itemized Income	Itemized List	Itemized Expense		
Salary	\$3,000	Mortgage	\$1,200	Yes	
Child Support	\$ 0	Insurance	\$200	Yes	
Part Time Job	\$ 0	RE Taxes	\$200	Yes	
Annuities	\$ 0	Car Payments	\$375	Yes	
Alimony	\$ 0	Car Insurance	\$120	Yes	
OTHER - Please List	\$ 0	Groceries	\$350	No	
		Medical	\$100	Yes	
		Utilities	\$250	Yes	
		Credit Card Payments	\$200	Yes	
		Clothing	\$ 0	No	
		Entertainment	\$ 0	No	
		School Supplies	\$ 0	No	
		Emergencies	\$ 0		
TOTAL INCOME	\$3,000	TOTAL EXPENSES	\$2,995		\$5

PICTURES

This is your opportunity to make your short sale case! Take pictures of any disrepair or damage you can find.

We take pictures on the first visit so we don't have to return.

☞ It is helpful to take pictures with a digital camera because they can be emailed directly to the loss mitigation rep.

Another benefit to digital pictures is that you can input them into your computer and insert words on them to describe the damage in the picture. Regular pictures will work, but be sure to develop doubles so that if the bank misplaces them, you have backup.

☞ If you send pictures through the mail, get a tracking number so you can find out who signed for them and be certain they get to the right person.

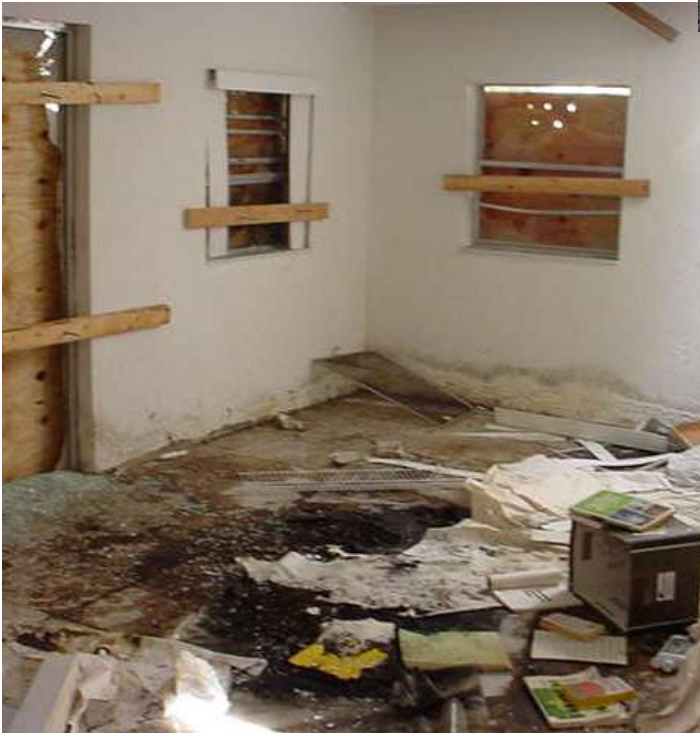
If the property has no disrepair, don't send any pictures. Whatever does not help your case hurts it. Pictures of a beautiful property will not help your case.

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Regardless of the condition of the property, you can still do the short sale. Banks short sale “pretty houses” all day long! A pretty house is still a liability to the bank. The reasons we mentioned in the beginning of this manual as to why banks short sale still stand regardless of the condition of the property.

These pictures speak a thousand words.....

Think this homeowner has some anger management issues?



This looks like a fun room to start with....

Come on, you know you want to take a long, cool dip...



After looking at these pictures, any banker would give your offer serious consideration. Remember, banks are in the business of lending money, not rehabbing houses.

DO I NEED THE DEED?

We say, “NO, you do not need the deed!” Let us share a story with you.

☞ Many years ago, when we were still new at short sales, we were working with a couple in foreclosure. They had a property worth \$185,000 with a \$185,000 mortgage balance. We had the property short sold down to \$75,000. The day of the closing was fast approaching. The homeowners came to us and informed us they were moving to Tennessee before the closing and needed their money. We had agreed to give them \$3,500 in exchange for the deed. We gave them the money and filed the deed.

Several days before the closing, the bank called and said it had just done a final title search and that the title had changed hands. We told the bank that the homeowners had moved to Tennessee and were not going to be able to attend the closing, so we had filed the deed. We were informed that the reason for the short sale had now been lost ... the homeowners were no longer in distress as we were the new owners. We did everything in our power and the deal still fell apart. The bank said that short sales are done because of the distress the

homeowner is in. Once you transfer title, the distress is gone and so is the reason for the short sale.

You can imagine how upset we were. When you know you have a big closing on the horizon, in your mind isn't the money already spent? You have plans to pay this off or buy that. We were no different. We were devastated by this loss.

☞ There are gurus teaching investors to get the deed and then call the bank and tell the bank that they now have to work with you. Folks, why would a bank have to work with you? You're not a distressed homeowner; you're an investor looking to make a profit.

Banks short sale because the homeowners can no longer afford the property. This is why many banks make homeowners fill out financial paperwork. The bank wants to be certain that the homeowners *cannot afford* the house. If the bank sees that they are *choosing* to walk away because they *don't want* the house, it will say no to the deal.

☞ Several years after the first deal fell apart, we thought we'd try it again. Things change in the short sale industry and we thought

maybe this was now different. We worked out a short sale, filed the deed, and guess what happened? Right, the deal fell apart again. Since then we have not tried again.

