Real Estate Wholesaling

12 Section Guide + Glossary

1. What is a Real Estate Wholesaler?

A real estate wholesaler is an investor who connects property sellers with buyers. They do not typically purchase the property themselves. Instead, they act as the middle person, facilitating a faster and smoother transaction for both sellers and buyers.

Wholesalers identify motivated sellers who may want to sell quickly, privately, or off-market. They market properties to buyers looking for investment opportunities, often targeting investors.

2. How a Wholesaler Gets Paid

A wholesaler does not buy the property themselves. Instead, they secure the property under a contract and then assign that contract to a buyer. The payment comes as an assignment fee, which is the difference between the price agreed with the seller and the price the buyer is willing to pay.

Example:

- Seller agrees to sell their property for $150,000.
- The wholesaler finds a buyer willing to pay $160,000.
- Difference / Profit: $160,000 – $150,000 = $10,000.
- The wholesaler earns a $10,000 assignment fee at closing.

3. Why Would a Buyer Pay More?

Buyers are often willing to pay more than the seller's asking price because they see potential value in the property that they can unlock after the purchase.

Reasons include:

- **ARV (After Repair Value)** — The property may be worth significantly more once renovated or repaired.

- **Investment Potential** — The buyer may plan to flip, rent, or develop the property for profit.

- **Convenience** — The buyer avoids spending time finding motivated sellers or negotiating deals—they rely on the wholesaler to present ready-to-close opportunities.

4. Why People Choose Off-Market Properties

- **Less competition** — Off-market deals are not viewable publicly, meaning fewer buyers are competing. This gives investors a better chance at negotiating favorable terms and securing properties below market value.

- **Direct communication** — Working directly with sellers often leads to faster decisions, fewer misunderstandings, and more flexible deal structures.

- **Privacy for sellers** — Many property owners prefer to sell privately due to personal, financial, or tenant-related reasons. Off-market sales keep the process stress-free.

- **Flexibility and control** — These deals allow creative terms like seller financing, extended closings, or repairs credited at closing—options rarely available through traditional listings.

- **Hidden equity opportunities** — Many off-market properties are distressed, outdated, or underpriced, offering strong potential for investors who can see value others overlook.

- **Relationship building** — Creating direct connections with sellers can lead to repeat opportunities, referrals, or long-term partnerships.

5. Benefits of Working With an investor over an Agent

- **No commission fees** — Without an agent, sellers and buyers save 5–6% in commission costs, leaving more room for negotiation and profit.
- **Faster closings** — Direct communication makes offers, counteroffers, and contract adjustments move quicker, allowing deals to close faster.
- **Creative deal structures** — Without agent restrictions, investors can arrange flexible deals like assignments, lease options, or subject-to financing.
- **Negotiation freedom** — Investors can speak directly with sellers, helping both sides find win-win terms without outside pressure or delays.
- **Privacy and discretion** — Some sellers do not want public listings or open houses. Working privately gives them peace of mind and more control.

6. Understanding Contracts

A wholesale transaction relies on two contracts — one to secure the property from the seller and another to transfer it to the end buyer.

- **Purchase Agreement (Sale Contract)** — This is the agreement between the seller (property owner) and the wholesaler (investor). It locks in the property at a set price and gives the wholesaler time to find a buyer.
- **Assignment Contract** — This is the agreement between the wholesaler and the end buyer. It transfers the wholesaler's rights in the original purchase agreement to the buyer. The buyer then buys the property, and the wholesaler earns the difference between the price agreed with the seller and the price the buyer pays.

7. Earnest Money Deposit (EMD)

An earnest money deposit is a small deposit made by the buyer or wholesaler to show serious intent to buy. The EMD is held by the title company or escrow until closing.

Refundable vs. Non-Refundable:

- **Refundable** — If the contract falls through due to contingencies (like financing issues or inspection results).

- **Non-refundable** — If the buyer or wholesaler breaches the contract without a valid reason.

8. Important Clauses in a Wholesaling Contract

- **Assignment Clause** — Allows the wholesaler (assignor) to transfer the contract to another buyer (assignee).

- **Contingency Clause** — Protects the wholesaler if certain conditions are not satisfied, such as buyer approval, property inspections, or financing availability.

- **Due Diligence Period** — Time allowed for the wholesaler or buyer to inspect the property, review title, or conduct research.

- **Inspection Clause** — Gives the buyer or wholesaler the ability to inspect the property and request repairs or back out if issues arise.

- **Default Clause** — Explains what happens if either party fails to fulfill the contract terms, including the handling of the EMD.

- **Closing Date & Location** — Specifies when and where the property transfer will be completed, usually handled by a title company.

9. Role of a Title Company

A title company ensures the property transfer between the seller and buyer is legal. They verify the property title is clear, meaning there are no unpaid taxes, liens, or legal issues. The title company also handles the closing, which is when the seller receives payment and the buyer officially owns the property. The title company handles the wholesaler's assignment fee at closing.

