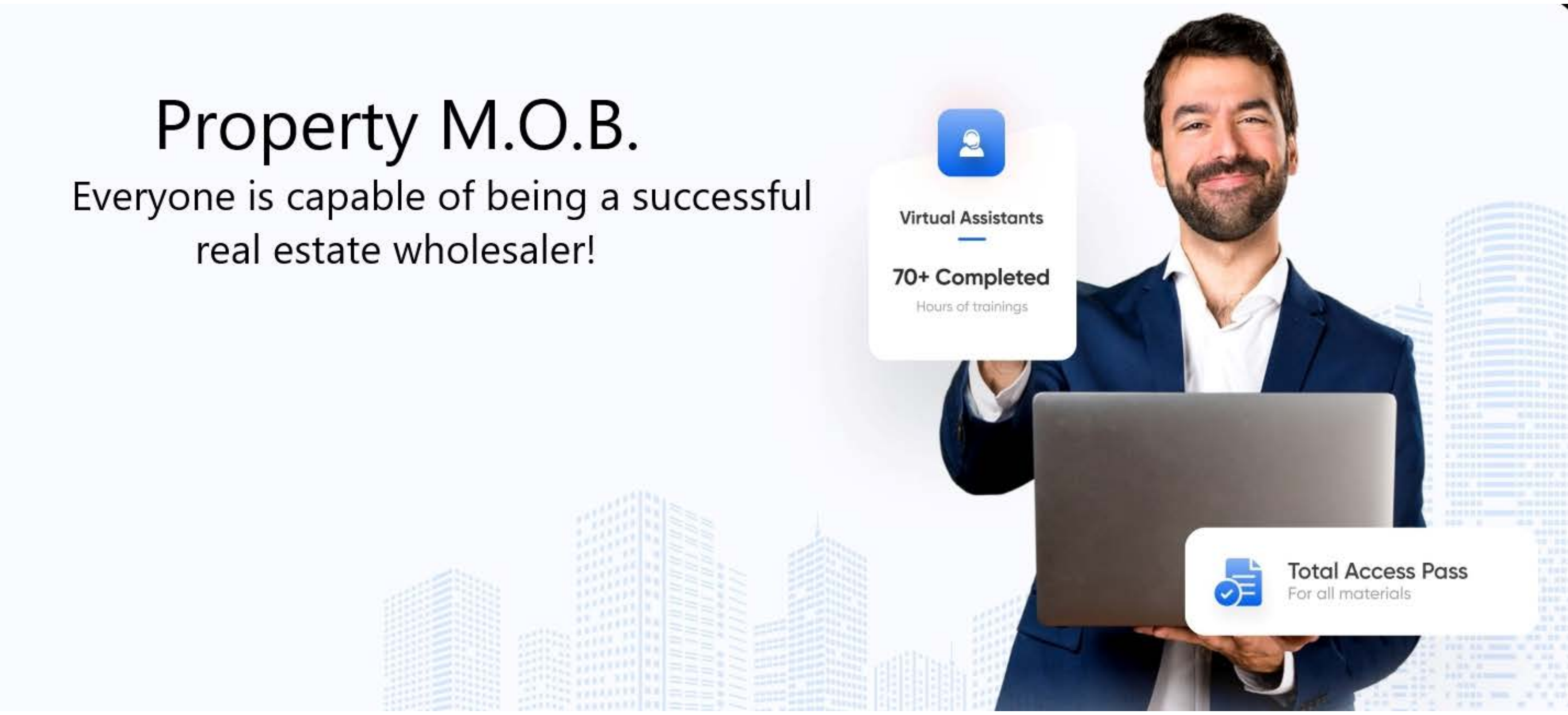
Property M.O.B.
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What is Wholesaling?

The wholesaling business is all about *bargain hunting for real estate*. In a nutshell, you're going to find a property you can buy at a discounted price, negotiate a price with the seller, place a contract to purchase the property, and then quickly sell your contract (via assignment of contract) to a hungry cash buyer (usually an investor). Your profit is the difference of what you bought it for and what you sold it for.

Once the deal makes it to a closing table and you're paid. You collect your profits and move on to the next one.

Here's an example to show you a typical wholesale deal:

You Get a Contract with Seller (to buy the house) for $79,000

Then You Get A Contract with Buyer (to sell the house) for $84,900

You profit $5,900

It's that easy. In fact, it is the fastest and easiest way to make money in the real estate business.

Now that you have a simple overview, let's get into some nuts and bolts about how to do this business. Pay close attention.

Do I need money to do this?

YES AND NO. You *will* need money for a marketing campaign. You won't need money to buy these houses. That's the hardest part for most people to digest. They can't understand how you can enter into a contract with a seller to pay cash for their house, and then never actually buy the house. That's the LOVE of this business. It's called equitable interest. When you are in contract with a seller, you can legally assign your interest in the contract to another buyer for a fee. This money is paid to you, and it's called an assignment fee.

I have bought and sold over 350 houses and have used NONE to very little money on all of them. In fact, I am avid about NOT putting up any of my money for any deal. I'd rather negotiate to the bitter end before I write a check to anyone.

The amount of money you need will depend on what you choose for your marketing. There are many "guerrilla" ways of marketing that costs very little money (like door knocking), and then there are some more expensive methods (direct mail campaigns).   If you're just getting started, then you're probably going to want to spend as little out of pocket as possible. That's understandable. Eventually, you'll quit looking at marketing as a "risk", and look at it more intellectually, as a "business expense". Without a way to constantly generating leads, you'll never make it in this business.

When I first started out, I had maybe $200 - $300 per month to spend on marketing. That's not alot!! I don't even know how I made it at all with that amount of money. I spent every single dollar that I had extra on postage stamps and postcards, and mailed them out every day, whatever I could afford. Instead of having postcards printed, I bought 3 x 5 index cards and printed a "We Buy Houses" message on them on my home computer and printer every night. They'd print all night and they'd get mailed out in the morning. The phone started to ring, and before I knew it, I was in my car on the way to a seller's house. Being persistent got me to where I am today. I currently close between 30- 50 wholesale deals every year since 1998, with an average profit of $6,000 each. I don't print my own postcards any more. But the moral of the story is...without a marketing plan and a few dollars, you won't get very far. It's essential.

Sounds pretty simple..right?

The truth is, it is simple once you learn the process, in fact it's the simplest and fastest way to make money in real estate with the least amount of risk. In fact it's *risk free* if you follow the system that numerous people have implemented and reap the benefits of every day.

How much money will I make ?
This is up to you. How much money you make depends on how many leads you generate (and that depends on your marketing budget). The more leads you have come in, the more money will come out. As far as profit per deal, you can expect to make as little as $1,000.00 (sometimes even less than that) and up to $20,000 or more on each deal, this is totally up to you. But keep in mind that the typical profit on a single family house is between $5,000 and $10,000. Still not bad, right? How many of those does it take to live the life that you dream of?

Advantages of Being a Real Estate Wholesaler

Let's quickly review some of the major advantages of wholesaling real estate compared to other types of real estate programs, such as Rehabbing/ Retailing or Landlording....

* Wholesaling requires little or no money to start.

* You need NO credit or loans, you don't need to borrow any money or go into debt in any way.

* Low risk. Low haggle. You have no tenants, partners, lenders,contractors or retail buyers to deal with.

* You don't need to hunt down a buyer once you have the property under contract. If you have an awesome deal, your buyers will start coming out of the woodwork.

* It's a cash flow business. You don't have to wait months or years to make your money. Most of the time you will get a check in a couple weeks after you get the contract.

* Recession proof, you could care less what is going on with the economy, there is always going to be a hungry investor in your area looking for a deal. You will provide that deal and pick up a check.

Is this business right for you?

Well with no investment, no inventory holding costs, little to no overhead,no dealing with retail buyers,banks loan committees, and low risk - high profit margins I truly believe it is. For many different reasons, wholesaling is an ideal business. My favorite part about it is that you can work on it on your own time. You can choose how much money you make. You're your own boss. You make big fat paychecks, bigger than any bonus that your boss will ever pay. You don't have to punch a clock. You don't have to sneak in the office when you're late from lunch. You can take a day off to take your kids to the movies any time you want. You can wear jeans and a Pantera T-shirt if you want. You create my own lifestyle as a real estate wholesaler.

If you're looking for a way to earn the cash you need to satisfy your bills, while learning a truly exciting and instantly implementable technique, then you should consider furthering your education of wholesaling. It takes commitment, time, and an open mind. You have to let go of any "traditional" ways of thinking about buying and selling real estate that you may have had before, and be willing to adopt a new way of thinking (buy low, sell low). A lot of people can't get past the fact that anyone would sell their house so damn cheap. Get over it. They will and they do. And they all have different reasons for doing so. It's up to you to lean these reasons, and be there to offer solutions to these sellers when the time is right.

What Should You Do Now?

1. **Figure out Your Marketing Budget.** Keep in mind that you really don't need a lot of money to market. But you DO have to implement a marketing plan if you're going to buy and sell houses. Figure out how much money you can afford to spend on marketing on a monthly basis. If you have no money for marketing then you'll probably want to wait until you're in a position to do so.

2. **Write Down Your Goals.** With a clear path you will never arrive at your destination. I don't know who said it but it's dead on, "Plan your work and work your plan". Some people want to just wholesale their first house, while others want to quit there J-O-B and wholesale real estate full time. Whatever your goals are, keep them in mind while you are learning. Some examples of goals that you should set for yourself are:

What is my monthly marketing budget?

How many deals do I want to do each month?

How many sellers do I want to talk to each week?

How many buyers do I want/need on my buyers list?

How much cash flow do I need to make to cover my bills?

What bills do I want to pay off first?

How much leisure time am I willing to give up to learn this new career?

How much time do I want to give myself to close my first deal?

How to Wholesale Houses (Six Easy Steps)

Everyone develops their own way of doing business. Even though there are numerous courses and “systems” out there for you to follow, you’ll somehow find a way to tweak those into your own system to make it run just a little smoother for you.

There are six (6) basic steps that you should follow if you want to be successful in this business. Please, follow these steps precisely in the order that they are presented. Don’t try to jump ahead, as you’ll run the risk of getting a contract on a property that nobody wants. Not real smart on your part.

Remember that I will lay down the foundation blueprint for you. It’s up to you to implement these techniques and don’t try to reinvent the wheel.

*** THIS IS WHERE YOU SHOULD START, in case you’re wondering ***

Implement a Marketing Campaign for Sellers

This is really where the rubber hits the road. If your life as a wholesaler has been quiet, it certainly won’t be once you put your marketing into action. You must accept the fact right now that *locating prospects is the single most important part of your business*. If at any point you’re wondering why you aren’t doing deals, you can always come back to this step and take a closer look at what you’re doing. As long as you’re implementing a good marketing plan, then you WILL do deals.

You’ll need to find motivated sellers and create a solution that works for them. The solution is usually being able to offer them CASH for their house, take the property in its AS IS condition, and be able to close quickly without any haggling. Your entire business will hinge on your ability to do this.

You’ll be working with many different types of people and situations in the wholesaling business. Your sellers will all have one thing in common. *They need to sell.* They can’t (or don’t want to) sell their property to a “conventional” buyer. Your job is to let them know that you’re able to help them, and solve their dilemma.

Finding the right marketing piece can be a serious struggle for a lot of people. The typical response rate for direct mail is .5% to 1%. That's not conversions either, that's responses!