We have several reps we are now friends with and we asked them what they thought of the concept of filing the deed and forcing loss mitigation to work with you. When they got off the floor from laughing, they said that no investor can force a bank to do anything. In fact, they both said that if an investor called with that story, they'd tell them to hit the door and under no circumstances would they allow an investor to try to bully them.

If you'd like to test the different guru theories, be our guest. Please let us know what happens. We are not willing to risk another deal. Two loss mitigation friends told us to keep doing things exactly the way we are. We are having great success. We'd venture to guess that people who teach this theory are not actually doing short sales.



If you want to get the deed, get it. Just don't file it. If you are afraid of the homeowners going around you, then you don't have a solid deal. We won't work on a deal unless we are certain it is solid. The only benefit of having the deed is that the homeowners won't have to attend the closing.

Now that we have the homeowner under control, it's time to get busy with the bank.

Before you call the bank, prepare the rest of your package. You already have an authorization signed, a hardship letter from the homeowner, proof of hardship, pictures, and a sales contract.

You'll still need more information for the bank:

- ✓ Cover letter stating why you can't pay full price
- ✓ Comps
- ✓ Net sheet
- ✓ Extensive list of repairs

INVESTOR COVER LETTER

Start your package with a cover letter justifying your offer and include all the items in your package.

As with the other letters, there are words in bold. The bold is to remind you to include these sentences in your letters should you write your own letters. Certainly feel free to adjust these letters to your liking.

- ✓ Don't forget to ask the banks to waive the deficiency judgment in your cover letters.

The following are samples of cover letters we have used with success:

Deficiency Judgment: When a bank loses money in a foreclosure or takes a short sale, it has the right to sue the homeowners for any shortage of the mortgage balance. For example, a homeowner has a property worth \$200,000 with a \$200,000 mortgage balance. The bank agrees to accept \$100,000 as full payment. The bank can sue the homeowners for the \$100,000 loss by way of deficiency judgment. This means the homeowners now have a judgment of \$100,000 against them that will have to be paid in order for them to move on. The homeowners can negotiate the judgment down to a lower amount and pay it off or file bankruptcy to wipe it out completely.

SAMPLE INVESTOR LETTER #1

January 15

Loan Number 238799

Dear Mr. Banker:

As you know, Distressed Homeowners' property, located at 123 N.W. 15 Court, loan # 238799, is facing foreclosure. I am trying to help them out of this dilemma. At this time, it seems as though the only solution is for them to sell their property.

Upon my inspection, I find that the property needs a lot of work to bring it up to current market standards. I called a real estate agent in this area and requested the current market values and have based my offer on the market values as well as the necessary repairs. **Based on the area comps, you can see Distressed Homeowners owe you far more than their property is worth.**

My offer is \$40,000 cash as payment in full inclusive of all fees, taxes, etc. I am prepared to close in 30 days. **We also ask that you waive any deficiency judgment against Distressed Homeowners.**

Short Sale Secrets - Building Your Case

Please review the attached documents and respond at your earliest convenience. We urge you to accept our proposal and move for a quick closing on this property.

Thank you for your cooperation. I look forward to working with you to help Distressed Homeowners.

Sincerely,

Mr. Investor

SAMPLE INVESTOR LETTER #2

ACCOUNT # 0042033217

Dear Ms. Banker:

My name is Ms. Investor. I am a real estate investor. I recently met Distressed Homeowners and was made aware that their property, located at 1825 Smith Street, is facing foreclosure. I told Distressed Homeowners I would do what I could to help them out of their situation.

Upon inspection of the property, I find that it needs a lot of work. Distressed Homeowners have started projects in every room and nothing is finished. Just to mention a few items in need of repair:

- ✓ The deck around the entire house has been torn off and needs to be replaced. My contractor estimates approximately \$25,000.
- ✓ In addition, there is no carpet in the house. We estimate that expense to be approximately \$9,000.
- ✓ The back room has been torn apart, windows removed, walls torn down, and the area is exposed to the elements. We estimate that expense to be approximately \$11,000.

- ✓ In addition, a bedroom was started in the garage and is surprisingly not finished. We estimate this to be approx. \$2,000 for walls, doors, electric, and so on.
- ✓ The yard is another story altogether. There is at least a 15 foot high trash pile. To clean up the yard will cost approx. \$6,000. At least four dumpsters (at \$500 per dumpster) will be needed to remove all the debris.
- ✓ Many of the windows are broken and most of them don't open. Since they are odd-sized windows, this is another \$5,000 expense.
- ✓ The roof is the original tile roof and needs to be replaced. The cost for this is \$16,000. The main expense here is tearing off the old one and re-decking the roof for new tiles.
- ✓ In addition to all the repairs needed, the house is dated. Bathrooms are old, toilets don't work, sinks don't drain, the vinyl floors are coming up, the tubs are stained and will not come clean. Since there are three baths in the house, we estimate \$15,000 total to bring them to market condition.

The bottom line is that the property needs almost \$100,000 worth of repairs to make it marketable. I have pulled comps in the area and estimate the property to be worth \$300,000 to \$350,000 in mint condition. I'd like to purchase the property from Distressed Homeowners, but based on all the work it needs and the current market, I feel I can not offer more than \$199,000.

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I am enclosing a signed Purchase Agreement that Distressed Homeowners have signed. They are willing to walk away with nothing to save their credit from a foreclosure. **Their attorney is advising them to file bankruptcy and “live for free” for the next two years.**

At this time, I have talked Distressed Homeowners out of this. I have cash and can close quickly. My offer is a net offer to you. I know it is a major liability to your bank to have a property like this on your books.

