THE WHOLESALE SYSTEM

HOW TO TURN $10 INTO $10,000

In 30 Days or Less!

PART 2: BUILDING YOUR FORTUNE

Dwan is your Key to Success

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Investors Edge University

Presents …

How to Turn $10 Into $10,000 in 30 Days Or Less!

WEEK THREE: Building Blocks for Financial Freedom

WEEK THREE

Building Blocks for Financial Freedom

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TAKING CALLS FROM DISTRESSED HOMEOWNERS

In Week Two, we left off with your setting an appointment. You know the homeowners are motivated, now you need to know if they have equity, if the property needs rehab, and so on.

☞ A great tactic is to call to confirm the appointment.

At this time, let the homeowners know you need more information. If they were receptive on the initial conversation, proceed with this questionnaire. It can be overwhelming to some homeowners to bombard them with too many questions on the initial conversation.

Approach the conversation like this:

YOU: Hi Mary. I'm calling to confirm our appointment tonight at 7:00.

THEM: Yes, we'll be home.

YOU: Great, I just need to confirm that everyone on the deed will be present and, if you don't mind, I need to ask you a few more questions.

THEM: Yes, we'll both be here. What else do you need?

Fill out this questionnaire. Keep in mind that they may have answered some of these questions on the first call. Don't ask the same questions again. I use this questionnaire with each phone call. If the homeowners seem receptive on the initial phone call, I keep asking questions.

Owner's Name(s): ____

Phone # ____

Property Address: ____

____

Subdivision: ____

Can you tell me a little about your situation?

____

____

____

How did you hear about me? _______________________________________

Is the property occupied? _______________

Owner Occupied? ____________________

Tenant Occupied? ____________________

Vacant ____________________

What type of a property do you have?

Condo _______________

Land ________________

Single Family __________

Townhouse ____________

Are you in foreclosure? ____________________

How long have you been in foreclosure? _____________________________

When you were served the foreclosure papers, did you file an answer or attend a hearing? ____

Have you filed bankruptcy yet? _______________

Which one? 7 or 13

When did you file?__________________

Do you have an attorney helping you? ______________________________

What do you believe your property is worth? ___________________________

How did you arrive at that number? _________________________________

____

How many payments have you missed? _____________________________

How much are your monthly payments? $_____________________________

Does that include principle, interest, taxes, and insurance (PITI)?

____

Are real estate taxes current? ______________________________________

What would you like to do?

Keep _____ *Sell* _____ *How much $*______________

Sell: Where/when are you intending to move?

____

How much $$$ do you think you need to move?

____

Keep: Have you tried to work with the bank to get current?

____

How much cash are you working with to get back on track?

____

Are you working now? ____

Can you afford the payment now? __________________________________

Has a final foreclosure sale date been set yet?

____

If so, when? ____

Do you mind if I call the bank to get more information?

____

Bank Name & Phone:

____

Contact: ____

Loan # ____

I need some property information:

How many bedrooms? ___________________________________

Bathrooms ____

Do you have a pool? _____________________________________

Garage? ____

Extra Rooms? ____

Gated Community? _____________________________________

Do you have a homeowner's association? ____________________

If so, how much are the dues? ____________________________

Are the dues current? ___________________________________

How much is owed in back payments?

____

Does your property need any work? If so, what?

____

____

____

If I buy your property, do you want me to do the work or will you do it before you move?

____

Is there anything else I need to know before I come?

____

____

Could I get some directions?

____

____

____

____

____

YOU: Great, I'll see you at 7:00. Based on the information I have, I am certain we can work something out. Before I come, is there anyone else you want to be present who would affect your decision to work with me?

THEM: No, I am ready to get out of this situation.

YOU: Good. Mary, I am going to spend some time now determining property values and such. When I see you tonight, I am going to be ready to sign a contract and get busy getting you out if this situation. I just want to be certain you are also ready to get out of this situation.

- ✓ If you knocked on the door, you should know the property values first. I run comps before I knock on doors so that if someone answers, I can proceed with this questionnaire and put a deal together on the spot.

THEM: I am looking forward to seeing you later.

DETERMINING PROPERTY VALUES

So far, so good. You have found a property and made an appointment. Now you need to determine what the property is worth.

To determine property values, run "**comps.**"

☞ Comps are used to research recently sold properties similar to the subject property, located in the same area.

Comps: Comparable market values. When running comps, use like-type properties. For example, if your property has 3 bedrooms, 2 baths, and is 1200 square feet, use a similar property - not a 5 bedroom, 4 bath, 2300 square foot property.

Market value is determined by the price buyers are willing to **pay** for homes in that area, **not the asking prices**.

☞ You can find comparable sales through a Realtor, by going online, or by driving the neighborhood.

Drive through the neighborhood and write down the phone numbers of every property that is for sale. Don't forget to call the "For Sale by Owners" as well.

☞ When you call the real estate offices, ask for the **listing prices** of the properties, and the prices of recently **sold** homes.

The real estate agents will usually answer questions you may have about the area and the prices. If you know a real estate agent, or have access to one of the services that provides real estate information, obtain comps yourself. Estimate low when running comps; this gives you a cushion.

When driving through neighborhoods, pay close attention to the condition of the other properties as well as what is happening in the neighborhood.

Points to consider:

- ✓ Are other properties run down?
- ✓ Are there many for sale?
- ✓ What type of neighborhood is it?
  - Blue collar?
  - White collar?
  - Family neighborhood?
  - Adult community?
- ✓ How are the schools?
- ✓ How is the shopping?
- ✓ Is there access to major streets?
- ✓ What is the crime rate?
- ✓ How close is the grocery store?

- ✓ Is there a dump nearby?
- ✓ Are there any prisons nearby?
- ✓ Are there any halfway houses?
- ✓ Assisted living facilities?
- ✓ Is there a train track nearby?
- ✓ How close are the houses of worship?

All these factors will be important when wholesaling because rehabbers may want to know this information before buying your property.

None of these factors will keep your property from selling, but you may have to sell for less. There is a buyer for **everything.** I have sold houses practically sitting on train tracks. Although I would not want to live there, the houses sold quickly because the price was right.

> ☞ Price dictates everything.

Don't be afraid to buy houses in every type of neighborhood. Just be aware that negative points, such as a prison or dump next door, will cause your property to sell for less. The good news is, buying a house next to a prison is probably very safe. An inmate who breaks out will likely leave the neighborhood as quickly as possible.

By driving neighborhoods, you will soon learn the values and will not have to do so much work the next time. I am at the point now where I know the areas, so whenever someone calls, I don't have to run comps. You'll still need to see every property to determine the condition. But knowing the values will save valuable time.

☞ Remember, the worse condition a property is in, the less you will have to pay.

The key to successful wholesaling is to find properties with equity so that you have room to wholesale them to rehabbers.

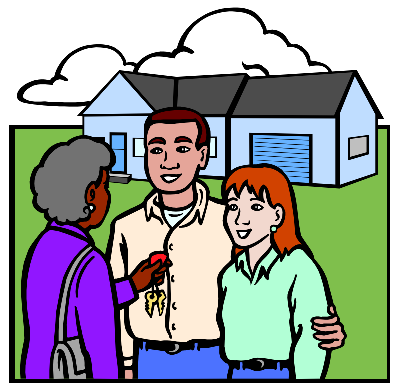
☞ Usually older properties have more equity than the newer ones.

Many new homebuyers borrow 90 to 95% of the property value so, they don't have much equity.

Okay, you've determined the value of the property. You think you have a deal in the making. Now it's time to meet the homeowners.

THE WALK-THROUGH

☞ Almost all homeowners with whom you negotiate will think their house is worth more than it actually is.



They have lived in the house for many years and have developed a personal attachment to the property. They know what the house down the street sold for, so they automatically think their house is worth the same. However, the house down the street may be in mint condition and their house needs work.

Homeowners don't always see the work their property needs. They have lived with the disrepair for so long, they no longer see it. Most homeowners determine their price based on neighborhood sales.

The first thing you have to do is move them away from that idea. Start by asking questions and negotiating with homeowners in a way that won't offend them. Many investors are too harsh and say things like, "Your house is trash. It's really a dump. I'll give you $500 for the deed and you walk away." That approach really offends homeowners and, quite frankly, doesn't work. You will lose deals with such a rude, direct approach.

☞ Walk through the house in a nonthreatening and unintimidating way while asking your questions.

For example, you can ask, “What’s that stain up there?” The homeowner may tell you, “Oh, that’s an old roof leak.” (You know very well it’s a roof leak, but let them tell you.)

You can ask, “What kind of work does this house need?” They may tell you it needs paint, carpeting, a new kitchen, and so on. You can go through the list and ask whether their neighbor’s house needed each of these repairs or upgrades. They will likely say, “No.” The key is to let the homeowners convince themselves that their property is not worth as much as they think it is.

Be sure to point out every single item that may need to be updated or repaired.

☞ Look at the paint in each room:

- ✓ Is it chipped?
- ✓ Does it have lead?
- ✓ Is the color modern - white, antique, or off-white?
- ✓ Is the color blue, pink, or any other outdated color?

Every square inch of the paint must be in perfect condition or the property needs a complete paint job. Painting the complete interior of a house can cost as much as $5,000 or more.

☞ Walk through the bathrooms: Are the colors modern - white, off-white, or neutral? If the bathrooms are pink, blue, avocado, red, black, or any other funky color, they need to be replaced or updated. This means new tile on the walls, new bathtubs, sinks, toilets, floor tiles, and so on. Updating a bathroom can easily run into the thousand's.

☞ Inspect the kitchen: What is the condition of the floor, cabinets, appliances, countertops, walls? Are the walls behind the cabinets and appliances water damaged? Don't miss a single detail. Remember, any work that hasn't been done is money that comes off the purchase price.

☞ Walk around the exterior of the property. Look at the paint, wood, window openings, screens, soffit and fascia, front and rear doors, landscaping, roof, and so on. Be certain the roof is in good condition; they can be costly to replace. A new roof with a warranty is a big selling feature for you.

As you walk through and around the house, the homeowners will begin to see why you cannot pay full price. They may say something like, "You're right, I am being unreasonable; I'm asking too much." Let the homeowners convince themselves of that fact.

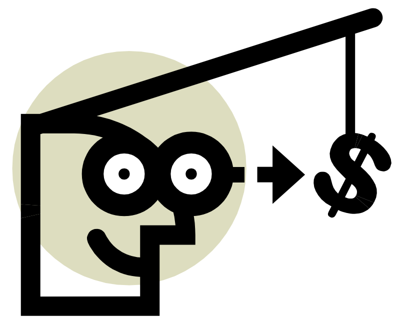
☞ Many times homeowners who live in disrepair no longer see the damage.

They have lived with a roof leak for so long, it seems normal. The same goes for a blue bathroom; it's been blue so long, it is normal to them. Don't insult homeowners by making comments about how outdated their house may be.

Once you have completed the tour and discussed everything the house needs, ask the homeowners again, "What are you seeking as a result of my help?" If they are still being unrealistic by asking for a large sum of money, inform them that if you can figure out a way to make the numbers work, you'll give them what they are seeking.

Let's say they have asked for $100,000 and you feel that $100,000 is the actual market value of the property. You have determined the mortgage balance to be $50,000. What the homeowners are really asking for is $50,000 for their equity.

☞ Your conversation will go like this:



YOU: Bob and Mary, we have toured the property and we all agree, it needs quite a bit of work. You told me your mortgage balance is $50,000 and you are asking $100,000. Is that correct? Great, so what you're saying is that you actually want $50,000, right?

THEM: No, we want $100,000.

YOU: I don't understand. You owe $50,000 and your property is worth $100,000. If I give you the $100,000 you seek and you pay off the mortgage balance of $50,000, you'll have $50,000 left over, right?

THEM: Well, I guess so, if you look at it like that.

YOU: Great, so we all agree that $50,000 is what you want, correct? Great! Let's do this, let's go over the numbers and see if we can get you what you want, okay? Let me grab my pad and pen.

STUDENT TESTIMONIAL

My husband and I are now both full-time investors thanks to Investors Edge University. We have made and extraordinary income after all the various tips and strategies we learned from this program. We have made in the range of $20,000 on 18-20 wholesaled deals.

We have rehabbed countless properties with a profit ranging from $10,000 to $50,000 each! We also own three rentals. We do not like to boast about what we have achieved because it is by the grace of God. However, we need to let people know this course is proven.

Sandy and James S., Florida

NEGOTIATING PRICE USING THE PAD AND PEN APPROACH

This is what you do:

☞ At the top of the pad, write $50,000.

Next, you say, "Let's figure out what it will take to modernize your property. We'll put all the figures here and see where we stand."

☞ Your goal here is to make them realize that they have already taken their equity.

If the property needs an $8,000 roof and they did not replace it; they spent the money. This means they have already taken $8,000 of their equity. The same goes for mortgage payments. If they are $5,000 behind and don't have the cash, they have spent it and, therefore, taken the equity. You're trying to get them to understand the concept that they have indeed taken equity; therefore, they can take less for their property now.

The conversation will go something like this:

YOU: How much do you owe in back payments?" (They say $10,000.) You're $10,000 behind on your mortgage payments, so that's $10,000 that you've already taken. We'll deduct it from the $50,000 that you want today.

THEM: No way, we're not taking $10,000 off the top. We want the entire $50,000.

YOU: I'm sorry, maybe I'm not understanding something here. Are you saying you have the money to pay the mortgage company the $10,000 that is owed? (They say no.) If you don't have the $10,000, what did you do with it?

THEM: Well, we spent it.

YOU: Oh, I see… you spent it. So, if you spent the money and didn't pay the mortgage company, then you have taken $10,000 of your equity. Right?

THEM: Well, I guess so, if you look at it like that.

YOU: Great, let's deduct $10,000 from the $50,000. Now, we all agree, it will take $3,000 to modernize the kitchen and appliances, correct? Do you want to update the kitchen and appliances, or do you want me to do it?

THEM: We don't have $3,000 to modernize the kitchen, so we'll need you to do it.

YOU: Okay, I'll be happy to do it. We'll just deduct $3,000 from the $50,000 as well. We also agree the house needs a new paint job inside and out. Do we agree on the figure of $5,000 for interior and exterior paint? Great, let's deduct that figure as well unless you'd like to do it so I can pay you more.

THEM: We don't have the money for that either.

See what we are doing here? Anything they have not paid or repaired is equity they have taken. Notice I often say, "So we agree." If they are agreeing with you through every step, they won't be shocked or mad at the end when you offer them a lesser amount.

Always give them the opportunity to fix or repair items. They will say they do not have the money and that they need you to do it. This lets them convince themselves that they are getting a good deal since they don't have to fix the entire house before they sell it to you.

As you sit with them, discuss every item. It will look like this on paper:

$ 50,000 equity

-	10,000	unpaid mortgage payments
-	8,000	new roof
-	5,000	to paint inside and out
-	3,000	to update kitchen
-	2,500	to update two baths
-	3,000	for your closing costs to purchase the property
-	10,000	your fee for putting the deal together

YOU: Bob and Mary, as you can plainly see, you have taken $41,500 of your equity so far. So, that leaves $8,500 for us to split. That's $4,250 each! Isn't that great?

THEM: Wait a minute, you said you were making $10,000 as your fee. Now you want half the equity, too? That hardly seems fair.

YOU: I completely understand your feelings. However, the $10,000 we discussed

is my fee for putting this deal together. I have to find a buyer, take care of all the paperwork, get this done before you lose the house, get the title work started, arrange the closing, and so much more. I will have many hours in this deal and as you know…it could still fall apart. So, the only profit for me is whatever we split. I'm sure you'll agree with me, this is more than fair, don't you?

YOU: There is one more fee to consider. You are going to have closing costs. I'll be happy to pay them for you. The closing costs should run about $3,000. If we take the $3,000 from the $8,500, that leaves us $5,500 to split. We'll make $2,750 each. **It's less than I like to make**; however, I am still willing to do the deal. I want to see you get back on track with your life.

They typically agree to the reduced offer. As you can see, the negotiations are fairly simple. I have used this tactic for years with great success. As the homeowners see the actual figures on paper, they will realize their price is unrealistic. With proper negotiations, most homeowners will accept a few thousand dollars.

Notice, I said that I was still willing to do it for a small amount. This lets them realize that I am doing them a huge favor. Homeowners just want out from under the stress and to have enough money to get a fresh start.

☞ As an added touch, I like to hire a moving truck for them.

There will be times when homeowners need more than a few thousand dollars. In that case, you'll need to purchase the property for less, or make less on your fee.

Something I often see investors do is to inflate the repair costs so it shows no profit for them. The homeowners know you have to make something. For them to expect you to make only $2,750 is not realistic.

☞ Investors, don't feel guilty for making money.

I remember being new and feeling guilty for making $10,000 from someone who was losing everything. I'd give higher rehab figures so it looked like I wasn't making much. Many times homeowners would ask why I do so much work for so little money. For me to say that I just like to help people isn't realistic. They know I need to earn a living. Once my confidence level was higher, I began standing my ground.

I truly believe homeowners respect me more if I am honest. I now say, "My fee is $10,000. Just like you, I also need to earn a living. I have kids, a mortgage payment, car payment, and other expenses." No one gives me any grief. Don't feel guilty for making great money!

Let's talk about another kind of negotiation. Homeowners with equity who refuse to walk away without most of it, or who want to partner with you.

DEALING WITH DIFFICULT HOMEOWNERS

There are basically three types of distressed homeowners:

- Homeowners like we just mentioned who have equity and will easily part with it.
- Homeowners who have equity, but would rather lose it than give it to you. With the proper negotiating, they will see it your way and part with their equity.
- Homeowners who have equity and will not, under any circumstances, part with it. They insist you partner the deal, or they will let it go to the bank.

☞ Let's discuss homeowners number two: have equity; difficult to deal with.

Here is a typical scenario: Your marketing is working great. You get a call from homeowners willing to work with you. Use the previous script and set an appointment.

As you tour the property, you discover there are no repairs needed. The homeowners actually have equity. We'll use the previous example to keep this simple.

YOU: How much do you owe on your home? (They say $50,000.) Great, and what price are you seeking?

THEM: We want $100,000. As you can see, our house is in great condition. Other than being behind in payments, there is no work to do.

YOU: I agree that your property is in great condition. However, I can't pay full retail. There has to be some equity in this deal in order for me to make some money and pay my own bills.

THEM: We want the entire $50,000, or we are not willing to sell. We'd rather lose it all than give it to you. This is our home where we have raised our kids. If you can't give us some substantial money, you need to leave.

YOU: Great, let's look at the numbers and see what we can do. I am only interested in a win-win solution. You say you are seeking $50,000. Let's see if it is possible. How far behind in payments are you?

THEM: We have missed 10 payments and they are $1,000 monthly, so $10,000.

YOU: Okay, (just like before, you have a pad of paper with the number $50,000 written at the top) let's deduct the back payments from the top. We are now looking at $40,000.

THEM: We want the entire $50,000 or nothing.

YOU: I can understand your feelings. You have lived here a long time, raised your kids here, eaten at this table every night. It has a lot of memories for you and your family. However, the fact of the matter is that in 40 days you are going to lose this house and have nowhere to go and no money to go with. I want to see us work out a win-win solution as quickly as possible. Bob and Mary, unless you have the $10,000 to make up the back payments, I have to deduct it from the total amount you want because you have taken that money. Do you have the money? (No, I spent it.) Then we have to take it off the top. You have, in fact, taken the equity if you did not use it for mortgage payments. Do you agree with me?

THEM: Well, yes, we agree. We just don't like it. We really want the entire $50,000.

YOU: I completely understand your feelings. Let me ask you this… if the bank takes your house at the sheriff's sale, how much money will they give you? That's right, none! I don't want to see you lose your house and get nothing for it. However, in order for me to help you, you're going to have to be a little more flexible here. I understand your frustration, but I can't help you if you won't help me. Now, we can take the $10,000 off the top, you can pay it, or I can help someone else who really wants and needs my help. It's up to you.

THEM: Well, we can take the $10,000 off the top. We see your point.

YOU: I also have to make some money for putting this transaction together. My usual fee is $10,000.

THEM: Are you crazy? $10,000! No way, it's way too much.

YOU: I appreciate your opinion very much; however, you can't expect me to work for free. I have the same bills you have…mortgage, phone, groceries, car payment, and so on. Bob and Mary, I will get your house sold and give you a chance for a new start; however, I can't do it for free. I will be responsible for finding a buyer, taking care of all the paperwork, arranging the closing, taking care of the title work, and so much more behind-the-scenes work you'll never see. In addition to the many, many hours I'm about ready to invest here, the deal may still fall apart. If it does, then I did all this work for nothing. I'm willing to take the risk and spend the hours; however, I have to get paid for it. I really can't do it for less than $10,000. If we can agree on this, I'll take good care of you.

THEM: Okay, we'll allow you to make your standard fee. We still have $30,000 left, right?

YOU: Well, not exactly. You're going to have closing costs. They will run about $3,000. I can pay those for you, but the figure has to come off the top. Now we have $27,000 left. Since I am going to wholesale the house, I'll have to leave $15,000 on the table for the person who buys the house from me. Basically, that leaves us $12,000 to split. You'll get $6,000 and so will I. What I can do for you is give you half of that now or give you all of it when the house sells. The problem is, the house might sell for less than what we expect, so you could potentially make less. I think taking $3,000 now is a safe bet, don't you agree?

THEM: We're leaving $15,000 on the table for whom?

YOU: I am a wholesaler. What that means is that I am going to sell your property to a rehabber who will make repairs and then sell it to an end user, which means a long-term homeowner. Rehabbers can close in just days and that is all we have time for because your foreclosure sale is in 40 days. There is no time to find an end user. If we found one today, he or she would need 45 to 60 days to close and by then your property would be lost. So, again, since time is of the essence, a rehabber is all we have time for. Rehabbers won't buy houses unless they can make at least $15,000 or more in profit after their repair expenses. I have an extensive list of rehabbers ready and willing to buy this house, all we have to do is agree on the price.

THEM: We're not happy about getting so little for our house; however, we do see what you are saying. Okay, we'll take $3,000 today. We need to move and we have kids to worry about. Besides, we are so burned out on this situation, we just want to start over.

Surprisingly enough, homeowners go from being difficult to taking a few thousand dollars. I have had this conversation many times. As long as you speak to homeowners with respect and have a lot of patience, you'll win them over every time.

Homeowners are difficult at times because they are embarrassed about their situation. Imagine how you would feel if you had to call a total stranger to help

you and then that stranger wants to make money from your distress. Once you establish rapport, you'll find almost everyone easy to deal with.

Even the most difficult homeowners will become your buddy because they see you are helping them and not taking advantage.

It's all about treating them with respect while still being firm.

PARTNERING WITH HOMEOWNERS

☞ Next, we have homeowners who will not part with any of their equity.

The call comes in and you realize they have a lot of equity, are more savvy than the average homeowner, and know they have something of value. After asking your questions you determine they have a property worth $150,000, owe $75,000, and the property is in excellent condition. They are expecting $75,000.

- Same conversation as before, but we change it here….

YOU: Bob and Mary, we all agree that you have a substantial amount of equity. In order for me to help you, I'll need to make my normal fee of $10,000.

THEM: Are you insane? $10,000! We're not giving you $10,000 to sell our house. We have 40 days before the sale and with the equity we have, we can sell it ourselves and keep the $10,000.

YOU: I agree with you; however, consider this: you don't have any experience selling houses. If you sold your house tomorrow, it would still take 45 to 60 days to close it. A mortgage broker or loan officer needs at least 45 days to complete a loan package and get to the closing table. With only 40 days until the sheriff's sale, you are running tight on time. If you let me work with you, I can get the deal done and closed in less than 30 days. I am happy to help you; however, I can't work for free. I have to make my fee. Let's do the right thing and work together.

THEM: Okay, we will allow you to make your fee of $10,000. We still have $65,000 in equity and want it all.

YOU: Your house is in good shape and I do have an investor in mind who can close next week. The investor I have in mind will close on the house now, which will relieve your problem, and then sell it retail. Because he has to close and then hold the property, he will want to make pretty good money. He is, after all, taking all the risk. He'll have to pay $3,000 to $4,000 in closing

costs, make the new mortgage payment for approximately six months while he markets the house, and gets the deal to the closing table. I know he won't do it for less than $20,000, plus expenses. If we figure $4,000 for closing costs, $6,000 for mortgage payments, and $20,000 for profit, that leaves us $35,000 to split. Based on everything working out for the best, we'll make about $17,500 each after expenses.