The good thing about marketing is that you can control it. If you want to buy more houses, then all you have to do is turn up the marketing. If you want to increase your income, do more marketing. If you have a killer deal and want to get paid on it in 10 days, all it takes to accomplish that is the right marketing. On the same note, if you want to take a 5 day cruise to Baja Mexico, then it's as easy to "take some time off from work" by slowing your marketing down or turning it off until you get back. Pretty cool, huh?

This is the part of the wholesaling business where you'll have to spend some money. The good news is that the return on your investment is far better than any investment you could imagine. If you could spend $1,000.00 and get back $5,000 - $10,000 - would that be o.k.? I knew you'd say "yes"! Why wouldn't you?

I go into detail about several of the best, most productive marketing techniques in the world for finding bargain properties and selling them quickly. You can choose the ones that you feel most comfortable with, and then run with it. I'll even share some of my *personal favorites* that cost NOTHING to do, and still gets amazing results. I'm sure you'll want to implement those right away! ;-)

I want you to remember one very important thing throughout this entire training program. This business (and all others for that matter) IS a numbers game. The more prospects you have to work with, the more deals you'll get, and the more money you'll make. As you narrow down the deals as they work their way down the funnel, you'll discover that only a percentage of those will result in a closed transaction. SO - **Get as many sellers in your funnel as possible.** You can't expect everyone that you speak with to sell their house to you, so your goal should always be to piling up a ton of seller leads. You can never have too many leads!

I like to keep my costs to a minimum, while freeing up as much of my time as possible and turning quick profits. Sure, you could spend thousands and thousands of dollars on expensive advertising and shotgun marketing, but why would you?

You can still make a hefty profit without spending a fortune or busting the bank account. You'd probably rather spend your bank account on a nice vacation or a nice watch, anyway, right?

There are a handful of **important keys** that I'm going to share with you that are very important. So, even if you are already a pro at marketing to sellers, it's important that you go ahead and read through this anyway.

There is nothing wrong with marketing to people that are having financial difficulties, or are faced with challenges in their life. In fact, people that are in particular situations, specifically seek out professionals to cure the problem. When you're over your head in debt, you call a Bankruptcy attorney. When you're feeling sick, you call a doctor. There's a specialist for every field. You're specialty is to help property owners free themselves from a house that is no longer wanted.

The reasons are endless that people need to sell. There's a whole list of reasons that create urgency to other people. A traditional buyer can't solve the problems of these sellers - or understand what they are going through. Being in the real estate business, more specifically the business of helping solve people's house problems, makes you a specialist. It makes these groups of people seek you out.

So don't *ever* feel like you are taking advantage of anyone because of their situation. Do you think a divorce lawyer feels sorry for the couple who can't work their marriage out? Probably not. That's his speciality, so he takes their problem, creates a solution, and gets compensated for it. More than that, they most likely contacted him to help them solve their problem.

Another big part of the equation is the property. With a motivated seller usually comes a property with something wrong with it. It could be the mortgage that's a problem, tenants that live in it, deferred maintenance, or it could even be haunted. (Yes, it's possible). In my dealings with sellers, I've seen many crazy things. A few that stick out in my head are the guy that had a meth lab going in the living room, the guy whose mother died in the house and no one knew about it for 2 weeks (she had a pet dog) and the ladies who had 10 cats who lived in the house, but didn't have a litter box.

Why Do You Need Motivated Sellers?

Motivated sellers keep your business alive. Without a constant flow of motivated sellers, you're out of inventory. It's like a convenient store owner running out of beer. Might as well shut the place down. You should always be building a list of motivated sellers and testing out different lists to use in your marketing plan.

What Are Motivated Sellers and Why Are They So Motivated?

Motivated. What a magical word. One that you should keep as a top priority any time you're working with a seller... These are the *only* people that qualify to become your clients. The first step to making money as a real estate wholesaler is finding and pre- screening prospective sellers. You can't make offers until you can locate and talk to these people who need your help and are willing to work with you. Your job as a wholesaler is to spend your time and effort working with people who are in some sort of distress and eliminate the rest!

Don't waste your time chasing non-motivated sellers!!

The more motivated sellers you can find, the more money you'll make. In normal circumstances, people aren't going to just give their house away cheap. Something has to be wrong in order for this to happen. So let's take a look at the most common reasons that sellers need to sell their house and how you can be prepared to deal with these sellers *and their situations.*

While you're reading through these, start to determine which ones you'd feel the most comfortable talking to.

* * * * * MOTIVATED SELLER GROUPS * * * * *

Divorce - When two incomes have previously supported the mortgage payment, and the relationship has resulted in a divorce, both parties are usually motivated to get rid of the house. It's the biggest asset that they both shared mutually. The most important thing to remember when dealing with divorces is that you're going to need the consent and the signatures from both parties involved. You may not get to talk to them at together, at the same time, but you will need full cooperation from both people.

How to find them: When a couple files for divorce, it becomes public record, which allows you to market to them. Look in your daily record/financial paper for divorce filings or visit the county Courthouse. You'll probably only find the names of the parties involved in the divorce. You'll need to cross reference the names in your county tax rolls to see if they own real estate. If so, then transfer their information into your mailing list spreadsheet.

Probate - a Probate is the legal process of proving a will, appointing an executor, and settling an estate. If the person owned real estate and it is left to the heirs, the heirs are responsible for selling the asset(s) and paying off any debt to the creditors. Any money that is left is then distributed to the heirs or per the instructions left in the will. In a probate, the executor of the state is in charge of liquidating the assets, including real estate, and the signatures from all the heirs are required on the contract and at closing.

How to find them: Probate filings are public record in most states. An ad will run in the financial paper notifying any creditors of the filing. Depending on the time that has passed since the person's death, it could be published between 30 and 120 days. You'll want to contact the Personal Representative or the Executor of the estate. Their mailing address is listed in the financial paper.

Foreclosure - Being behind on the mortgage payment leads to foreclosure. I have found that in most cases, people can catch up on their mortgage when their only one payment behind. Any more than that, it's usually impossible for a normal person to catch up on the payments. It's too much of a struggle and they give up. Buying a house out of foreclosure is an awesome way to rack up on instant equity and a super duper deal.

There are several stages to the foreclosure process. The first is "lis pendens" which simply notifies the borrower that there is a law suit pending. Then it progresses to "Notice of Action" which indicates that they lender is filing an action to foreclose on the mortgage. Then there is "Notice of Sale" which is letting them know that the property will be sold at the foreclosure auction on a certain date.

How to find them: Each of the legal notices mentioned above are public notice. They are published in the financial paper. You can start to reach these sellers as early as when they are 30 days late on their mortgage, all the way up to the Notice of Sale. It's not a bad idea to market to them throughout the foreclosure process and not stop until they either sell the house, reinstate their loan, or lose it at the foreclosure sale.

There are mailing lists available that provide information on people who are 30, 60, and 90 days late on their mortgage. You can buy these lists and target specific zip codes. This list is the most expensive list, mainly because they are highly qualified. One name will cost you between $.79 and $2.59.

After the mortgage is 90 days late the “Lis Pendens” is filed. Search the financial paper in your area for a list of Lis Pendens, Notice of Action and Notice of Sale.

Fed Up Landlords - The best place to catch one of these guys is right when he files an eviction notice. There’s nothing (I hate worse) than a nonpaying tenant. OK Maybe one thing....A Nonpaying tenant that tears the house up. When it has come down to having to file an eviction to get them out, is a perfect time to go ahead and sell it and not have to be bothered with it.

You’ll discover that rental properties need work. It’s too hard to keep a property in retail condition with tenants living in them. They’ll fit the ugly house criteria that you’re hoping for.

How to find them: Evictions are public record. Visit the courthouse in the area where evictions are filed. There may also be eviction services in your area that can provide you with a list of recently filed evictions.

Bankruptcy - I’m sure you’re familiar with the term, right? It means you’re busted. You just can’t make the bills any more and you turn to the bankruptcy courts to protect you. These people have a big persistent problem. Their house can be a big monkey on their back, and they’re just lurking in the sidelines waiting for someone to rescue them.

How to find them: Again, public record. Check your daily financial newspapers for Bankruptcy filings.

Absentee Owners - These are people who own a property that they do not live in. It could be a rental property, or maybe even one that is location in another state. It’s kinda hard to manage a property from another location.

Maybe the owner was transferred and still owns the property. Maybe the absentee owner is a landlord. Maybe a probate. Either way, absentee owners are a good list to target in your marketing.

How to find them: Contacting a list broker and asking for an absentee owners list is your quickest and easiest bet. The one that I like to use for this list is www.melissadata.com.

That covers the major categories that are public record, which means that the information is readily available to the public. It's up to you to compile a list of your favorites and put them into your marketing plan.

*The easier a list is to get, the more people that have access to it and are probably using it in their business. Be sure to drizzle in some not so easy-to-get-to sellers and watch your profits soar through the roof. The sellers that no one knows about are always the BEST.

Here are some "nonpublic" situations that should make it in your marketing plan.

Relocation/Transfer - A transfer can occur at any time and without much notice. Employer and Military Transfers are especially common. People are given transfers, sometimes with short notice, and have to sell the house quickly or leave it behind. To save their credit rating, people will sell their houses quickly and below market value so that they can move on with their transfer assignments.

How to find them: Transfers are not public record. Market to military families that own properties. You'll attract transfers using bandit sign marketing, which we'll cover in an upcoming lesson.

Vacant Houses - One of my personal favorites. I like this one so much because not too many investors will do what it takes to hunt these down. There's not a list that will report all of the vacant houses to you. The list would have to be updated every hour. If you could buy it easily, it wouldn't be as smoking hot as it is! A vacant house is vacant for a reason. The longer it's vacant, the more motivated the seller becomes to sell it.

Once you start looking for them, you'll see them everywhere. You'll then develop an "eye" for vacant houses and they'll pop out at you like an elephant wearing a pink sock on his trunk.

Before you' trained your eyes though, here's what to look for when on the hunt for vacant houses:

Overgrown grass
Broken Windows
No Window Coverings
Multiple Newspapers in the Driveway Mailbox Full Of Mail
Flyers Stuck in the Door or Fence Boarded Up
Looks Distressed
Abandoned Vehicles in the Yard/Driveway

How to find them: You can always take a different route home from the store or take a couple hours on a Saturday to drive around looking for vacant houses. I call that "driving for dollars". Keep a pad of paper in the car with you. When you see a vacant house, write down the address. Do this each time you pass one. Once you get home, cross reference the address in the county tax records to get the owner's name and mailing address. Once you have about 50 vacant house leads - guess what time it is? Yep! You guessed right. Marketing Time.Note: For the highest quality leads, use the ones that don't have For Sale signs in the yard or windows. This would apply to FSBO (For Sale By Owner) signs as well as Realtor signs. The less people that know about the house being for sale, the better.

Another Note: If you're not sure if the house is vacant, you can always walk up to the electric meter and check to see if it's spinning. If it's NOT spinning, then it's vacant.

In one of your lessons, you're going to learn how to be the Leader of an Ant Farm - a group of people who find and send reports to you of vacant houses - and how you have a vacant house leads pouring in at your feet without ever having to leave your home. Sweet!!

Illness - Someone becoming sick in the family can run up medical bills quickly. Families don't like to be burdened with bills piling up on them, so they liquidate their assets to pay the expenses.

How to find them: there's not a list that will reveal illnesses. You'll run across these in the normal course of your marketing, but they can't really be "targeted".

Job Loss - This happens every day, doesn't it? Loss of Job = Loss of Income= Loss of Ability to Pay Bills. Good prospect? I think so.

How to find them: there's not a list that will reveal job loss. They will show up, however, in your normal course of marketing, as well.