Please accept my offer and let's work together for the best solution for all parties involved. **I request that you also waive any deficiency judgment against Distressed Homeowners.**

Sincerely,

Mr. Investor

SAMPLE INVESTOR LETTER #3

Dear Mrs. Banker:

I am interested in buying the property located at 516 West Tree Street. **Upon a room-by-room inspection, I was shocked to see the damage to the property.** My contractor and I estimate the cost to bring the property to current market condition to be in the neighborhood of \$40,000 to \$45,000.

This includes:

New roof	\$ 8,000
Carpet	7,500
Water damage repair	11,500
Painting interior	6,500
Repair ext. steps/deck/paint	<u>8,750</u>
Total	\$ 42,250

My real estate agent says the property is worth between \$78,000 and \$80,000 if it were in mint condition. Based on current market, the poor condition of the property, and the extensive repairs needed, I have offered Distressed Homeowners \$27,750 as payment in full.

Mrs. Banker, this offer is net to your investors. After your investors see the pictures and do the walk-through, you'll know you made the right decision by taking this offer. I will close on or before June 15.

Prices in this area have taken a tumble the last six months. **The April 3rd headlines in your local paper, The Metro Times, stated, "Foreclosures at an all time high ... up 39% from last year."**

I feel this offer is more than fair and I urge you to accept it as well as **waive any deficiency judgment against the Distressed Homeowner.** I hope we can work together. You can call my office at 555-222-7777 anytime.

Sincerely,

Mr. Investor

SAMPLE INVESTOR LETTER #4

Dear Ms. Banker:

My name is Janet. I am working with Distressed Homeowner to purchase the above referenced property. The property is in extremely poor condition. **My contractor estimates \$25,000 to \$45,000 (there are some mold issues) as a minimum in repairs to make the property marketable.**

My real estate agent says that in current market conditions the property is worth \$164,000. Distressed Homeowners owe approximately \$130,000 on the first mortgage, and back taxes of approximately \$5,316.

My offer to you is \$49,000 net to your company closing on or before January 15. Based on current market, the poor condition of the property, **the unknown MOLD issue, the recent floods in the area,** and the extensive repairs needed, I feel this offer is very generous. **I'm sure you know and understand how dangerous mold can be. Did you know it causes an illness called "toxic mold syndrome?" Apparently this can be deadly.**

I hope we can work together. Enclosed you will find a net sheet, pictures, and an extensive list of repairs. I will be awaiting your reply.

I am also requesting you waive any deficiency judgment against Distressed Homeowners.

Sincerely,

Ms. Investor

As you can see, these letters are strong and justify our low offers.

☞ We always ask the bank to waive any deficiency judgment against the homeowners.

Most of the time, the bank will agree to this. Our goal is to help the homeowners start their lives over. Leaving them with a huge deficiency judgment will not make their situation better.

COMPS THAT JUSTIFY YOUR OFFER

You definitely want to include comparable sales for the subject property in the area. “Comps” as they’re called, are properties that have sold within the past six months that compare closest to the property you are negotiating. You can obtain comps yourself from an on-line service from a real estate agent or associate, or a title company.

☞ Remember, these comps must help justify the sales price you are asking the bank to accept.

It is best to send the comps on the forms an actual real estate agent would use.

Again, the comps will be based on sales in your market. Whether a \$100,000 neighborhood or an \$800,000 neighborhood, it’s all the same. Use the lowest comps for the area.

If we were offering \$40,000 on a property worth \$100,000 in mint condition, the following comps would certainly justify our offer:

AREA COMPS

Your Name
719 Robin Road
City of Subject Property
Zip Code

☞ **LIST THE PAST TWO SALE PRICES OF YOUR PROPERTY. IF YOU DON'T KNOW WHAT THE PERSON BEFORE YOU PAID – HAVE A REAL ESTATE AGENT LOOK IT UP FOR YOU.**

RECENT SALES	AMOUNT	DEED TYPE
926 Hummingbird Lane	\$139,000	WD
267 Robin Road	\$135,000	CT
687 Blue Jay Lane	\$129,000	CT
567 Blue Jay Lane	\$99,000	SW
126 Crow Street	\$135,000	QC
851 Eagle Road	\$137,000	WD

As you can see, these comps would justify your offer. By showing QC (quit claim deed), SW (special warranty deed), and CT (certificate of title), it shows the bank that the neighborhood is not stable. These types of deeds are usually related to a distressed property. SW and QC are typically deeds from a sheriff's sale.

If you cannot find any low comps, then leave them out.

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- ☞ Remember, you are building a case. If comps don't help you, they hurt you.
- ☞ DO NOT include anything in your package unless it helps your case.

Use comps that are “similar homes in similar condition” like handyman specials and foreclosures. Homes that have manicured lawns are NOT similar and will not help you obtain your goal.

If the comps you are using were provided by a real estate agent, then include that agent's name and number as a reference for the bank to speak to about the market value.

Typically, even though you send the bank comps and a list of repairs, the bank will order its own appraisal on the property. Because you are the contact person, the appraiser will call you to arrange the time to get in and appraise the home.

We'll talk more about this later.

We provide comps at www.investorsedgeuniversity.com/members-area

NET SHEET

This is a form that shows the bank what it will net from your offer. It is also called a net sheet, closing statement, settlement statement, or HUD-1.

☞ For example, if we offered you \$150,000 for your home and you agreed, would you leave the closing with the entire \$150,000? No, because you would have to pay some closing costs.

Because of the homeowners' distress, the bank steps into the homeowners shoes at the closing. In other words, the bank pays any closing costs the homeowners would have paid.

☞ The bank will be covering the closing costs, real estate taxes, commissions, and so forth and will actually net a figure other than the offer price.