THEM: No way…$17,500. We have $75,000 in equity! How can you expect us to go from $75,000 to just $17,500. We feel like we are getting ripped off.

YOU: I completely understand your feelings. I have helped many homeowners in the past and many of them feel as you do. The fact of the matter is that you are losing your house in just a few short weeks. I have the experience necessary to get you out of this situation. However, everyone involved is going to want to make some money. Like you, we don't work free either. I am happy to proceed with this transaction, but you need to be a little more flexible. When the bank takes your house at the sheriff's sale, how much money will the bank give you to start over with? That's right, none. I am willing to go out on a limb and help you and the rehabber is willing to buy the house and sit on it for as long as it takes; however, you have to be willing to bend a little. This offer is the best I can do.

THEM: Well…we can live with that. We don't want to make zero and don't want a foreclosure on our credit report. At some point, we want to rebuild our lives.

YOU: Great, we'll need to enter into the Homeowner Partnership Agreement so that all of us are protected.

THEM: Partnership Agreement? What is that?

YOU: It's a simple agreement that allows me to take over the deal and do what I need to do to get the deal done. The agreement also protects you so that you don't have to worry about not getting paid.

THEM: We don't know about this. Will we still be on title? How do we know we can trust you?

YOU: No, you will not be on title. The Partnership Agreement puts me in total control. In order for me to get this deal done in a timely manner, I need to be able to make decisions on the spot. Since I help homeowners for a living, I know what needs to done and will do what is in your best interest. Let's look at it from my point of view. Let's assume the day before the closing you were to get into a car accident. I would not be able to close the deal and help your family because you would be unable to sign the closing papers. If we sign the papers and something happens to me, my title company can still close the deal. So you see, the only way I can proceed with the deal is to be in complete control.

THEM: Well… that sounds okay as long as everything is in writing. Do you have a copy of this agreement that we can see now?

YOU: Of course, let's go over it together.

*** A copy of the Homeowner Partnership Agreement is in the back of this program.**

As you can see, I was very nice, respectful, and was successful. There are several reasons you do not want the homeowner on title. The main reason has nothing to do with them having a car accident.

As homeowners begin telling friends and family about the deal, a family member could put the idea in their heads that they should not be giving you $17,500 in addition to the $10,000 fee you are charging. The homeowners begin to have second thoughts about the deal, but they don't tell you. Instead they call an attorney who informs them that if they don't sign the deed, you can't close.

The day of the closing comes and you are so excited because you are about to make $27,500. It is a good day. The homeowners inform you that they think you are making too much and if you don't agree to make $2,000, they won't sign the deed. What are your options? NONE! That's right, none. If both of you don't sign the deed, neither of you can close. You can refuse to sign the deed and the house will go to the sheriff's sale, but no one wins in that situation. You can agree to sign the deed and make $2,000, and then sue the homeowners for the agreed amount, but no one wins in that situation either. If you were in complete control, it would be a nonissue.

Ask me how I know this??? YEP, it has happened to me…talk about being mad! I could have killed those people, but then I realized it was my own fault for not being in control. I am a quick study and once was enough for me..lol!

☞ DO NOT ... EVER … GO ON TITLE WITH A HOMEOWNER!

I can't stress this enough. Investors are afraid to push the title issue for fear of losing the deal. If your homeowners change their minds at the last minute, you lost the deal anyway. It would be much better to have walked away from the start. I rarely have a problem with my homeowners on the title issue. If you take the time to build rapport, treat people with respect, the deals will fall into place.

☞ I don't worry too much about getting the deed unless the homeowners have a lot of equity and they were difficult to begin with. I don't want to do hours of work only to lose the deal. With the easier homeowners, I simply use the sales contract. If you feel more comfortable using the Partnership Agreement with everyone, go ahead. You can never have too much control.

I have only had a small handful of homeowners go around me to work with other investors in all these years. The sad fact was, most of those deals fell apart at the closing table, and the homeowners lost their homes and received no money. Had I used the Partnership Agreement, I could have closed without them.

With most of your wholesale deals, you'll be buying the property for a few thousand dollars above what they owe. When major equity exists, use the Partnership Agreement.

As I said before, I have had thousands of conversations and they go just like the above scenarios.

Homeowners really want three things:

- ☞ More time
- ☞ Moving money
- ☞ A fresh start

If you can give them these things, they will do what you ask. Most of the distressed homeowners who call you will be receptive to what you ask. If you encounter a difficult homeowner, do what I do … say… NEXT! Simply move on. Folks, there are thousands of homeowners in distress every week. Help the ones who want it and cut the others loose. Trying to convince someone to become motivated is a huge waste of time. Since time is money, use it wisely.

- ☞ Notice in the last two conversations, we mentioned walking away from the deal.

In sales, this is called a “take away.” It means we are taking away the offer. If the homeowners prove to be difficult, let them know you are willing to walk. If they say okay, then walk. Don’t look at it as a deal lost. Realize you just saved yourself hours and hours of work for a deal that would have likely fallen apart anyway.

I used to get so upset when a deal fell apart. Then I realized how many hours I was spending trying to make deals work. If the homeowners are not motivated, the deal will likely fall apart anyway. Work with motivated sellers and you'll close every deal and your time will be well spent.

WHAT ARE MY NEXT STEPS TO SUCCESS?

Wholesaling has many aspects. At this point, you have found a deal and are ready to wholesale it.

You have:

- ☞ Run ads
- ☞ Taken calls from rehabbers
- ☞ Built a buyers' list
- ☞ Taken calls from distressed homeowners
- ☞ Determined property values
- ☞ Walked through properties
- ☞ Negotiated a great deal

Now it's time to move to the next phase, getting the property sold and closed.

STUDENT TESTIMONIAL

I purchased Dwan's course and found it very practical to put to use right away. Her course has allowed me to become self-employed as a real estate investor. I also enjoy a simultaneous career as a comic hypnotist. I made $89,000 on my first deal!

Ronald B., Missouri

Your next few steps will include:

- ☞ Signing a contract with the homeowners
- ☞ Finding your rehabber
- ☞ Negotiating the deal with the rehabber
- ☞ Filling out an assignment of contract
- ☞ Setting a closing date
- ☞ Getting your check

Getting checks is my favorite part of wholesaling.

PUTTING YOUR OFFER IN WRITING

You've done the pad and pen approach and the homeowners now want something in writing. It's time to go to contract.

I try to do all negotiating verbally. I don't want to go through the offer/counteroffer process. I feel it is a waste of my time. However, there are homeowners who want to do it this way. When you encounter a homeowner who wants everything in writing, you'll have to negotiate on paper. This is basically how it looks:

You have found a property you are interested in purchasing. You want to purchase the property for $50,000 with a ten-day inspection period. You want the owners to do some of the repairs and to close in 30 days. The owners are standing firm at $65,000 and want you to buy the property in "as-is" condition.

Before you make your first offer, decide the following:

- What is the maximum price you will pay?
- Which concessions can you live with or without?
- When will you close?
- When do they have to move out?

For the sake of this deal, our maximum offer is $50,000; we want a roof credit; we want the homeowners to move out before the closing; and we need 30 days to close.

Once you have determined this, do not offer more. Getting caught up in negotiating and bidding too much is a sure way to lose money. Remember, don't be afraid to say it … NEXT.

☞ Another costly mistake to avoid is becoming emotional about the deal or the property.

Deciding you must get this deal or that you really like the wallpaper inside is not a reason to overpay.

☞ Your first offer: $45,900, ten days for inspections, the owners fix the leak in the roof, closing in 60 days.

☞ The owners counteroffer: $60,000, three days for inspections, the property sold "as-is," closing in 30 days.

☞ Your counteroffer: $48,500, seven days for inspections, owners give you a roof repair credit of $500, closing in 45 days.

☞ The owners counteroffer: $55,500, seven days for inspections, a roof repair credit of $300, closing in 30 days.

☞ You make your final offer. Let them know that this is your last offer. At this point, no matter what they counter, you have made your final offer and the negotiating will be over. Your counteroffer: $50,000, seven days for inspections, $400 roof repair credit, closing in 30 days.

☞ The owners accept!

One of the keys to successful negotiating is knowing when to stop. As I said before, once you have determined your maximum bid and the concessions you can live with, you must stand your ground. Even if it means losing the deal. Believe me, another deal is around the corner.

When preparing your first offer, generally on a contract for sale and purchase form, the following are useful terms to know:

☞ Partner's Approval: If you are making an offer without your partner present, ask for three to five days to obtain your partner's approval. This will provide an "out" if your partner doesn't like the deal. Keep in mind that the "out" is only valid during the time specified and upon the expiration of that time, you are bound to the agreement. Many investors use this contingency even if they don’t have a partner, just so they can research the deal a little better and be certain it is a good one.

- ☞ Inspection Period: This is a contingency based on inspections. Ask for three to ten days to perform inspections. Although the purchase agreement calls for an "as-is" sale, you want to be sure your repair costs are accurate before being bound to the deal. In every "as-is" contract for sale, there is usually a certain number of days given to the buyer for inspections, so as not to take advantage of the buyer. Please be sure to use this period of time to be certain of the repairs and their costs to avoid unforeseen problems.

  You must double-check for any damage not seen during the first viewing. Another reason for an inspection period is to provide time for you to find a buyer, get a loan, or simply to provide an "out" if you change your mind. Keep in mind that the "out" is only valid during the time specified and upon the expiration of that time, you are bound to the agreement and will forfeit any deposit if you do not follow through and close.

- ☞ As-Is: An offer to purchase a property in "as-is condition" will get a better response than an offer to purchase based on the owner having to repair defects or give you a repair credit at closing. Most of the homes you purchase will be in disrepair.

- ☞ And/or Assigns: When placing your name on the line provided for the buyer's name, add the words "and/or Assigns." This will give you the option to "wholesale" the property without having to purchase it.

It's important for you to know that in most states, if a contract does not state that it is NOT assignable, then it IS. Likewise, if you put "and/or Assigns" after your name on the buyer's name line, regardless of what the contract states about assignability, it IS.

When dealing with contracts that have assignability clauses simply checkmark the clause that applies to your deal. For example, the typical choices are:

- ☞ (a) May not assign.
- ☞ (b) May assign and be released of all liability hereunder.
- ☞ (c) May assign and not be released of all liability hereunder.

If (a) is chosen, it simply means that you cannot assign this deal and you will have to "double close." If you placed "and/or Assigns" after your name on the buyer's name line and this clause is chosen, you WILL be able to assign the contract.

If (b) is chosen, then you may find a new buyer to assign the deal to who can simply pay you an assignment fee now and then be responsible to close the deal with no recourse to you.

If (c) is chosen, then you would still be responsible to close on the deal if the buyer you assigned your contract to did not perform.

☞ Closing Date: Naturally, you want your closing date to give you enough time to find a buyer. Keep in mind that the distressed homeowner may be trying to beat the sheriff's sale. You want to set the closing date as far away as possible so that you have time to find a buyer, but not so close to the sale date that if your buyer flakes off, then your homeowners lose their house. I like to have at least 60 days, but more often have 30. That is plenty of time to find a buyer and close.

When placing a closing date in the contract, make sure the wording is as follows:

☞ "Closing date to occur on or before" and then the date.

As the buyer, this can save your deal. If you are ready early, you can close sooner. Remember, when wholesaling, the faster you close, the faster you get paid.

☞ Deposit: A deposit, also called "earnest money deposit," is required to make the agreement valid and is credited toward the purchase price. I typically offer a $10 deposit. What? "Who would accept that?" Believe me, almost everyone will. As savvy investors, we would never accept a $10 deposit. However, we are not the ones in distress.

The only thing that will keep you from offering a $10 deposit is your fear of the homeowner throwing you out of the house. I remember the first day I offered a

$10 deposit. A local investor had told me that I was offering too much as earnest money and should only offer $10. I thought, "Who would do that?" I decided to try it and see what happened. Worst-case scenario … I get thrown out of the house.

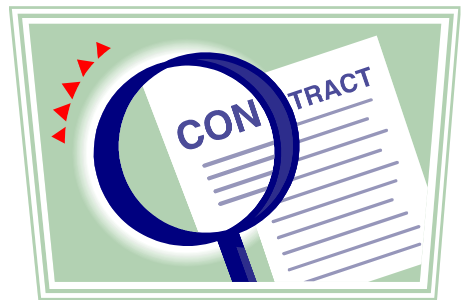
I decided the very next distressed homeowner would be my guinea pig. I was so nervous, my palms were sweating. I went to the homeowner's house and after determining we could work together, I began to write the contract. When it came to the line in the contract to write the deposit, I said, "I typically give a $10 deposit and close in 30 days." The homeowner agreed! I was floored! That was many years ago and to this date, almost every homeowner has agreed to the deposit. Always start with a $10 deposit. You can always go up. Besides, it only takes $1 to make it legal.

By the way, even with a $10 deposit, I place it in escrow. If I see a situation where there is no food in the fridge and they have kids, I'll give the homeowners a larger cash deposit so they can buy food. I have even gone as far as buying gift certificates from the grocery store (to be certain they buy food) and use that as a deposit. When you give cash, be sure to have the homeowners sign on the contract that they have received this earnest money deposit. Help out whenever it is called for. Remember, you reap what you sow, so sow some good seeds.

GOING TO CONTRACT

You've agreed on everything and it's time to sign the contract. I suggest you use a Board of Realtors contract specific to your state. These agreements can typically be purchased at the local Board of Realtors office. If these agreements are not available to the general population, get one from your title company or attorney.

This agreement is generic and works in all states. I like to use a local contract because homeowners are more familiar with it.



Contracts are very easy to fill out. Just follow along and you'll have the hang of it in no time.

Buyer — THIS IS YOU. Put your name and the words – and/or assigns after your name.

address, — Your address

and

Seller — HOMEOWNER'S NAME(S)

address, — Property address

do hereby agree that the Seller shall sell and the Buyer shall buy the following property UPON THE TERMS AND CONDITIONS HEREINAFTER SET FORTH, which shall include the STANDARDS FOR REAL ESTATE TRANSACTIONS set forth within this contract.

☞ IN THIS SECTION, CHECK ALL ITEMS THAT WILL REMAIN WITH THE PROPERTY…

Personal Property Included: All fixed equipment, all window screens, treatments and hardware, all wall-to-wall floor coverings, attached wall coverings and attached lighting fixtures as now installed on said property. Also included are the indicated major appliances: range _____, refrigerator __, dishwasher __, disposal __, microwave oven _____, trash compactor ____, washer ______, dryer ____.

Additional Personal Property Included: ____________________________

1. LEGAL DESCRIPTION of real estate located in ______________________ County, State of ___________________:

   Legal description:

   ____

   ____

☞ WHEN BUYING, GIVE $10. WHEN SELLING TO A REHABBER OR END USER, GET AT LEAST $2,500.

2. PURCHASE PRICE $ ________________________

(a) Deposit $_____________

Deposit to be held in trust by: ____ YOUR TITLE COMPANY___

☞ **NO ADDITIONAL DEPOSIT, CONTRACT IS AS-IS. FULL DEPOSIT IS DUE NOW.**

(b) Additional deposit due within _____ days after date of acceptance. Time is of the essence as to additional deposit. $ _________________

☞ **IN THIS SECTION, MARK EVERYTHING N/A. WE ARE NOT ACCEPTING CONTRACTS BASED ON FINANCING.**

(c) Amount of new note and mortgage to be executed by the Buyer to any Lender other than the Seller. New note to be adjustable rate ____ or fixed rate ____. $__________

FHA __________ VA _____________ (if applicable)

(d) Approximate additional payment due at closing in U.S. currency or LOCAL cashier's check (does not include buyer's closing costs and /or prepaid items). $ _________________________________

3. PRORATIONS: Taxes, insurance, interest, rents, and other expenses and revenue of said property shall be prorated as of the date of closing.

4. RESTRICTIONS, EASEMENTS, LIMITATIONS: Buyer shall take title subject to: (a) Zoning, restrictions, prohibitions and requirements imposed by governmental authority, (b) Restrictions and matters appearing on the plat or common to the subdivision, (c) Public utility easements of record, provided said easements are located on the side or rear lines of the property, (d) Taxes for year of closing, assumed mortgages, and purchase money mortgages, if any, (e) Other ___________________.

   Seller warrants that there shall be no violations of building or zoning codes at the time of closing.

5. DEFAULT BY BUYER: If the Buyer fails to perform any of the covenants of this contract, all money paid pursuant to this contract by Buyer as previously mentioned shall be retained by or for the account of the Seller as consideration for the execution of this contract and as agreed liquidated damages and in full settlement of any claims for damages.

6. DEFAULT BY SELLER: If the Seller fails to perform any of the covenants of this contract, the aforesaid money paid by the Buyer, at the option of the Buyer, shall be returned to the Buyer on demand; or the Buyer shall have only the right of specific performance.

☞ **IN THE NEXT FEW SECTIONS, LEAVE THE INSPECTION CLAUSES IN WHEN BUYING AND OUT WHEN SELLING.**

☞ **'Z' THIS SECTION OUT. PLACE THE INITIALS…N/A… OVER THE 'Z'. PROPERTY IS BEING SOLD IN AS-IS CONDITION.**

7. TERMITE INSPECTION: At least 15 days before closing, Buyer, at Buyer's expense, shall have the right to obtain a written report from a licensed exterminator stating that there is no evidence of live termite or other woodboring insect infestation on said property nor substantial damage from prior infestation on said property. If there is such evidence, Seller shall pay up to two (2%) percent of the purchase price for the treatment required to remedy such infestation, including repairing and replacing portions of said improvements which have been damaged; but if the costs for such treatment or repairs exceed three (3%) percent of the purchase price, Buyer may elect to pay such excess. If Buyer elects not to pay, Seller may pay the excess or cancel the contract.

☞ **'Z' THIS SECTION OUT….N/A… PROPERTY IS BEING SOLD IN AS-IS CONDITION.**

8. ROOF INSPECTION: At least 15 days before closing, Buyer, at Buyer's expense, shall have the right to obtain a written report from a licensed roofer stating that the roof is in a watertight condition. In the event repairs are required either to correct leaks or to repair damage to fascia or soffit, Seller shall pay up to two (2%) percent of the purchase price for said repairs which shall be performed by a licensed roofing contractor; but if the costs for such repairs exceeds three (3%) percent of the purchase price, Buyer

may elect to pay such excess. If Buyer elects not to pay, Seller may pay the excess or cancel the contract.

☞ **'Z' THIS SECTION OUT….N/A… PROPERTY IS BEING SOLD IN AS-IS CONDITION.**

9. OTHER INSPECTIONS: At least 15 days before closing, Buyer or his agent may inspect all appliances, air conditioning and heating systems, electrical systems, plumbing, machinery, sprinklers and pool system included in the sale. Seller shall pay for the repairs necessary to place such items in working order at the time of closing. Within 48 hours before closing, Buyer shall be entitled, upon reasonable notice to Seller, to inspect the premises to determine that said items are in working order. All items of personal property included in the sale shall be transferred by Bill of Sale with warranty of title.

10. LEASES: Seller, not less than 15 days before closing, shall furnish to Buyer copies of all written leases and estoppel letters from each tenant specifying the nature and duration of the tenant's occupancy, rental rates and advanced rent and security deposits paid by tenant. If Seller is unable to obtain such letters from tenants, Seller shall furnish the same information to Buyer within said time period in the form of a Seller's affidavit, and Buyer may contact tenants thereafter to confirm such information. At closing, Seller shall deliver and assign all original leases to Buyer.

11. MECHANICS' LIENS: Seller shall furnish to Buyer an affidavit that there have been no improvements to the subject property for 90 days immediately preceding the date of closing, and no financing statements, claims of lien or potential lienors known to Seller. If the property has been improved within that time, Seller shall deliver releases or waivers of all mechanics' liens as executed by general contractors, subcontractors, suppliers and materialmen and reciting that all bills for work to the subject property which could serve as basis for mechanics' liens have been paid or will be paid at closing.

☞ **CLOSING IS ALWAYS TO BE AT YOUR TITLE COMPANY.**

12. PLACE OF CLOSING: Closing shall be held at the office of the Seller's attorney or as otherwise agreed upon.

13. TIME IS OF THE ESSENCE: Time is of the essence of this Sale and Purchase Agreement.

14. DOCUMENTS FOR CLOSING: Seller's attorney shall prepare deed, note, mortgage, Seller's affidavit, any corrective instruments required for perfecting the title, and closing statement, and submit copies of same to Buyer's attorney, and copy of closing statement to the broker, at least two days prior to scheduled closing date.

15. EXPENSES: State documentary stamps required on the instrument of conveyance and the cost of recording any corrective instruments shall be paid by Seller. Documentary stamps to be affixed to the note secured by the purchase money mortgage shall be paid by Buyer.

16. INSURANCE: If insurance is to be prorated, the Seller shall on or before the closing date, furnish to Buyer all insurance policies or copies thereof.

17. RISK OF LOSS: If the improvements are damage by fire or causality before delivery of the deed and can be restored to substantiality the same condition as now within a period of 60 days thereafter, Seller shall so restore the improvements and the closing date and date of delivery of possession herein provided shall be extended accordingly. If Seller fails to do so, the Buyer shall have the option of (1) taking the property as-is, together with insurance proceeds, if any, or (2) canceling the contract, and all deposits shall be forthwith returned to the Buyer and all parties shall be released of any and all obligations and liability.

18. MAINTENANCE: Between the date of the contract and the date of closing, the property, including lawn, shrubbery and pool, if any, shall be maintained by Seller in the condition as it existed as of the date of the contract, ordinary wear and tear excepted.

☞ **ALWAYS WRITE THE WORDS … "ON OR BEFORE" … IF THEY ARE NOT ALREADY WRITTEN INTO THE CONTRACT. NEVER ALLOW… "ON OR**

ABOUT" … TO BE THE CLOSING DATE. "ON OR ABOUT" COULD BE LATER AND YOU MAY NOT HAVE TIME DUE TO THE SHERIFF'S SALE.

19. CLOSING DATE: This contract shall be closed and the deed and possession shall be delivered **on or before** the _______ day of ____________________________, unless extended by other provisions of this contract.

20. TYPEWRITTEN OR HANDWRITTEN PROVISIONS: Typewritten or handwritten provisions inserted in this form shall control all printed provisions in conflict therewith.

21. OTHER AGREEMENTS: No agreements or representations, unless incorporated in this contract, shall be binding upon any of the parties.

☞ **SOME OF THE CLAUSES I USE …**

22. SPECIAL CLAUSES:

1. One of the buyers/sellers is a **(YOUR STATE)** licensed real estate agent.

   ☞ Necessary if you or your partner is a real estate agent.

2. Buyer (rehabber) agrees to allow title company to release said deposit to Seller (you, the wholesaler) immediately.

☞ This clause makes the deposit nonrefundable. I have the title company release the deposit to me immediately. The reason I have the rehabbers make their check to the title company is so I have a paper trail of the funds. I never want disgruntled rehabbers stating I kept their money. If the rehabbers give the title company permission to release the funds to me, they are agreeing to the nonrefundable issue. Rehabbers are used to this contingency and will not give you a hard time over it.

3. Buyer (rehabber) agrees that if subject property does not close for any reason, the deposit is nonrefundable and will be rolled over to another property.

☞ If my deal falls apart, I do not want to give my rehabbers their money back. Chances are, I have already spent it. This clause allows me to find the rehabbers another deal and apply the deposit to the new deal. I have only had a handful of deals fall apart, and in every case I was able to secure a new deal for the rehabbers. If you are worried about finding a second deal if the first one falls apart, keep the deposit in escrow at the title company.

4. Buyer (rehabber) agrees to purchase subject property in "as-is, where-is" condition.

☞ This is your as-is clause. Again, I make all rehabbers buy properties in as-is condition. As I mentioned before, the rehabbers are welcome to get all the inspections they wish. I am not fixing anything before I sell them the property. You must allow rehabbers time to do their due diligence. You never want to pressure someone into a contract only to find the property needs unforeseen work. As long as you allow the rehabber time to check out the property BEFORE going to contract with you, you have done your job properly. Then if they decide not to follow through, you get to keep the deposit.

5. Buyer (rehabber) agrees and understands that Seller (you, the wholesaler) has never lived in subject property and guarantees or warrants nothing.

