

The Story of John

“How to a Novice Investor Earned \$261,864 in His First Year of Investing and in the Worst Real Estate Market in 30 Years!”

An Unauthorized Biography

By Dave Dinkel

“Now is the Time to Live Your Dreams by Facing and Overcoming Your Fears, because the Only Thing Stopping you - is You”

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DEDICATION

Every life is precious and no matter how rich, famous or unknown we are we should choose to live our lives to the fullest while we are able to do so.

October, 2008 became a turning point in my life and my wife, Nancy. I remember seeing "Breast Cancer Awareness Month" all over the TV and radio but never imagined that this insidious disease would find its way into our lives.

The life-changing events started by chance when a rescue puppy we have jumped into bed with us a put his paw on Nancy's breast. She felt a pain and a lump she had not previously felt. Unknowingly, Nancy immediately joined the ranks of over 180,000 women who annually discover they have breast cancer. Even with the medical gains made against the disease, over 40,000 men and women die each year.

As I write this, we are working our way through the medical system and know that God's will is going to prevail.

Without Nancy as my wife for the past 47 years, I am not sure what I would have done with myself or more accurately, to myself. Nancy has been there to support me in every way and has truly gone more than the "extra mile" in our marriage.

Therefore, this book is dedicated to Nancy and all women who have, or will fight the battle with breast cancer and to Nancy's courage and ongoing fight for her own life.

Dave Dinkel

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Preface

This text is the first of a two-part series. The second book describes the life and times of another “newbie” investor and mentor student that earned over \$300,000 in his second full year in the business. Impossible as it sounds, it happened and personally speaking, he was one of my most successful students, not because of the amount of money he made but because he followed my instructions to the letter. He didn’t comment or argue that my ideas were “crazy” or they couldn’t work like some students. These are usually the investors who spend thousands and thousands of dollars on “Guru” courses and seldom or never do a deal. I believe these “nay-sayers” do this because, unconsciously, they want to keep themselves from being successful. Joe just did as I said, gave me feedback, made changes and proceeded on. The rest is history, as they say.

“The Story of Joe” (another unauthorized biography) goes into detail about how he made money in the worst market in seventy years with little or no money into his deals, no risk of capital loss and almost all the time selling properties to retail buyers. He didn’t believe it could be done at first; so I actually partnered on deals with him and the actual results can be seen on videos I produced. These were actual house sales in a real estate market described by other investors as, *“Making a profit in this market is like trying to catch a falling knife”*. We sold properties at the same or higher prices than realtors who had been unable to sell them listed for as long as seven months. We got and sold these properties to retail buyers one to two weeks after we got control of them – using options, partnership agreements, owner financing, “subject to” financing and sometimes a little cash for repairs.

Complete this text first and see how this method of making money in real estate fits you because a combination of both methods of buying or controlling properties, will allow you to rule your area and be called the local “Investor King”.

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Be forewarned that the techniques you will be exposed to are tried and proven to produce huge profits. But they are worthless if you don't take the initiative to GET STARTED as soon as possible. **Every hour and every day you wait costs you money - so get started NOW!**

Introduction

By way of introduction, I have been a real estate investor since 1975 and mostly rehabbed except for an occasional wholesale deal when I had too many properties to work on myself. At one time I had three “crews” working in my tri-county area doing rehabs on properties that we found by advertising or purchased from full-time wholesalers.

The process worked O.K. but the net profits per property that resulted were not worth the effort and the financial risk I took for the potential injuries of workers doing the rehabs. So in about 2000, we made the decision to cut back substantially on the number of properties we rehabbed and do the work ourselves. In this case “ourselves” meant me, my wife and our daughters and one son-in-law. The change from having the work done by paid crews to doing it ourselves made our average profit per property go up over 600%. Some of the increase was because of a rising market, but much was from the “savings” on paying outside labor and the much better quality of the rehabs we did, resulting in higher sales prices.

I had always been helpful and giving to other investors and was considered a source of information for many of the people I met at local REIAs (Real Estate Investment Associations). We often had “newbies” come over and see how we worked on properties and I spent time with them showing them the techniques and tricks that had taken us years to learn.

Whenever we would put more houses under contract then we could comfortably rehab, we would wholesale these

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properties to other investors – many of whom I had met at the local REIAs or by developing my Buyers List from public sources.