A sample net sheet follows:

SAMPLE NET SHEET

TOTAL EXPENSES	DOLLAR AMOUNT	EXPENSE FOR THE BANK	EXPENSE FOR THE BUYER	EXPENSE FOR THE SELLER
PROPERTY SALES PRICE: \$225,000				
Doc Stamps	\$1,800			✓
Real Estate Taxes	\$3,000			✓
Document Preparation	\$300		✓	
Wiring Fees	\$50			✓
Property Insurance	\$1,200		✓	
Real Estate Commission	\$13,500			✓
Cash in From Buyer	\$22,500		✓	
Cash Out to Seller	\$ 0			
Title Insurance	\$350			✓
TOTAL EXPENSES				

- ☞ When first starting out, you can get these figures from a title company, attorney, or online.

As you close more deals you will learn these figures. The banks are not looking for an exact amount, just a close estimate. They will usually look at your net sheet and approve a figure that is an actual net to them. They may look at the above net sheet and agree to net \$225,000 regardless of the closing costs.

Any additional costs would come from your side, which will add to the amount you have agreed to pay.

ESTIMATED LIST AND COST OF REPAIRS

Next, we'll discuss your repair list. Even with a nice property you can still make an extensive repair list.

☞ Just updating the bathrooms, kitchen, and replacing carpet can add up to \$20,000 or more.

When you are starting out you may not know what repairs cost. A great way to learn these figures is to visit your local home repair store and ask the employees what it costs to replace kitchens, replace carpets, or put on a new garage door. These folks are usually very helpful. Many of these stores offer classes that teach you how to do the repairs as well as what it costs should you hire it out.

Every investor should know the costs of basic repairs. If you don't know these numbers, how will you know if you are getting ripped off when you have work done? Take time to learn this part of our business.

If you use a particular handyman, you can use his estimates on professional estimating stationary. You can purchase contractor's estimating forms at your local office supply store.

Be sure to include a detailed list of everything from interior to exterior, from roof to basement. We want to build a good case, not to mention, profit.

The following is a sample repair list:

Roof: The existing roof is an extremely old cement tile roof, which must be replaced with a new asphalt shingle roof. Also, the flat roof over the addition must be redone.

Wood Rot/Facia/Soffet: There is evidence of live termite infestation and over 40% of the facia & soffets must be replaced when the existing roof is torn off.

Flooring: Existing carpet is torn and/or missing in various places; padding does not meet FHA standards. Must re-carpet or tile.

Doors: Closet doors are missing and should be replaced.

Exterior: Carport area/Laundry room – doors missing and must be replaced; cost included in other quotes.

Paint: Interior paint (including ceiling patches, etc.) & exterior pressure cleaning and painting required.

Windows: All windows are original jalouse panes, which are outdated and extremely energy inefficient.

Bath(s): Plumbing fixtures leak and must be replaced.

***Possible Code Violation** exists due to an addition on the rear of the property that does not meet current code requirements.

Approximate Total cost to complete proper renovations:

\$_____.

SAMPLE REPAIR LIST

COMPLETE REPAIR LIST	COST	REPAIR TIME-FRAME
Roof – fascia, wood rot, removal, replacement, etc.		
Paint – Exterior		
Paint – Interior		
Debris Removal		
Electrical		
Plumbing		
Flooring		
Windows		
Heat & Air Conditioning		
Landscaping		
Exterior Doors		
Interior Doors		
Bathrooms		
Kitchen		
Possible Code Violations		
Fencing and Exterior Work		
Permits		
TOTAL EXPENSES - TIME-FRAME		

PROPERTY INFORMATION SHEET

Date _____

Owner Name: _____

Property Address _____

Property Type: Single Family ___ ; Duplex ___ ; Triplex ___ ;
Multi Unit ___ ; Two Story ___ ; Single Level ___ ; Beds ___ ;
Baths ___

Roads: PAVED _____ ; DIRT ROAD _____

Special Features:

Fireplace - How many - _____ Where _____

Attached Garage - Single car, Double car, Other

Detached Garage - Single car, Double car, Other

Carport - Single car, Double car, Other

Water Front - Lake, Canal, Ocean, River

Pool - In ground, Above ground, size _____

Jacuzzi - Attached to pool, Separate

Covered Patio - _____

Screened Porch - _____

Ceiling Fans - How many? ___ Where - _____

Irrigation System - _____

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Central heat/air - _____

Intercom System - _____

Fenced Yard - _____

Central Vacuum System - _____

Other - _____

Year Built _____; Square Footage: _____; Lot Size _____;
Taxes _____; Taxes Current: Yes/No

Exterior Condition: Poor _____; Good _____; Great _____

Roof: Good _____; Needs work _____; Needs replaced _____

Exterior Paint: Good _____; New paint required _____

Termite Damage: Where and how much _____

Condition of Yard: _____

Windows: _____

Interior Condition: Poor _____; Good _____; Great _____

Kitchen: Outdated ___; Not working condition ___; Replace
appliances ___; Replace cabinets ___; Replace flooring ___; Other
- please describe _____

Baths: Outdated ___; Not working condition ___; Replace tub ___;
Replace cabinets ___; Replace flooring ___;

Other _____

Flooring: Type _____ ; Condition _____ ;

Rooms to be replaced _____ ;

Paint: Describe what needs to be done to bring to current standards –

Walls and Ceilings: Describe condition and what to do –

Number of listings in area - _____

Average price range - _____

Number of days on market - _____

General appearance of neighborhood - _____

Rate property on a scale of 1 to 10 (10 being high) _____

Estimated Cost to repair property - _____

Time-frame to complete repairs - _____

SHORT SALES FOR INVESTMENT PROPERTIES

In the past, banks weren't as excited to work with investors losing properties as much as they are today. The banks figured it was an investment property, not a primary residence, and there was no reason to short sale it. With bankruptcies at an all-time high, banks are more inclined to work with investors. If the properties were bought in the name of a legal entity – corporation, LLC, and so on – the investor can file Chapter 11 and liquidate assets. Chapters 7 and 13 are for personal use. Investors know how to work the bankruptcy process as well as homeowners do. Banks are painfully aware of this.