☞ Self-explanatory. Rehabbers always ask you to disclose everything that you know to be wrong with the property. By law, you are to state what you know. I use this clause in case something major is wrong that the rehabber did not pick up on during the first inspection. For example, the rehabber turns on the power and the fuse box catches on fire. Since the property was bought without the power being on, I would have no way of knowing this was an issue. Had I lived in the house, I would have known about this problem.

☞ Remember, many of the houses you buy and sell will have no water or power. Rehabbers are used to buying properties this way and have no problem with it.

6. All parties agree that (your title company) will act as closing agent.

☞ Again, self-explanatory. You are to remain in control at all times.

7. Seller (homeowner) acknowledges that Buyer (wholesaler) is an investor and intends to resell subject property for a profit as soon as possible.

☞ I like this clause because it lets the homeowners know up-front that I am here to make money and do not work free. I make it very clear that I am not the person who will be closing on the deal.

8. Transaction is contingent upon the Seller's (you, the wholesaler) ability to transfer title on or before the stated closing date as Seller (you, the wholesaler) is not owner of record (the homeowner is) and must close with owner of record (the homeowner) first.

☞ This clause is very important because it lets the rehabber know that if for some reason I can't close with the homeowners, I can't close with them either. At that point, I'd have to find the rehabbers another property as their deposit was nonrefundable.

COMMISSION TO BROKER: The Seller hereby recognizes _________________________ as the Broker in this transaction, and agrees to pay as commission _______% of the gross sales price, or the sum of ________ dollars ($______________), or one-half of the deposit in case same is forfeited by the Buyer through failure to perform, as compensation for services rendered, provided same does not exceed the full amount of the commission.

SIGNATURES:

________________________________	______________
BUYER	DATE
________________________________	_______________
BUYER	DATE
________________________________	_______________
WITNESS	DATE
______________________________	_______________
SELLER	DATE
______________________________	_______________
SELLER	DATE
______________________________	_______________
WITNESS	DATE

GETTING YOUR REHABBER TO CONTRACT

Okay, your sales contract is complete, you gave the homeowners a $10 deposit, and you have 30 days to close. It's time to get busy and find a rehabber. In Week Two, you ran ads and began building your buyers' list. I find the easiest way to tell the rehabbers about my properties is to fax and email the entire list.

> **STUDENT TESTIMONIAL**
>
> Since receiving your program, we have been able to purchase two properties with over $80,000 in equity. We plan to resell a third property for a profit of $55,000. That's $135,000 in one year, part time. You have made it so clear and easy! I was looking for the rest of the puzzle and found it with you. I love the down-to-earth way you communicate. I haven't spent one dime of my own money! I look forward to seeing you in Hawaii.
>
> Brent M., Minnesota

✓ Prepare a flyer about your new deal and send it to the entire list.

✓ Let everyone know that you will be showing the property at 1:00 p.m. on Saturday. I love to show the property to everyone at the same time. It creates a buying frenzy and saves me the time of showing the house to 50 different rehabbers. Remember, time is money, so don't waste yours. Have the homeowners go out for pizza for a few hours and show the house.

Let everyone know that you are taking the first offer. If you have the house under contract and wish to make $15,000 as your fee, what do you ask for the property? No, you do not ask $65,000. You ask more to leave room for the rehabbers to negotiate.

☞ Everyone feels better about a deal when offered the opportunity to negotiate.

Tell your rehabbers that the asking price is $70,000. Let them beat you down to $65,000. Since we have a property worth $100,000 in good shape, rehabbers will pay $65,000 all day long.

Just like homeowners, you'll have to negotiate with rehabbers. You'll need to agree on a price, terms, closing date, inspections, and so on.

This is what your final deal will look like:

✓ The rehabbers agree to a purchase price of $65,000. (They haggled you down from $70,000.)

✓ Tell your rehabbers to do any inspections they want BEFORE they sign the assignment of contract with you. NEVER give a rehabber an "out clause." Rehabbers are professionals and can inspect a property on the spot. If a rehabber is asking for an inspection period, assume they are looking for a way out. I give no way out. Once you make the decision to buy one of my properties, you need to step up to the plate. This keeps rehabbers from looking for a better deal while waiting for yours to close. If there is the risk of losing substantial money, most rehabbers will not sign unless they are committed to the deal.

✓ The rehabbers have completed their inspections and are buying the property is as-is condition; the sales contract specifies in Section 9 that the property is being conveyed in as-is condition. When you sell a property to a rehabber using an assignment of contract, it assigns whatever terms are in your contract with the homeowners to the rehabber. If you have "Z'd" out the inspection clause, this also applies to the person you are assigning your contract to.

✓ Fill out the assignment of contract, coming up next. This contract will make you rich and is very easy to fill out.

✓ Collect a $2,500 to $3,000 nonrefundable deposit from your rehabbers. Once you have sold several properties to the same person, you can take a smaller deposit if you so choose. Rehabbers have to prove to me that they are serious. If they only want to give me a $500 deposit, I worry that they may still be shopping for a better deal, and might be willing to walk away from a $500 deposit. If you take a large enough nonrefundable deposit, it is harder to walk away. Not many people want to lose $3,000.

- ✓ Set the closing date seven to ten days from now. Since rehabbers use hard moneylenders or transactional funding, they have the ability to close in just three days. I give the rehabbers seven to ten so as not to rush the title company preparing the closing.

Let's assume you have 30 days to close with your homeowners. If you give your rehabbers ten days to close, you leave a window open. If, for some reason, your rehabber bails out on the deal, you still have 20 more days to close.

Let's say your rehabber actually does bail on the deal. You keep the $3,000 deposit and then find a new rehabber. Assume you get a second contract with another $3,000 deposit. You give the second rehabber ten days to close.

Worst-case scenario, the second rehabber bails out as well. You keep the second $3,000 deposit and still have ten days to find another rehabber before the homeowners lose their house.

I have never had two rehabbers bail out … ever. It just doesn't happen. I'm showing you the worst-case scenario. Most of the deals you get under contract will close with the first rehabber. However, things can happen, so it is a good idea to have a backup plan.

- ✓ Send a copy of the sales contract along with the assignment to the title company. Later in this program, we'll discuss finding a good title company. A title company will make your life easier and is a necessity for every investor.

- ✓ Get ready for payday. This is my favorite part of investing … payday!

You have your deal and you're ready to fill out the assignment of contract. Follow along with me as we go through this assignment step-by-step.

AGREEMENT FOR ASSIGNMENT OF CONTRACT

THIS AGREEMENT FOR ASSIGNMENT OF CONTRACT (the "Agreement") is made and entered into as of the ______ day of _____________, 20____, by and between **YOU, THE WHOLESALER**, (hereinafter referred to as "Assignor"), **YOUR REHABBER,** (hereinafter referred to as "Assignee"), with a mailing address of **REHABBER'S ADDRESS**.

W I T N E S S E T H:

WHEREAS, Assignor, as "Buyer", entered into that certain Contract For Sale and Purchase (the "Contract") with **HOMEOWNER'S NAME**, as "Seller", a copy of which is attached hereto as Exhibit "A", for property with a physical address of: **PROPERTY BEING WHOLESALED** (the "Property"); and

WHEREAS, Assignee desires to purchase the Property for a purchase price of $ **THE PRICE YOU ARE ACTUALLY PAYING FOR THE PROPERTY. NOT THE PRICE YOU ARE WHOLESALING IT FOR** (the "Purchase Price") in accordance with the terms and conditions of the Contract; and

WHEREAS, Assignor desires to assign all of its rights, title and interest under the Contract to Assignee as hereinafter set forth.

NOW, THEREFORE, in consideration of the sum of **TEN AND NO/100 DOLLARS ($10.00),** the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Assignor and Assignee hereby agree as follows:

A. The above recitals are true and correct, including the recital of consideration.

B. Upon the execution of this Agreement by Assignee and Assignor, Assignee shall give to **YOUR TITLE COMPANY_** the sum of $**DEPOSIT FROM REHABBER**, which amount shall be considered an earnest money deposit (the "Deposit") hereunder toward the assignment fee, in the amount of $ **WHAT REHABBER IS PAYING** - $ **WHAT YOU ARE BUYING THE PROPERTY FOR** = the "Assignment Fee", to be paid by Assignee to Assignor as consideration for the assignment of the Contract set forth herein. At the closing of the Property pursuant to the Contract (the "Closing"), the original deposit paid by Assignor under the terms of the Contract shall be reimbursed to by Assignee to Assignor. If Assignee fails to close as provided herein and under the Contract, Assignor shall have the right, in its sole discretion, to terminate this Agreement and to retain the Deposit as agreed upon liquidated damages hereunder, whereupon the parties shall have no further obligations hereunder.

C. Upon payment by Assignee at Closing of the Purchase Price and the Assignment Fee, as well as the reimbursement of the original deposit to Assignor, Assignor shall deliver to Assignee or Assignee's agent an absolute assignment of contract (including all rights and benefits of the Buyer thereunder).

D. Notwithstanding anything to the contrary contained herein, the closing date under the Contract shall be held on or before **REHABBER'S CLOSING DATE. MAKE IT AS SOON AS POSSIBLE**, 20___.

E. Assignee hereby agrees, in writing, to assume and to be bound by, all duties and obligations of the Buyer under the Contract, including but not limited to, the payment of the Purchase Price and the payment of all closing costs to be borne by Buyer under the Contract.

F. Assignee hereby acknowledges and agrees that **YOUR TITLE COMPANY** shall act as settlement/title agent for the transaction contemplated by the Contract, and Assignee hereby agrees to pay all sums, including but not limited to, closing agent fees, title insurance premiums, title examination fees, title search fees and any other miscellaneous expenses incurred by the settlement/title agent for the purchase transaction contemplated by the Contract and this Agreement.

G. Assignee hereby acknowledges that Assignor is not in physical possession of the Property, has made no inspections thereof, and cannot and will not warrant the physical condition or any other matter regarding the Property, including but not limited to, the merchantability or marketability of the Property or its use for any particular purpose. In this regard, the assignment to be made by this

Agreement is without recourse to Assignor, and, as between Assignor and Assignee, the sale of the Property is "As-Is, Where Is".

H. This Agreement shall be binding upon the heirs, successors and assigns of the parties hereto, and this Agreement shall be construed in accordance with the laws of the State of **YOUR STATE**. As to all matters hereunder, time is of the essence.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

ASSIGNOR: ____

____ _________________

Print Name Date

ASSIGNEE: ____

____ _________________

Print Name Date

NOTARY:

As you can see, this agreement is simple. Always use this assignment when dealing with rehabbers. Experienced rehabbers like to use their own contracts. If you read the fine print, most of these contracts will have you paying many hidden fees and closing costs. Using your own agreement gives you the control.

☞ It is very important to maintain control of your deals.

When rehabbers insist I use their contracts, I tell them that we are going to use mine or I will find another buyer. Remember what I told you to do when you have difficult homeowners? Say … ***NEXT!*** The same applies to rehabbers. If someone is giving you a hard time or trying to gain control, just say … NEXT!

I realize that this is easier said than done. It is very difficult to walk away from a potential buyer or seller; you always worry that another won't come along.

☞ Folks, trust me, another person is around the corner.

I used to bend to people all the time. In the beginning, many of my deals fell apart. I realized it was because I was never in control. Once I started laying down the law, deals were closing left and right. It is okay to be firm. It is better to lose a deal now than after you have invested 20 hours in it. Besides, homeowners and rehabbers will respect you for being firm.

PREPARE FOR THE CLOSING

You have your homeowners under contract, you found a rehabber, you have filled out an assignment of contract, you are ready to move toward the closing. It's time to find a title company.

Once you find a title company, give them the sales contract and the assignment of contract as well as the deposits you have collected. They will take it from there.

FINDING A TITLE COMPANY

In many states you can close your transactions at a title company whereas some states require an attorney. Call a title company to determine which applies in your state.

☞ It is a good idea to find a title company that has an attorney on staff.

Many title companies are owned by attorneys. There will come a time in every investor's life when an attorney will be necessary. It is better to have one at the place where you close all your transactions rather than having to use the Internet in an emergency.

Title companies can be found through numerous sources. Your real estate broker may be able to recommend a trustworthy company that you can try. Your local REIA group can also recommend someone. It is good to know that people you respect use a particular title company that they like well enough to recommend.

☞ Meet with a representative at the title company to discuss how the company can serve your needs.

Title companies handle closings, sometimes called settlements. A title company also performs title searches. This is a search, sometimes called an abstract search, through the title of the property beginning with the original owner and continuing through the current owner. It is performed to locate any unpaid liens or judgments existing against the property or the owners of the property. Occasionally, a lien will be overlooked and for this reason title insurance is available. Once a title search is completed, and if clear, the title company will provide an owner's title insurance policy.

☞ This policy is issued to you, at your option, to protect against arising liens or claims of ownership not found in the title search. I always get title insurance. At some point in your investing career, you'll be glad you have it.

☞ Many investors don't want to spend the extra money. My philosophy is: A little extra spending today can save you thousands later.

Generally, if a rehabber is placing a mortgage against the property in order to purchase it, the lender will require a mortgagee's title insurance policy, which will be issued to them by the title company and paid for by the rehabber. This policy is issued to the mortgage holder to insure against arising liens not found in the search.

When the title company receives a Contract for Sale and Purchase, including the earnest money deposit posted under the contract, it places that deposit in an **escrow account.**

Escrow Account: An account also known as a trust account. It is a non-interest bearing bank account set up by title companies, attorneys, and Realtors to hold a deposit until the closing occurs.

The title company does not represent the seller or the buyer in the transaction; it is a neutral party. I use a title company owned by an attorney to assure I have someone protecting my interest in the transaction.

As closing nears, the title search will be completed and a title commitment will be issued to the rehabber's lender. A title commitment is a commitment to the lender that title is clear and a policy is ready to be issued.

Once you establish repeat business by using the same title company, discuss a reduction of your costs. Ask to pay **"promulgated rate"** for title insurance. Remember, almost all costs are negotiable.

Promulgated Rate: This is the lowest rate (price) allowable by law that a title company can charge for title insurance. They have a lowest rate, but not a highest. Always go for the lowest.

It is important to remember that although title companies are neutral parties, you are paying them to perform a service. Therefore, you need to interview companies before you take your business just anywhere. If the company is not investor-friendly, it will not be able to properly serve you. **Do not be shy about asking questions.** It never ceases to amaze me how many folks are intimidated by attorneys and title company owners. How do they get paid? That's right, by you.

Here is a list of questions to ask the title company to determine if they are investor-friendly:

- ✓ Do you do double or simultaneous closing?
    - ➢ Necessary when wholesaling if a bank is involved.
- ✓ Can I use your conference room when I sign contracts with homeowners?
    - ➢ It is a great idea to meet distressed homeowners at a title company rather than your house or a local restaurant. This gives you the appearance of belonging to a larger organization, which gives you more credibility.
- ✓ Is there a charge for using your conference room?
    - ➢ The answer must be no.

- ✓ Will you do preliminary title searches for me?

    - ➢ A preliminary search is a title search that has not been certified. Because it is not certified, it should be free or inexpensive. You will certify and pay for it when you actually close the deal. You need to know title is clear so you can proceed with your deals.

- ✓ Will you fill out Quit Claim and Warranty Deeds for me at no charge?
    - ➢ As long as I have been in this business, I still have my title company fill out my deeds. If there is one tiny mistake, I might not have a legitimate deal. If the title company makes a mistake, they have to correct it … at their expense.

- ✓ When we do double closings, will you pass the bulk of the closing costs to the end buyer?

    - ➢ This is important because there is no need for you to pay full closing costs when you have to double close. You own the property for a total of three minutes, why should you pay full costs? The rehabber is the ultimate buyer.

If the title company will not do these things for you, find someone else. There are plenty of folks who would love to have the business of a savvy, busy investor. If you closed just ten deals a year, you would be a major client. Title companies close many deals, but most are single deals from end users. An investor who brings a lot of traffic is a highly sought after commodity.

As we end Week Three, guess what? It's time for another test. As soon as you take the test, get busy with Week Four, in which you actually get paid!

TEST

☑ Why is it important to qualify distressed homeowners?

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☑ What are comps?

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☑ Why do you need them?

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☑ List three items to look for when determining property values:

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☑ In a few sentences explain the best way to negotiate a lower buying price:

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☑ Why do you use the pad and pen approach?

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☑ List three types of homeowners:

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☑ Which do we like best?

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☑ How do you protect yourself when partnering with homeowners?

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☑ What are the three things homeowners really want?

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☑ List two contingencies:

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☑ What makes the contract assignable?

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☑ Once you have a property under contract, what is the easiest way to show it to rehabbers?

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☑ What size deposit are you seeking from the rehabber?

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☑ How many days do you give the rehabber to close?

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☑ Why do you need a title company?

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☑ What is a title policy?

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☑ Why should you interview title companies?

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HOMEWORK

As with Week One, Week Two needs to be completed in a few days. I want you to get started on Week Three as soon as possible. As I said before, it is possible to find and wholesale a deal in 30 days, but not if you take three weeks to complete each program. If you work a full-time job and cannot complete each week in the time allotted, don't beat yourself up. Just do whatever it takes to get started so you can quit your job and become a full-time investor as soon as possible.

Here is your homework for this week:

☑ Keep taking calls from distressed homeowners.

☑ Keep taking calls from rehabbers and build your buyer's list.

☑ Whatever advertising you are doing, keep doing it.

☑ Set three appointments with distressed homeowners.

☑ Run comps on three properties.

☑ Do three walk-throughs.

☑ Practice the pad and pen approach with your three homeowners.

☑ Go through the Partnership Agreement with at least one homeowner.

☑ Fill out a sales contract with at least one homeowner.

☑ Send out a flyer to your buyer's list and find a rehabber.

☑ Fill out at least one assignment of contract.

☑ Call five title companies and interview them.

☑ Get ready to make some money!

CHECKLIST

Before you move on to Week Four, be sure you have done the following:

- ☑ Have you read this entire program?
- ☑ Are you still running ads?
- ☑ Are you qualifying your potential homeowners?
- ☑ Are you going to your appointments prepared?
- ☑ Are you practicing your scripts daily?
- ☑ Are you telling everyone you know that you are an investor?
- ☑ Have you been running comps for practice?
- ☑ Are you driving neighborhoods to learn property values?
- ☑ Have you practiced the Partnership Agreement so you sound polished when you present it live?
- ☑ Have you practiced the pad and pen approach so you don't stumble when you do it live?
- ☑ Have you practiced the walk-through so you sound smooth?
- ☑ Have you called title companies and interviewed them?
- ☑ Have you filled out several contracts and taken the time to understand them?
- ☑ Have you filled out several assignments of contract?
- ☑ Are you prepared to explain the contract and assignment of contract if a homeowner asks you to?
- ☑ Are you prepared to negotiate with a rehabber?

- ☑ Are you willing to walk away if a homeowner or rehabber is difficult to deal with?

If you have completed these items, you are ready for Week Four. As with Week One, many of these things can be done simultaneously. Don't get overwhelmed with the details. Keep plugging away and do as much as you can this week. Practice contracts and presentations so you don't freeze when you do it live.

Remember, no one knows it's your first deal except you. With a few hours of practice, you'll sound great!

TEST ANSWERS

Were you able to answer all the questions without having to look them up? Not to worry, I answered these questions for you as well. It's important to your success to be able to answer the questions in each of the tests. If you don't know these answers like the back of your hand, reread the program. The more you read, the more you learn, and the more money you'll make.

☑ Why is it important to qualify distressed homeowners?

It is important to work smart and not hard. If you don't take the time to qualify homeowners, you'll spend hundreds of wasted hours. Do not meet with people who are not motivated to work with you and who are not ready to move forward.

☑ What are comps?

Comparable market sales. In other words, the selling prices of similar properties.

☑ Why do you need them?

Comps are used to determine the market value. It is imperative to your success to know the selling price of properties (not the asking price), and how long they were on the market. You can't sell properties for a competitive price if you don't know the comps.

☑ List three items to look for when determining property values:

Type of neighborhood, access to shopping and schools, and the crime rate. Don't forget to research the other items on the list.

☑ In a few sentences explain the best way to negotiate a lower buying price:

During the walk-through, have the homeowners explain to you what needs to be updated/repaired: roof leak, outdated kitchens, outdated bathrooms, and so on.

☑ Why do you use the pad and pen approach?

I use it to make a visual presentation. When homeowners want more for their property than you are willing to pay, it helps to put the numbers on paper so they can see for themselves that they are being unrealistic.

☑ List the three types of homeowners:

Easy to deal with; has equity and doesn't want to part with it, but will with persuasion; and difficult homeowners who want to partner the deal in order to hang on to as much equity as possible.

☑ Which do we like best?

Of course, we love easy to deal with homeowners. Always remember that when homeowners call you, they are motivated. Regardless of how difficult they may seem at first, know that it is a wall they have put up because they are embarrassed to be making the call. Once you repeat, approve, respond, and take the time to build rapport, you'll break down the walls and find that most homeowners become easy to deal with.

☑ How do you protect yourself when partnering with homeowners?

Always use the Partnership Agreement.

☑ What are the three things homeowners really want?

More time, moving money, and a fresh start.

☑ List two contingencies:

An inspection period and partner's approval.

☑ What makes the contract assignable?

Using the words "and/or Assigns" after your name on the sales contract.

☑ Once you have a property under contract, what is the easiest way to show it to rehabbers?

Fax and email your entire buyer's list with showing instructions. Show the property to everyone at the same time, and take the first person willing to give you a nonrefundable deposit.

☑ What size deposit are you seeking from the rehabber?

At least $2,500 to $3,000; get more if you can. The bigger the deposit, the more motivated the rehabber is to follow through and close.

☑ How many days do you give the rehabber to close?

There is no reason to give a rehabber more than seven to ten days to close.

☑ Why do you need a title company?

You need someone who can check the title to be certain the property is free of liens, judgments, or anything that could cloud the title. You also need a title company to prepare deeds, any legal documents necessary, run comps, and so on.

☑ What is a title policy?

A title policy insures and certifies that the title is clear and that no liens exist.

☑ Why should you interview title companies?

You want to work with a title company who specializes in working with investors. If a title company is not investor-friendly, it won't understand some of the transactions you will be closing.

HOMEOWNER PARTNERSHIP AGREEMENT EXPLANATION

Often you will find homeowners with quite a bit of equity. Your goal is to wholesale the property while their goal is to hang on to the equity they have left. I use this agreement to solve both our dilemmas. It allows me to purchase the property and them to get some of their equity.

The purpose of the Homeowner Partnership Agreement is to be certain each party involved completely understands what has been agreed upon. As you will soon realize, homeowners hear what they want to hear.

You may say, "We'll have between $20,000 and $40,000 to split." What they hear is that we have $40,000 to split. When the final numbers come in, they are upset because there is only $20,000 to share. Homeowners feel as if they were taken advantage of. You never want your homeowners to feel that way. Everything you do needs to have a win-win outcome.

When you are marketing properties, there will be times when you need to sell the property for less than expected to unload it quickly. This agreement gives **you** the right to set the sales price. God forbid the homeowner dies before the closing. This agreement gives you power of attorney so you can close the deal.

As you read this agreement, you will begin to understand the power it gives you. You will hear me say over and over again… maintain control of your deals.

Homeowner Partnership Agreement - Let's review the agreement, section-by-section. At the top of the document it says "Homeowner Partnership Agreement". This document is for marketing, selling, and distribution of funds. The HPA (Homeowner Partnership Agreement) becomes effective on "today's date" by "you" and "Bob and Mary Jones." Hereafter referred to as "Investor and/or assigns" and "Homeowner(s)." Any place in this agreement where it says "and/or assigns" is where your name or your company's name belongs.

1. Subject property location.

This would be the homeowner's names and the **subject property's** address, city, zip, and county. If they have a cell, work number, or any other contact information, get it and put it here.

2. The Investor business address.

For security reasons, I like to use a post office box. I also use my cell as my contact number. I don't like people calling me at home at night when I am trying to have family time. I turn my cell phone off and relax at night.

3. Nature of the Equity Agreement.

States what you will be doing: marketing, selling, and distributing funds. Include deductions of expenses for the subject property.

4. Duration of Equity Agreement.

This agreement remains in full force until the completion and distribution of all funds, including the "successful closing" of the subject property.