Condemned Houses - These are properties that have code violations on record with the city. For one reason or another, the city has deemed this property to be "unsafe" or to have broken a safety code. It can be something as simple as overgrown grass and as severe as the house being used for drugs and prostitution. The city will send letter after letter to the owner of the property demanding that the violations be cured. After a certain amount of time, they'll either bring the property back to code by performing the repairs themselves and charging a hefty fee for doing so, or the case will progress. If the property is in really bad shape and the letters and court dates are ignored, eventually the property will be demolished and a lien will be placed against the owner.

How to find them: The Code Enforcement Department with the city will have a list of all the properties with code violations. While they are free for the taking in some places, you may have to pay a couple of bucks for the list.

It's worth it, trust me. I've bought many a house from the condemned list and wholesaled it for a fast and fat payday. I continue to market to these owners on a regular basis.

Pre-NOD

Pre-NOD is an acronym for Pre-Notice of Default. This is a list of sellers who are 30-60-90 days late on their mortgage. The good thing about this type of mailing list is that the information that you obtain from this mailing list is not public record yet. The "pre-foreclosure" does not become public record until the bank has an attorney involved and they have filed a Lis Pendens (the first legal notice in a foreclosure) and it has been filed in the public Records. Then, the seller's information and loan status is a free-for-all. Anyone can get that information by going to the courthouse or subscribing to the financial paper to obtain that information. Every legal step of the foreclosure process from that point on is public record.

Being able to get the information about sellers who are behind on their payments but not quite facing foreclosure by the lender yet is HOT information. These leads will cost you more than any other lead you can buy, and rightfully so. They are highly qualified and highly motivated sellers who have fallen behind on their mortgage payments. This is the best time to catch them.

Think about this. If a seller gets one payment behind, it's easy to catch up, right? Once they get 2 payments behind, the struggle begins. The average person just can't find a way to make up 2 payments on their mortgage to get caught up, and they start to lose the battle. They start looking for alternative solutions, because now the bank is calling and mailing letters on a regular basis. By the time the mortgage is 3 payments behind, it's usually over. The seller has to make a decision to either sell the house, borrow some money (usually a lot of it) to catch the loan up, or to just stick their head in the sand.

What Do The Sellers Want From You?

They want a quick sale. There' s no better way to put it than to tell you that they want to sell the house quickly with as little hassle as possible. In nearly every instance, the house will need repairs and the seller won't be able to do them. This is how you create win-win situations for them.

Also, the may want to keep their situation private. It's bad enough that some of their mud is being smeared all over the public records and daily papers. Some sellers are embarrassed by their situation, and would rather deal with only one person and keep the sale of the house under the radar.

It's up to you to establish rapport with your sellers and determine what their reason for contacting you is. Be sure to LISTEN to what they tell you, and consider their needs throughout the transaction. This will ensure a happy seller in the end, which can result in a positive testimonial and future referrals.

What Should You Do Now?

Choose 3 types of Sellers that you're going to market to, then Prepare Yourself mentally - Once you implement your marketing plan, sellers will start to call. Get ready for that, and keep your goals in mind.

O.K. So How Do You Attract Motivated Sellers?

There are essentially two ways to get to talk to sellers. One way is to go out and find the leads and contact them. *Not the preferred choice!* However, if you ever find yourself if total crunch mode with no money and a lot of time to waste, then you can try this yourself. Yes, you may land yourself a deal - but the time, energy,and frustration just won't be worth it. It's better if the sellers are contacting you.

The other way is to leverage your time by generating leads and have them contact you. *It's always better to have seller leads contact you instead of you making first contact with them.*

You're going to discover all of the was to get motivated sellers to call you. You'll want to be prepared to do some marketing and spend a little money. There are many ways to attract motivated sellers. You'll learn of many techniques to use and then choose which ones suit your style and your budget.

The Best Marketing Strategies You'll Ever Need

You know the drill by now. Your job as a wholesaler is to find properties at rock bottom prices, work the details out with the seller, and then sell the deal to your investor buyer for a profit.

Before you can buy any properties, though, you're going to have to do some marketing to get motivated sellers to call you. This is part of the business start up expense that will require you to use your own money. You could, of course, find a partner to pay the bill for the marketing in exchange for a piece of the pie on the deals. If you don't have someone standing by waiting for your cue, then it's time to get out the credit card.

On average, you'll have to spend $700 - $1500 to buy 1 house. Sometimes more, sometimes a little less. That doesn't mean that you can just write a check and expect to do a deal. You must choose your marketing wisely. Remember the three important elements of any marketing campaign and you'll do fine.

Media - Market - Message

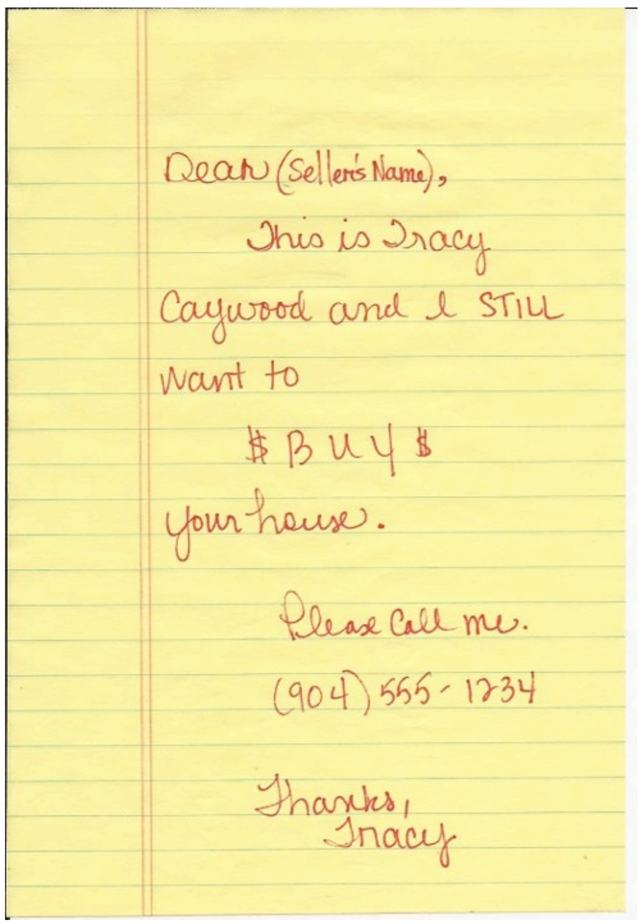
If you're a new investor, I want you to fight through any fears you may have right now. This is the first point that some new investors back out. Maybe you're afraid to risk your money on marketing. I totally understand. I don't like to spend my money, either. You should do whatever it takes to avoid spending any money that you don't absolutely have to. If there's a way around it, then find a way. But when it comes to marketing, there really isn't an alternative. Your business can not and will not survive without a strong, consistent marketing plan.

So just go ahead and do your positive affirmations or whatever you have to do to be able to pull the trigger and get your marketing working for you. Put all of your fears behind you so you can move on and make a lot of money.

The Yellow Letter

So let's dive right into some marketing that will send you right to the top. I learned of this marketing from a seminar that I attended in 2006, and have been using it ever since. It's not the only thing I use, but it definitely takes the driver seat and is my marketing of choice.

It's called the **Yellow Letter.** It's just a stupid little handwritten note written on yellow legal pad paper and mailed in an invitation envelope. Here is a sample of what the yellow letter looks like and says:



I highly recommend mailing *at least* 150 - 250 letters a week. You can expect to receive 5 to 15 calls when you mail 150 letters, depending on your mailing list (which was covered in the last lesson) and the message that you deliver. If you can't afford to mail that many, then mail as many as you possibly can. If you have the money to mail 10 letters today, then mail 10 letters. Then do the same thing tomorrow.

Just get them in the mail and into the hands of some motivated sellers. Nothing will happen if you're always waiting on something.

I wouldn't advise doing your own yellow letters other than the first one or two times, because it is extremely time consuming and quite frankly, a pain in the ass. If you're strapped for cash, then do them yourself. Focus on getting to a point where someone else can do them and put this part into auto pilot.

Since the yellow letter is meant to be warm and personal, there are a few things you need to know to make sure that you get the maximum results from this marketing technique. DONT SCREW THIS UP.

The Message (as seen above) is very simple and to the point. Don't change it.

Computer generated fonts are NOT the same as real handwriting. No matter how hard you try, you just can't duplicate a human signature. People aren't stupid either. They can tell the difference. So don't try to use computer font to write your letters.

The envelope is the first thing that is seen by the seller lead, so make sure that it is also handwritten. Don't use mailing labels or it may not get opened or read. The envelope is actually more important when it comes to deliverability, so be sure you avoid having it look like junk mail or bulk mail.

Sure, you can do these letters yourself at home, but why bother? It's a pain in the ass and will suck all of your time up. If you can't afford to have them done for you, then go ahead and do a batch of 500 yourself. It'll probably be the last time you do that.

Postcards

Postcards are a great way to follow up. They're fast, easy and cheap. What's important on a postcard is the message. Motivated sellers want to know how you can help them and if you have a solution to their problem. So you have 4" x 6" of space to let them know that you can help them.

There are websites online that will allow you to design postcards online.

Keep it simple and affordable with black and white postcards with a specific message of how you can help the seller. I use www.Click2Mail.com to mail all of my postcards like this one. You can easily design a postcard in Microsoft Word and upload it to the site. Then upload your mailing list, and voila! Your postcards will be mailed out automatically. It's that simple. You can even schedule follow up mailings in the future. Very convenient.

Sample Verbiage on a Postcard:

Dear ________________,

My company is interested in buying your property located at (address) in (city). We buy several houses each month and we're looking to buy more in this area. Should you have any interest in selling quickly and easily at a fair price, please call us at (direct_phone). You can also visit us at (www.yourwebsite.com) to submit "property information" form and get the ball rolling. To hear more on how we can by your houses "as is" on the date of your choice, call our 24 hour free recorded message line at (Free Recored Message Line).

If you're not interested in selling this property now, please keep this card for future reference. We have purchases hundreds of houses in your area so we may be a perfect solution for selling your property.

Sincerely,

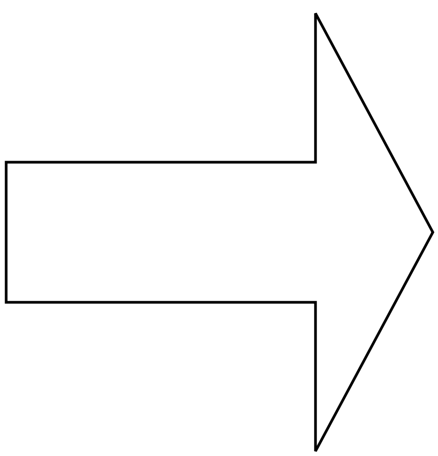
Real Estate investor Name
Fax. (fax_number) * Email: (email-address)

Bandit Signs

Another old favorite of mine is Bandit Signs. In 2005 we bought nearly 35% of every deal that we did from a lead that came off of a Bandit Sign. The numbers have increased each year, with our total percentage of deals coming from bandit signs up to nearly 50%. Bandit Signs are (dollar for dollar) one of the best ways to cultivate leads, not only for sellers, but buyers alike.

By planting a bandit sign in just the right spot, like a four way busy intersection, you're sure to get thousands of people that will look at and read your sign. When you get a call off of a Bandit Sign that says "We Buy Houses, All Cash" you should get ultra thrilled. They're usually a smoking hot lava deal.

Again, the message that you use on your sign is important. Let me suggest that your says something like, hmmmmmm..........let me think of some good ones.