When putting together the short sale package for investment properties, send the same items a homeowner would send. The only difference would be to write a different type of hardship letter.

Something like this:

SAMPLE INVESTOR HARDSHIP LETTER

Dear Loss Mitigation,

I am writing to explain the hardships I have been facing in recent months. I bought four properties several years ago to keep as rentals. My plan was to rent them, pay the mortgages off, and use them to subsidize my retirement. Unfortunately, with the housing crisis, rents have fallen in this area. I now have four rentals that I can't collect enough rent from to cover the mortgage payments. I have no personal money to subsidize the monthly shortages. I have borrowed money from four different banks, so I am contacting each of you asking for help.

I am now three payments behind and facing foreclosure on each of my rentals. I would like to sell these properties instead of losing them in a foreclosure. I have spoken to several other investors in town who have agreed to buy one or more of them, but not for what I owe. I am asking you to please accept _____ as payment in full for my property.

I understand that your bank does short sales. I have prepared some financial information to show you proof that I am in trouble. Even though these are not my primary residence, please consider the short sale. I am losing everything, I can't sleep at night, my spouse and I

are fighting, I am considering bankruptcy to get a fresh start. My attorney says I can file a Chapter 7 for my personal residence and a Chapter 11 for my business. The thought of this makes me feel ill, but I have to do something. I am at my wits end and need help. Because of the loss of rents, I can't keep up with the taxes or insurance. I just pray that no one gets hurt on my property.

Please look over the enclosed information and consider my offer. The person willing to buy these properties from me can close in two weeks.

Sincerely,

Investor in Distress

As you can see, this letter is not that different from what a homeowner would write. The point is to show the bank why you can't afford the property. Banks will short sale investment properties as well as residential. We short sold a commercial building from \$300,000 dollars to \$75,000 dollars and paid cash. The property is now worth \$800,000 and paid for. You can short sale anything.

DEALING WITH LOSS MITIGATION

The package is ready. It's time to contact the bank. The department you want to speak with is called Loss Mitigation. Believe it or not, loss mitigation reps can be very difficult to deal with. The key to success is to pin the rep down as to when you can expect an answer.

If you are dealing with a bank for the first time, you may want to call loss mitigation to confirm that they short sale before you spend time preparing the entire package.

The problem with calling the bank first is that you may get a new person who has no idea what a short sale is and tells you no, when, in fact, the bank does short sale. We prefer to prepare the package, call loss mitigation, and ask who we need to fax the package to in order to get our deal accepted. We just assume that all banks will say yes.

- ☞ Most banks do say yes to some sort of a short sale. If you have a property worth \$100,000, with a \$100,000 mortgage balance and the bank accepts \$90,000, the bank considers that a short sale. It's just not a short sale we would accept.
- ☞ **If the bank does not have a loss mitigation department, ask for the foreclosure department, work out department, loan**

modification department, late payment department, bankruptcy, or who ever helps homeowners in distress.

Give the seller's name and loan number and ask for the representative who is handling the seller's account. Once you have the right person on the line, ask for the fax number and fax the authorization to release while you are on the phone with the rep.

Before you begin dealing with the loss mitigation reps, we think it is important you understand the mind-set of this person. Most of these folks are overworked and underpaid. Some reps have as many as 500 files on their desk at any given time. Because these reps are so overwhelmed with their case loads, they often blow you off on the phone if you don't appear to know what you are doing.

There are several ways to represent yourself to loss mitigation:

- **As a friend** - You could represent yourself as a friend trying to help. The problem with this approach is that the rep may think you have no experience and may not want to bother with you. On the positive side, the bank may like the fact that you are not a smooth talking investor.
- **As an investor** - As an investor the rep may think you are out to take advantage of the homeowners as well as make a killing

from the banks loss. On the positive side, the rep may like the fact that you have experience and will be less trouble than someone with no experience. The fact that you can close quickly is also appealing.

- **As a real estate agent** - As an agent the bank looks at you like a neutral third party, but may not have the confidence that you will follow through without a buyer as agents show houses, not purchase them. On the positive side, the bank may take your offer more seriously because you are an agent and are considered a professional.

You have to decide in which role are you most comfortable. We use all three with great success. There is no right or wrong way to present yourself.

☞ The key is let the rep know that you are easy to work with and will make the transaction as smooth as possible.

When speaking with the loss mitigation representative, always be professional and **refer to the sellers by their first names as often as possible.**

- ☞ Bring as much emotion into the conversation with the rep as possible.

This will hopefully help the decision to accept a short sale become more meaningful rather than just financial.

Your initial conversation with the loss mitigation representative will go something like this:

YOU: Hi, bank rep, my name is Dwan and I am working with **Bob & Sally Brown** to help them with their situation. Can I have your fax number so I can send you my authorization to release?

BANK: Sure, my fax is 555-456-7890

YOU: Hold on, I'll send it right now. *(Fax it while you have the rep on the phone.)*

BANK: Ok, I've received it, how can I help you?