5. Contribution of capital.

Homeowner(s) shall contribute capital and additional resources as follows:

5a. Bob and Mary Jones, the Homeowner(s), will sign the "limited power of attorney" to ……

Decide how you will take title. Your exit strategy will be a determining factor. For example, you may decide to keep the property as a rental and you buy all your rentals in ABC Investments. Your exit strategy may be to wholesale and you wholesale in XYZ Company. If you are going to keep the property, you cannot be the buyer and the seller in the transaction.

A "limited power of attorney" eliminates the seller from having to attend the closing. This gives you 100% control. Remember, control is VERY important.

5b. Summarizes what the power of attorney can do: forbearance agreements, closing documents, release of tax information, handling insurance checks, and any material or information that the mortgage company might require.

5c. States the LPA can be used as an "Authorization to Release Information" as well. This will allow you to gain private information. For example, banking, credit reports, medical information, or whatever might be necessary for this transaction.

5d. Mr. and Mrs. Jones agree to Quit Claim the above said property to …

This will be your name or whatever name in which you are taking title. I like to get deeds in case my homeowners try to go around me or bail-out at the last minute. I have to be honest, in almost 1,000 transactions, I have only had one homeowner bail and go with another investor. The sad part is, the deal fell apart and she lost her house in foreclosure and received no money. Remember, you reap what you sow.

5e. This confirms you are responsible for sales and marketing the subject property.

5f. This confirms you are responsible for research, legal forms related to the payoff with the foreclosure attorney, and basically anything that needs to be taken care of.

5g. The “Assignment of Funds Letter” instructs the title company what to do with the proceeds from the closing. This document must be notarized.

5h. The Appropriation of Expenses.

The “appropriation of expenses” are the expenses associated with the sale of the above referred property:

A. Payoff with a foreclosure attorney.

The attorneys will give you the final payoff figures.

B. Title insurance.

The cost of the title policy necessary for closing.

C. Unpaid property taxes.

Remember, property taxes come before anything else. The title company will give you this figure.

D. Escrow deposit for public service fee.

Public service fees might be garbage, water, or gas. Be certain these items are researched and **paid**. If they are discovered after the closing, guess who gets to pay them? Right, you.

E. Interest on capitol

If you are unable to close the deal before the sheriff's sale and need to secure financing, this allows you to be fully reimbursed this entire expense.

F. Closing costs.

Fees you will pay to close the transaction. For example, doc fees, recording fees, overnight shipping, wiring, and more.

G. Lender fees.

Fees that will be paid to your lender for getting the loan secured.

H. Legal fees.

From time-to-time you'll need an attorney in addition to the title company. This ensures you are reimbursed for these expenses.

I. Rehabbing expenses.

If the property needs work and the Homeowner(s) stay in the house, this expense becomes a 100% paid by them. I am not about to repair a property to make it marketable just to have it trashed by the homeowners. If the property is in poor condition now, it will look just the same after you spend your hard-earned money fixing it. Let the homeowners cover this expense.

J. Recording fees.

Recording fee's for deeds, deeds of trust, and mortgages.

K. Appraisal fees.

Appraisals are not usually necessary; however, if one is needed you want to be reimbursed for it.

L. Liens and Judgments.

If any liens or judgments are paid from the closing, this is also an expense you get reimbursed for. Regardless of the size of the judgment, call the judgment holder and offer less to pay it in full…now. Most judgment holders have written it off as a loss and are happy to get whatever they can.

M. Fee for Forbearance Agreement.

I charge between $495 and $995 to work with a mortgage company on a forbearance agreement. A forbearance agreement is a fancy word for a payment plan. Sometimes the homeowners desire to stay in their home and they have money to make-up the back payments. You can contact the bank, work out a repayment plan, and collect a fee for doing it. When you work a forbearance agreement, be certain the homeowners are back on their feet and can afford the new payment.

N. Cost of a Realtor if Involved.

Should the homeowners have a brother, sister, or friend who is a real estate agent that gets involved, make it clear that you are in total control of the sales price, commission, or whatever comes up. Should commission be involved, it will come off the homeowners side.

O. Marketing and Selling Costs to "Investor" and/or assigns.

Your marketing cost is going to be 10% of the total sales price. If the property sells for $200,000, you get $20,000 right off the top as your fee. This fee is the first expense paid from the closing.

P. Code Violations

Code Violations can be many things: cars in the yard, overgrown grass, a porch that is falling off, busted windows, a crack in the house, a green pool, and much more. Fines are placed against the property unless the homeowners repair the necessary items. If the repairs are not completed, the fines accrue daily.

Homeowners may have a fine accruing at $200 per day. In a years time they owe thousands to the city. Negotiate these fines by telling the city you will fix the violation if the city will waive the fines. If the city agrees, fix the problem or you will be up to your eyeballs in paperwork.

Q. Transaction Fee.

I typically charge an $895 transaction fee. If the homeowners suddenly come into some money and want to keep their house, I'm happy to give it back. However, I don't want to work for free. This fee is paid up front to ensure you get paid something. Do we really want to work for $895? No, but if at the last minute the homeowners are able to keep their property, give it back to them. You will be rewarded for it later.

6. Profit and Losses.

The net profits of the HPA will be divided proportionally between the parties as follows: Bob and Mary Jones will receive "blank" percent upon a successful closing after all expenses are paid. I like a 50/50 split. This number is strictly up to you.

7. The Termination for the Equity Agreement.

This equity agreement only terminates upon the completion and distribution of all funds, including the successful closing of the above said reference property.

8. Waiving of Rights Paragraph

I, Bob and Mary Jones, "Homeowner(s)," waive our rights to the 50% equity by taking blank amount of money now. Often homeowners want to move on today and will take less to be done with the foreclosure. This paragraph has a place for initials to ensure the homeowners don't try to come back later and say they didn't understand they were walking away from all their equity.

9. Pricing Paragraph

Both parties agree that Investor has final say on the sales price. You always want to be in control of the final sales price. In the event you have to sell for less than expected, this lets everyone know that the homeowners agreed from the beginning. If the sheriff's sale is soon, you may have to sell the property for very little over the mortgage balance in order to make any money on this transaction.

10. It also states that, once the agreement is signed, if the homeowners try to work with someone else or go around you that they will owe you 10% of the value of the house. Again, notice the initials.

11. The Court Paragraph

In the event a dispute arises between any partners the venue of the court will be in the county of **"your county,"** in the State of **"your State,"** or deemed by **"your name."** Again, it's all about control.

Signed and entered to this agreement with “your name,” and/or assigns on this day of “blank.” Sign on your respective lines.

Your signature does not have to be notarized, but the homeowner’s signature does.

HOMEOWNER PARTNERSHIP AGREEMENT

On this day, the ___________, in the month of ____________________, in the year of ______________, this Agreement is between ______________________________ **(The Investor)** and/or assigns and ____ and ____ **(The Homeowner(s)).**

1. Partnership is for property located at:

____

____

____

2. **Investor** Business Address:

____

____

____

3. Nature of Agreement: This partnership will be for marketing and selling the above mentioned property, and the disbursing of all funds, after expenses as per paragraphs 5 and 6.

4. Duration: This partnership agreement is in effect until the complete disbursement of funds after the successful closing of the above mentioned property. (See paragraph 7).

5. Contribution of Capital: The **Homeowner(s)** shall contribute capital and additional resources as follows:

a. ________________________ and ______________________ will sign a Limited Power of Attorney to _________________________________.

b. Limited Power of Attorney to be limited to the above said property only and shall be used for signing forbearance agreements, closing docs, release of tax information, handling insurance checks, or any other information the mortgage company may need.

c. The Limited Power of Attorney will also be an "Authorization to Release Information" for the mortgage company.

d. ____________________ and _______________________ will Quit Claim the above said property to ____.

e. ________________________________ and/or assigns will be responsible for all expertise in sales and marketing the above said property.

Initials: Investor: _____ Homeowner(s): ______

f. ________________________________ and/or assigns will secure all research and legal forms relating to the payoff from the foreclosing attorney.

g. ____________________ and _____________________ will sign an "Assignment of Funds" for the title/mortgage company.

h. Appropriation of Expenses: The following are a representation of **expected expenses** associated with the sale of the above referenced property:

A. Payoff with foreclosing attorney
B. Title Insurance
C. Unpaid Taxes
D. Public Service Escrow
E. Interest on Capital
F. Closing Cost
G. Lender Fees
H. Legal Fees

I. Rehabbing Expenses

J. Recording Fees

K. Appraisal Fees

L. Liens and Judgments

M. Fee For Forbearance Agreement

N. Cost of Realtor if involved is 3%.

O. Marketing and selling cost to **Investor**, and/or assigns, at 10%.

P. Code Violations

Q. Transaction Fee $____________.

Please note that other unforeseen expenses may arise and will be added to the above list.

6. Profits and Losses: Net profits of the partnership shall be divided proportionately between the partners as follows:

___________________________ and ___________________________ will receive_____________% upon a successful closing after all expenses are paid.

Initials: Investor: ______ Homeowner(s): _______

7. Termination of Partnership: This partnership will terminate upon distribution of funds at the successful closing of above said property.

8. I, ___________________________, **(Homeowner(s))** waive my (our) right to my ___________% equity by taking $__________ now. ______________________ **(Investor)** will pay the funds on or before _________ of ____________200____. I (we) will vacate the property on or before ___________________.

Initials: Investor: _______ Homeowner(s): ______

I (we) realize that if I (we) don't vacate on or before the said date, I (we) will pay a non-negotiable fine of $250.00 per day.

9. The Homeowners realize they may have to sell the said property **BELOW MARKET VALUE** to get out of or to stop the foreclosure process, and the sale price is **STRICTLY** up to the discretion of _________________________ and/or assigns.

Initials: Investor: _____ Homeowner(s): ______

10. After the signing of this agreement, if the Homeowner(s) try to deed this property to another party or try to cloud title with the intent to void this agreement, Homeowner(s) realize and agree that they will owe the Investor and/or assigns a fee equal to but not more than 10% of the appraised value of said property. The Investor will secure an appraiser and both parties agree to the appraised amount in advance. The Homeowners will be responsible for payment of the appraiser.

Initials: Investor: _______ Homeowner(s): ______

11. In the event of a dispute, if an attorney is retained, and/or any legal action occurs between the parties, the venue will be ___________________________ County, _______________ or whichever county/state is deemed appropriate by the Investor and/or assigns.

Signed this _________ day of ___________ 20___.

____

Investor Signature/and or assigns

____

Homeowner (s)

____

Homeowner (s)

State of _______________________________________

County of ______________________________________

Before me, personally appeared to me now to be the person(s) described in and who executed the foregoing instrument and acknowledged before that they executed the same.

Witnessed my hand and seal this ___________ day of _________________,

20_____.

____

Notary Public

My commission expires _________________________

AGREEMENT FOR ASSIGNMENT OF CONTRACT

THIS AGREEMENT FOR ASSIGNMENT OF CONTRACT (the "Agreement") is made and entered into as of the ______ day of _____________, 20____, by and between _____________________, (hereinafter referred to as "Assignor"), _________________, (hereinafter referred to as "Assignee"), with a mailing address of ____.

W I T N E S S E T H:

WHEREAS, Assignor, as "Buyer", entered into that certain Contract For Sale and Purchase (the "Contract") with ______________________, as "Seller", a copy of which is attached hereto as Exhibit "A", for property with a physical address of: ____ (the "Property"); and

WHEREAS, Assignee desires to purchase the Property for a purchase price of $ _____________________________ (the "Purchase Price") in accordance with the terms and conditions of the Contract; and

WHEREAS, Assignor desires to assign all of its rights, title and interest under the Contract to Assignee as hereinafter set forth.

NOW, THEREFORE, in consideration of the sum of TEN AND NO/100 DOLLARS ($10.00), the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Assignor and Assignee hereby agree as follows:

A. The above recitals are true and correct, including the recital of consideration.

B. Upon the execution of this Agreement by Assignee and Assignor, Assignee shall give to ______________________________ the sum of $ ______________________________, which amount shall be considered an earnest money deposit (the "Deposit") hereunder toward the assignment fee, in the amount of $ ___________________________________ - $ ____________________________ = the "Assignment Fee", to be paid by Assignee to Assignor as consideration for the assignment of the Contract set forth herein. At the closing of the Property pursuant to the Contract (the "Closing"), the original deposit paid by Assignor under the terms of the Contract shall be reimbursed to by Assignee to Assignor. If Assignee fails to close as provided herein and under the Contract, Assignor shall have the right, in its sole discretion, to terminate this Agreement and to retain the Deposit as agreed upon liquidated damages hereunder, whereupon the parties shall have no further obligations hereunder.

C. Upon payment by Assignee at Closing of the Purchase Price and the Assignment Fee, as well as the reimbursement of the original deposit to Assignor, Assignor shall deliver to Assignee or Assignee's agent an absolute assignment of contract (including all rights and benefits of the Buyer thereunder).

D. Notwithstanding anything to the contrary contained herein, the closing date under the Contract shall be held on or before_________________________, 20___.

E. Assignee hereby agrees, in writing, to assume and to be bound by, all duties and obligations of the Buyer under the Contract, including but not limited to, the payment of the Purchase Price and the payment of all closing costs to be borne by Buyer under the Contract.

F. Assignee hereby acknowledges and agrees you're ____________________________ shall act as settlement/title agent for the transaction contemplated by the Contract, and Assignee hereby agrees to pay all sums, including but not limited to, closing agent fees, title insurance premiums, title examination fees, title search fees and any other miscellaneous expenses incurred by the settlement/title agent for the purchase transaction contemplated by the Contract and this Agreement.

G. Assignee hereby acknowledges that Assignor is not in physical possession of the Property, has made no inspections thereof, and cannot and will not warrant the physical condition or any other matter regarding the Property, including but not limited to, the merchantability or marketability of the Property or its use for any particular purpose. In this regard, the assignment to be made by this Agreement is without recourse to Assignor, and, as between Assignor and Assignee, the sale of the Property is "As-Is, Where Is".

H. This Agreement shall be binding upon the heirs, successors and assigns of the parties hereto, and this Agreement shall be construed in accordance with the laws of the State of __________________. As to all matters hereunder, time is of the essence.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

ASSIGNOR: ____________________

ASSIGNEE: ___________________

By: __________________________

By: __________________________

Name:	Name:
Title:	Title:

WEEK FOUR:

Raising the Roof On Financial Freedom

WEEK FOUR

Raising the Roof on Financial Freedom

SETTING THE CLOSING DATE

The contracts are signed, you have turned all your paperwork over to the title company, and you are ready to close. What happens next?

Actually, the title company handles it from here. They do the title search, make any last minute calls to the bank, rehabber, rehabber's lender, or anyone else that needs to be called to complete the closing.

Unless otherwise instructed, the title company will set a closing date on the last day of the month.

- ✓ The title company can close in as little as three days, but prefers longer if possible.

Remember when you signed the sales contract with the homeowners? You gave yourself 30 to 45 days to close. Then you signed the assignment of contract with the rehabbers and gave them seven to ten days to close. The title company will set the closing based on the closest date.

How do you close with the rehabber in seven to ten days if you are closing with the homeowners in 30 to 45? You can't sell something you don't own. Easy! Call the homeowners and tell them that you are ready to close early. Remember, they are in foreclosure and will be happy to close early. The sooner they close, the sooner they can start sleeping again. I have never had a homeowner who refused to close early.

When you filled out your contract with the homeowners, you used the words, "closing on or before" such and such date. When I am ready to close, everyone has to cooperate. As I said, this has never been an issue.

- ✓ Your homeowners are getting bombarded with collection calls, late notices in the mail, and people serving them papers at their home.

This is a very stressful time. They are grateful to close early.

Once the closing date has been established, the title company will call the rehabber and the homeowners. When everyone arrives, they are placed in separate rooms. You will go back and forth between the rooms making sure everyone is happy, and that they are signing their papers. There is no need for the distressed homeowners to meet the rehabbers. I think it makes for an awkward situation. The homeowners are embarrassed enough as it is.

If for any reason my rehabbers were to no-show, I simply give the homeowners $100 and tell them that there is a title issue and that I will reschedule the closing as soon as possible. I give them the cash for two reasons:

- ✓ To say, "I'm sorry" for the time they wasted.
- ✓ To make up for any lost wages they may have incurred by taking time off from work to attend the closing.

It rarely happens, but it does happen. Remember, in Week Three, I told you that if the rehabbers no-show or cancel, they lose their deposit. Not many people are willing to walk away from a $3,000 deposit. As I said earlier, if your rehabbers no-show, you still have plenty of time to find another buyer.

☞ Always plan every deal as if it will fall apart so that if it does, you are prepared.

A prepared investor will find a way to make every deal work instead of losing it because the buyer bailed out.

STUDENT TESTIMONIAL

I have sold quite a few houses over the last couple of years. I went full-time this year. I have wholesaled most of the properties, rehabbed a few, and am holding on to some. I am to the point now that I buy a lot of REO's for fifty cents on the dollar … or less. I wholesale most of them to other investors for $6,000 to $12,000 profit per deal. I currently have six contracts that will close this month and six Section 8 rentals. Thanks so much!

Robbin R., South Carolina

WHAT IF MY HOMEOWNERS CHANGE THEIR MINDS?

Once in a blue moon the homeowners will change their minds. Just know that it doesn't happen often. Unless the homeowners come into some money, there would be no reason for them not to close.

In the many years I have been investing, I have had only a handful of homeowners who wanted out of the deal. Since I have a rehabber lined up to close and a paycheck waiting in the wings, I do whatever I can to keep the deal together. In the special clauses section of the contract, it states that I must close with the homeowners before I can close with the rehabber. This protects me from a disgruntled rehabber in the unfortunate event that my deal falls apart.

Let's assume that the rehabber gave me a $3,000 deposit and I spent it. I do not want to return it if the homeowners bail out.

☞ Having the special clause that calls for me to close with the homeowners first, and for the rehabber to allow me time to find another deal if this one does not pan out, keeps me from having to return a deposit.

I repeat, if you plan each deal as if it will fall apart, you'll find that most of them do not.

In the unlikely event your homeowners want out of the deal, find out why:

- ✓ Did another investor offer them more money?
- ✓ Did they come into some cash and are now able to keep their home.
- ✓ Are they trying to refinance and keep the home?

Nonperformance: Sales contracts give the buyers the opportunity to sue the homeowners and force them to close if they refuse to follow through on the contract. Likewise, the buyers have a penalty if they do not close: they lose their deposit. Another reason to leave a $10 deposit.

The only way I will let the homeowners out of the contract is if they have figured out a way to keep their home. Ultimately, being an investor is about creating win-win situations. Although I hate to lose a deal, I love to see homeowners keep their home and rebuild their lives.

If they want out for any other reason, I tell them no and remind them that I have the right to sue them for **nonperformance** if they do not close. Once homeowners sign a contract, they are legally bound by that agreement. You could sue them and win if you really wanted to. Would it be worth it to sue? Probably not. The threat of a suit is usually enough to keep your homeowners in the deal. Again, this rarely happens.

Most new investors worry that their homeowners will be offered more money and cut them out of the deal. I have a great speech I give the homeowners to prevent that from happening:

☞ Once the contract is signed and I am certain my homeowners are in the deal with me, I tell them about unethical investors and how to avoid them. I say, "Bob and Sally, there are many unethical investors out there. Luckily, you found me and I am not one of them. Let me share with you what unethical investors do. They knock on your door, just as I did. They go over the numbers with you, just as I did. They find out you are already under contract with me and instead of walking away, they encourage you to get out of the contract with me and sell your house to them.

They promise you more money. Bob and Sally, we have gone through the numbers and you do agree with me that this offer is more than fair, don't you? Great. Let's just say you get out of the contract with me and agree to sell these unethical investors your house because of the promise of more money.

The day of the closing arrives and you are expecting a huge check. At the closing table, they tell you the numbers didn't quite work out the way they expected and, unfortunately, there is no money for you at all. They tell you to sign the papers anyway, or you will lose your house at the foreclosure sale. Because these investors have set your closing date so close to your foreclosure sale date, you will have two options:

- ✓ Walk away with no money, but still have to sign the papers to save your credit from foreclosure.
- ✓ Leave the closing mad and still have no money and a foreclosure on your credit report.

Now, Bob and Sally, you don't want that to happen, do you? Look at it this way, if someone will cut me out of a deal, why wouldn't they cut you out, too? Really, think about it… why would they follow through with you? There is no reason.

I have set your closing date several weeks before the foreclosure sale date to give us a window in case we need a few more days. Unethical investors will cut me out of the deal, and then close with you the day before the sale. This way, you have no other option but to sign the papers and walk away with no cash to start over.

I have seen this happen many times in the past. I realize when someone makes an offer of more cash and homeowners are in trouble, it sounds great. You have to trust me on this one, anyone who will cut me out, will cut you out, as well. If anyone comes to you and makes you an offer that sounds like this, promise me you'll call me right away. Okay, great… let's get this deal done!"

I have had many homeowners call me saying that this exact scenario happened. I had them so worried about being taken advantage of that they actually slammed the door in the other investors' faces. Sadly, I have had a handful of homeowners bail out on me only to hear from them a few weeks later, crying and saying this exact scenario happened to them and they were taken advantage of. It's a sad day, but they were forewarned. Greed can be a killer.

The bottom line is:

✓ With an open, honest, well-established relationship with the homeowners, this will be a nonissue.

Again, if your homeowners want out because they have solved their foreclosure issue, let them out and find the rehabber another deal. This is another reason I want you to have five to ten deals working at any given time. If your homeowners want out of the deal, you can supply your rehabbers with another property and keep them happy.

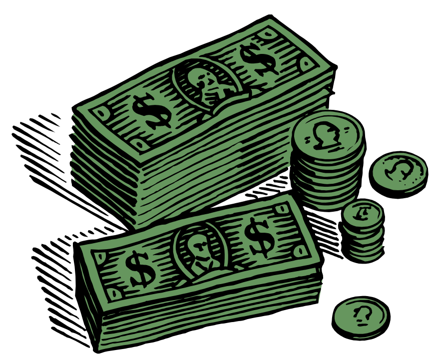
The key to successful wholesaling is to build a replicatable business. The happier you keep the rehabbers, the more business you will do. I'd love to see you wholesale 50 properties your first year!

WHAT IF MY BUYERS CHANGE THEIR MINDS?

In the unlikely event your rehabbers bail out, you simply keep their deposit and move on. I have never met a rehabber who willing walked away from a big deposit; however, it does happen. If you collect a $500 deposit from your rehabbers and they find a better deal, they may walk away from such a small deposit. When you take a $3,000 or more deposit, even if they find a better deal, they are unlikely to walk away from a deposit of that size.

☞ The best way to insure that you actually get the deposit in your hands is to have the rehabbers make the deposit check out to the title company, and sign a paper stating that the deposit is nonrefundable and that they agree and allow the title company to release the deposit to you immediately.

The title company will prepare this document. Even though the sales contract states that the deposit is nonrefundable, I still want the cash in my hands. If the check is left in the title company's escrow account and the rehabber puts a claim on it, the money might be tied up for a few months while everyone tries to decide what to do with the money. Although the money is clearly yours, title companies do not like to get involved in disputes.



If you simply have the funds released at the beginning of the transaction, this is a nonissue. Rehabbers who do not allow their deposits to become nonrefundable are not solid buyers. There is no reason rehabbers should have a problem with this unless they are still shopping other deals. The simple fact that the contract calls for you to find them another deal if this one falls apart should be enough.

Again, the only reason your end of the deal won't close is because of the homeowners. As I said earlier, most homeowners do not bail out on deals. They want to be out of foreclosure as soon as possible.

☞ If your rehabbers do bail out on the deal without a great excuse, simply take them off your list and don't do any more business with them.

There is an unspoken rule among investors: We all help each other out and when one investor screws over another, we tell as many people as we can and sort of blackball them. This helps keep the riffraff out of our industry.

☞ I'll give you a great example: Several years ago a man, whom I had never met, called an investor that I knew and tried to buy a house from him. This investor (who knew of me) told my friend that he had done business with me and that we had made $80,000 on a deal that we had partnered. My investor friend believed this man and put a deal together with him.

The bottom line is that this man tried to rip off my friend out of thousands of dollars. When my friend called me to discuss the situation, I assured him I had never met the man or done a deal with him. Because I owned and ran a REIA group, the man had dropped my name. I told my friend that in the future when someone says they know me, just pick up the phone and ask me.