Be sure to shop around for prices when ordering your bandit signs. I use Big Daddy Signs (They're online) . They always seem to have the best prices and they know their stuff. If you can find them cheaper, go with the cheaper. Don't spend more money that you have to. As long as they get the job done, that's all you need to worry about.

18 x 24 is the easiest to read as traffic is going by at 30 - 50 m.p.h. or even at major intersections when stopped back in traffic they can be seen from a distance. 12 x 18 size signs are less noticeable and should be used in areas where a complete stop is required or in the inner regions of a neighborhood. You can expect the 18 x 24's to last about the same amount of time as running an ad in the newspaper 3 days to a week, but, with tons more exposure.

There are some risks involved in using Bandit Signs. Almost every city in the United States has an ordinance against bandit signs. They just don't like them. They may even impose a fine for using them if they discover who you are. The sign police will come around and snatch your signs up and then give you a call to let you know you're doing a bad , bad thing. This deters investors from using bandits signs. Other people, like myself, are willing to take the risk. If you put the signs out on Friday afternoon, you should be in the clear from the sign police. Don't say that I didn't warn you.

WARNING: For more information and to see an actual violation ticket that I received from the city of Jacksonville, visit my website at: www.PropertyMOB.com and search for the post called "Busted After 14 Years"!!

Internet/Websites

There's no need to explain the power of the internet these days. If you don't have a presence on the web or your own web page, then people look at you weird. The internet is a portal of information and very commonly the first place that people turn when looking for information on a subject. This would include avoiding foreclosure, selling their house quick, selling an estate, etc.

Building a website that is optimized for search engine traffic is an entirely different lesson. So let's not worry about building a stupendous website that will show up as # 1 in Google when someone searches for "sell my house in Atlanta". Yes, that would be nice, but not the point. The point is to have a website that is working for you 24 hours a day where your sellers can go and read information about you and your programs. They should also be able to provide their information on your website using a form. Besides, you can use the domain in all of your marketing.

Allowing the sellers to go to your website and get information can be the first step in pre-screening a seller that you haven't spoken to personally on the phone. It gives you a chance to have a look at their information and do a bit of research before talking to them on the phone. You know once they've read your website, if they still continue to give you their information, they must be motivated to sell their house.

If you're not sure where to start with a website, you can try www.godaddy.com. They have a pretty user friendly system for building simple websites. You do have to buy the domain, which should be something that tells the public what you do. That's going to cost you around $12.00 a year to register the domain. Usually with the domain name you can build a simple site that is hosted for free by your domain registrar.

You can get as fancy as you'd like with a website. Just remember that the message is more important than fancy scripts, flash animation, or scrolling text. What matters is what you can do for the seller once they get there. So make sure that they proper message is displayed on your website.

Business Cards

You should always have handy a stack of business cards. Give them to every person that you see and meet. Leave them on the table at restaurants when you have dinner. Leave them at the gas pumps. Stick them in sugar caddies. Hand them out at football games. Give them to every one that you encounter. Everyone should know now that you're in the real estate business. Make sure they how to contact you when they're ready to sell or when they know someone who is ready to sell. Make sure to include your website on your business card.

So now you have several marketing methods that are PROVEN to attract motivated seller leads. Are there more? Of course there are. There are door hangers, post it notes, voice mail blasts, form letters, door knockers, flyers, classified ads, car magnets, billboards, and more. I've equipped you with what works the best for the least amount of money.

Oh! Don't try to reinvent the wheel here. All of these things have been proven to work, so why change them? Sure, it's always fun to test out new stuff and see what you can come up with on your own to see if it works. For right now, during our training time together, let's stick with what we know. That way you don't get off track and start wondering if this even works at all. Stick with the basics....You can get fancy shmancy later.

Follow Up

Some of this stuff may sound like a broken record to you. Some of it's probably band new or maybe you're reading this as a refresher course. Either way, you have to learn right here and now that following up with your leads will make you an extra $30k - $50k a year. Sure, you'll do deals with the first contact. No problem. If you implement a direct mail system that will follow up with your list on a regular basis, your responses will increase dramatically and so will your checks!

It is no secret in the marketing world that it takes 7 times of making contact with someone before they'll do business with you. So every time that you mail your lead a yellow letter or a postcard, you are getting closer to talking to that person. Time and circumstances change everything. The first time they receive your letter maybe they are planning on making up those back payments. By the third or fourth time they get your letter, the bank is pressuring them and they are starting to get letters from attorneys. Their motivation is changing and your mail comes just at the right time.

Don't just mail your list one time. Mail them a letter or a postcard once a month for 5 or 6 months.

What Should You Do Now?

Prepare Your Media - Choose which marketing method most appropriately suits your style. By my suggestion, you'll want to implement some yellow letters.Either by preparing them yourself or having yellow letters complete do them for you, get those done first. I really push the yellow letters in this lesson for one main reason.....Because you will get instant gratification. Once these babies hit the streets, it's all downhill from there. You'll have some seller leads to work on and you'll be officially active in the business.

Get Your Marketing Out - Once you've got your letters, postcards, or bandit signs ready, put them to work. Mail / Put them out and let's start getting ready to pre-screen these sellers. Dern it. I'm ready for your head to start spinning with leads and deals and money. So let's do this!!

Prepare To Follow Up - Schedule a date in your calendar to send the same people a second mailing in about 30 days from the day you mail them out.

Analyzing The Deal

Once you have some motivated seller leads to work with from your highly targeted marketing plan, it's time to hammer out the details of the deal. This is where you keep your investor buyers in mind, and create win-win situations for everyone involved. Several factors will come into play when it is time to talk prices.

What is the house worth if it were in excellent condition? In the wholesaling world, we call this ARV (After Repaired Value). You will need to know this number on every deal that you do. Finding ARV is not science, but an art that can be learned quickly and easily. There's really no need for a Realtor to do the research for you these days with the internet the way it is. Besides, having the knowledge to do it yourself will never leave you depending on a Realtor or anyone else to pull comparable sales for you.

How much work does the house need? My estimate is that *98% (maybe even more) of every house that you wholesale will need repairs*. Most of the time the house will need *a lot* of repairs. It's the main reason for being able to buy houses for pennies on the dollar. The sellers don't have the money or the patience to do what is necessary to repairs the house, so they sell it below market value for that reason.

Being able to make an intelligent offer will require that you know how much it's going to cost your investor/buyer to make the repairs on the house and bring it up to a livable and sellable condition. Accuracy is important here, since we use the repair figure in the magic MAO (Maximum Allowable Offer) Formula. With the Magic Formula (MAO) you'll be ready to negotiate a purchase price with the seller.

How much should you offer the seller?

By the way..this magic formula is also known as MAO, which stands for Maximum Allowable Offer. As a general rule of thumb, you'll want to buy the house for MAO

MAO = ARV (After Repaired Value) X 65% Minus(-) Repairs

This formula will vary depending on the location of the house. If it's in a war zone, then the number will be more like ARV X 40% Minus Repairs. If it's in a more desirable area, then ARV x 70% Minus Repairs. After you do several deals, you'll start to see the difference in what investors will pay for the house depending on the location.

How to Figure Out ARV (After Repaired Value)

In other words, what would the house would appraise for by a certified appraiser if it were fixed up and in retail condition? This is the first number that you'll need to research once you have a motivated seller on the hook. Now you must understand that appraising real estate is an art, not a science. You can have three different people perform a Certified Appraisal on a property, and you will get three different numbers.

The *true* value of real estate is what the buyer is willing to pay for it. So determining ARV is based on what other people have paid for houses that are comparable to the subject property.

Let's learn how to identify properties that are comparable to yours, and how to quickly eliminate non-comparable properties from the list.

Finding the After Repaired Value

The only way to find the market value of a house is to do a Comparative Market Analysis. This is the process of finding houses that are close to your in proximity, that are similar to yours in square footage, and ones that have sold recently (within the last 6 months) and determine that a traditional buyer would pay for your house based on the sales of the comparable properties.

YOUR SUBJECT PROPERTY : 123 Main St

3 Bedroom
2 Bathrooms
1766 Square Feet Brick Front
2 Car Attached Garage Fireplace

Step 1: Selecting Comparable Sales By Square Footage

You'll want to find the properties that are within 20% of your property in square footage. Square footage, to an appraiser, is any space that is heated and cooled. This means that garages are not included as part of the square footage calculation if it's not equipped with heating and air conditioning. So be careful not to figure in garages, porches, or patios as square footage when you're determining ARV. It will get you all messed up and in the end, and could cause early self destruction.

Since square footage is typically the main factor in determining value, you should always choose 2 to 3 properties that are very close in square footage to yours. So let’s use our Subject Property (123 Main St) and compare it to some houses that have sold within the last 6 months. Let’s also consider that these sales were all in good condition, and didn’t need any repairs.

Right now we’re only going to look at square footage and select several that will work in our research. Then we’ll narrow it down from there.

Property #	**Property Address**	**Square Footage**	**Difference**	**Sold Price**
Subject	123 MAIN ST	1766	-	-
1	**4549 FOREST AV**	1650	6%	$337,500
2	**2057 HILLTOP ST**	2020	13%	$339,000
3	155 CARTER AV	1217	31%	$295,750
4	**3588 HERON DR**	1780	1%	$349,900
5	**3006 MAIN ST**	1550	12%	$324,900
6	661 TOLEDO HWY	2300	24%	$375,000

As you can see, only 4 of the 6 of the properties listed here could be used to help determine the After Repaired Value of your Subject Property. Do you know which ones they are? If you guessed # 1,#2, #4 and #5 then you’re absolutely right! Let’s eliminate Property # 3 and #6 from our equation since it does not fit into the 20% of square footage space rule.

So that leaves us with 4 properties to work with now, and we're on the right track. As you can see, the ARV of this property is already starting to take form when you take a snapshot look at the sold prices of the comparable properties. They are all somewhere in the price range between $324,900 and $360,000. So you be sure that your property's ARV will be somewhere in between those numbers.

Let's move on the next filtering stage, which is recent sales. We want to use properties that have sold within the last 6 months. This will give a true indication of what is going on in the market right now, and what's "active" in the neighborhood where your subject property is. If there hasn't been a sale in the last 6 months, this may indicate a slow selling neighborhood, or one that is occupied by more renters than homeowners. You should usually be able to find a sale within the last 6 months that meets the other criteria, as well.

Now we're going to narrow our search down a bit further by choosing properties that were sold in the last 6 months. Using the same property #'s from last time, have a look at the sale dates, if the date of your research is being conducted on May 1, 2023. (Hint: we want properties that were sold no later than November 1, 2022).

Property #	**Property Address**	**Sale Date**
Subject	123 MAIN ST	-
1	**4549 FOREST AV**	**Jan 15, 2022**
2	**2057 HILLTOP ST**	**Mar 31, 2022**
4	**3588 HERON DR**	**Jul 15, 2022**
5	**3006 MAIN ST**	**April 5, 2022**

Considering the sale dates of these properties, we can narrow down our research to include Properties # 1, # 2 and #5. We have to eliminate Property #4 since it was sold more than 6 months ago.

So here we are, left with 3 Comparable Properties, all of which are within 20% of the Subject Property's square footage, and all that have sold within the last 6 months. We're compiling some very good data to help us determine ARV.

There is one more important factor that we must look at - Proximity. The comparable sales need to be very close to your subject property, preferably in the same subdivision or neighborhood.

The ultimate goal is for the comp (comparable) to be within .50 mile of the subject. It is true that sometimes you have to stretch it a bit further, depending in the area, to find ones that fit the other criteria as well. Except for in rural areas, don't ever go outside of a 1 mile radius.