YOU: As you know, **Bob & Sally** are in foreclosure. I told them I would do my best to help them if I could. Upon researching the property it looks as if they owe more than

it's worth. **Bob** thinks their mortgage balance is \$100,000. Is that correct? Great! When is the property set for the sheriff's sale?

My real estate agent says the property is only worth about \$40,000 to \$50,000 because it needs so much work. Based on the fact that **Bob and Sally** owe far more than their property is worth, I'm willing to purchase the property, but only if you can take a short sale. **Where do we need to be "price wise" to get this deal closed?**

BANK: Fax a **sales contract** and a **net sheet** and we'll see what we can do.

YOU: Great, Mary. I will have that faxed to you as soon as possible. **I'd like you to know that I am prepared to close quickly and will not make you work hard on this deal only to bail out at the end.** I can close as soon as you can get me a yes.

YOU: I'd like to ask you a few questions if I may. Do you make the decisions or does your boss?

BANK: My boss does.

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YOU: Great. How often do you meet with your boss?

BANK: I meet with my boss twice a month.

YOU: Great, when was the last time you met with your boss?

BANK: We met last week.

YOU: So ... If I get you everything you need today, will you be able to present my offer to you boss next week?

BANK: Yes, if you get the information I need I'll present your offer next week.

YOU: Okay, great. I'll get you as much information as I can by the end of the day. Then I'll call you to see if my offer is in a range that your bank can accept. What percentage does your bank usually discount?

BANK: It's different with every deal. Get your offer to me and we'll discuss it then.

YOU: One last thing, **I just want to remind you that I can close quickly.** I am sending you a cover letter, a sales contract, a hardship letter from the homeowners, a list of repairs, a

net sheet, and pictures. **Is there anything else your bank requires?**

BANK: Wow, it sounds like you have a great package ready. That will be plenty of information to get started. Get your package to me and I'll do my best.

YOU: Great, I'll stay in touch.

See how I used the homeowner's names often? I also reassured the rep that I could close quickly. I also told the rep what I was sending and asked if there were any other items the bank requires. This shows your professionalism and experience.

Once your package is submitted, follow-up until you get a yes.

ADDITIONAL INFORMATION THE BANK MAY REQUIRE

Sometimes the bank will ask for additional information before considering your offer. It doesn't happen often, but we want you to be aware in case it happens to you. As you can see in our conversation with the bank, the bank usually asks for just a **net sheet** and a **sales contract**.

✓ Just sending those two items does not build a strong enough case and that is why you send our complete short sale package.

Think of it like this: You have a checklist of items you are sending to the bank in hopes of an acceptance. The bank also has a checklist of items it needs in order to give you a yes.

- ✓ You send:
 - ✓ A sales contract
 - ✓ A net sheet
 - ✓ A hardship letter
 - ✓ Comps
 - ✓ Your cover letter

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- ✓ List of repairs
- ✓ Nasty pictures

- ✓ The bank has a checklist with these items on it:
 - ✓ Listing agreement
 - ✓ Financial hardship package
 - ✓ Net sheet
 - ✓ Sales contract

As you can see, in your package you did not include two items: the listing agreement and the financial hardship package. Because these two items are missing, you might get a “no” without knowing why.



By sending the additional information... hardship letter, pictures, list of repairs, and comps... you might get a bigger discount because you built a better case.

In addition to meeting its own checklist, when the bank asks for additional information, it is to appease shareholders. Every property you will negotiate has a mortgage which is part of a larger package. Each of these packages has investors or shareholders who make the

final decision as to whether to short sale. Some shareholders will short sale; some will not. When your loss mitigation rep asks for more information, it is to show the shareholders why they should accept your offer.

With luck and persistence, you should get about 60% to 70% of your offers accepted. Almost every bank will accept a short sale; the key is getting it low enough to make it a good deal for you.

Let's discuss some potential items you may need to produce...

POSSIBLE HARDSHIP PACKAGE

Some banks require what they call a “hardship package.” This is a package the bank will send via mail or fax to you or to the homeowners to be completed by the “borrower.” The “borrower” being the homeowner, NOT YOU. The banks hardship package looks like a loan application.

- ✓ The bank is trying to determine that the homeowners have no money and are not choosing to walk away from the property.

They will have to include W-2's, bank statements, paycheck stubs, and a financial statement.

The bank is much more inclined to accept a short sale if a real hardship is proven. Keeping in mind this fact, the seller should complete the package accordingly.

Some of these items will not exist, but put together what you can. If there are required items missing, simply take a blank sheet of paper and type on the top of it the name of the missing item and the words, “There aren't any because....”

For example:

- ☞ **Paycheck Stubs**, and “There are no paycheck stubs as we are currently unemployed.”
- ☞ **Tax Returns**, and “There are no tax returns because we haven’t had the money to file for two years.... or we have been unemployed for over a year or...”

Make sure each sheet you create is signed by the homeowners. You may have to help the homeowners complete the hardship package. The hardship package can seem overwhelming to distressed homeowners.

- ☞ When you speak with the bank about the short sale, make yourself the contact person.

This way, the bank will fax the hardship package to you. You can then get it to the sellers to be completed.

☞ Whenever you work with a bank that requires a hardship package, make and keep a copy of that package for future reference.

The next time another seller has a mortgage with that same bank, you will be able to get the package completed on the first appointment. This will help expedite the short sale process because you never know when you will get another opportunity to sit down with the homeowners or to speak with loss mitigation.

POSSIBLE LISTING AGREEMENT

Sometimes the bank will ask for a real estate listing agreement as part of its requirement for accepting a short sale. The listing agreement proves that the homeowners were or are trying to sell the property. The bank wants to be sure that your offer isn't the only offer that has been presented.