I stepped in, made a few calls, and the deal fell apart. My friend did not lose any money and learned a good lesson. We told everyone we knew about this man and found out that he was trying to put several deals together with other investors we knew. The end result was: All the deals fell apart and this man was out of business. Had we investors not stuck together, no telling how many people might have lost money.

When someone treats you right, tell everyone; and when someone treats you poorly, tell everyone. The more we stick together, the better our industry is. You need to look at other investors as friendly competitors. I know all of the investors in my area. We often bid on the same properties, and one of them may end up with the deal. Although I don't like it when that happens, I am happy for them. I know another deal is around the corner for me and I move on. Many times I help these investors wholesale the deal because I had a buyer for the property, but lost the bid.

When I am bidding against other investors, it is typically on bank-owned properties, which we will talk about later in this volume. When I am working directly with homeowners, there is no competition. One of the reasons I suggest you attend REIA meetings is to meet other investors in your area. You might get ten calls from distressed homeowners in one week and only be able to wholesale five of the properties.

☞ By having a network of other wholesalers as well as rehabbers, someone else can wholesale the deal for you and you both make an assignment fee.

I had one closing that had seven assignment fees on it. That's six other fees besides mine! I knew I should have charged more☺. It was a good day for all of us. We were all very surprised when the closing happened because each of us did not realize the deal had been assigned so many times. We had a good laugh and went to lunch together. It was a fun afternoon and helped establish long-term business relationships.

Just remember to treat others as you want to be treated and that you reap what you sow.

CLOSING WITH THE ASSIGNMENT OF CONTRACT

Closing deals using the assignment of contract is my favorite way to close because I make the most money. I make a net amount and do not have to pay any closing costs. When I do a double closing, which we will talk about next, I make the same fee except I have to pay closings costs. If my assignment fee is $20,000 using the assignment, my check is $20,000. With a double closing, my net check might be $17,500. Still good, but not the same.

There are pros and cons to using an assignment of contract.

- ✓ My favorite pro: no closing costs.
- ✓ The downside: everyone sees what you are making.

There will be times when your assignment fee is so large that you don't want everyone to see what you are making.

Let's talk about the assignment first. When we filled out the assignment in Week Three, you saw the section that shows your fee. Typically, you'll make anywhere from $10,000 to $25,000 on each closing. In most areas, this is a reasonable assignment fee and should not upset anyone. When your fee is larger, you may want to consider a double closing.

When using the assignment of contract, you will show up as an expense on the rehabbers' side of the **closing statement.** Closing statements have a Buyer's side and a Seller's side. In this instance, the homeowners are the Sellers and your rehabbers are the Buyers. Because the rehabbers are the actual buyers, you show up as a fee on their side.

Closing Statement: Also called a Settlement Statement or a HUD 1. This is the form signed by all parties showing the expenses related to the closing. A certified copy is always sent to the bank to confirm that the transaction has closed. This document is prepared by the title company.

Let's say you are buying the property for $100,000 and wholesaling it for $125,000. The rehabbers plan to fix up the property and sell it retail for $175,000. On the closing statement, the purchase price will show as $100,000, and you will show up as a $25,000 expense.

The purchase price remains the same as the purchase price on your contract with the homeowners. The assignment fee does not raise the actual purchase price; it is an expense. The rehabbers are paying you $25,000 for the right to purchase the property for $100,000.

If the rehabbers are borrowing money to purchase the property, they show their lender the assignment of contract and the sales contract. Rehabbers borrow money from hard moneylenders who are used to seeing assignment fees and have no problem with it. When the closing is complete and the deeds are filed at the courthouse, the sales price will show as $100,000.

How do you decide when to assign and when to double close. There are two determining factors:

- ✓ If the property is bank-owned
- ✓ If your assignment fee is large

What is considered an acceptable assignment fee? Good question with no real answer. It really depends on the prices of properties in your area and how much the homeowners owe.

☞ For example, let's say properties in your area sell retail for $100,000. A typical assignment fee might be between $10,000 and $15,000. Basically, about 10 to 15% of the retail value of the house. Rehabbers typically pay 65% of the value of a property. If the house is worth $100,000, the rehabbers will pay $65,000 for it.

If your fee is $10,000 and you are giving the homeowners some moving money and covering their closing costs, that means you are buying the property in the $50,000 range. In order for the rehabbers to purchase at 65%, you could not add more than $10,000 as a fee unless the homeowners owe less than 50% of the property value.

In this scenario, if the homeowners only owed $35,000 on the property, you could make more.

Let's look at a pricier property:

☞ You find a property that is worth $500,000. You can sell it to your rehabbers for approximately 65% of retail, which is $325,000. In this scenario, if the homeowners owe 50% of the retail value, which is $250,000, you could make $75,000 as an assignment fee.

Is this realistic? Absolutely. As I said before, it is common to make between 10% and 15% of the retail value of the property as an assignment fee. If you live in an area with pricy homes, expect your assignment fees to be more.

Loan to Value or LTV: What is owed against a property compared to its value. For example, if you owe $40,000 on a $100,000 property, you have a 40% loan to value. Likewise, if you owe $85,000 on a $100,000 property, you have an 85% loan to value.

It's very exciting for a wholesaler to find a property with a very low **loan to value.** It means you can expect a larger assignment fee.

At this point, many new investors wonder why homeowners with so much equity would walk away from it so easily.

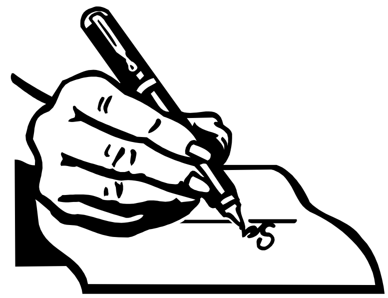
When homeowners first get into trouble, they suffer from a major case of denial. They assume that they will figure it out and don't believe that the bank will actually take their house. They struggle with mortgage payments for several months and are finally served foreclosure papers.

At this point, many homeowners try to refinance the property or list it with a real estate agent. When the mortgage broker runs their credit report and sees that they are in foreclosure, the broker is unable to refinance the property. When the real estate agent sees that the property needs work, the agent is unable to sell it retail.

With time running out, homeowners are looking for someone who can step in, right now, and solve their problem. This is why you will receive so many calls at the last minute. Homeowners often wait until it is almost too late. The great thing about wholesaling is that you can close deals is just days. It makes you very appealing to distressed homeowners.

CLOSING USING A SALES CONTRACT

When you close your transactions using a sales contract, you'll be doing a double or simultaneous closing. Instead of showing up on the closing statement as a fee, you'll actually buy and then sell the property. As I mentioned before, the only reason you would do a double closing is because you are making a huge assignment fee, or you are buying a property from a bank.



When the homeowners lose their property at the sheriff's sale, it becomes bank-owned. Once the bank takes the property, it will list it with a Realtor and sell it retail. I make low offers on bank-owned properties as well as dealing directly with homeowners. We'll talk more about bank-owned properties in the next section.

This is where new investors get confused. They think that since they are buying and selling the property, they need money. Not true. As I have said all along, you can do this business with just $10.

☞ Let's say you are buying a property for $50,000 and selling it to your rehabbers for $65,000 and you have to do a double closing. The day of the closing comes and the distressed homeowners and the rehabbers show up. The title company places them in separate rooms just like a regular closing.

> The rehabbers bring a check for $65,000 and give it to the title company. The representative for the title company takes the $65,000 check, puts it in the escrow account, and then disburses the funds properly.
>
> The only difference in this closing is that you are in the chain of title. The homeowners are selling their house to you and you are then selling it to the rehabbers. You sign the closing statement as the buyer for $50,000. Then turn around and sell it to the rehabbers for $65,000. You make $15,000 minus closing costs. Your net check might be $13,500 instead of $15,000.

I want you to interview title companies regarding double closings. You must find a title company that will do double closings and is willing to pass most of the costs to the rehabbers. Since the rehabbers are the ultimate buyers, I see no need to pay extra closing costs.

Title companies charge for document preparation, deed prep, title searches, and so on. They charge each party a specific set of closing costs. There are costs associated with buying as well as selling. Since you are both people in this transaction and the rehabbers are the actual buyers, the title company does not need to charge two sets of everything.

☞ You must find out which fees are mandatory and which fees are negotiable.

☞ For example, I buy properties in Florida and Colorado. In Florida, we have to pay a fee to transfer the deed; in Colorado we do not. This fee cannot be transferred to another. The person buying must pay it. In Florida, I pay 70 cents per thousand dollars to transfer the deed. This means, if I buy a property for $100,000, I pay $700 to the county. If I were doing a double closing, I'd have minimum closing costs of $700.

Whenever a deed is transferred, a title search is done. As I mentioned earlier, there is a cost for this. Many investors don't think it is worth it to pay for title insurance in a double closing because you only own the property for a moment in time. Others are cautious and pay for it although it is unlikely it will ever be needed. Based on what you know of me, which way do you think I play the game?

☞ Like I always say, if you handle every deal as if it will fall apart or have a problem, it never will. **I always get title insurance.**

Title insurance confirms that the title is clear and free of liens and lawsuits. I have been in this business a long time and have seen many items missed on title searches. Should something come up later and you didn't purchase title insurance, you could be liable down the road.

Worst-case scenario, you'd have to give back your profit. What if your profit was $50,000. I know if it were me, the money would be spent and I wouldn't have it to give back. I'd rather spend a few hundred dollars today knowing my money is safe and spendable tomorrow.

☞ Don't forget, in a double closing there are two sales contracts.

One is between the distressed homeowners and you. The other is between you and the rehabbers. With each contract you will use the special clauses that apply to that contract.

☞ The closing will happen the exact way except you will sign two sets of papers: one as a buyer and one as a seller.

That's it! It's that simple.

CAN I WHOLESALE BANK-OWNED PROPERTIES?

Can you? Folks, by now you should be getting the hang of this. Yes, of course you can wholesale bank-owned properties. Again, it goes back to a double closing.

I prefer to deal directly with distressed homeowners. Personally, I like to help people who have gotten into a bad situation. However, banks have great deals, too. One of the team players you will need is a real estate agent. This agent will play an important part in your success.

My agent searches the MLS constantly looking for deals using key words like:

- ☞ Handy
- ☞ Fire damage
- ☞ Foreclosure
- ☞ TLC
- ☞ Bank-owned

These words usually mean there was some type of distress and the bank now owns the property. Since banks are in the business of lending money and not owning properties, they are receptive to selling these properties below market.

When I make a low offer to the bank, I like to justify it.

- ☞ Let's say the bank is asking $85,000 on a property worth $100,000. I usually offer 50% of the retail value. In this case, I'd offer $50,000.

Will you get some of these low offers? Believe it or not, you'll get a few. I average at least one deal a month from my agent. We'll talk more about finding an agent later in this volume.

The agent prepares the offer and I include the following:

- ☞ Pictures of the damage to the property
- ☞ Low comps
- ☞ A cover letter stating why I am offering less
- ☞ Articles from the paper showing problems with the neighborhood
- ☞ A cash offer
- ☞ Closing in 30 days
- ☞ No inspection period

Do these items help? I think so. Banks are in the business of lending money. Having a number of defaulted properties on its books does not make the bank look good in the eyes of its shareholders. The banks are as anxious to get rid of these properties as you are to buy them.

Since you are double closing, you can make a cash offer and close in 30 days. Remember, the rehabber's money will cover the entire transaction. The bank makes you double close because it can't take thousands less and then show a huge profit on the closing statement for you.

I also make my offers with no inspection period. The bank gives you one anyway to avoid a lawsuit later should the property have a major problem. The bank typically gives seven to ten days for inspections. I make cash offers, no inspections, and closing quickly so that the bank will take my offers seriously.

If the property is in decent shape, other investors will make offers, as well. The stronger your offer, the better your chances for a yes.

Here is a sample cover letter to the bank:

LETTER OF INTENT

Dear Mr. Banker:

Upon my inspection of 123 N.W. 15 Court, 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 the area and requested the current market values. I have based my offer on the market values as well as the necessary repairs.

I am offering $50,000 cash, closing in 30 days, and asking for no inspection period. Based on the area comps and the amount of damage to the property, you can see that my offer is more than fair.

I have enclosed pictures as well as articles from the local papers. As you can see, the house and area are distressed. I am willing to purchase the property, but I must be able to buy it right. I don't want to lose money.

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

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

Sincerely,

You, the superstar investor

As you can see, this is a simple letter. I want to bring it to the bank's attention that the property is distressed and that I am making a serious offer.

When you buy properties directly from the bank, you cannot use a $10 deposit. Banks usually want at least $1,000. Submit your offer with a $10 deposit. The bank will give you seven to ten days for inspections. At the end of the inspection period, if you plan to stay in the deal, you'll have to give a larger deposit. During the inspection period, find a rehabber, get the property under contract, collect a large deposit from the rehabber, and then use that deposit for the bank.

If you are unable to find a rehabber during the inspection period, simple tell the bank that upon inspections, you have decided not to purchase the property. You will be off the hook and the bank will give your $10 deposit back.

Being a new investor, you may want to complete a few deals with homeowners before you move on to bank-owned properties. The banks are easy to deal with, but if you don't close, they will keep your deposit. That means that if you put up a $1,000 deposit and can't find a rehabber, your deposit is history.

Likewise, if you use the rehabber's deposit and the deal doesn't close, the rehabber's deposit is history, as well. In this case, the bank keeps the deposit, not you. If you took a $3,000 deposit from the rehabber and then gave $1,000 of it to the bank, you'd keep $2,000 and the bank would keep $1,000. Remember, the only way the bank can keep the deposit is if you don't close. If the bank can't close, everyone gets their deposits back.

WHY DO SOME THINK DOUBLE CLOSINGS ARE ILLEGAL?

I speak to real estate investors across America every week. It stuns me how many investors think or have heard that double closings are illegal. Folks, if they were illegal, why would title companies be doing them? They absolutely are not illegal as long as you have proper disclosure.

When you wholesale a property, who is the actual buyer? Right, the rehabber. Whether you double close or use the assignment of contract, the rehabber is still the ultimate buyer. If the rehabber is borrowing money for this transaction, the lender needs full disclosure. The title company needs to tell the lender that it is funding two transactions:

- ☞ The purchase between the homeowners and you
- ☞ The sale between you and the rehabber

The title company will call the lender and disclose that this is a double closing. What can make a double closing illegal is if the lender is not told that it is funding two transactions. Many lenders have guidelines that do not allow funding for two transactions.

☞ For example, if you were to call a conventional bank like Bank of America and state that you want to do a double closing, BOA would not lend the money.

These types of banks do not allow funding for two transactions. They don't understand how you can buy a property for $50,000 and sell it for $65,000 ten minutes later. They are concerned with fraud and, therefore, won't fund two transactions.

Rehabbers use hard moneylenders or transactional funding. They are in the business of lending to rehabbers and completely understand double closings and are happy to lend on them. They understand that rehabbers often purchase from wholesalers and that the wholesalers are making a fee for their service.

Another benefit of using investor-friendly title companies is that they fully understand double closings and how to make them completely legal. I love the fact that the title company handles everything for me. However, it is important for you to be an educated consumer. Disclosure is only as good as the person doing the disclosing.

Make certain the title company has done its job properly. Ask if all disclosures have been made and then double-check with the rehabber's lender at the closing. Typically, the lender will attend the closing. I like to cover myself by making sure everyone knows what is going on. I don't want a legal issue tomorrow because disclosures were not done today.

STUDENT TESTIMONIAL

I purchased my first big deal after Dwan's boot camp. I bought a property for $14,000 and wholesaled it for $50,000! I received a check for $35,553. I also purchased another house from an owner and wholesaled it to make $8,000 in profit! Dwan has changed my life!

Jami B., North Carolina

Once you have established a good relationship with your title company, you won't have to watch them as closely. I have had very good luck with the title companies I have used over the years. I do change companies from time to time. I find that I refer other investors to the title companies that I really like. Next thing you know, they are too busy for my closings. Not that I am spoiled, but if I want to close in one day and close at 7:00 p.m., I want to be catered to. I am a huge client, bring a lot of business to the company, and am very busy. I need a company that will work around me, not expect me to work around them.

I have a great place now. They send someone to my office to do the closings. It's really great when you don't have to leave the office to collect your check. As you become a larger client, you'll find that title companies will cater to you, as well.

WHAT IF I CAN'T CLOSE ON TIME?

Not being able to close on time can present a problem. You must first determine when the foreclosure sale date is. If you plan to close on May 15 and the foreclosure sale date is May 16, unless you can get the bank to postpone the sale, your homeowners may lose their house. As I have mentioned before, I try to set the closing date as soon as possible to avoid the above situation. You can stop the sale using the bankruptcy system, which we will talk about next.

I set the closing date immediately because my buyer may flake off and I don't want to be left in a tight situation. However, what often happens is that homeowners call me at the very last minute. They may have a foreclosure sale date set for Tuesday morning and call me Monday night. Again, I can help them by using the bankruptcy system, but I hate to put people in bankruptcy who are already in foreclosure. I don't want to make a bad situation worse.

If you can't close on time, there are a few options. The options depend on why you can't close.

☞ If there is a title issue, the title company can call the bank and ask for an extension.

If the extension is due to a title issue, the bank will usually comply. It will grant a one or two week extension with no penalty.

If your buyer bailed out and you need more time, the bank may say no to an extension unless you agree to pay a penalty. Banks have what is called a per diem. This is a specific amount charged for extensions.

☞ For example, the daily per diem may be $65. If you need a ten day extension, it will cost you $650.

Is it worth it to pay a per diem if you are looking for a second buyer? It's up to you. Personally, I would pay it knowing another buyer is easy to find. The penalty is paid at the closing, so you don't need the money today. Worst-case scenario: the deal still falls apart, so there would be no per diem because there would be no closing.

A good title company can usually handle any extension necessary with no cost to you. Another good reason to interview title companies and choose a good one.

BANKRUPTCY

It will stun you how many homeowners call at the last minute. I always ask them how many payments they have missed and why they waited until now to call me.

The answers are always the same:

- ☞ I thought my real estate agent would get the property sold.
- ☞ I thought my mortgage broker would get me refinanced.
- ☞ I tried to work it out with the bank.
- ☞ I thought I could get back on track with my payments.
- ☞ I tried to borrow money from relatives and nothing worked out.

Regardless of the reason, there is not much that can be done when the initial call comes in the day before the foreclosure sale except for the homeowners to file bankruptcy.

Have your homeowners speak to an attorney about filing a Chapter 13 bankruptcy. If the homeowners do not have the money to hire an attorney, they can file themselves. All they have to pay for is the cost of filing the paperwork. In most cases, the filing fees are under $200.

Since you are not an attorney, you cannot give legal advice. Be very careful not to render advice. You are going to tell them what you have *seen* others do. You are not going to tell them *what* to do.

Here is what I say:

☞ I have seen other homeowners in distress file bankruptcy themselves. What these homeowners have done is go online to www.uscourts.gov and download the bankruptcy papers for a Chapter 13. Then they have gone to the courthouse themselves and filed the papers. Once the papers have been filed, these homeowners take a **certified copy** of the bankruptcy papers to the foreclosure clerk and stop the sale. If you wanted to do what I have seen others do, it is up to you. If you are able to stop the sale, I will work with you. You decide what to do and call me later.

Once they file bankruptcy, have them call you and then you can put the deal together.

☑ DO NOT drive them to the courthouse, lend them the money, download the papers, or do anything that would hold you out to be practicing law.

Homeowners love you when you are trying to help them. If the deal falls apart, you don't want them stating you told them to file bankruptcy and that you further hurt their situation.

Bankruptcy court may not be at the same courthouse where the foreclosure files are. At most courthouses, the clerks will be helpful and show the homeowners what to do. Filing a Chapter 13 will stop the sale (in most states) and give the homeowners an opportunity to reorganize their debt, and give you a chance to put a deal together.

☞ The court will set a bankruptcy hearing in approximately 30 to 45 days. It's called a 341 hearing and is for the benefit of the creditors.

Hopefully, this will be enough time for you to work out your deal and help the homeowners. If you have solved the problem in this time frame, the homeowners can simply drop the case and get out of the bankruptcy.

☞ It is best for the homeowners to drop the case, not miss the hearing.

If they miss the hearing, they will be "kicked out" and will not be able to file again for 180 days. If they drop the bankruptcy, they can re-file immediately if needed. Using Chapter 13, the bankruptcy process could drag on for many months.

CHAPTER 13

Chapter 13 is debt reorganization. As far as the bank is concerned, this is a forced **forbearance agreement.** The bankruptcy judge will decide whether the bank must accept a payment plan.

Forbearance Agreement: A forced repayment plan. For example, the homeowners owed the bank $6,000 in late payments. They have saved $3,000 and want to work out a payment plan. The bank accepts the $3,000 and agrees to take the balance and spread it out over 24 months adding it to their current payment. Assuming their payment is $500, the new payment is $625 for the next 24 months. $3,000 divided by 24 months is an additional $125 per month.

Once you have a deal worked out and a signed sales contract, take the sales contract to the bankruptcy judge and have the property released from the bankruptcy so you can close.

☞ In a Chapter 13, if the homeowner does not keep up with the agreed upon payments, the bankruptcy will be discharged and the foreclosure process will continue.

☞ The beauty about filing a Chapter 13 first is that after several months the homeowners' bankruptcy attorney can now file a Chapter 7 and buy more time.

Since it only takes a few days to wholesale a property, you should never need an extension. Get the house out of bankruptcy as soon as possible and get the deal closed so the homeowners can move on.

CHAPTER 7

A Chapter 7 bankruptcy absolves debt and postpones the foreclosure process. Many people mistakenly think that Chapter 7 stops the foreclosure forever. Not true. Bankruptcy is a stall tactic; it temporarily stops the foreclosure. A Chapter 7 usually takes about three to six months. Approximately seven weeks before the bankruptcy is discharged (finished), the foreclosure process picks up where it left off.

Since most banks can't keep up with their paperwork, more time will pass before the bank continues the foreclosure process. Again, this will give you a few more months to negotiate. During this process, your homeowners can dismiss the bankruptcy at any time and save what is left of their credit.

☞ Can you see why banks hate it when you threaten bankruptcy? They know the homeowners can start with a Chapter 13, fall out of the 13, and then roll it into a Chapter 7, stalling the foreclosure sale for months and possibly years.

As I said earlier, I don't advocate bankruptcy. I don't want to make a bad situation worse, but sometimes bankruptcy is the ONLY way to stop the foreclosure sale. The bottom line is to help the homeowners any way possible. If bankruptcy is the only choice, then use it to your advantage.

☑ Remember, you are not an attorney (and neither am I), so be very cautious when giving homeowners advice about bankruptcy. You don't want to get sued for practicing law.

☞ In most states, a homeowner can file bankruptcy one hour before the sale and stop it.

Check with your county courthouse or local bankruptcy attorney to see if this is true in your area.

It's not a bad idea to take a bankruptcy attorney to lunch to familiarize yourself with the laws and how they affect the sheriff's sale in your state. Bankruptcy court is federal and the laws are the same nationwide. What varies from state to state is how bankruptcy can be used to the homeowners' advantage in the foreclosure process.

☞ One extra bankruptcy tip: A husband and wife can file separately. This way after the first bankruptcy is discharged, the other spouse can file and start the entire process over.

☞ Homeowners can buy two years or more. The first spouse files and buys a year; then the other spouse files and buys another year.

See why the banks hate bankruptcy?

Again, since wholesaling can be done so quickly, there should never be a need to drag the bankruptcy on for years. You are simply trying to buy time to get the deal closed because the homeowners called you so late in the game.

A SUCCESSFUL CLOSING

The day of the closing is here. You are super excited to get your first check. Whether you are using an assignment of contract, selling the LLC or doing a double closing, the results are the same. **You are leaving with a check!**

Because you have done your job, this day is fun and easy. The title company has prepared the paperwork, your rehabber is coming with cash, the homeowners are getting out of foreclosure and can start life over, and you are getting money.

The closing itself is simple. Everyone signs papers, the title company gives everyone copies of those papers, money is exchanged, and everyone leaves happy. There is not much to a closing. As I said, the title company does the work at this point.

Always make certain that all parties involved are happy with the results. You want the rehabber to buy again and you want the homeowners to walk away with a good feeling about investors.

The title company will handle everything. All you have to do is sign papers.

✓ **Always have your driver's license with you.**

The title company will need a copy for the file. It is to prove that you are who you say you are.