So let's now have a look at our properties and finish our selection with the ones that are closest in proximity.

Property #	Property Address	Proximity from Subject
Subject	123 MAIN ST	-
1	**4549 FOREST AV**	**.27 Mile**
2	**2057 HILLTOP ST**	**.49 Mile**
5	**3006 MAIN ST**	**.07 Mile**

Yayy! It looks like every one of our comparable sales are in the clear! They are all within .50 mile of the subject property. Now we have three sold comps that we can use to determine **After Repaired Value.**

Let's take another look at our properties and get a snapshot of what's going on so we have a better picture on our mind.

Property #	Property Address	Proximity from Subject	Square Footage	Sale Date	Sale Amount
Subject	123 MAIN ST	-	1766	-	-
1	**4549 FOREST AV**	**.27 Mile**	1650	**Jan 15, 2022**	$337,500
2	**2057 HILLTOP ST**	**.49 Mile**	2020	**Mar 31, 2022**	$339,000
5	**3006 MAIN ST**	**.07 Mile**	1550	**Apr 5, 2022**	$324,900

Now that we have narrowed everything down, ARV is starting to reveal itself. It's a magical thing that happens when you know how to filter out comparable sales. Not to mention a very critical part of your calculations from this day forward. You'll use ARV to make offers to the seller, as well as when you put it out there to investors. They will use the same process (if they're smart) to determine what the house will sell for once they fix it up. Their number and your number should be real dern close.

It looks like the ARV of our subject property is between $324,900 and $339,000. That, my friend, is a good number. I like to have a range to work with instead of a determined number. IF I HAD to pick a number, I'd go right in the middle and safely say that the ARV of this subject property is $330,000.

Having three comparable sales that all fit the criteria is optimal. If you can only find 2, but there is one that fits the square footage and sale date but is .75 miles away, go ahead and use it. The more similar properties that you can find, the more solid you'll be on your ARV.

NOW we have something to work with. We can move on with our deal! (Now say "yayyy")

This method of researching comparable sales will work with any single family home. Sometimes a little more research is required to find the sales, and I'm going to give you some invaluable resources where you can find out exactly what's going on in your area, and the area where you're looking to buy houses.

Ahhh, The Internet

To be honest with you, I don't know how people survived before the internet. It must have been so boring and mundane. How the hell did anyone figure out ARV on their own? I don't know, either. Well, luckily, we don't have to worry about that because we have the internet and enough resources at our fingertips to find ARV within seconds, to virtually travel to the location, and sometimes we can even virtually go inside the house and take a tour. Simply amazing.

It's hard these days to find a website that will provide comparable sales data for properties. Most of the time you have to enter all of your information and then the lead gets sold to a Realtor (Fail!!). To get a general idea, you can use www.city-data.com. OR you can find an "investor tolerant" Realtor who will help you with pulling comps and finding values.

There are also plenty of paid sites (like www.realquest.com) that you can type an address in and get the information you need in a jiffy. You know me, I'm a penny pincher and if I don't have to pay for it, then I won't.

Realtors

You can find a Realtor that will do a market analysis for you. It is to be hoped that you'll exchange listings, etc to your Realtor in exchange for doing research on your properties for you. They don't like to do too many "favors" for free, so be sure to keep the relationship with your Realtor a two-way street. Rub her back and she'll rub yours. (or his...). You can also get some hot leads from your friendly Realtors, so it's a good idea to find one NOW and take them to lunch ;-)

FSBO

Another way to find out what houses are selling for in the area of your subject property is to look for houses in the area (within .50 mile) that are in good condition and on the market FSBO (For Sale By Owner). Call the sign or grab a flyer to find out what they are asking for the property. It will give you a good idea of what you should be asking for yours.

The Seller

Ask the seller what he/she thinks that the house would be worth if it were in excellent condition. This may or may not be a real number but it's something you can use until you do more diligent research. Most of the time, they know what's going on in the neighborhood and will be the first to inform you what the neighbor's house across the street (that ain't nearly as nice as theirs) sold for just 2 months ago. From experience, though, they always think that THEIR house is bigger and better than the neighbor's. It never fails.

Tax Records/Property Appraiser

Check the property appraiser's website for records of recent sales. Some counties have very sophisticated websites that allow you to pull up photos of the house, see comparable sales, and even pin them on a map for you.

That's that for ARV. Not as bad as you thought, huh?

Remember, finding ARV is an art, not a science. As long as you do your research right and pay attention the sales that happened recently (within the last 6 months), are close in proximity (.50 mile to 1 mile) and are within 20% of square footage either way, you will be safe.

Presenting the Offer and Locking Down the Deal

It's now time to present your offer to the seller with confidence and conviction. Always talk to the seller like you have a pocket full of cash and like you can close on this deal tomorrow if you had to. Don't be afraid to talk to the seller about buying their house. After all, they are the ones that called you, right? Once you get to this point and it's time to lock down the deal, it's smooth sailing.

Once you have a seller who agrees to your price and terms, then woo hoo! Pull out the paperwork and get it in writing. Seal the deal with some blue ink and walk away smiling. Be sure to get at least 30 days to close on your contract so that you have enough time to find a buyer who will bring the cash to closing.

The contract is intimidating for a lot of people. Don't let it be! Don't let a piece of paper get you all worked up. Take the time to read over the contracts and you'll find them to be very manageable.

This could be the hardest part for you. Until now, you were able to hide in your cubby hole or in your home office while the magic happened. You could be the "producer" and watch it all go down behind the scenes. Now, it's time to take the spotlight. It's time to take your knowledge and put it to use by working with the seller in person.

Did you know that people would rather burn up in a fire or drown that make themselves look foolish in front of another person? It's a true story. It's one of the biggest fears that people have. It has been proven. So I want you to do whatever you need to do to GET OVER IT. It's not that bad. Take some hypnosis classes or something.

These people are normal people just like you and me that are being challenged with a certain part of their life. We've ALL been there with challenges before, so we can relate. By keeping that in mind when you're talking to the seller, you'll be able to magically create win-win situations and solve some of these problems for the sellers.

Regardless of your intelligence, your experience, or the size of your head that's bulging with information, the seller is going to base their decision on how they FEEL about doing business with you. So building rapport, your body language, and your communication skills are absolutely critical to being able to land deals with sellers.

How to Fill Out The Contracts

Before we even dive in to this, I want to make a full disclaimer to you. I am NOT a real estate attorney or an attorney of any type, and you should always consult with an attorney before entering into a contract of any type.

The information that I'm giving you in this lesson is based off of techniques and paperwork that I use in my business. You'll need to check the laws of your particular state (which can easily be done by typing in "Real Estate Contract Law in (your state)" in Google. That will deliver results that can send you off into a reading frenzy for weeks.

You should be totally ecstatic when the time has come to write the contract up and get all the signatures that are required for your purchase and sale agreement. Once you've gotten to this point, the hard part if officially over. For some, this can be an intimidating moment (preparing the contract). Don't let this part scare you! It is required for every transaction that you do in your career as a real estate investor, so let's get used to it.

When I first started out in this business, I remember the time coming to write my first contract with the seller. Luckily, the seller had her own attorney and wanted him to write the contract. So I met her and her attorney at his downtown office, where we all sat around a small round table, and signed the paperwork. Coincidentally, I ended up continuing to do business with that very same attorney for many deals after that. I can remember him easing the fear of writing the contract up myself.

When it was time for me to write my own, I just rolled with it. I had a fill-in-the-blank contract that made it so easy. I mean, how could I mess up? I got the template from a trusted real estate mentor, and all I had to do was fill in the blanks with the required information. It all worked out fine! I've closed a couple hundred deals using that contract, and have never had any issues with it whatsoever.

So what I've done in this lesson is provided you with a standard purchase and sale agreement and an Assignment of Contract (both fill in the blanks), along with instructions on what goes in the blanks. The blanks that you fill in should be the only thing that will change in most cases. Occasionally, you'll have something weird come up and need to modify the terms of the contract, but you can do that in the Additional Terms paragraph.

The Nitty Gritty Details

The purchase and sale agreement is an agreement between a buyer and a seller of real estate. In all 50 states, a purchase and sale agreement must be in writing and signed by both parties to be enforceable. As my good friend and long time business partner always says "Words that are written are like the air, and words that are written will always be there". People tend to have selective memory, and a contract can help remedy that disease real quick.

The real estate contract is the document that "gets the ball rolling" in the process of purchasing or selling property. The deal ain't over until it closes. There are essential elements of a basic real estate contract . They include:

Buyers and Sellers. Obviously, the most important information on the contract identifies who is selling the property and who is buying it. While it is not essential that the parties are named exactly how they will be identified on the deed, it is important to at least name the parties to the contract.

The Property. The real estate contract would not exist if it were not for the piece of property that is being conveyed. Again, while it is not essential to describe the property with the same accuracy required for the deed, at least the common address should be listed for identification purposes.

Purchase Price. This is the amount that the buyer is offering to purchase the property and the seller is willing to sell.

Closing & Possession. This provision should describe when and where closing will take place. This date is very important because it is also normally the date on which the purchaser can take possession of the property and has ownership.

Prorations. Because many of the taxes and other expenses associated with owning property are paid in arrears, it is necessary to provide a means for the seller to pay for its fair share of the taxes and costs accrued while it had possession of the property. Because this amount is determined on a pro rata basis, these calculations are known as "prorations." As an example, real estate taxes are paid one year in arrears in Florida. Therefore, if a contract closes on June 30, 2001, the seller will be responsible for all property taxes for 2000 and for half of the taxes due for 2001. However, because the parties will not learn the amount of taxes due for 2001 until 2002, the seller gives the purchaser a credit, so that the purchaser can pay the taxes when they become due.

Assignment of Contract

This fine instrument will allow you to get paid for your efforts as a real estate wholesaler. Once you have one of these signed by your investor buyer and in your hot little hands, you can smile REAL big, because you've DONE IT!

An assignment of contract is very simple. It's a short, one-page agreement between the Assignor and the Assignee. The Assignor is the person with the original contract with the seller who is now assigning his/her rights over to the new buyer (the Assignee). If you ever forget which one is just remember this:

"OR" gives, and "EE" receives. That little tip will help you remember a ton of real estate jargon. It means that if the word ends in the letters "or" then that is the person GIVING something to the other person. In turn, yes, the person receiving is the "ee".

Examples:

Lessor (The landlord is the person GIVING the lease to the tenant/buyer)

Assignor is the person that is GIVING their interest in the contract to someone else)

Mortgagor is the person that is GIVING the mortgage to the bank (this is a tricky one and may be confusing, but a mortgage on our house is something that you GIVE to the bank in exchange for money. It's not the other way around.

Anyway, the assignment of contract is signed by the Assignor (which would be you,the wholesaler) and the Assignee (the person who is buying the house). In exchange or this, there is money that will be paid for the interest in the house. That is called your assignment fee. All title companies are familiar with assignments of contract, so don't worry about sending one in preparation for a closing and hem not knowing what it is. THEY KNOW.

So with that basic knowledge of the two agreements that you'll be using as a real estate wholesaler, let's dive right in to the contracts themselves.

What Should You Do Now?

Fill Out 2 Contract Packages (Purchase and Sale Agreement AND Assignment of Contract). Make these scenarios:

1. You're buying 123 Main St. from John Williams for $69,569.00 You want to close in 30 days and you're paying for all closing costs. Also, you have an investor buyer who wants to buy your contract and pay you $5,795.00.