Your team-player agent can list the property for the homeowners and provide the listing agreement for the bank. Once the property is entered into the MLS, mark the property "pending" due to the fact that you have a fully-signed sales agreement.

☞ When determining the asking price for the listing agreement, the agent will add the mortgage balance, the real estate commission, and the proceeds for the homeowners.

That will make the offer unrealistic, which is why it hasn't sold in the first place. Real estate agents who list properties too high do nothing but hurt the homeowners. We can't tell you how many times we have seen properties listed for much higher than retail sit on the market and then sell at the sheriff's sale. The poor homeowners put all their eggs in the real estate agent's basket and lost.

☞ It's important for you to know that banks who seek a listing agreement will typically pay real estate commission.

This is an important fact when looking for a real estate agent to assist you when listing agreements are required. The commission comes out of the gross to the bank, so be certain to negotiate a discounted percentage.

Don't forget, the real estate agent represents the sellers and has a fiduciary duty to look out for their best interests.

☞ Find a real estate agent who will understand what you are doing so that they will realize you are here to *help* not hurt the homeowners.

☞ If the homeowners have been trying to sell the property themselves, ask the bank if a copy of the newspaper ad (or whatever proof they have) will suffice.

If the bank requires a listing agreement, ask the rep if you can close now or do you have to wait until the listing agreement expires.

Typically, when the bank wants a listing agreement, it wants a 90-day agreement. If you must wait until the agreement runs its course, you'll be waiting 90 days.

☞ FHA and VA's require a 90-day listing agreement.

I always ask the bank if the property actually needs to be listed or will a copy of the listing agreement suffice. Often, the bank will accept a copy for the file and forego the time-frame on the listing agreement.

Again, it goes back to satisfying the banks checklist. A copy may satisfy the checklist and you are back in business!

PROOF OF FUNDS/PRE-APPROVAL LETTER

Your offer is always taken more seriously when you back it up with funds! This is a letter that shows you have financing in place and are able to perform on the contract.

☞ A mortgage broker can prepare a pre-qualification letter for you if you are obtaining bank financing, or you can get a proof of funds letter from any hard money lender.

Hard money lenders are private individuals or privately owned companies who lend their own money against property based on the equity in the property.

☞ Their loans are high rate, interest only, short-term balloon mortgages.

However, compared to similar bank mortgages, hard money loans are a much better deal. They can close quickly, have very minimal loan requirements, and they don't care about the condition of the property.

☞ If you are planning to wholesale the property because you have no cash, don't worry. The rehabber you are wholesaling the property to can provide a proof of funds letter from the person lending the money.

If you have the cash to close the deal, you can use a bank statement or letter from your bank stating that the funds are available. Be certain to state the amount available in your letter as equal to the amount being offered or slightly less. If you have more, great! Now is not the time to show off.

☞ If you have more and show it, the bank is more likely to counter-offer your offer with an increased amount coincidentally similar to the amount on your bank statement.

Your proof of funds letter will look similar to the following example:

PROOF OF FUNDS LETTER

June 18th

Sterling Mortgage

182 Barns Avenue

Allentown, Pa 43987

Re: Proof of Funds

To Whom It May Concern:

Lender has inspected the property located at 893 Smith Street and has approved Dwan and Bill for a \$350,000 loan. This commitment is good for 45 days from today.

Cordially,

Signed by Your Lender

If you are unable to secure a proof of funds letter, consider getting one from the person you will be selling the property to. A rehabber or landlord can provide one since they will be buying the property from you using cash.

Most of the time, the bank will accept the short sale package you submit. If the bank does ask for these additional items, submit them as soon as possible.

☞ Time is always of the essence when working on a short sale.

Your homeowners are usually trying to beat the sheriff's sale and will be on pins and needles.

THE BANKS INSPECTION

Once a short sale offer is made and the document requirements have been fulfilled by you and the seller, most banks will require an inspection of the property. This inspection is done to determine the as-is value of the property and is a determining factor in the acceptance or counter-offer of your short sale.

☞ The banks will either order a **BPO**, performed by a real estate agent, or they will order an appraisal, done by an appraiser.

If the bank requires either of these, it will cover the cost. Make yourself the contact person for this inspection *because you have the key* and show up! This is the appointment that can make or break your deal.

BPO: Broker's price opinion. A BPO is similar to an appraisal, only informal. When a bank orders an appraisal, a certified appraiser does it and the cost can range from \$300 to \$600. A BPO is done by a real estate agent and usually costs the bank \$75 or so. For this reason, banks tend to do BPO's more often than appraisals. If the property has a VA or FHA loan, a certified appraisal is required.

When you meet the real estate agent or appraiser at the property, bring your short sale package. Give the package to the agent or appraiser and plead your case.

Show the appraiser the property through your eyes. Point out everything that is in disrepair. If your contractor is present, allow him the honors.

- ☞ If the property has a smelly room, have your conversation with the appraiser in that room. Smelly rooms have a way of making a property seem worse than it actually is.

Hand the appraiser the contractor's estimate and any helpful information that will cause you to get the value you need for your short sale.

Both appraisers and agents will appreciate the helpful information to make their job of finding value easier. We find that real estate agents are easier to work with because they have less of an "investor" mentality which works in our favor.

- ☞ Explain the hardship and try to make this person "feel" for the homeowners. The more emotionally involved the appraiser or agent becomes with the homeowners, the better your discount. We walk them through the house and talk about the homeowners, the kids, the hardship, how this BPO can help these folks start a new life, and so on.

Appraisers are accustomed to giving the highest value, never the lowest. Point out every single item in the house that needs repair.