In some states, if you are married and doing a double closing, you and your spouse both have to sign the closing papers. Because you are taking ownership to a piece of property and you are married, it is considered joint property. Your title company will let you know if this is an issue.

The same goes for a corporation. If you open a corporation with a partner, check to see if both of you have to sign closing documents. Usually just the president can sign any necessary papers. Again, this is information the title company can give you.

That's it! The closing is the easy part. Like I said, the title company does all the work for you. All you have to do is pick up your check and do it again.

FINDING THE REST OF YOUR TEAM PLAYERS

I want to be really clear here:

✓ You do not need these people to close your first deal!

I don't want you to have any excuses why you can't become a full-time investor right now. Get busy doing deals and find people to work with along the way. As I said earlier, you can find most of the people you need at the local REIA group.

You need a title company to close your first deal, the rest of these people are gravy. Eventually you will want to work with a real estate agent and a mortgage broker. The agent will bring you bank-owned deals, and the broker will bring you homeowners who tried to refinance their property.

Let's talk about each:

REAL ESTATE AGENT

Good real estate agents can bring in your bread and butter. They have contacts at banks, with investors, and with probate attorneys handling estate sales. They will not be afraid to submit offers that may seem ridiculous. Again, the best place to find an agent is to attend the local REIA group.

Another great way to find an agent is to call some of the large banks and ask which local real estate offices they send their REO's to. Once the bank takes a property back at the sheriff's sale, it then lists it with a local agent. Since most of the larger banks are in different states, they use local real estate offices.

☞ For example, you call Bank of America and they tell you they send their listings to ReMax on 8th Street. You then call US Bank and they send their listings to Century 21 on Smith Street.

You then go to these offices in person and speak to the broker. Let the broker know that you wish to buy distressed properties and want to work with one of their agents. I like to work with a new agent who is trying to build a business.

Take these agents to lunch and share your vision:

- ✓ You plan to wholesale 50 properties this year
- ✓ You'd love to buy all 50 from them
- ✓ You are a cash buyer and will close quickly
- ✓ You want the agent to call you with all the bank-owned properties that come into the office
- ✓ You want the agent to call you with any properties that have distressed terminology in the listing: TLC, bank-owned, fire damage, and so on.

The agents agree to work with you and will call you with the distressed property listings that come into their offices. This is where you must step-up to build a relationship.

☞ Let's say both your agents call from ReMax and Century 21. They call you on Monday and inform you that three listings came into the office today. You are too busy and don't go look at them. Wednesday other investors have bought the properties through other agents in the office.

Your agents lost the sales because you did not look at the properties. Why would you expect the agents to call you again? You didn't have the courtesy to get in your car and look at the properties. If you are too busy when you are called, tell the agents right then.

Likewise, if you look at the properties and don't want them, call the agents immediately and let them know that you looked at the properties and they are not right for you. Ask them to call you again when they get more bank-owned properties. Agents will typically call you three times. If you don't step-up they will stop calling.

After you've found agents you feel you can trust, be loyal. Don't waste their time showing you properties, running comps, and so on if you have no intention of using them and becoming a loyal customer.

As you establish a relationship with your agents, you will begin to move to the top of the "list" when it comes to putting the word out about a brand new listing that no one else has had the privilege of hearing about yet.

When a listing comes into the office, the agents have 24 to 48 hours to put the listing into the MLS where it becomes public knowledge. If your agents call you during this window, you can make offers on properties that no one else knows are available. Once it hits the MLS, other investors will bid, as well. Since you are going to make low offers, you will find it difficult to get these deals. Having inside contacts can make you a fortune.

What is the motivation of the agents to sell these properties to you under market? Agents work on commission. If you are making low offers, you'd think the agents would not want to place your offers. A low acceptance would mean less commission.

☞ Let's look at it another way: Volume!

If you are buying 12 properties a year from one agent, you are a serious buyer. If the agents have the listing and sell you the property, they get paid the full **commission**. Knowing they are getting 6% (or more) commission is a motivating factor. 6% of a low offer is still better than 3% of a higher offer.

Should you decide to sell any of your properties retail, the same agent will list it for you. The agent will get commission again on the same property.

It is equally beneficial for the agent and the investor. Earn a good reputation for yourself by being loyal and reap the rewards.

Commission: A percentage paid based on the sales price. Typically, a 7% commission is paid on every sale. The agent with the listing gets paid 3% and the agent who brings the buyer gets 3%. The broker who runs the office gets 1% for the office.

MORTGAGE BROKER

Mortgage brokers are licensed professionals engaged in the business of arranging loans. When homeowners fall behind on their payments, they often call mortgage brokers to try to refinance their property. Based on the homeowners' credit score, current income, and equity in the property, the brokers may or may not be able to help.

This is an important connection for you because:

- ✓ Good mortgage brokers can bring you more deals than you can handle.

Brokers can't give the homeowners' private information to you. They have to give your information to the homeowners. The brokers tell the homeowners that they have worked with you in the past and that you specialize in helping folks in distress.

Once the homeowners call you, you can then put the deal together. You can pay the mortgage brokers a referral fee on the closing statement for bringing you the deal. Mortgage brokers get paid in points. A point is equal to 1% of the mortgage amount.

☞ For example, a homeowner is buying or refinancing a property for $100,000. If the broker is getting paid one point, he or she would get $1,000 for putting the transaction together.

If you plan to sell any of your properties retail, you'll need a good mortgage broker. Brokers are registered with different banks. The more banks they are registered with, the more chances they have to get your buyers a loan.

When potential buyers are interested in purchasing one of your properties, have them contact your broker to see if they are qualified. Your broker can run their credit and tell you in a few minutes if the buyers are qualified.

It is very important to know that mortgage brokers do not work for you! They work for the borrowers! You can refer your buyers to any mortgage

STUDENT TESTIMONIAL

Mortgage brokers are great sources for distressed sellers. Distressed homeowners are often in contact with mortgage brokers because they are looking to refinance their property. My mortgage broker knows I am an investor and called to see if I was interested in buying a property. The homeowner was a single mom with three kids, in foreclosure, and 30 days from the foreclosure sale. The mom wanted to stay in her house. I was able to wholesale the property to another investor who then leased it back to the mom for less than her mortgage payment. She was able to stay in her home, the investor got a property with lots of equity, and I made $38,000 on the deal! Thanks!

Sharon H., Indiana

broker whom you feel will get the job done. The mortgage brokers are not allowed to share personal information about the loan with you, so you must ask the homeowners to give the brokers written permission so that you can discuss the loan.

Again, you need to work with a mortgage broker who is investor-friendly. Although you cannot force a buyer to use your mortgage broker, you can refuse to sell the property if your "people" are not involved.

☞ I simply say, "I completely understand that you want to work with your brother who is a broker. However, in my experience, deals fall apart at the last minute all the time. I have been working with, Bob a mortgage broker, for some time now and he gets deals closed. I know you want to close as quickly as I do, so let's work with a proven entity so we can get this deal done."

If the buyers refuse to work with your broker simply pass and find new buyers. Remember what I have been saying, "If someone is difficult to work with, simply say … ***NEXT."***

Here are some questions to ask mortgage brokers when interviewing them:

☑ Can I use your conference room? It's a good idea to have two places to go in case the title company's conference room is tied up all day on a day that you need to sign a contract.

☑ Can you run a potential buyer's credit and get a preapproval in 24 hours? Many brokers will say they can "slam dunk" your buyers. Three weeks pass and the broker calls and says the deal isn't going to close. If the broker did the job right in the beginning and ran a preliminary credit check as stated, the deal would not fall apart later.

☑ How many banks are you registered with? Many times homeowners need help in order to close the deal. A good broker is registered with several banks and is very creative.

☑ Do you have a problem inflating the sales price to get marginal buyers qualified? If they say yes … run for the hills. Inflating the sales price to get a buyer qualified is bank fraud and you can go to jail. It will stun you how many brokers do it.

It looks like this: Buyers come in with marginal credit and qualify for an 80% loan. This means on a $100,000 house, they would qualify for $80,000 and would have to come up with $20,000 as a down payment. You are selling these buyers an $80,000 house. They need $16,000 down to purchase this property. The mortgage broker tells you to adjust the sales price so the buyers can qualify. You increase the sales contract to a price of $100,000. The buyers then qualify for $80,000 and, therefore, buy the house with no money down.

> This is common practice and very illegal. DO NOT do it. You are selling people a house they cannot afford and are setting them up for failure. Plus, it looks like you made $20,000 more than you did. The broker tells you to "hold a second" and "satisfy it at the closing table."

The title company prepares a second mortgage for the outstanding balance of $20,000. At the closing, you and the homeowners sign the mortgage. Immediately after, you sign a "satisfaction of mortgage" and give it to the mortgage broker. The broker holds the satisfaction for 30 days and then files it at the courthouse. The debt is now settled.

On paper, it looks as if you made $20,000 more than you did. It also looks as if the homeowners paid $20,000 more for the property than they actually did.

Since the title company had no idea the sales price was inflated, they follow instructions and prepare the mortgage and the satisfaction. Should the brokers' office ever get audited, watch out! Do these offices get audited? You bet. There was an office in Florida audited several years ago. Five of the brokers went to jail and hundreds of investors were audited as a result. Many ended up in court and paid fines or did jail time. There is no need to do business in this manner. There are plenty of homeowner's who qualify for mortgages without using fraudulent means.

In addition to possible jail or fines, you are liable for this additional money on your taxes.

I'm not trying to scare you, I just want you to realize that not everyone does business above board. Be particular about the mortgage brokers you choose.

They are necessary and can make you a lot of money, but can be trouble if they are unethical. Again, find them at REIA groups.

ATTORNEY

I like to use a title company that is owned by an attorney. This way, if I need something for my closing, the person is on hand. I don't want to turn to the Internet to find an attorney in a crunch.

As with title companies, take time to interview attorneys. Find someone with whom you feel comfortable. Many attorneys are real estate investors, as well. I like to use attorneys who also invest.

The reasons for using the services of a real estate attorney are many:

- ✓ To prepare documents on your behalf, such as Land Trusts, leases, lease option agreements, and so on
- ✓ To prepare closing documents
- ✓ Offer advice
- ✓ Title insurance
- ✓ Hold closings at their office

Discuss your plans with the attorney and ask for advice on structuring your business. He or she will be able to explain the pros and cons regarding your ideas.

When you interview attorneys, use the same questions you use for title companies. Remember, attorneys' fees are negotiable, and they work for you.

ACCOUNTANT

If you are not currently using the services of an accountant, consider doing so. Again, word of mouth is the best way to find a good accountant. You may wish to interview accountants associated with local accounting firms.

An accountant can make tax time much easier once you begin collecting closing statements as part of your income.

If you have the money, meet with an accountant prior to purchasing your first property and explain your intentions in this business. This will enable the accountant to give you the best advice on how to keep proper records. If recordkeeping is not one of your strong points, consider using an accountant to keep records for you. Think of it this way, "It's not *if* you get audited, it's *when* you get audited."

If money is tight, close a few deals first, keep really good records, and hire an accountant later.

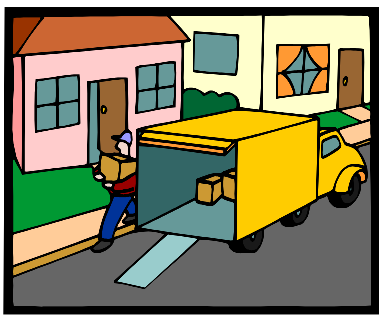
Again, I like accountants who also invest. I feel they have a better grip on how to help you save money if they are investing, as well.

☞ Accountants can advise you on the benefits of having a home-based business, including allowable "write-offs" and the pros and cons of a personal vs. corporate business structure. They can also assist you in filing forms.

BUILDING A REPLICATABLE BUSINESS

How do you build a replicatable business? Take the time to build relationships. I like to give everyone a gift at the closing.

- ☞ I usually give a gift basket with a card to the title company
- ☞ I typically rent the homeowners a moving truck



Distressed homeowners don't need the added stress of trying to move. If they do not own a truck, they have to rely on friends, or hire a truck themselves. Make a connection with a local company and hire a truck for the day. That one small gesture can make the entire transaction go smoother.

It's the same with the title companies. Do what you can to make the transaction go smoothly. Most investors go in demanding immediate service, say thanks, and leave. Folks, spend a few dollars and do something nice for the closing agents. Remember, these people work for someone else and don't make the kind of money you will be making.

They want what you now have … financial freedom. They see you coming in every week making huge checks. Show them that you are generous. If you are good to them, they'll close deals around your schedule and possibly waive some fees. Remember, you are trying to build long-term relationships.

Now that you have closed your first deal, keep going. In no time you can quit your job and work for yourself.

Never stop working on your business. Everywhere you go, every person you meet, make sure everyone knows what you do. There are deals around every corner.

- ✓ Your ad to build a buyers' list should still be running.
- ✓ You should still be meeting with homeowners.
- ✓ You should have at least one deal under contract.
- ✓ You need to be looking for the rest of your team.
- ✓ The homeowners you just closed the deal with should send you referrals.

This business is a blast! Take time to establish relationships and you'll go far. I have a great reputation. It takes years to build a great relationship and one day to ruin it. Never do anything wrong or in the gray area. It will only come back to haunt you later.

Don't be afraid to walk away from deals. There is another one around the corner. Have confidence in that. I know that when you are new, it is very difficult to walk away. You are so worried that another deal won't come along that you bend over backwards to make the one you have work. Folks, don't stress yourself out trying to make a difficult homeowner motivated or a difficult rehabber nice. Just walk away! Trust me on this one; you'll be glad you did.

I hope you'll love wholesaling as much as I do. I have made millions wholesaling. I have been able to work for myself since day one, and am proud to say that my daughter has never spent one day in a day-care center.

In the beginning, we talked about goals. I hope you took the time to write yours down. You'll be much more successful if you write goals. It's okay to adjust them as you go. You may have a goal of 25 houses your first year only to realize you can close 50. Raise your goal. Likewise, you may realize that due to a busy schedule, you can only close ten. It does not mean you are failing if you change your goals. Goals are meant to be adjusted.

Failure is if you put this book on the shelf and do nothing. The fact that you invested in this program shows me that you want to make changes in your life. You obviously want more out of life. Folks, this is a defining moment for you. Do you step-up or do you continue life the way it is?

I say step-up and change your life. Even if you do just one deal, at least it's one more than you have now and it's a step in the right direction.

You have the ability to make all your dreams come true:

✓ Financial freedom.

- ✓ Traveling the world.
- ✓ Taking care of elderly parents.
- ✓ Sending your kids to the best schools.
- ✓ Having your money work for you.
- ✓ Being able to quit your job.
- ✓ Buying your favorite stuff – cars, boats, four-wheelers, and so forth.
- ✓ Treating others to really cool things – vacations, fancy dinners, cars, and so on.
- ✓ Giving to charities.

Folks, when you make a lot of money, you can do so many great things for charities. You will be making a living from the distress of others, so be fair and give back. You'll never regret doing something nice for others. Give distressed homeowners a fair chance to start life over, make a fair amount for yourself, and life will treat you great.

Before you close this book, you have a test and homework. Do them and then read this entire program again. You can never be too prepared.

TEST

☑ How many days do you give a rehabber to close?

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☑ How do you close with a rehabber before the closing date you set with the homeowners?

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☑ What happens if your rehabber does not close?

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☑ List three benefits of working with an investor-friendly title company?

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☑ What do you do if the homeowners change their minds?

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☑ How do you keep homeowners from going around you?

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☑ List one benefit of using an assignment of contract?

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☑ List one downfall of using an assignment of contract?

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☑ Does the assignment of contract change the purchase price?

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☑ What can you expect to make as an assignment fee?

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☑ What is a 65% LTV?

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☑ List one benefit of closing with a sales contract?

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☑ What does “bank-owned” mean?

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☑ What is the title company’s job?

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☑ Do you need title insurance when doing a double closing?

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☑ Can you wholesale bank-owned properties?

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☑ Why is a real estate agent an important part of your team?

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☑ When making low offers to the bank, what can you do to justify your offer?

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☑ Will a bank take a $10 deposit?

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☑ Are double closings illegal?

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☑ What keeps a double closing legal?

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☑ How can you postpone a closing?

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☑ What is the difference between a Chapter 13 and a Chapter 7?

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☑ What is a forbearance agreement?

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☑ Why do you need a mortgage broker?

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☑ What is the importance of building a replicatable business?

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☑ When you become financially free, what are you most looking forward to?

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Investors, whatever your answer was to the last question, plaster it all over your house. Make sure that everywhere you are – the kitchen, the bathroom, the bedroom – you can see this goal. This will be your reward for working hard.

Investing is so much fun. Please don't put this program on the shelf. Your life will change if you will take the first step. I know how busy you are. I understand how hectic life can get. If you don't take the first step right now while you are motivated, time will pass, life will take over, and a year from now, nothing will have changed. The time is at hand… step up!

HOMEWORK

As with the first three weeks, there is more homework. Does it feel as if you are back in school? The homework is easier this week. If you have done the homework from the first three weeks, your biggest job this week is to make money.

- ☑ **Repeat ALL of the homework from Week One, Two, and Three.**
- ☑ Keep taking calls from distressed homeowners.
- ☑ Keep taking calls from rehabbers and building your buyers' list.
- ☑ Whatever advertising you are doing, keep doing it.
- ☑ Set six more appointments with distressed homeowners.
- ☑ Keep practicing the pad and pen approach so that you feel comfortable.
- ☑ Go through the Partnership Agreement with at least three homeowners.
- ☑ Get one more deal under contract with a distressed homeowner.
- ☑ Get that deal under contract with a rehabber so that you have two closings on the horizon.
- ☑ Call several banks and find out where they send bank-owned properties.
- ☑ Find two real estate agents and take them to lunch.
- ☑ Start thinking about a nice gift for the closing agent.
- ☑ Go to the closing.
- ☑ Treat yourself to a small reward for closing your first deal.
- ☑ DO NOT lose your momentum. Keep looking for deals and make closings part of your weekly routine!
- ☑ SEND ME A TESTIMONIAL OF YOUR SUCCESS!

CHECKLIST

Investors, hopefully you are ready to close your first deal. As I said before, if your schedule is so crazy that it takes longer than a week to complete each task, don't beat yourself up. Once you get the first deal under contract, the excitement will carry you through to the next deal.

- ☑ Are you still running ads for buyers and sellers?
- ☑ Are you still practicing your scripts?
- ☑ Do you have a title company?
- ☑ Do you have a real estate agent?
- ☑ Did you join a REIA group?
- ☑ Did you reread this entire program?
- ☑ If not, why?
- ☑ Is your confidence level high? (Remember what I said … no one knows it's your first deal.)
- ☑ Are your goals clear?
- ☑ Are you preparing yourself for riches?

I hope the answer to the last question is a big …YES! I have been on both sides of the fence. Trust me when I tell you, it is better to have money than not! I am so excited that you are on the path to financial freedom and that I am able to be part of your success.

TEST ANSWERS

Were you able to answer all the questions in Week Four? Not to worry, I answered these questions for you, too. I want to be certain you understand what you are doing. Again, if you don't know these answers like the back of your hand, reread the program. The more you read, the more you learn, and the more money you'll make. You want to make more money, don't you?

☑ How many days do you give a rehabber to close?

Close as soon as possible with the rehabbers. Typically, rehabbers have cash or use hard money and can close in three or four days. My contracts state a closing date in seven to ten days to give the title company time for a thorough title search.

☑ How do you close with a rehabber before the closing date you set with the homeowner?

Simple, the contract states – closing ***ON OR BEFORE*** - such and such date. That clause allows you to set the closing date whenever you are ready.

☑ What happens if your rehabber does not close?

You simply keep the deposit and find another rehabber.

☑ List three benefits of working with an investor-friendly title company?

They will do preliminary title searches for you, allow you to use their conference room, and perform double closings.

☑ What do you do if the homeowners change their minds?

Find out why and try to save the deal. Explain nonperformance to them and if that does not work, move on.

☑ How do you keep homeowners from going around you?

You can't actually keep them from going around you. What you do is build a solid relationship and give them the scary talk about unethical investors and how they might get taken advantage of. In most cases, the "talk" is enough.

☑ List one benefit of using an assignment of contract?

There are many. My favorite is: no closing costs!

☑ List one downfall of using an assignment of contract?

Everyone sees how much money you are making.

☑ Does the assignment of contract change the purchase price?

No. If you are buying a property for $100,000 and wholesaling it for $125,000, the purchase price is still $100,000 and your fee for putting the deal together is $25,000.

☑ What can you expect to make as an assignment fee?

A typical assignment fee is 10 to 15% of the value of the property. On a $100,000 property, it would be common to make between $10,000 and $15,000 as your assignment fee.

☑ What is a 65% LTV?

LTV means loan to value. On a $100,000 property, a 65% LTV would be $65,000. Remember, rehabbers like to purchase properties at 65% of the value.

☑ List one benefit of closing with a sales contract?

No one sees what you are making.

☑ What does "bank-owned" mean?

A bank-owned property has been taken back by the bank at the foreclosure sale and no longer belongs to the homeowner.

☑ What is the title company's job?

They have many jobs. The two most important jobs they have are confirming that the property you are buying has clear title, and arranging the closing for you.

☑ Do you need title insurance when doing a double closing?

No, you do not need title insurance. I suggest you get it … just in case.

☑ Can you wholesale bank-owned properties?

Absolutely! The only difference is that you must perform a double closing instead of using an assignment of contract.

☑ Why is a real estate agent an important part of your team?

Agents can find many deals for you through the MLS. They can also pull comps and help you sell properties retail.

☑ When making low offers to the bank, what can you do to justify your offer?

Send low comps, take some bad pictures, and send a list of repairs.

☑ Will a bank take a $10 deposit?

No. Banks usually want at least $1,000 or more.

☑ Are double closings illegal?

Double closings are not illegal.

☑ What keeps a double closing legal?

Disclosure keeps it legal. With a double closing there are two transactions happening: you are buying and selling. The lender needs to know that it is funding both transactions.

☑ How can you postpone a closing?

The easiest way is to have the title company call the bank and ask for an extension. Otherwise, the homeowners can file bankruptcy.

☑ What is the difference between a Chapter 13 and a Chapter 7?

Chapter 13 reorganizes debt, and Chapter 7 absolves debt.

☑ What is a forbearance agreement?

A forbearance agreement is a fancy term for a payment plan.

☑ Why do you need a mortgage broker?

When distressed homeowners try to refinance their homes, they are often turned down. The broker can refer these people to you and, therefore, send you many leads.

☑ What is the importance of building a replicatable business?

I am assuming you want to become a full-time real estate investor. In order to do that, you must take the time to build a business. Learning how to wholesale is half the battle, doing it over and over again is the battle won. Do what it takes to build a business.

☑ When you become financially free, what are you most looking forward to?

Only you can answer that question. I am hoping you are looking forward to having cash, doing nice things for people, traveling, and shopping (my personal favorite). The most important thing to remember is to be happy. If you are waiting for money to make you happy, I hate to tell you this, but money won't make you happy. If you are a miserable person today, you'll be a rich, miserable person tomorrow.

Money will not change you, it will only enhance who you already are.
Money won't buy happiness either. Money gives you choices and I believe the choices are what make you happy. For example, it is a better option to decide between going to Hawaii or Europe than whether to pay the electric or the phone bill. I have had to do both. The first option is much better and a lot more fun. Folks, as you get more money, the journey becomes more fun.

Life is a journey, enjoy the ride!

Every day that you go to work, you give up one day of your life for it.

Make sure that you love what you are doing.

You'll never get this day back, so make it count.

WANT TO BE A SUPERSTAR INVESTOR?

Of course your answer is YES!!! If so, take a few minutes to read a few of my articles and how they can help you make more money. I offer several other training programs you may not be aware of. This section will cover some of the programs available to you and how they will make you a superstar!

Since you are going to become a wholesale superstar, I want to take a minute and teach you how to handle deals that have no equity. If you have a motivated homeowner who has no equity, don't walk away, do a short sale!

NO EQUITY = BIG BUCKS

Anyone actively investing in foreclosed and distressed properties has no doubt come across one major problem… Finding deals with equity! Trust me, this is a nationwide problem.

There are so many foreclosures out there; unfortunately, many homeowners owe what their property is worth. I find that most investors walk away from deals with no equity. They either don't know what to do with a no-equity deal or they are unwilling to put forth the effort necessary to make the deal work.