2. Then, go out and do A REAL Purchase and Sale Agreement with a Seller.

Closing Costs

Closing costs are the fees that are involved with the settlement of a real estate transaction. They include fees charged by the state, the county, the title company, appraisers, Realtors, assignment fees, etc. At closing, all of these fees are "settled" and everyone gets paid. All charges are reflected on the HUD-1 Settlement Statement, which you'll see at every closing. The HUD-1 will detail line-by-line what the closing costs are and who they're being paid to.

As you're finishing the details of the contract with the seller, the topic of closing costs may (or may not) come up. It needs to be mentioned by either you or the seller, and it's usually going to be you. You should always make the seller aware of the closing costs involved in a real estate transaction so that there are never any surprises at closing. One thing you don't want on the day of closing are any surprises. So it's best that you explain everything to seller at the time of the contract signing and don't leave anything out, including what they can expect as far as closing costs are concerned.

The closing costs will vary for each transaction, based on both the purchase price, the state that you're in, and the type of transaction that you're doing. I'm going to explain some of the most common fees that you'll see on the closing statement (also known as the HUD-1), so that you'll also know what to expect.

You can divide all closing costs into two basic groups:

* Amounts paid to state and local governments. These include city, county and state transfer taxes, recordation fees, and prepaid property taxes.

* Costs of getting a mortgage. These include title insurance, survey, appraisals, credit checks, loan origination and documentation fees, commitment and processing fees, hazard and mortgage insurance and interest prepayments.

I provided you with the HUD-1 Settlement Statement as part of this lesson because I remember attending my first closing in 1999 and the closing attorney passing out a HUD-1 to everyone in the room. I didn't know what the hell it was, or how to read it, or where to find my money, or anything. With it being an essential part of every transaction that you complete, it's important that you know what one looks like and how to identify the charges.

I don't want to tell you that any certain closing costs are customarily paid for by either the buyer or the seller because when I negotiate deals with sellers, I make everything nice and easy for the seller and just tell them that I will pay all of the closing costs. It's just easier and cleaner that way, and essentially, I'm not paying them anyway - the investor buyer that I sell it to is. As long as you get the house cheap enough, then paying the closing costs doesn't matter. What matters is the NUMBERS of the deal. Not who's paying the closing costs.

So anyway, let's get into what closing costs you can expect to see on the closing statement with each real estate transaction and what they mean.

Deed Stamps

This is the fee that is charged by the state to transfer the title from the seller to the buyer. It is based on the purchase price of the property. In general, property transfer taxes can range from nothing to $10 per $1,000 of the sales price or more, or you may be assessed a flat fee.

Title Insurance Policy

A certificate of title -- issued by a title company that did the title search -- offers no protection against any hidden defects in the title which an examination of the records could not reveal. A title insurance protects against any tax liens, unpaid mortgages, or judgments missed in the research of the history of title on the property. If a claim is made against your property, title insurance will, in accordance with the terms of your policy, assure you of a legal defense and pay all court costs and related fees. Also, if the claim proves valid, you will be reimbursed for your actual loss up to the face amount of the policy.

Basically there are two different types of policies - a lender's policy and an owner's policy. The lender's policy protects the lender's interest in the property as security for the outstanding balance under the buyer's mortgage. The owner's policy safeguards the buyer's investment or equity in the property up to the face amount of the policy. The cost of the policy is usually based on the loan amount.

It is required to obtain a lender's title insurance policy only. If you also desire the protection of title insurance you should purchase a buyer's title policy. This is a one time premium, and usually the cheapest rate might be offered by the company that did the title search. It is also advisable to inquire about the seller's title insurance policies on the property, for it may be possible for you to obtain a policy at a lower reissue rate

The average charge for title insurance is (Purchase Price x $.00575)

Title Search Fee

A title search is a detailed examination of the historical records concerning a property. These records include deeds, court records, property and name indexes, and many other documents. The purpose of the search is to make sure the buyer is purchasing a house from the legal owner and there are no liens, overdue special assessments, or other claims or outstanding restrictive covenants filed in the record, which would adversely affect the marketability or value of title.

A title search can show a number of title defects among these are unpaid taxes, unsatisfied mortgages and judgments against the seller. But there are some hidden defects that even the most diligent title search may never reveal. For instance, the previous owner could have incorrectly stated his marital status, resulting in a possible claim by his legal spouse. Other problems include things like fraud, forgery, defective deeds, mental incompetence, confusion due to similar or identical names, and clerical errors in the records. These defects can arise after you have purchased your home and jeopardize your right to ownership.

The typical charge for a title search is $75- $125

Title Exam Fee

Once the title search has been ordered, someone has to examine the results and determine the marketability of the property. This is done by researching the owner of record to find out if there are any outstanding liens or judgements against them that are attached to any real property. It also reveals any outstanding mortgages on the property.

If there are any issues with the marketability of the title to the property, your title/closing agent will most likely share these with you in efforts to get them resolved. Most title issues can be taken care of. Some are more challenging than others, but most can be handled or negotiated so that you can close on the deal.

The typical charge for a title exam is $100 - $200

Closing Fee

This is the fee that is charged by your closing agent to handle the closing for you. They make sure that all of the required documents are prepared, signed, notarized and recorded in a timely manner. This is one of the most valuable services that your title company or closing attorney can handle for you (in my opinion). I even have my attorney do closings for me on Lease Option and Subject To Deals. I like to make sure all of the paperwork is in order. Besides, signing legal documents is a scary thought for some people, and your closing agent is a professional and can handle any questions or concerns that your sellers and/or buyers might have regarding the docs.

The typical charge for closing fee is $250 - $400

Doc Prep Fee

This is the fee that is charged, again, by the title company or closing attorney to prepare the closing documents, which includes the Deed, Mortgage (if there is one), Promissory Note, HUD-1 Settlement Statement, Tax Proration Agreement, Satisfaction of Mortgage, and any other paperwork that would be required for closing. If there is a lender involved, whether private or conventional, there will be a considerable amount more paperwork than if you're involved in a cash deal.

The typical charge for doc prep is $100 - $150

Recording Satisfaction of Mortgage

If there is an existing mortgage on the property, no matter what position they are in (first, second, third, etc) they will need to get paid off at closing (unless, of course, it's a Sub 2 Deal or another type where the loan is staying in place. The cost to record a Satisfaction of Mortgage is usually based on the number of pages, and a Satisfaction of Mortgage is no more than 2 pages.

Typical costs for recording satisfaction of mortgage $10 - $20

Other "Junk" Fees

Depending on where you close your transactions, you'll find that everyone has their own junk fees. You'll see charges for typing, couriers, filing, administration, processing, etc. These fees can be negotiated with the title company on certain circumstances.

Property Tax

Depending on how and when property taxes are billed in your state, it's possible that the seller will have to credit the buyer for real estate taxes that were for the time period the seller owned the house but will be billed after the closing date of the sale of your home. Then, once the tax bill is due for the entire year, the buyer then pays the entire bill (since he was given credit for the partial year at closing).

Property taxes are prorated on the first page of the HUD-1 Settlement statement.

Other Fees You May See

Real Estate Commission - If there is a real estate agent involved in the transaction and they are getting paid a commission, then their fee will be reflected on the HUD-1 Settlement Statement.

Fees Charge by the Lender

If the investor buyer is using a hard money lender, a private lender or even a conventional lender (for some weird reason), they will have their own set of charges for loaning the money. All of these charges will be show in in the “800” section of the HUD-1.

* A Loan Origination Fee (Sometimes called POINTS) is the amount of money that the lender charges up front to loan the money. A “point” is the same as a “percent”. For example, if the loan amount of

1. * $100,000 and the lender charges 5 points, the charge will be $5,000.00.
2. * Loan Discount points will typically not be used on a wholesale deal. It is more common to see these on a conventional loan where the buyer is paying money to reduce the interest rate. It’s not worth it to pay discount points unless it’s along term loan and the buyer has intentions of keeping the loan for a long duration.
3. * Appraisal Fee - Hard Money lenders will usually require an appraisal on the property, and the fee will be reflected on the HUD1 in line #803. You may even see (POC) beside the fee, which means that the fee was paid outside of closing by the buyer.

The Most Important Fee of All - The Assignment Fee!!

There is not a specific line number on the HUD-1 for assignment fees, so the title company / closing attorney will put it in his “favorite” spot. I’ve seen it on the first page, manually typed in as a charge to the BUYER (the buyer pays the assignment fee) on line #110 (or somewhere around there), or under Additional Settlement Charges in line #1303. Once you receive the HUD-1 to review prior to closing make sure you check your assignment fee to make sure it’s correct and that the buyer has been given the proper credit(s) for any binder deposits that he gave to you.

Oh yeah! ALWAYS ask to see the HUD-1 BEFORE the closing is scheduled to take place. The closing table is not the place to review the HUD-1. There is usually always changes that need to be made, especially if there were last minute negotiations with the seller or the buyer. So be sure to check and make sure all of the numbers are accurate not only for you, but also for your seller and buyer. That will eliminate any problems at closing. After all, it’s all about the money when it comes to closing, so complete your job of bringing the deal together by making sure everyone’s money is right. I always send a copy of the HUD-1 to my investor buyer for review prior to closing once it’s correct. Don’t worry about sending one to the seller because they won’t know what the heck they’re looking at anyway.

Fill the HUD-1 out as if the buyer is paying all of the closing costs (remember that is the easiest way to work the deals out with the sellers), and run the numbers on BOTH sides (Buyer and Seller). Make sure that the numbers make sense once you get to the bottom. The Seller should NET the purchase price minus any pro-rated taxes and the BUYER should bring to closing the purchase price plus all of the closing costs.

Title Work

Once you have the purchase and sale agreement signed by the seller, you're going to need to send it off in preparation for closing, and to make sure that you have a marketable title. This is a very important part of the process, and one that must be done before you can sell the property to your investor buyer. It's as simple as faxing or emailing the closing attorney the signed contract. As long as it has all of the pertinent information on it, they can begin the title work.

Either a title company or closing attorney must do the title search to verify that there are no liens on the property other than those that were disclosed by the seller (which they can selectively forget about sometimes). They will also verify that the person who signed your contract is the owner of record, and that there are no other interested parties. Until this process has been completed, you're not ready to sell.

What Should You Do Now?

Contact a couple of title companies and/or closing agents this week. Interview them to find out if they are familiar with contract assignments and what their requirements are to close your deals. If they come up with any flukey questions or act like they don't know what you're talking about, then kindly hang up and keep going down the phone book until you find one that is "investor friendly".

A good way to find out who other investors use is to call the numbers that are on the "We Buy Houses" sign and ask them who they use to close their deals. Usually, after a couple of phone calls, you'll find that investors use the same handful of title companies to close their deals. If you can get referrals from them, you're doing good! You can also attend a local REIA meeting and ask around.

Once you have landed an "investor friendly" title company (and you'll know when you've got one), ask them to email you their fee schedule. That will tell you how much they charge for title searches, title exams, closing fees, doc prep, title insurance, etc. Then practice filling out the HUD-1 that is included in this lesson with the closing costs that are required for closing an ALL CASH deal (Deed Stamps (transfer tax) Title insurance, title search, title exam, closing attorney, and recording the satisfaction of Mortgage.

Selling The House to a Cash Buyer

Your next move is to get the house sold! Nine times out of ten, you'll be able to get a key from the seller if the house is vacant so that you can let your investor buyers look at it. If not, they'll usually meet you at the house so that you can get in and do what you need to do. Ramp up a marketing campaign to generate some buyer leads. Don't worry...if you got the house for a good price, then you'll have no trouble selling it for a profit.