☞ Real estate agents and appraisers tend to think like end-users and will be appalled at the work most of these properties need.

Don't be shy about showing the sales contract to the agent or appraiser. This will show the person exactly what you need the number to be.

When giving an appraisal, appraisers have a range they work within. It's just as easy for them to appraise the property at the low end of the range as it is the high end, when it is justified. This is why you must be present for the inspection.

THINGS IN THE “NICE TO HAVE” CATEGORY

As you complete each short sale, get a letter of recommendation from the loss mitigation rep explaining how easy you were to work with. Include this letter in all future deals. Loss mitigation reps will be more inclined to work with you when they see that other reps found you easy to work with.

Here is a sample letter:

To Whom It May Concern:

I am a loss mitigation rep with Washington Mutual. I recently completed a short sale with YOU, THE INVESTOR. I found YOUR NAME HERE easy to work with and very professional. YOUR NAME sent a complete, easy to follow short sale package and closed within the time-frame given.

I highly recommend you work with HIM/HER. I'm sure you can expect the same great results.

Sincerely,

Betty, Loss Mitigation Rep

Short Sale Secrets - Building Your Case

Get letters of recommendation each time you complete a short sale. Send several letters with each package. As we said, most reps are overworked and like easy deals.

If you will send a complete package and close on time, you'll find you can close as many deals as you choose.

Remember, you are building a replicatable business. Every edge you have adds to your success.

SHORT SALE PACKAGE CHECKLIST

Have you done everything necessary to present your package? Take a minute to go over the check list to be certain you haven't left anything out.

- The homeowners signed an "authorization to release information" form.
- Your deal is solid with the homeowner.
- You have agreed on a move-out date.
- You have agreed upon a specific amount of money to give the homeowners.
- You have a signed sales contract.
- You have your cover letter stating why you can't pay full-price.
- You ran comps.
- You took some bad pictures.
- The homeowners wrote a really sad hardship letter that is backed up with proof.
- Your net sheet is complete.
- You have an extensive list of repairs.
- You met the agent or appraiser at the property and gave them a copy of the short sale package.
- You got the agent or appraiser emotionally involved in the deal by talking about the sad situation.

Short Sale Secrets - Building Your Case

- ☑ You possibly have a deed signed by the homeowners (YOU ARE NOT TO FILE THE DEED).
- ☑ You have built a nice rapport with the loss mitigation rep.
- ☑ You sent several letters of recommendation with your package.
- ☑ You are ready with your back-up plan in case the bank says no.
- ☑ You are certain the property is not going to the sheriff's sale before you can get your short sale acceptance.

Use the following form to be certain you haven't forgotten anything.

SHORT SALE CHECK LIST FOR YOUR FILE

Items Required by Bank	Check if Included	Additional Items We Send to Build a Stronger Case	Check if Included
Financial Hardship Package		Non-payment of Alimony	
Tax Returns		Hardship Letter	
Paycheck Stubs		Proof of Hardship	
Bank Statements		Pictures of Disrepair	
Copy of Late Notices		Proof of Declining 401K	
Sales Contract		Proof of Using Savings to Live	
Net Sheet		Proof of Job Loss	
Credit Card Payments		Proof of Divorce	
Comparable Sales		Proof of Probate	
Listing Agreement		Pawnshop Tickets	
Proof of Funds		Met the Agent for BPO	
Scheduled a BPO		Crime Reports	
Detailed List of Repairs		Sex Offenders	
		Market Changes	
		Pictures of Boarded up Houses	
		Pictures of New Construction	
		Mold Test Kit	
Other:		Other:	

SAMPLE DEAL COORDINATING SHEET

When we work on more than one short sale, we use this form to keep track of who everyone is. When working on 15 or 20 short sales at once all the different people seem to run together. You will find this form helpful, especially if this is your first short sale. Whether you do just this one, are a full-time investor now, or decide to help homeowners for a living, keeping track of the different players, the different calls, faxes, emails, and more is crucial to your deal. You certainly don't want to call loss mitigation and forget where you are in your deal.

Date: _____

PROPERTY ADDRESS: _____

PURCHASE PRICE \$ _____

Listing Agent: _____

Email: _____

Cell Ph: _____ Office Ph: _____ Fax: _____

Buyer's Agent: _____

Email: _____

Cell Ph: _____ Office Ph: _____ Fax: _____

Owner or Seller: _____

Email: _____

Cell Ph: _____ Office Ph: _____ Fax: _____

Short Sale Secrets - Building Your Case

Short Sale Bank Name(s): _____

Email: _____

Cell Ph: _____ Office Ph: _____ Fax: _____

End Buyer: _____

Proof of Funds: _____

Email: _____

Cell Ph: _____ Office Ph: _____ Fax: _____

Closing Information:

Title Company #1: _____

Contact: _____

Office Ph: _____ Fax: _____

Email: _____

Buyers Mortgage Broker/Lender: _____

Cell Ph: _____ Office Ph: _____

Fax: _____ Loan info: _____

Sellers Lender: _____

Cell Ph: _____ Office Ph: _____

Fax: _____ Loan info: _____

Real Estate Commissions Due:

Realty & Fee: _____

Assignment Fee: _____

Consulting Fee: _____

BACK UP OFFERS: _____

Straight Sale: _____ Assignment: _____ Double Closing: _____

Closing Date: _____ Time: _____ Location: _____

If you have completed this check list, you're good to go. Should you get a no or a high counter-offer, read "Short Sale® Secrets – The System ... Closing Arguments" for what to do next.

Good luck!



May God Bless and Reward You!