In a situation like this, I short sale the mortgage. "What is a short sale?" you ask. A short sale means getting the bank to accept less than what is owed as payment in full. There are several steps that will ensure your success when working a short sale.

First of all, you must have the homeowner under control. Many investors are under the misconception that they can buy the property directly from the bank while it is in the foreclosure process. Not true! The bank does not own the property until the moment of the courthouse sale. You can buy the mortgage and finish the foreclosure process, but you cannot buy the property. You'll have to work hand-in-hand with the homeowner if you plan to short sale.

Here is how it works: A homeowner calls you and tells you he is in foreclosure; owes $95,000 on his property; it's worth $100,000, and he is eight months in arrears. He wants to move on with his life, but can't sell his house because he owes what it is worth. Here is where you come to the rescue. You meet with the homeowner and have him sign an "Authorization to Release" form (this gives the bank permission to speak with you about the account), and a sales contract for the amount you are willing to pay for his property. In this scenario, we are going to offer $50,000.

Next, you call the bank and ask for the Loss Mitigation Department. This is the department that handles properties that are in foreclosure. Tell the person handling the account that you are trying to help Mr. Smith with his foreclosure and you are willing to buy the property from him. However, due to its poor condition, you are only willing to pay $50,000 as payment in full. Fax the sales contract for $50,000; comps in the area; an extensive list of repairs that are needed to bring the property up to marketable condition; a net sheet (a title company will help you with this); and some really bad pictures. The bank will then review the information and make a decision. Let's say they counter at $65,000; you counter again at $55,000; they accept! It's that simple!

I short sale many, many mortgages every year. Banks are not in the business of owning properties. They would rather short sale a mortgage than go to the courthouse steps.

I'd like to share an incredible deal one of our Foreclosure Fortune Hunt graduates put together. Her name is Cathi Dubois.

Cathi was helping some friends find a home in which they would live. They came across a property valued at $200,000 in a distress situation. The property had a mortgage of approximately $197,000, and was in need of several thousand dollars of repairs. Based on the fact that the current owner owed what the property was worth, Cathi did what any prudent investor would do, she short saled the mortgage.

She contacted the bank and began the process. Her first offer was $50,000. The bank rep laughed and told her to make a higher offer. After several phone calls, the bank agreed to accept $130,000 as payment in full. That is a $67,000 discount!! With the new payoff of $130,000, she then wholesaled the property to her friends for $140,000 and made a smooth $10,000 in less than a week!!! Personally, we think she gave the property away too cheaply (smile).

This is a typical case where having a firm grasp on creative real estate enabled Cathi to turn a "nothing deal" into a "great deal" just by picking up the phone. She made money (and a lot of it) on a deal most investors would have passed by. The bank was happy with the discount, Cathi made $10,000, and her friends bought a home with $60,000 equity!

So… the next time you get a call from a distressed homeowner with no equity, what will you do? Walk away, or make a few simple calls and turn your time into cash? I certainly hope you will make the small effort it takes to short sale a mortgage. It is such an easy way to make money in an industry where great deals can be tough to come by. When you short sale a mortgage, not only are you helping yourself, you are helping very distressed homeowners and giving them the chance to start over.

If this article interests you, call our office to invest in our **Short Sale® Secrets** training program. This program is designed to teach you how to handle all the no equity deals you will find. Many properties have no equity; with the proper tools … who cares!

Let's take a look at another program, "**Foreclosure Fortunes in Your Own Back Yard**." This program is designed to help you find more great deals than you can handle.

FINDING GREAT DEALS

It stuns me how many investors say, "I can't find any good deals." Folks, you're not looking! There is an abundance of deals out there, but you have to actually work to find them. I think that many new investors, who watch too much late-night TV, are under the impression that if they decide to become an investor, the "investor fairy" will drop deals out of the sky. Not true! Investors actually have to work just like the rest of the world. The difference is that we are not stuck in a nine to five rut and bound by the bosses' rules. Our job is fun, profitable, we make as much as we are willing to work for, and we help people along the way.

I want to share a few of my favorite methods for finding deals. First and foremost, the oldest method in the book: knocking on doors! I'm here to tell you that knocking on doors is still the best way to find deals because other investors hate to do it. The biggest problem is that investors don't know what to say. It's simple, just tell the homeowners that you were at the courthouse doing some research and noticed that they have a **pending problem** with their property and you'd like to help. NEVER mention the "F" word…. get your mind out of the gutter.. I mean foreclosure. Ask them if they took care of it. Typically they say, "Yes." Ask what they did… filed an answer, sold it, brought the back payments current, what? You can tell by the blank look on their faces that they haven't taken care of anything. Offer your assistance and move forward with your deal.

What about postcards? Do you religiously mail them? To whom? Most investors mail postcards to people in foreclosure. This is a great idea, but did you know that there is a wealth of other information that is public knowledge? Try mailing to people in probate; going through a divorce; in bankruptcy; and landlords who just walked out of eviction court. This information is public knowledge that the typical investor doesn't tap into. NEVER be typical.

What about mailing lists? Have you ever considered buying a mailing list and "farming" neighborhoods? It works for real estate agents, why won't it work for you! I buy lists by the zip code and mail where I want to own property. Doesn't it make sense to have several properties for sale in the same area opposed to all over the county?

How about phone calls? How often do you sit down and call foreclosures? Never? Why not? With a criss-cross directory you can find almost anyone. Investors, take the time to find people who have moved or changed their numbers. If they have moved, you have a deal because the mental attachment to the property is gone.

Do you run ads in newspapers? Why not? Many investors think ads are too expensive. How many deals do you have to do to pay for a year's worth of ads? One? I give you a little known tip: Place your ads under Money To Lend. Many times the homeowners' first choice is to save their house, not sell it. Once you have them on the phone, you can negotiate your way into a deal.

You will make as much money as you are willing to work for. My question for you is: how much are you willing to make? The sky is truly the limit. The bottom line is this: there are thousands of deals out there. If you don't make the effort to find them, other investors will. I know because I do it every day!

To truly be a successful investor, you must be able to find deals. You will have an unlimited number of choices when you can find deals. You can wholesale, rehab, keep for long-term rentals, offer owner financing, and so forth!

Foreclosure Fortunes in Your Own Back Yard is a must-have program for any successful investor.

303-838-5474

www.InvestorsEdgeUniversity.com

NEWBIE MISTAKES

I remember the excitement of being a new investor. I was so excited that I wanted to buy every deal that came my way. The excitement of "the deal" can get you into trouble. Because of that excitement, many new investors don't always look at the deal from an objective viewpoint.

One of the biggest mistakes new investors make is that they want to rehab the property themselves to save on the rehab costs. This is fine if you have the skill, the tools, and the time. Unfortunately, what I often see happen is that new investors try to work on the property on weekends and in their free time. BIG mistake!

Picture this, you worked hard all week and now the weekend is here and it's time to work on your new rehab project. The first weekend is so exciting. You see such great results at end of the weekend, that you can't wait until next weekend to do it again. The next weekend comes and you're really tired, but it's time to work on the house. You sleep in late on Saturday and end up putting in a half-day on Saturday and a full-day on Sunday. You still see results, but you are really tired and have to go back to work in the morning. The third weekend comes and now you're really beat from no time off for three weeks. You sleep in Saturday and work on Sunday.

As each weekend passes, less work is getting done. Soon you are either exhausted or going every other weekend. Now several months have passed and you are making extra “hard money” payments, your property is still not finished, and you are beat. What did you save? Nothing! It would have been cheaper to hire a crew and pay them instead of making extra payments and burning yourself out. The worst part is, your property is still not sold!

Another mistake I often see is investors partnering with people they don’t really know because they don’t have the money to do the deal themselves. Just because you meet someone at one of the investment clubs does not mean that person should be your partner. Take the time to investigate anyone you may be thinking of partnering with. Call a group leader and ask for a reference, ask the person for bank statements, go to the courthouse and see if they truly are buying and selling properties. Do your due diligence now, draw up a detailed partnership agreement (be sure to discuss loses), and pray for the best.

How about overextending yourself? I see many new investors, who have a few dollars saved, buy more than one property. Unless you have a lot of carrying money and free time, this can turn into a bad situation ... fast. Do you have the time to oversee several crews? Do you have the time to take all the ad calls? Can you show the house every day and then do open houses on the weekends? Be careful not to get so excited that you buy everything you see.

Until you have some first-hand experience, stick to one deal at a time, hire someone to do the rehab, and when the property sells, buy another. Being an investor is a great way to earn a living, just be cautious.

This article covers mistakes newbies most often make. They are so excited to get started with the first rehab project that they forget everything else. I recommend that unless you have at least $25,000 cash, stick to wholesaling. I am NOT trying to discourage you from rehabbing; I did it, just use caution.

GOING TO THE NEXT LEVEL

I have done over 1,000 transactions to date. Because of my love of real estate, I branched out and began teaching. Believe it or not, teaching is a lot of work! I love helping homeowners as much as I love changing student's lives. The more I began to teach and still do deals, the busier I became. Luckily, God brought me the perfect partner…..a very successful real estate investor.

My husband, Bill Twyford, began his career as a painting contractor. When required to take a respirator test for a huge job, he failed. His doctor told him he had lost 30% of his lung capacity and he needed to find new career. He decided to try his hand at real estate, got his license, and started making money. As an agent he met his mentor, Mike Ferry. Mike teaches that the key to success is active marketing and communication skills.

Bill took this to heart, learned marketing and NLP (neuro linguistic programming), and became one of the top real estate agents in the country as well as a coach for the Ferry organization. During this time period, he discovered foreclosures and was hooked. He had done over 800 deals when I met him and believes his success is because of his NLP skills and his assertive marketing techniques. Bill took his vast experience and applied it to investing.

We teamed up and began, "The Investors Edge University." Our university is designed to teach you every aspect of real estate investing.

For example:

The Fast Track – This program is not for the weak of heart. It is a working program. The ***Fast Track*** runs in quarterly cycles. This is a one year program designed to take you from beginning investor to millionaire investor. You'll learn to set up your business, set goals, learn the ins and outs of wholesaling, short sales, forbearance agreements, loan modifications, note buying, scripts, objections, bankruptcy, and much more. When you register, you'll be given everything you need to participate: Written material as well as CD's. You'll have a weekly call with your team. You are assigned homework and a role play partner. This is an amazing class and will guarantee your success. The average student has 12 – 15 deals under contract in the first quarter. Think about it… what would you do with the profits of 15 deals in just three months?

One-On-One Coaching – You will be personally coached by Bill Twyford. This is a one-on-one program. Bill only takes 50 students at a time. You are not coached by a student, you are coached by him. Bill has over 800 deals under his belt and can make a huge difference in your career. He will walk you through deals, conference call banks with you if needed, speak to homeowners with you, and more. The best part is … he takes no part of your deal. He simply coaches you. Call today to get your name on the waiting list.

Telebootcamps – These classes are amazing and I love teaching them. They are taught over the phone for convenience. I find having personal instruction motivates you and helps you to be more successful. The telebootcamps are four weeks in length. The goal is for you to complete a deal in class. I want you to turn $10 into $10,000 (or more) in thirty days. Each week you are given homework. The investors who do their homework close deals during the class.

There are so many benefits of this class:

- You can learn from home.
- No expensive hotels or airfare.
- You don't have to take time off from work.
- You can listen to each class as many times as you'd like.
- If you have a crazy schedule, you can take the class when it's convenient for you. If 3:00 a.m. is your study time, the class is available.
- Once you've completed the entire bootcamp, you can retake the entire class free as many times as you'd like.
- You're given homework each week to ensure your success.
- You'll make as much money as you want to make.

Here is a sample of the schedule:

Week One: We'll cover what a short sale is and why banks do them. You'll learn how to determine your exit strategy, interview title companies, marketing ideas, build your buyer's list, exactly what to say to homeowners, what to say to the bank, getting the contract signed, and more. No class is complete without homework. You'll be meeting homeowners, signing contracts, finding real estate agents, calling banks, and more. You'll be expected to have several short sale and wholesale deals in the works during class. A few superstars will actually close a deal before the end of the class. Why not you!

Week Two: We'll walk you through the first short sale package in detail. We'll go through the second and third offers as well. We'll discuss additional information the bank may require. Some banks actually have their own hardship package and want you to use theirs. We'll cover how to handle that. Time for the banks inspection! What do you do now? Not to worry, we cover that in detail as well. The banks will require an inspection and with the proper training you'll have inspectors eating out of your hand. We'll also cover going to contract with your rehabber. Again, you'll have homework. The homework is easier the second week because you already have the ball rolling.

Week Three: When a homeowner is just days away from the sheriff's sale, can you still do a short sale? You bet! We'll teach you how to postpone the sheriff's sale allowing the necessary time to negotiate the short sale; when and why to use bankruptcy; how to avoid a deficiency judgment on the homeowners' credit; and more. You'll also learn how to avoid seasoning issues should you decide to keep the property. Once more, you'll have homework. If you have been doing your homework, you should have several deals going. You're getting closer to the big day … payday!

Week Four: The bank said, "YES", now what? We'll discuss double closings, assignments of contract, and how you get paid. What happens when you can't close on time? Not to worry, we cover that, too! How to negotiate and what to offer second or third lienholders. We also cover the top five exit strategies used by superstar investors: **wholesaling, rentals, lease-backs, selling to end users, and rehabbing.** If you have been doing your homework, some of you will be bragging about your huge checks!

So what are you waiting for? Call today and register for the next telebootcamp. It's an amazing class and will change the way you do business. You'll hear personal stories and see exactly how I started and how my career progressed. I'll share the steps I took to financial freedom.

Short Sale Bootcamp – This is a live class that Bill and I teach. We cover many of the things covered in the telebootcamps, with a few exceptions … there is a lot of role playing. You get the chance to put actual deals together, practice your scripts and objections, and more. You'll overcome all your fears about dealing with banks. This class is a lot of fun and very fast paced.

Wholesale Bootcamp - This is a live class that Bill and I teach. We cover every aspect of wholesaling in detail. As with the short sale bootcamp, you get the chance to put deals together in class as well as role play and practice objections. You'll have homeowners eating out of your hand by the end of this class. You'll overcome all your fears about dealing with homeowners. This class is fast paced as well and a lot of fun.

Negotiate Like a Pro Bootcamp – This is a live class that Bill and I teach. The focus of this class is communication skills. You'll be writing sentences, practicing scripts, giving and overcoming objections, learning how to deal with banks and homeowners, and more. This is a very interactive class. You'll get the chance to work and practice with everyone in class. Ninety percent of the student's who take this class, sign up for it again. You can never be too polished your at communication skills. The better you communicate, the more money you make!

☞ Why do I have to spend money for a class? It is a proven fact that people who take a class produce 500% more income than those that don't. **500%!** That is an incredible number. With 500% more income on the line, I believe you should take a class and get the 500% that's waiting for you instead of letting it go to other investors. Take advantage of every opportunity you can to become as successful as you can possibly be. The sky is the limit with real estate investing. If you can see it in your mind, you can do it! I look forward to the opportunity to personally teach you.

Whether you take a bootcamp or are interested in more education, we offer something for everyone. Take a look at some of our complete home study courses:

Additional training available to you:

We offer several other programs and classes. I'd like to take a minute and share some of our other programs with you …

Short Sale System – The short sale system comes with two programs that teach you advanced short sales:

Short Sale System – Building Your Case – Learn how to find deals, put together your packages with the banks, have the crucial conversation that will make or break your deal, how to pin down loss mitigation, how to handle the banks inspection, getting the deed, and more.

Short Sale System – Closing Arguments – When the bank says no, there is still work to do. I cover how to place your second and third offer, how to delay the foreclosure, how to give the homeowners money, bankruptcy, 1099 and deficiency judgments, when the first makes the second take zero, and so much more.

Homework? Yes, I like to give homework. It helps you to be more successful seeing what others have done.

The Communication System – This system comes with two programs and is written by my husband, Bill. It is geared around improving your communication skills. We find that one of the biggest downfalls new investors have is their lack of communication skills. You speak to a homeowner in foreclosure, they say they took care of it, you say ok and walk away. These are preprogrammed no's. Let me give you an example of a preprogrammed no:

- You walk into the clothing store. The clerk asks if she can help you. What do you say? You automatically say, "No, I'm just looking." That is a preprogrammed no. You may be in the store specifically to buy something, but you say no without thinking and then look around on your own.

  It's the same with a homeowner in distress. You knock on the door offering help and they say they took care of it. Did they? Usually not. Our communication programs teach the "how" and "what" to say.

  The Secrets of Closing the Deal – This program teaches you how to mirror people, change your rate of speech to build rapport, how to use hand movements and body language to establish rapport, how to build rapport on the phone, how to get banks eating out of your hand, how to get past preprogrammed no's, and more.

  Shut Up! and Stick to the Script – This program gives you all the words to make your deals happen. It has over 40 bank and homeowner objections with the answers. Once you learn what to say, the rest is easy.

The Foreclosure System – This system includes three programs that will teach you everything you need to know about the foreclosure business:

Get Legal with *Fa$t Ca$h* Forms – This program is full of legal forms and contracts that you'll use throughout your investing career. Why spend thousands on attorneys when you can simply use my forms and save thousands. This program offers a power of attorney contract, assignment of contract, an eviction letter, a lease, a first mortgage, a second mortgage, a land trust, and many, many more.

Foreclosure Fortunes in Your Own Back Yard – This covers every way I know of to find distressed sellers, how to find team members, and more. With over 50 methods of finding sellers, you'll have more deals than you know what to do with.

Rehab Riches and Marketing Madness – This program gives you all the insider tips for rehabbing and marketing your properties. The key to a successful rehab is curb appeal. Learn how to make a house as cute as can be for just a few hundred dollars. Getting your property sold is key to your success. The faster it sells, the faster you get paid.

Controlling the Outcome System – This system comes with three programs. A major key to your success is controlling your deals. Once a homeowner gets control, you might as well kiss your deal goodbye.

Bankruptcy, the Banks Worst Nightmare – This program teaches you how to utilize bankruptcy as a tool in your short sales. Many times sellers call so late in the game that bankruptcy is the only way to buy time for you to negotiate the deal. All the state and federal laws are included in this program

Equity Agreement, Controlling Your Homeowners – This program is an agreement that gives you total control over your deals. It puts every aspect of the deal in writing so that there are no misunderstandings with your deals. Having this control sets you apart from all other investors.

If I Do This I'll Have to Quit My Job, Business Plan – You can't get wealthy without a plan. You'll learn how to set goals, build a business, how to actively chase the business, changing your mindset, attitude, and more.

Rental Road to Riches – Learn the in's and out's of landlording. Rentals are the way to long term wealth and something you need to do. Being a landlord can be challenging. If you do it right, it's a blast.

Mastering Your Phone Skills – This program walks you through building rapport on the phone. It is very difficult for many people to talk over the phone. Most people prefer face-to-face communication. Read and listen to this program and watch your income soar. You can reach more sellers over the phone thus increasing your income.

We have other programs and classes in the works. Check out our website for what's happening now.

www.InvestorsEdgeUniversity.com

HEAR WHAT OTHERS ARE SAYING

You've read testimonials throughout the entire program. See what more successful students have to say:

- "I thank you for the opportunity of getting so much information and help in such a short amount of time. I will tell all my friends and acquaintances about it."

  G.R. , Orlando, Florida

- My partner, Dan, and I took Dwan's bootcamp a little over a year ago. Since that time, we have successfully completed 5 short sales while still working full time jobs. We typically rehab our houses and sell them retail. After the class, we decided to try wholesaling. We, wholesaled one to another investor and made $10,000 without putting any money into it. With each of our short sales we average $30,000 per deal PROFIT after expenses. We learned everything necessary to complete these deals through the classes with Dwan. We had a lot of fun at the training classes and it has really paid off. Thanks a million.

  Ed Nowland, Ohio

- My husband and I are both now full time investors thanks to Dwan. We have made an extraordinary income after all the various tips and strategies we have learned from her course. We have made in the range of **$20,000 to $30,000 EACH** on about 18-20 wholesale deals. We have rehabbed countless houses with profits ranging from **$10,000 - $50,000** per house. We also own 3 rental properties thru strategies from the course that have not only given us back all the money we originally put down and used to update the property, but also excess of that and still provide a positive income per month. We do not like to boast about what we have achieved because it is by the Grace of God foremost. However, we need to let people know that this course is proven and if you even use one strategy, you will see results.

Sandy and James- Florida

- I learned how to create a short sale at your boot camp and have found my niche. That strategy alone has made thousands for me. The boot camp **tuition is a small price to pay** for the extensive education I received, not to mention the extra income I now earn.

Marlena, Delray Beach

- Dear Dwan,

  I have no words to express my gratitude for all the things that I have learned from you. I have your course, which has helped me a lot in negotiations with the Loss Mitigation departments. Now I'm very successful with Short Sales and making a lot of money thanks to the many things I have learned from you. The first time I saw you was at a convention. You gave us one simple tip that I applied as soon as I got back home and it made **$8,000 extra dollars** on a deal that I had already agreed to with the Loss Mitigator. You are very friendly and helpful and always willing to answer all my questions. I really appreciate that!

Ruban Alvarado- Florida

- "Very good. Well **organized** and thought out."

  R.N., Orlando, Florida

- I must admit I was a bit skeptical at first. I believed that only a very few people made money in the foreclosure business. My husband went to a foreclosure seminar (without me because I was skeptical) and after hearing Dwan talk he got the Short Sale Secrets CD set. We listened to it together and I must admit I was excited. We told ourselves that we would try for 3 months and if nothing happened all we lost was time and a little money. Our other business was taking a lot of my husband's time so I did our first deal myself. Using the techniques provided on the CD's I went out and found my first family in need to help. 2 ½ months later I bought and sold the property in the same day and made over **$14,000** (not bad for a few phone calls and faxes)! Not to mention I helped a family that hit hard times….Nothings better than helping others and making $$ for our family too! I am grateful for the knowledge that I have found and for the ability to help others with that knowledge. Thanks Dwan and My Husband!!

  Ginni Gancev- Colorado

- "This course was **excellent**- more than I expected."

  K.C., Pembroke Pines, Florida

- "A lot of attention was given, very friendly small group was great. I like the fact that I can call on you later."

  D.S., Margate, Florida

- Dwan, after taking your five-day Foreclosure Boot Camp we were so motivated. We were driving for dollars and we ran across a home in the foreclosure process which had been abandoned by the couple that was in the process of getting a divorce. We contacted the couple and they said they would be willing to look at an offer. The fair market value of the house was around $225,000 we faxed them a bid of $150,000 and agreed to take over their mortgage of $142,000. THEY ACCEPTED. We put an ad in the paper and sold the property in just 2 weeks for $210,000. Making a profit, after closing costs, of about $42,000. That was just the first deal after taking Dwan's Foreclosure Boot Camp, we have done many more since. Dwan's course started us on the road to Financial Freedom. Thanks!

  Ronald and Linda Wiringer- Florida

- After completing the class, we immediately signed up for a foreclosure service. Started visiting the properties and made contact with the "stressed out" homeowners. It was their 3rd time they were being foreclosed upon, we negotiated a fair price (home needed more work), and closed 3 weeks later. The sale price of the house was 100,000. We gave the homeowner $10,000 cash. We sold the house after advertising a "fixer upper" for 169,900.00. We made $42,000 in 7 weeks-Start to Finish! Want to hear more? What we learned was incredible. We could never have attempted it without the knowledge from Dwan!

Gayle Etre- Florida

- You made learning fun and the accountability program has already **saved me from making expensive mistakes**. Getting started is the main obstacle most people must overcome and I thank you for helping me with that.

Steve, Tennessee

- I found a homeowner in foreclosure. He had a property worth $135,000 and owed $135,000. I have been an investor for many years and had never heard of a short sale. After taking Dwan and Bill's boot camp, I realized I had been **missing out** of a lot of money. I called Freddie MAC and was able to get them to accept $98,515. The best part is the house only needed a new garage door.

Mark from New York

Aren't these testimonials great? We have hundreds of them. When you work our system, you will have the same great success.

BECOMING A TV TESTIMONIAL SUPERSTAR

I love to hear about a student's good fortune. Nothing makes me more proud than to hear how I have helped change a life for the better. Please take a few moments after each deal and drop me a note to share the good news. I would love the opportunity to place your story in my training programs or to have you appear on my next TV program.