You're selling the house in its "AS IS" condition, so you won't need to have any repairs done. You won't even need to clean the place up! How cool is that?? Your buyer is going to get a sweet deal because of the condition of the house, so they're expecting the house to need cleaning and repairs.

Once you have a cash buyer for your deal, you're going to lock it down with some paperwork, either an assignment of contract or a purchase and sale agreement reflecting the purchase price that you sold it to your new buyer for. Always collect a non-refundable binder deposit from your buyer (I get $1,000 at the time of contract), and shoot to close in 10 days. Send the contract to your title company so they know you've sold it and can prepare for closing.

Your list of buyers will be your gold mine. And in return, they'll keep the cash flowing right into your bank account with each new deal that you get.

There are several different people involved in each and every real estate transaction, not just the seller and buyer. Each person has specific roles to handle while the transaction is in process. While we will discuss each one in detail over the next few months, were going to start by learning about the buyers of wholesale deals.

I can't really pick or choose which party to the transaction plays the biggest role out of the seller or the buyer. You can't have a successful wholesale deal (or any real estate deal) without the willingness to cooperate from both people. And if one of them decides to change their mind at the last minute, the other one is left holding the bag.

For some reason, I'm always way more worried about my buyer not closing than I am my seller. I guess because I have talked to the seller and know their true reason for selling. They are usually pretty anxious to get to the closing table too, and relieve themselves of the "problem" that led them to this place in their life anyway.

The buyer, on the other hand, can get cold feet, find a better deal, change his mind, or just simply not have the funds to close. You never know what's going to happen. That's why it is so important to build a list of buyers, and then establish a relationship with them so that you can feel confident knowing that they are going to show up on the day of closing with the money.

Let's talk about developing a good list of investor buyers, how to pre-screen them so that you only have quality leads on your list, and how to handle your day to day business with them so that they'll always come back to you to buy more houses.

The Cookie Cutter Investor/Buyer

You're probably wondering what kind of person your investor buyer should be. That's a good wonder! There are a lot of "wanna be" investors out there who claim to be able to pay all cash and talk like big hitters. While some of these people are for real, you have to be weary. Alot of times these guys are boot camp graduates (sorry, boot camp grads) who have been taught to go out and buy houses using these scripts when negotiating with sellers. While these scripts do work on sellers, don't let them get over on you!

Just as you should be particular about the sellers that you work with, you should do the same with buyers. You don't want to waste your time or your contract on a buyer who can't close. That just sucks. So let's have a look at what the perfect image of a real estate investor buyer looks like.

First of all, your investor has his own cash or easy access to someone else's money. I mention this buyer first because he is your most preferred buyer. There is never an excuse from this investor buyer of "I can't get the money" or "My lender won't lend on this property" or "I'm waiting on one of my deals to close and it's going to be another week". This smooth fellow can close, and he can close quickly.

Also, your perfect investor buyer can make decisions quickly. He knows his stuff and is confident in his decision making skills. He knows when a good deal is presented to him, and that he has to be ready to pull the trigger. I have a favorite slogan that I use with all of my investor buyers. Sometimes they want to scream when I use it on them. But it's "You can't buy in slow motion". This is especially true for any deal that is priced below MAO. Someone is going to be there to grab it up.

The perfect investor buyer doesn't care how much money you are making on the deal. They look at the house, evaluate the repairs, research the comps, and make a decision based on those facts.

When buying houses, we always put up as little of our money as humanly possible. It's just one of my iron-clad rules of wholesaling. On the other hand, when you're selling a property to your investor buyer, the perfect one has no problem stroking a binder check. Sometime in 2004, we made it required on all of our deals to collect a $1,000 Non refundable Binder deposit from our investor buyers. This method really weeds out the strokers from the players, and puts a nail in the coffin.

I've found that if you let an investor tie up one of your wholesale deals without a binder deposit, they don't give a rat's ass if they deal closes or not. After all, they have nothing to lose. Don't be afraid to turn down offers on your properties from an investor buyer who is not willing to put up a non-refundable binder deposit.

Don't get me wrong, I have made exceptions on several occasions and let people slide and get by without a binder. There had to be something else that would take the place of the binder in my mind, though, like being able to close in 7 days, or I personally spoke to their lender who said that the investor buyer was approved for the loan and that they would close on the house.

How to Market for Cash Buyers

I know, the “M” word again - “Marketing”. I have to tell you that if you don’t already know that you’re in the marketing business, you need to think again. Everything that you do in this business will require marketing. Everything. So I want you to walk over to a mirror right now and look at yourself and repeat these words out loud “My first business is marketing, my second business is real estate”. OK now say that to yourself every morning and don’t ever forget it. If something is ever wrong with your business or your bank account, I want you to come back to this lesson and read that line to yourself again.

You should always be working on building your buyer’s list. It would be ideal to have 1,000 to 1,500 investor buyers on your list. Then you can start sifting and sorting them into different categories and know exactly who to take your deals to as soon as they are under contract. This will ensure a quick closing and investor buyers that continue to do business with you.

Marketing consists of three M’s - no matter what. And here they are *in the order of importance -*

MESSAGE (what you want people to know)

MARKET (who do you want to get the message to)

MEDIA (the method of delivery)

So what is the best way to start building a list of investor buyers?

Craigslist

MESSAGE: Handyman Special/Wholesale Deal for sale

MARKET : Investor Buyers

MEDIA: Internet/Web 2.0 Site

Craigslist (www.craigslist.com) is one of the best things to come along since eBay. But it’s Free. Anytime I can find a marketing medium that works and it’s free, I utilize it full tilt - with every house that I get under contract, And you can do the same thing.

Here's how to utilize craigslist to work for you when building a buyer's list. First, choose the city that you want to place your ad in, which would be the city in which you are doing deals. Then follow these steps to make sure that your ad is placed in the right section (the section that you post an ad in certainly matters). I post mine in Real Estate (by Owner).

If you have a photo of the house, then add it to the listing, There is a feature that allows you to upload your images right into the listing.

Write a brief, but intriguing ad that will prompt the bargain hunters to call you right away. Maybe something like this:

HANDYMAN SPECIAL

CHEAP

CASH ONLY

Call (555) 555-1212

Then go through the steps of approving your listing, and then publish it using the link that it sent to your email. You can manage more than one ad by setting up an account with craigslist, which will allow you to post ads without agreeing to the terms every time or manually publishing.

Once your ad has been published, you'll start to get calls and emails from interested investor buyers.

Bandit Signs

MESSAGE: Handyman Special/Wholesale Deal for sale

MARKET : Investor Buyers that are In The Field

MEDIA: Bandit Signs/Road Sign Signs

Bandit Signs are a highly effective method of quickly attracting some cash buyers. I'm not sure why this method of marketing isn't discussed more often than it is. I guess because of the strict sign ordinances that some states have implemented. There are ways around those (for most areas).

By choosing this method of marketing, you do run the risk of being slapped on the hand by local authorities, and possibly even being given a fine. You really should research the laws in your area before implementing the use of Bandit Signs (there...that's my disclosure).

Dollar for dollar, bandit signs are the best form of marketing for buyers. They generate more leads that you could imagine with just a few well placed signs. You should use them any time you get a new property, and a monthly basis to constantly be building your list. I might sound like I'm harping on and on about the list, but I want you to understand how important your list is. Having one will make your wholesaling life a career made in heaven. Besides that, your investor buyers are repeat customers. They will keep coming back to do business with you and make you more money each time. So developing a quality list and maintaining a good working relationship with them is critical to your success.

To get the most bang for your buck and the highest response rate, buy the solid white sign blanks. Using a giant black marker, write your message onto both sides of the sign. You message should say something like :

HANDYMAN SPECIAL WORTH $125k

NEEDS $15k Repairs

Will Sell For $69k Cash

Call #555-1212

You'll need to either nail your signs to a telephone pole or buy some "H" Frame Metal Stakes, assemble your signs, and place them in the ground. Place your signs in high traffic areas and busy intersections. It is always best to put your signs out on a Friday late afternoon/early evening to get the attention on the weekend crowd and to avoid the "sign police".

As a general rule, and don't hold me responsible for any results you may or may not get that are different that what I'm telling you here, you should get 2 to 3 calls from every sign that you put out. Not bad, right??

Another way to utilize bandit signs is by calling on other investor's signs. Once you start looking for them, you'll see bandit signs everywhere that say "We Buy Houses" , "Stop Foreclosure", "We Take Over Payments", etc. These are your peers who are looking for deals just like you are. They may be wholesalers themselves, or they may be rehabbers or even landlords. Either way, they are on the hunt for a good deal, and you are there to deliver them. Give them a call and pre-screen them just like you would an investor buyer who is calling you. Let them know that you wholesale houses, and that you'd like to be able to email or call them whenever you get a hot deal and let them get first dibs on it.

Investor Buyer Interview Sheet

Investors Name: ____

Phone Number: ____

*Email Address: ____

1.What areas of town are you looking to buy houses in?
____

Is there any part of town that you just don't want me to call you with,no matter how go a deal it is?
____

2.If I find a deal you like how quick can you come up with the money and close?

____

3.What price range do you like to stay in?
____

4.Would you like me to contact you when I find other deals that you may like? YES NO

5. By the volume of calls that I am getting for this house, I would guess it'll be sold by the end of the day. Do you think you can get out there TODAY?

What To Do With Your Investor Buyers List

Once you've collected this information from your investor buyers, it's a good idea to enter their information into a spreadsheet so that you have them all in one place.

Now that you've got some information collected on your potential customers, you have an idea of what kind of properties and sellers that you should be targeting. Get it?

If you bring them what they're looking for, they'll buy it. This process of adding investor buyers to your list is a never ending process. You should always and forever be marketing for new investor buyers to add to your list.

People come and go in the business just like any other business, so it is absolutely necessary to stay in touch with your market and know who's out there buying houses and making deals happen.

As soon as you have a property under contract, send out an email blast to your list of investors, giving them dibs on the house before you advertise to the "public". They'll eat it up. Especially if the REO and Foreclosure market is hot. That's a very competitive market for investors.

Properties on a Website

You should have a website (separate from your seller website) where you cash buyers can go to get more information about the houses that you have for sale. The website should include photos, videos, and all of the essential information about the house (bedrooms, bathrooms, square footage, constructions, year built, asking price, etc). They usually like to preview the houses before they go look at them. Sometimes, you can sell a house simply from the info that you have on your website.

What Should You Do Now?

Get Some Investor Buyers on Your List - Using the Guerrilla Marketing Techniques that were covered, and start to build a list of investor buyers.

Make it a goal to get detailed information on at least 10 to 15 QUALIFIED investor buyers each week, and keep adding more and more every week!!

Closing the Deal

Closing the deal is an exciting time! Especially if its your first deal.

It’s when you get paid. Cash in. Reap the rewards. Have a party.

Most of the time, you don’t even need to attend the closing. You’ll probably want to at first, just to see how it all shakes out. But after a few times, you can just let the chips fall into place, and just have your money wired right into your bank account.

NOW GO OUT AND MAKE IT HAPPEN!!