10. Why Wholesaling Can Be Done Virtually Anywhere

Many aspects of wholesaling are digital. Contracts can be signed electronically, and buyers and sellers can communicate by phone, email, or video call. Property research, marketing, and lead tracking can all be done online, allowing a wholesaler to work from anywhere in the U.S.

Since the wholesaler is not the end buyer, they do not need to conduct tours or showings—their role is simply to connect the seller with a qualified buyer.

11. What to Know Before Wholesaling

- **Low upfront investment** — You do not need to buy property or use substantial amounts of capital to start wholesaling.

- **Fast profit potential —** Some deals can close in as little as two to four weeks, providing quick cash flow.

- **Scalable business model** — Once you build systems for marketing and buyer outreach, you can scale to multiple deals per month.

- **Networking and exposure** — Wholesaling connects you with agents, title companies, investors, and contractors—people who can help you grow in real estate.

- **Hands-on learning** — Every deal teaches you more about real estate contracts, negotiation, and local markets, setting you up for future success in flips or rentals.

- **High learning curve** — It takes time to understand contracts, deal structure, and how to evaluate properties.

- **No guaranteed income** — If you do not close deals, you do not generate income. Success depends entirely on effort and consistency.

- **Competition** — Wholesaling has become popular, so you will need to stand out with professionalism and real value to sellers.

- **Legal considerations** — Some states have restrictions or require a real estate license for certain transactions. You must always research your local laws.

- **Reputation matters** — This business is integrity driven. Integrity and transparency are essential, as one bad deal can cost future opportunities.

12. How to Be Successful in Wholesaling?

- There is no exact timeline for success. Some people close their first deal in a few weeks; others take several months. The difference comes down to how consistent you are with marketing, follow-up, and learning.

- Your first 30–60 days are for learning. You will spend this time building your buyers list, studying contracts, and talking to sellers. Even if you do not make money yet, you are laying the foundation for every deal that comes after.

- Progress usually shows between 60–120 days. By this point, you will start generating leads, locking in potential deals, and gaining confidence in your negotiation and marketing approach.

- Your first deal will always be the hardest. The process might feel slow or confusing at first, but each conversation, call, and follow-up sharpens your skill set. Once you close one deal, you will understand the full cycle—and the next ones come faster.

- After a few deals, scaling begins. You will start to automate your outreach, strengthen your buyer list, and hire help for lead generation or follow-ups. This is when it starts to feel like a genuine business.

- Within 6–12 months of consistent effort, most active wholesalers can start closing multiple deals per month. The key is daily action—calls, offers, and follow-ups.

- Treat it like a business, not a side hustle. Track your leads, set goals, and manage your time like a professional. The more intentional your routine, the faster your results.

- Consistency beats talent. The wholesalers who succeed are not always the most experienced—they are the ones who keep showing up, even when it is slow.

- Reinvest your profits. Use your first few deals to fund marketing, software, or education that helps you grow. Over time, this reinvestment turns your hustle into a scalable business.

Common Wholesaling Terms

- **ARV (After Repair Value) —** Estimated value of a property after full renovation.

- **Assignment Agreement** — The legal document used to transfer a purchase contract to another buyer.
- **Assignment Clause** — Contract clause allowing transfer of the contract.
- **Assignment Fee** — Profit a wholesaler earns by assigning a purchase contract to a buyer.
- **Assignee** — The buyer who receives or takes over the purchase contract from the assignor.
- **Assignor** — The wholesaler or original contract holder who has the right to sell or transfer the purchase contract.
- **Buyer** — The person or investor buying the property, either directly or through assignment.
- **Closing Statement / Title Statement** — Document showing how funds, including assignment fees, will be distributed at closing.
- **Contingency** — Condition in a contract that must be met for the deal to proceed.
- **Default Clause** — Explains what happens if a party breaches the contract.
- **Due Diligence** — Researching a property's condition, value, and legal status before closing.
- **Double Closing** — When a wholesaler buys a property and immediately sells it to an end buyer, sometimes to protect profit amounts.
- **EMD (Earnest Money Deposit)** — Deposit showing serious intent to buy; refundable if contingencies are not met, non-refundable if the contract is breached.
- **Escrow** — Neutral third party (often a title company) that holds funds and documents until closing.

- **Equity** — Difference between a property's value and what is owed on it.

- **Financing Contingency** — Condition allowing the buyer to back out if they cannot secure financing.

- **Inspection Clause / Contingency** — Gives the buyer or wholesaler the right to inspect the property and request repairs or back out.

- **JV (Joint Venture)** — Partnership where two or more investors share responsibilities and profits.

- **Wholesaler / Middleman** — Investor who connects the seller with a buyer, securing the contract and earning an assignment fee.

- **Net Profit** — Total earnings after subtracting all costs, including repairs, closing fees, and assignment expenses.

- **Off-Market / Pocket Listing** — Property not listed publicly on the MLS; often used in wholesaling.

- **Rehab Costs** — Estimated amount needed to repair or renovate a property.

- **Seller** — Property owner who is selling.

- **Wholesaler's Contingency** — Clause allowing the wholesaler to back out of the contract if they cannot find a buyer.

JC

JILL CARUSO
Real Estate Investor