Include as much information as possible such as closing statements, rehab costs, before and after photos, anything of importance to the deal, etc. Also, let me know if you are willing to appear on television. Being on TV seems scary to a lot of folks, but it really is fun!

Name: ____

Address: ____

____

Phone #: (_________) ____________________________________

Property information: ____

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Price paid: $____

Rehab: $____

Price sold: $____

Holding time: ____

Net profit: $____

Would you like to be a guest star on my television program?

YES ___________ NO __________

Do I have your permission to use this story in my training programs?

YES ___________ NO ___________

Describe in detail the transaction you wish to share with me. Be as specific as possible and don't forget to include before and after pictures.

I CAN'T WAIT TO HEAR FROM YOU!!!!

TESTIMONIAL

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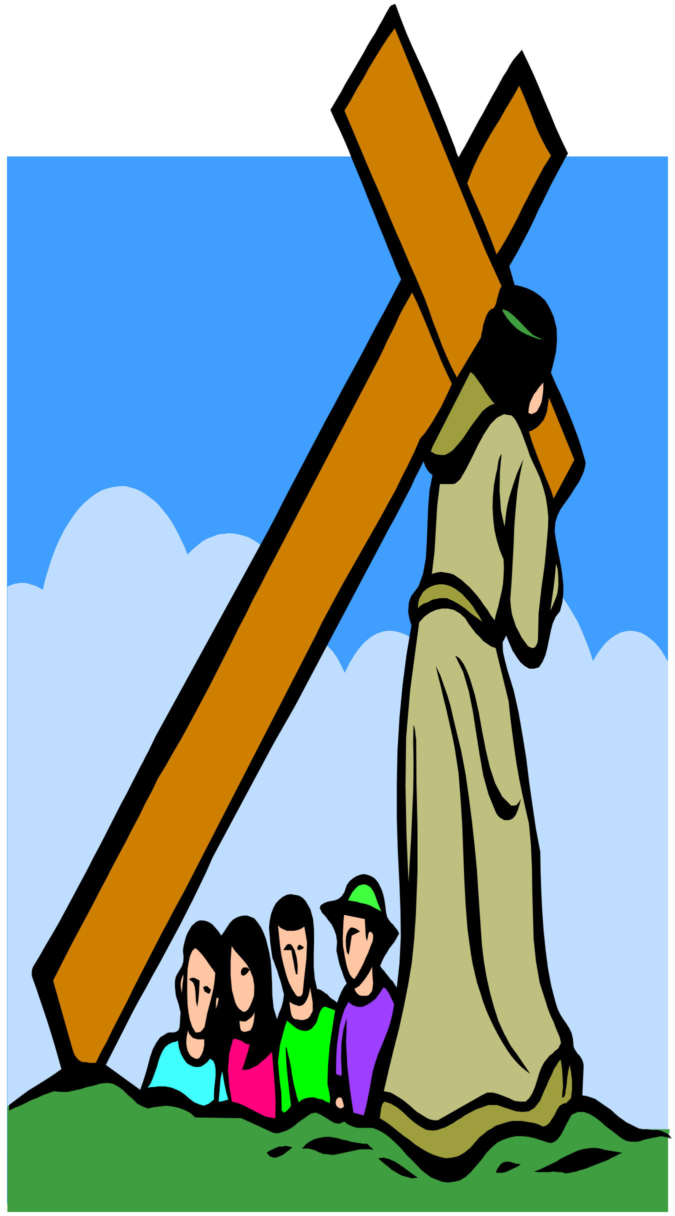

REAL ESTATE LANGUAGE & EXPLANATIONS

As with most business, real estate has its own specific language and slang terminology. This section is designed to teach you the most commonly used lingo. Knowing these terms will make it easier for you to understand what is being discussed.

ABSTRACT OF TITLE

An abstract shows the chain of title from the beginning and is still used in some states, but giving way to the use of title insurance. It is a compilation of the recorded documents relating to a parcel of land that lists rights, liabilities (such as easements, liens, mortgages), and also transfers title.

ACCRUED INTEREST

Accumulated interest earned or due, but not yet paid. Since interest is paid in arrears, accrued interest does not necessarily indicate a delinquency in payment.

ADJUSTABLE RATE MORTGAGE

A mortgage in which the interest rate varies according to chosen indexes and/or over periods of time.

AMORTIZE

To determine, based on time and interest rate, how much a payment must be (including principal and interest) to pay off a loan.

AND/OR ASSIGNS

When the words "and/or Assigns" appear following the name of an individual or entity entering an agreement, another individual or entity can assume their responsibility. When you fill out a contract to purchase a property, place your name "and/or Assigns" in the space provided for the buyer's name, for example, John Doe and/or Assigns. This will allow you to assign the contract to another buyer who can close the deal in your place. This is important if you intend to "flip" the property.

APPRAISAL

An opinion of value made by an appraiser. This opinion is based on research gathered from the most recent sales, upgrades the subject property might have such as a pool, fireplace, air/heat, newer roof, etc. Lenders will generally loan a percentage of the lower of either (a) the appraised amount, or (b) the sales price.

APPRAISER

A disinterested party who is trained and educated in the methods of determining the value of a property through analysis of various factors, which determine said value.

ARREARAGES

Back payments due to the lienholder. When a homeowner is in arrears, the lienholder can foreclose. If your monthly payment is $525 and you are six payments late, you are $3,150 in arrears. You will also owe late fees and/or attorneys' fees.

AS-IS, WHERE-IS

The condition of real property in its present condition, including defects, being accepted by a buyer or tenant.

ASSET

Everything owned by an individual or corporation, which can be used for payment of debt.

ASSIGNEE

The person to whom you assign a contract. **Your rehabber.**

ASSIGNOR

The person assigning a contract. **You, the wholesaler.**

ASSIGNMENT

A transfer of one's right of title to another. Common assignments are leases, mortgages, deeds of trust, bonds, and other legal instruments.

BALLOON MORTGAGE

A mortgage providing for specific payments at stated regular intervals with one final payment considerably more than any of the periodic payments.

BANK OWNED

When a lending institution gains title to a property through foreclosure, it is called "bank owned."

BANKRUPTCY

Proceedings under federal statues to relieve a debtor of insurmountable debt. The debtor's property is distributed among the creditors as full satisfaction of the debts.

BLANKET MORTGAGE

A mortgage covering more than one piece of real property.

BROKER

One who is licensed by the state to carry on business of dealing with real estate.

BUYER'S BROKER

The broker who represents the buyer in a real estate transaction.

CAPITAL

Money used as "start-up money" to create income from investments in a business or income property.

CAPITAL ASSETS

Assets of a permanent nature used to produce income, such as buildings, equipment, land and so on.

CAPITAL GAINS

The profit between cost and selling price of capital assets, less deductible expenses.

CASH COW

Slang term for an income producing property**.**

CASH FLOW

Something you want lots of. The actual cash an investor will receive on an investment property after deduction of expenses and debt service.

CERTIFICATE OF TITLE

A written opinion of vested title (as stated in the abstract) executed by the examining attorney. This is valid in areas where these searches are allowed.

CLOSING COSTS

Costs that occur when real property transfers ownership. Expenses incidental to the sale such as title insurance fees, appraisal fees, loan fees and so on.

CLOSING DATE

The predetermined date the transaction of buying and selling real estate will take place.

COMMISSION

The amount, usually a percentage of the purchase price, paid to the broker or agent for services rendered.

COMPLAINT

The first pleading filed and served against a Defendant (party being sued) stating the reason for the suit and the requested remedy.

COMPS

The abbreviated version of comparable market analysis. A comparable market analysis is the study of comparing a subject property with properties similar in size, bedrooms and bathrooms, pool, etc. located in the same area. Before you purchase a property, research the comparable sales in the area to determine what the subject property is worth. If the last ten sales in the area were $65,000, then the subject house will be worth the same when repaired. If you cannot buy it, repair and turn a profit within the confines of the $65,000 market value, you would not purchase this particular property. Please note that the "asking prices" for homes in the area are not what we base our comps on. Comps are only based on recent sales in the area during the previous six months.

CONCESSIONS

The items each party is willing to give up in order to make a deal work.

CONSIDERATION

Something of value which influences a party to enter into a contract.

CONTRACT FOR SALE AND PURCHASE

The legal instrument signed by buyer and seller of real property agreeing to transfer title of said property for a specific amount of money on a specified date.

CONTINGENT

Conditioned upon the occurrence of some future event, which in itself is uncertain or questionable.

CONVENTIONAL SALE

Sale of a property that does not include the use of any creative financing**.**

COUNTEROFFER

A response to an unaccepted offer. A counteroffer contains altered price and/or terms and is returned to the party making the offer for acceptance.

COURTHOUSE STEPS

A term used when referring to the public auction conducted during the final step in the foreclosure process. At the county courthouse, usually in a foyer or hallway, a public auction is conducted in which the lienholders bid their judgment amount to gain title. The general public including investors are free to bid. They are bidding "at the courthouse steps."

CREATIVE FINANCING

Any method of financing property that goes beyond traditional lending. Something you will need to do as an investor.

D/B/A

"Doing Business As." Used when referring to the trade name given when conducting business under a name other than the corporate name or individual name. For example, John Smith d/b/a Magic Investments.

DEBT TO VALUE

Basically, the same definition as loan to value, with the difference being the "debt." This means that a debt against a property of $65,000 on a house worth $100,000 equals a 65% debt to value. Note that the loan to value could be 55%, which would mean that you are in debt $10,000 more than you were loaned.

DEED

One of many instruments used to convey title in real property upon sale, such as quitclaim deed, deed of trust, and warranty deed.

DEFAULT

Failure or omission to perform a legal duty. For example, failure to make mortgage payments results in a default of the mortgage since you are legally obligated to make the payments.

DEED OF TRUST

The legal instrument used in several states instead of a mortgage. Real property is transferred to a trustee by the borrower, known as the trustor, on behalf of the lender, known as the beneficiary, and transferred to the borrower upon payment in full.

DEFENDANT

The party against whom a civil or legal action is brought in a lawsuit.

DOWN PAYMENT

Portion of the sales price paid by the buyer out of his own funds as opposed to that portion of the purchase price, which is financed.

DOUBLE CLOSING

This occurs when you intend to "wholesale" a property and are not able to assign your contract. Instead, you sign a second contract with the person to whom you are wholesaling the property. You would purchase the property from the seller and immediately after closing walk into a second closing to sell the property to your buyer. The closing agent handling the double closing can use your buyer's funds to allow you to close the first transaction.

DUE-ON-SALE

A clause found in most mortgages that indicates that if you deed your property to someone who has not been approved by the lender, the lender can "call" the note, requiring the principal balance, including any arrearages, to be paid in full.

EARNEST MONEY DEPOSIT

The deposit or down payment given by a buyer to a seller with an offer to purchase real estate. The earnest money deposit shows good faith to act upon the offer.

ENCUMBER

A claim, lien, charge, or liability attached to and binding on real property. Examples of encumbrances are: mortgages, judgments, liens, mechanic's liens, easements and so on.

ENTREPRENEUR

You. A person who is willing to take the risk of winning or losing as opposed to a salaried employee.

ESCROW

All instruments necessary to a sale, including money, held in trust by a neutral third party.

ESTATE

The ownership interest one has in a property, such as real estate, a life estate, decedent's estate and so forth.

EQUITY

The dollar amount between what is owed on a property and what it is worth. A property worth $100,000 with a $65,000 mortgage against it has $35,000 in equity.

EQUITY LINE OF CREDIT

A combination of a line of credit and an equity loan. A maximum loan amount is established based on equity and credit, and a mortgage is recorded against the property; then you have the right to borrow, as needed, up to the amount of the mortgage. Many students use credit lines to get started in this business.

EQUITY LOAN

A loan based upon the equity of a property as opposed to the borrower's credit.

EVICTION

A court action used to remove a tenant from possession of a property.

EXECUTOR

The person specified in a will to carry out the decedent's wishes.

EXPENSES

The total cost of rehab, maintenance, insurance, closing costs, and the like deducted from the gross amount of a property sale.

FACE VALUE

The full amount for which a note has been written.

FAIR MARKET VALUE

A price that would be acceptable to a buyer and a seller arrived upon by the recent comparable sales in the area.

FEDERAL TAX LIEN

A lien attached to property for nonpayment of a federal tax (estate or income). What makes a federal tax lien different from other liens is that it is not automatically wiped out at the foreclosure sale.

FEE SIMPLE

Commonly, a synonym for ownership. The ownership of real property without reservation or restriction and can be left by a will or inherited.

FIXED RATE MORTGAGE

A mortgage having a fixed interest rate throughout its term.

FLIP --- slang term for wholesaling. Many investors use the term, flipping. I want you to get in the habit of using the correct term…wholesaling. Many title companies and attorneys hate the word flipping.

To assign a contract to someone who will close in your place, after having added your fee to the contract amount. You will tie up the property, assign the contract to someone else, make the spread in the middle, while never having owned the property. You "flipped or wholesaled" the property. Many investors wholesale because it is a paper shuffle that requires the least investment.

FORBEARANCE AGREEMENT

A forbearance agreement is a fancy word for a payment plan. When a property owner is in arrears, the bank may agree to accept part of the arrearages now, and the balance in a specified payment plan. A forbearance agreement that is adhered to will stop the foreclosure process. If a homeowner misses one payment during this repayment period, the bank will usually resume the foreclosure suit where it left off, and no further payments will be accepted.

FORECLOSURE

The legal proceeding initiated to eliminate all rights, title, and interest of the owners of property in order to sell the property to pay off a lien against it.

FSBO

For sale by owner. Pronounced "fizz bow."

GENERAL PARTNER

A member of a partnership who has authority to share in the profits and losses. The general partner generally provides all management skills and is responsible for the daily running of the partnership. A partnership must have at least one general partner as well as limited partners.

GIFT LETTER

A letter to a lender stating that a gift of money has been given to a buyer to purchase property. The relationship to the buyer is stated as well as the gift amount.

GOOD FAITH

Something done with good intentions without knowledge of fraudulent circumstances or need to inquire further. Many deals are agreed upon in good faith; just be sure to put it in writing as soon as possible.

HANDYMAN SPECIAL

A property that requires rehab. Such properties sell "under market value" because they need repairs. As long as most of the damage is cosmetic, go for it. A few thousand spent in repairs can put many thousands more in your pocket.

HARD MONEY LENDER

Investors who loan money against a property based strictly on the equity it holds. They usually charge more points and a higher interest rate than conventional lenders.

IMPROVEMENT

Building or other structures that become part of the land.

INSOLVENT

Inability to meet one’s debts as they come due or within a reasonable time thereafter.

INTEREST

The portion of a payment, not including principal, which represents the cost of borrowing the money. The compensation allowed by law or fixed by the statutes for the borrowed money.

INTEREST ONLY LOAN

A loan in which the payments do not reduce the principal balance, but pay only the interest portion.

INTEREST RATE

An amount a borrower must repay on a loan in addition to the principle amount. This is the money the bank receives for giving you the loan.

JOINTLY AND SEVERALLY

A legal term which allows the creditor to sue all parties who have entered into a contract either jointly (all together) or severally (individually).

JOINT VENTURE

Two or more individuals who combine their talents on a single project or business transaction.

JUDGMENT

A decision of a court of law. Money judgments, when recorded, become a lien on real property of the defendant.

LAND TRUST

A trust created to hold title to real property. It protects title against legal actions and does not openly disclose the identity of the actual owners of the property.

LETTER OF INTENT

A formal letter that states that a buyer is interested in a specific property. It is not an offer and does not legally obligate you.

LIENHOLDER

The individual or institution holding a lien.

LIMITED PARTNER

The partner in a partnership who contributes capital, but is not liable for any debts. The limited partner cannot manage or control the partnership. A partnership typically has general partners to conduct the business and limited partners to raise the capital.

LISTING

The agreement between the seller of a property and the real estate broker to sell the property. The broker agrees to secure a buyer or tenant for a property in return for a fee or commission.

LISTING BROKER

The broker who secures the listing on a property.

LOAN ORIGINATION FEE

A one-time setup fee charged by the lender.

LOAN PACKAGE

A complete file of all necessary items a lender would need to decide whether to give or decline a loan. The file would include, but not limited to, credit reports, bank statements, appraisals, income tax returns, loan application, and employment letters.

LTV

"Loan to Value." If you are selling a house worth $100,000 and your buyers are borrowing $75,000 that creates a 75% loan to value. A lender will give the buyers the highest loan to value based on their credit.

MAILBOX MONEY

When you hold a second mortgage or own rental properties, the monthly payments you receive through the mail are called "mailbox money."

MARKETABLE TITLE

A title that is free and clear of liens and encumbrances.

MLS

"Multiple Listing Service." A real estate service whereby members exchange their listings so that each may have an opportunity to sell the properties.

MORTGAGE

The instrument used to pledge real property as security for the payment of a debt. The borrower retains possession and use of the property.

MORTGAGE BROKER

The individual who arranges a loan for a fee between a borrower and a lender. This person handles the necessary applications for the borrower and may process the loan for the lender.

MORTGAGEE

The party who holds a mortgage. A bank or money lending institution often referred to as a lienholder.

MORTGAGE LENDER

A lender who loans money directly to a borrower. A bank is an example of a mortgage lender.

MORTGAGOR

The party who takes out a mortgage. This person is liable under the terms and conditions of the mortgage.

NEGOTIATE

The back and forth discussion between buyer and seller concerning price and terms of a property in order to reach an agreement.

NET PROFIT

The amount of profit left after all expenses are backed out.

NOTE

Legal evidence of a debt that obligates the signer to pay a named person or bearer a definite sum of money at a specified date for a specified amount of time.

OFFER

A presentation of a proposal, including price and terms, submitted to an owner of real property for acceptance in order to create a contract for sale and purchase.

OPM

"Other People's Money." This is money that you want to use in as many transactions as possible.

OPTION

A legal document giving a party the right to purchase or lease a property for an agreed upon price and terms within a specific time frame.

OWNER'S TITLE POLICY

Title insurance for the owner of a property, not the lienholder.

PITI

Principal, Interest, Taxes & Insurance. PITI is used when referring to a mortgage payment and what the payment includes.

PLAINTIFF

The party bringing civil or legal action against another in a lawsuit.

PMI

"Private Mortgage Insurance" is the insurance issued by private mortgage insurers, insuring the mortgage debt against a property. PMI insures the lender against defaulting borrowers. This insurance is required by many lenders on loans exceeding 80% LTV. PMI is paid by the borrower and is either paid at closing or included in the borrower's monthly mortgage payment. PMI does not benefit the borrower.

PMM

"Purchase Money Mortgage" usually describes the mortgage held by an owner/seller allowing the buyer/borrower to purchase the property. This loan may be for all or a portion of the purchase price, and may be a first, second, or further mortgage.

POINTS

Fees charged by a mortgage broker or lender to pay commission or discount the interest rate of a loan. One point is equal to 1% of the loan amount. For example, three points charged on a $50,000 loan would cost $1,500.

POWER OF ATTORNEY

An authorization in which one person gives another the power to act on behalf of the former for a specific transaction.

PREPAYMENT PENALTY

A penalty imposed on a note or mortgage when a loan is paid before it is due. Some conventional lenders have what is called a "three, two, one." If you pay off the loan in the first year, you pay three points, the second year two points, and the third year one point. After the third year, there is no more penalty. It is important to check for prepayment penalties.

PRINCIPAL

The amount of a debt, not including interest. Also, the face value of the debt.

PROBATE

The time period in which the validity of a will is determined. Any action over which probate court has jurisdiction.

PROBATE SALE

Sale of property from an estate. Must be done under supervision of the probate court.

PROMISSORY NOTE

A written promise, signed by the maker, agreeing to pay a specified amount over a specified period of time, usually including interest.

PRO SE

To represent yourself. For example, if you file foreclosure proceedings representing yourself, you will be filing Pro Se.

QUITCLAIM DEED

A deed that transfers interest, if any, in a property. Many divorcing couples quitclaim the property to the other, mistakenly believing this releases them from the obligation of the debt as well. It only gives away the interest the party may have.

REAL PROPERTY

Land and anything permanently affixed to the land, such as buildings, fences, and so forth. In addition, those things attached to the building, such as light fixtures, plumbing, and other things, which would be personal property if not attached.

REAL ESTATE AGENT

A salesperson associated with a broker who acts on behalf of the broker.

REALTOR

Title given to a real estate broker who is a member of a board associated with National Association of Real Estate Boards.

REHAB

Repairs and upgrading necessary to bring a property to good marketable condition.

REINSTATEMENT

The payment of arrearages to bring a note or mortgage to good standing.

R.E.O.

"Real Estate Owned" is the term used when referring to properties owned by a lending institution. The REO department of the institution handles the sale of these properties.

SATISFACTION OF ...

The recorded document which states a debt is "paid in full." When a mortgage or lien becomes paid in full, a Satisfaction is recorded to show that this debt is no longer a lien against the property.

SECONDARY MORTGAGE MARKET

The market in which first mortgages or trust deeds are bought and sold to insurance companies, banks, government agencies, and other mortgagees, usually at a discount. This market enables lenders to sell their first mortgages, receiving a fresh supply of money for new loans. Not to be confused with second mortgages.

SHORT SALE

When the banks agree to accept less than what is owed as payment in full. For example, a homeowner owes $100,000 on a property that is in foreclosure and is worth $100,000. You negotiate with the bank to accept $50,000 as full payment. The bank agrees and you are able to build in equity for yourself and to prevent a foreclosure on the credit report of the homeowners.

SUBLEASE

When a lessee leases the property to another.

SURVEY

The measurement and boundaries of a parcel of land prepared by a licensed surveyor.

SURVIVORSHIP

Gaining interest in a property by outliving another who had the interest.

TAX CERTIFICATES

Bonds sold to recoup unpaid property taxes by the county. Generally, a winning tax certificate bidder receives interest on the certificate purchased. The winning bid goes to the person willing to receive the lowest interest on the certificate. For example, the bidding could start with a $2,000 tax certificate at 18% interest. Bidders bid backward. The winning bidder may be someone who is willing to make 5% interest on the $2,000 tax certificate. They are redeemable at face value plus interest.

TAX ROLL

The tax roll for a particular piece of real estate gives the public information, such as the names of the owners (or those receiving the tax bill), tax assessed value, tax amount, and the legal description. The tax role may include past purchase prices. Tax rolls are available at the county courthouse or county tax assessor's office.

TENANT

Temporary use of a property under the terms of a lease or other rental agreement.

TITLE COMPANY

Company which provides many services to investors, such as closings, handling legal documents, preparing paperwork, acting as an agent for a title insurance company, etc. A "must have" for any investor.

TITLE INSURANCE

Insurance against loss issued by a title company guaranteeing the title to be good and marketable.

TITLE SEARCH

A search performed on title to a property. The search begins with the original owner and continues through the present owner to find out if any liens or judgments exist against the property. This search is conducted by a title company or attorney.

TRUST

A fiduciary relationship in which one holds property for the benefit of another. The party creating the trust is called the settlor, the party holding the property is the trustee, and the party who benefits from the property being held, is the beneficiary.

UNSECURED LINE OF CREDIT

A credit history between an individual and a lending institution, which allows the borrower to have a credit line with no collateral.

USURY

The lending of money at a rate of interest above the legal rate.

"WASHED" AT THE COURTHOUSE STEPS

A property is going to sale at the courthouse auction. Liens against the property are as follows: a first mortgage of $45,000; a second mortgage of $10,000; and a third lien of $3,000. The first lienholder bids its judgment amount of $45,000 (first position will typically bid only its judgment amount). If no one else bids on the property, the first lienholder will gain title to the property, and the second and third lienholders will be "washed out" meaning that they no longer have a lien against this property. If someone bids $50,000, the additional $5,000 amount above the first $45,000 lien will be paid toward the second lien. Then, the third lienholder will be "washed out."

WARRANTY DEED

A deed which conveys title to a property which warrants the holder title to transfer.

WRAPAROUND MORTGAGE

When homeowners have a first mortgage against their property that does not contain a "due-on-sale" clause, they can sell their home to any buyer and hold a wraparound mortgage for the entire amount of the sales price. The result is a mortgage that will wraparound the first. Keep in mind that the sellers remain responsible for the payments on the first lien regardless of whether the new homeowners make their payments.

WRIT OF EXECUTION

A writ to carry out a decree or judgment of a court.