Wholesaling Houses Recap

1. **Start a serious marketing plan to get tons of motivated sellers in the pipeline.**

2. **Find a good deal on a house and lock it down with a contract.**

3. **Send the contract to your investor friendly closing attorney.**

4. **Start a serious marketing plan to get tons of cash investor buyers and start building a list.**

5. **Get a contract and a binder deposit from your investor buyer.**

6. **Send the new contract to your investor friendly closing attorney.**

7. **Set up a closing date/time and collect your cash.**

8. **Rinse and repeat.**

9. **Quit Your Job and Become a Full Time Wholesaler**

BONUS MATERIAL

Seven Deadly Sins of Real Estate Wholesaling

The Hush Hush Tales That The Gurus Don't Warn You About

Wholesaling houses is a whole lot of un. It's exciting, its easy, it's fast. Bid-a bang, bid-a boom. You're in and out - real fast- like- leaving the scene with a big check in your hand. That's how it goes...*most of the time.* There are always exceptions to the rules and horror stories that go along with it. I think there should be a 5 day event specifically designed to warn you of the pitfalls of this business. You can get caught in some traps, and you have to swim your way out.
I'm going to tell you about 7 of these deadly sins right now. Why am I doing this? Well, I'm all about what's real. I like for people to know exactly what to expect when they get into this business, and that it's not always peaches and cream. Don't get me wrong, it's an awesome business and I love it. I wouldn't change a thing if i had the choice, but good things DO go bad. It's inevitable. So I'm going to warn you of these things ahead of time so that if they happen to you, you'll be prepared. And you'll know how to handle them.

These deadly sins are in no particular order.

Deadly Sin #1
Spending The Money Before The Money Is In Your Hands

Here's the scenario: You got an awesome deal on a property from a motivated seller. You sold it quickly to an all cash investor buyer. Your profit on the deal is $13,500.00 All of this went down pretty quickly. No problems from either party. You've even got a closing date set with the title company, and now it's just a matter of time before you get paid. Ahh, you sit back in your office chair with your hands folded on the back of your head and exhale a giant sigh of relief. You CAN pay your car payment that was due last week. You think to yourself "Thank God this deal is closing, or I would be in big trouble".

You get out your stack of bills and start allocating the money appropriately. Then you plan a nice dinner with your wife, and maybe even a cruise to the Bahamas or something like that. You plan on stashing some money away in your savings account, and then buying that new iPhone that's coming out. You can finally do some of those things you've been wanting and needing to do, just as soon as this deal closes. "I love this business", you say out loud as you smile a big smile and have a beer and a slice of pizza as you wait for the big day.Two days before the big day, you get a call from your buyer.

He's calling to let you know that he's got a little "problem". Now anytime you hear that come out of your buyer's mouth, it's usually not a little problem. It's a BIG problem. Just then your heart lands in your stomach, but you hold it together so that you can panic appropriately. Your buyer explains to you that he has a partner, and that the partner wasn't in town when he decided to write a contract on your house. The partner just got back in from his trip to Italy, and had a chance to go take a look at the house. He wasn't too thrilled about the location, and it really needed more work that he thought. He doesn't want to close on the deal. By the way, the partner is the guy who has the cash.

These kinds of things happen, and you should expect that not every deal will close. Usually when you get a call from your buyer and they've decided against the closing, there isn't a lot that you can do to get them to the closing table unless it's a matter of price/closing costs or something that can be negotiated.

The point is, don't sit down and count your chickens before they hatch. The deal is not a done deal until it has made it to the closing table, the paperwork has been signed, and the cashier's check was handed to the closing attorney. Even then, don't consider it safe until the money is in MY bank account and is reflected in my available balance. THEN I can plan my cruise and hit the mall. Not a minute sooner.

Deadly Sin #2

Not Collecting a Binder Deposit From Your Buyer

There are investors out there who are trying to break into the business. You may even be one of them. And if you're dealing with the seller then I say to always write the contract with *as little of a binder deposit as possible*. If you can get away with NO Binder, then that's even better. Some states require that some money exchange hands, so how about a dollar? Will that work? Sure it will!! Remember, when you write a big check, you lose a big check. It happens every time, I swear!

When you're dealing with investor buyers, it's a different story. You have to switch your binder mentality over to being the seller. If the buyer ties up your house for 14 , 21 or even 30 days, and then doesn't close, what will happen? Well, the buyer will be in default of the contract, and just like when YOU are the buyer, he will lose the binder deposit that he put up when he signed the contract.

Now I know we're not in this business to make $1,000 on a deal BUT if the buyer ties your deal up for 30 days and then decides to back out at the last minute...how much will you have made on the deal if he didn't give you a binder deposit and your contract has expired with the seller?

Answer: $ Z $ E $ R O $ (and that's not a very good answer).

If the investor buyer is not willing to write you a NON-REFUNDABLE Binder deposit when he signs the contract, then he's probably not a serious buyer and you should keep marketing the house until you find a buyer that is.
Oh! One more thing about binders - cashier's check or money orders only. No Personal Checks* - they WILL bounce - (ask me how I know). Every time I've bent my rules and accepted a personal check from an investor buyer for a binder - it bounced.

*Personal checks are o.k. if you know the investor and have done a deal or two with him.

Deadly Sin #3

Selling the House Before The Title Work Is Back

I was dealing with a seller once who called me up and had a list of properties at least a mile long. He was practically GIVING them away. I couldn't believe it. I was in hog heaven. They were all in borderline war zones, but safe enough that I could scoop them up dirt cheap and sell them to landlords.
So without thinking twice about it, I went ahead and signed the contract to purchase some of his houses - the ones that I felt confident that I could sell quickly and make some fat money. He obliged without a fight, and I moved the files into the "for sale" column on my white board.

Immediately, I sent the contracts to Attorney Bernie, my investor friendly real estate attorney to pull title work. Within a week, he called me on the phone to tell me what a complete MESS we were dealing with.

The seller owned a funeral home. He was the "go to " guy for low income families that couldn't afford to bury their loved ones. When the person dies and the families came to him, he would have the heirs sign the deed to the dead person's house over to him as payment for burial services. Not a single one of these cases had been through Probate or any legal proceedings whatsoever. Some of these deeds were so old, that the person who signed the deed over to him was dead.

These titles weren't marketable without thousands of dollars being spent in Probate court, and who knows what would've surfaced.
I'm glad I didn't find a buyer for these and have like $50,000 coming to me. I'd a been smoking hot pissed. Instead, I kept playing by the rules of the game and made sure I had clear title before I pimped the properties out. I don't know what ever happened to that guy, but he's probably doing things a little different now.
Make sure you get the word from your closing agent or attorney that the title is marketable and gives you the green light.

Deadly Sin #4

Letting Your Buyers Talk to Your Sellers or Vice Versa

I hate to say this, but it's just the truth. People are sneaky. And if they think they can save a thousand dollars by cutting your throat, then they will. And I don't want you to find that out the hard way. So listen. When you have a contract with the seller to purchase their property, it doesn't mean that they won't back out. It's harder for the seller to back out of the contract than it is for the buyer, but possible indeed.

The thing about buyers and sellers discussing the property with each other will almost certainly lead into how much you paid for the house. When those two get tigehter and start comparing notes, one of the two may not accept the fact that you're making money on the deal, and it could blow up in your face.

Maybe I have scarcity mentality on this issue, but I just would rather keep my seller and my buyer about a football field's length apart when it comes to them talking. I don't even want them at the closing together if I'm not present.

When dealing with sellers vs. dealing with buyers, you're working in two different capacities. You should be able to control the deal once you have the contract signed with the seller. If your investor buyer doesn't want to play the game your way, then give him the boot.

Deadly Sin #5

Not Following Up with Your Leads

Statistically speaking, In the marketing world, it takes 7 contacts with a prospect before they say "yes" to an offer. It's just the psychology and behavior of a human. It doesn't change because there's a house involved. Now that you're in the marketing business (did I just say that?) you have to implement a consistent and routine follow up system for each type of contact that you have.

It starts with direct mail. If you mail a seller one letter, you may not get a response. But each time that seller sees another piece of mail from you, he/she gets closer to contacting you if they're considering selling their house. So the more you mail to them, the closer you get to a deal.

If you don't strike a deal with a seller on the first contact, don't give up! Follow up with that seller at LEAST 7 times before you move them to the "dead leads" category.

You can put your follow up system on auto pilot by signing up with an online direct mail marketing service. Direct mail is the best way to follow up with leads, and having that task done for you automatically will free up hours and hours of your time, and keep the constant flow of leads and motivated sellers flowing in.

If you prefer to follow up using emails, I'd suggest www.aweber.com. While I don't use this system to follow up with sellers (I prefer direct mail for sellers), I do use it to followup with investor buyers and lease option tenant buyers. It's a great way to notify many people at one time that you've got a new property for sale, and even when it's sold. (More tips on automatic follow up in "Real Life" Wholesaling training course).

Deadly Sin #6

Writing a Big Check

Probably the worst sin of all. I know there are a BOAT LOAD of real estate investors out there who use their own money to buy deals. Or maybe they're using their credit score by obtaining low interest rate bank loans. None of these are good practices for any creative real estate investor.

It's called Creative for a reason. There's nothing creative about sitting at the desk of the Bank of America banker and filling out a 1003 Loan Application. There is, however, something creative about structuring a deal with a seller in which they Finance 100% of the purchase price with no money down and no interest for 1 year.

There are too many ways to get the seller money without EVER using your own. Private lenders, split funding, owner financing, hard money, lease/option tenants, etc. Resorting to writing a check out of your account is not what I want to see anyone doing.

Remember this: **WRITE BIG CHECK, LOSE BIG CHECK**

Deadly Sin #7

Turning The Buying Machine Off

I've seen this happen to real estate investors, and it has certainly happened to me more than once. You implement a solid marketing campaign and the leads start pouring in. After sifting and sorting, you cherry pick the deal that you're confident you can cell quickly to your all cash buyer. In fact, you even know who he is. You call him up and he's totally stoked. he writes you a binder check and the deal closes in only 10 days. Woo Hoo!

You worked hard to land that smoking lava hot deals and get it closed. And now the day has come. You've got a big fat check in your hand for $12,000.00. It's more money than you've ever had in your hands at one time. You walk away with a big, giant grin on your face as thoughts of paying of bills and spending that money dance through your head. That's all fine. I'd expect nothing less.

The challenge comes when you get wrapped up in your "new" life and you turn the buying machine off. What is the buying machine, you ask? It's your marketing! When you quit marketing to buy houses, then guess what happens? you don't buy houses. Sure, you've got enough money to keep you going for a while. And yes, it was definitely easier than you thought to make that check. But it's also easy to spend ALOT of money in a short amount of time.

By keeping your marketing running automatically in the background at all times, you'll keep an endless supply of motivated seller leads, hot deals, and big checks.

Here's a tip: Whatever you're doing TODAY is what you'll get paid for 30 days from now.

Afterward

You now have a strong understanding of what you need to do to get the wholesaling business underway. All you need to do now is implement a simple plan and make it happen.

If this is something that you want to do, then there's nothing that should stop you. Sure, there will be plenty of nay-sayers out there who will doubt you and maybe even laugh. Don't listen to them. Don't even listen to yourself if you have any doubt in your mind that this wont work. It does work , and it will work for you. But only if you want it to.

Like any new venture, or career change, it takes dedication and commitment. Once you get past the learning curve of real estate wholesaling, you can then move into the next phase of this business, which is to outsource the entire business. You'll be buying and selling houses with very little effort on your part.

Let's get past the baby steps, first.

If you're in need of additional coaching, you can get more information on my website:
www.PropertyMOB.com

or find more information on the next page.

To All the Bad Ass Investors out There,

Alex Cher
www.PropertyMOB.com
Maker of Bad Ass Investors

Resources

Yellow Letter Service: http://yellowletterscomplete.com

Bandit Signs: http://dirtcheapsigns.com

Automatic Postcards: http://click2mail.com

Answering Service: http://patlive.com

Premium Email Autoresponder: http://aweber.com

Free Email Blasts : http://mailchimp.com

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