The following “tip” and all the ones to follow may seem fairly obvious, but in actuality most investors don’t realize their importance or power to make or save money!

TIP #1 - Local REIAs are a wonderful source of information and contacts that will shorten your learning curve to success and should help keep you out of trouble. ***But as with anything in life, always remember the slogan “Buyer Beware” because some club members prey on unsuspecting and trusting “newbies” – not all may seem as it appears so be careful out there.***

Somewhere in the early 2000’s, I started selling a newbie a series of wholesale houses. His goal was to fix these into viable rentals, sit on the income, and look to retire when the renters had paid the mortgages off and they could be sold. At this time in our market place, the deals were fairly easy to find and they actually cash flowed as rentals. However, all this would change dramatically in the next few years.

This “buy-rent-retire” strategy was nothing new and has been taught forever by real estate gurus. I, on the other hand, have avoided rentals all together because of the tenant/landlord relationship issues (at least in my mind) and the fact I have never seen a landlord last a long time in the business.

I am not saying rentals don’t work and I am positive there are probably tons of them out there that do - but it’s not in my nature to work with tenants. The “secret” to landlording is not to do it yourself – have a property management company do it for you. The costs vary from 6% to 10% of the total monthly rental income plus additional costs as required. The beauty is that

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your headaches and liabilities are substantially reduced or may be even negligible.

The properties I wholesaled were mostly single family homes (SFHs) with various amounts of repairs needed – some needed complete rehabs and many just cosmetic repairs (patch and paint for 1-2 weeks). I did wholesale multi-family properties because I didn't want to landlord.

My other personal logic as to why I didn't want tenants was the amount of monthly or annual “net” rent to be made was extremely small compared to the profits to be made rehabbing and selling the properties retail. For example, assume you are able to get a \$500/month net cash flow (a very good amount). I could rehab and sell the same property for a \$60,000 profit - or about 10 years of rent income and not have to worry with potentially unruly tenants.

Also, I don't have the extended liability of tenants in my properties; however, if I am wholesaling, I am only as good as my next property's sale. If you learn how to do wholesaling correctly, your next property and sale are always just around the corner.

I love real estate because it is what I call a “renewable resource”. What I mean is that someone is always moving, dying, divorcing, transferring jobs, tired of landlording, and any number of other reasons that make for motivated sellers. And frankly, once you control the secrets of how to analyze the repairs, the costs of carrying and closing on a property, selling to your buyers list, you CONTROL your own destiny – because finding the properties is actually very simple!

Overcoming the Most Common Fears of Investing

For the past 10 years I have coached and mentored students, all the while doing rehabbing and wholesaling. The

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www.FSBOPowerSellingSystem.com www.MakingaBuyersList.com
www.ExcelRESoftware.com www.12PercentPlus.com

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most common fear these students have, and the public in general, is losing money. They seem to have two actual fears of losing massive capital when selling a property by over-rehabbing and not getting their money out, or more often, of sitting on a property and not being able to sell it! This latter fear of draining out their capital or “bleeding to death” is especially prevalent in this current market.

Because I got so many questions about the issue of repairs costs, and combined with the fact that I couldn’t actually go to see every property, I took the time to write an Excel® program to eliminate this problem, or more aptly, this excuse for not doing deals.

The software is actually three separate programs, the first of which accurately calculates the repair costs, closing costs and carrying costs of any property. It does not require any measurements of the house or for you to know anything about electrical, plumbing or carpentry, and it gives you two repair costs – one as a Do-it-yourself (“DIY”) project and the other as a Contractor’s bid.

The final repairs costs are so accurate that many handymen use it to bid jobs as do some contractors because of its ease-of-use and versatility. The actual purpose of this program is to resolve the next great fear that stops investors - that being, **“What offer should I make to the perspective seller?”**

Remember, I said it also calculates the carrying, closing, and financing costs. It does these instantly and includes the repair costs to determine what offer to make to the seller. At the same time it gives the investor a print-out to show to the seller for his closing presentation. *All this time the program is using this data to determine a profit and loss calculation to make sure the investor makes a profit!*

I didn’t stop there because a problem that investors have with rehabs, wholesaling or retailing, is understanding where they are in the actual “profit picture”. The program I wrote that I call “Deal or No Deal” gives the user an accurate picture of

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what the total repair costs should be at any given time, as the work proceeds on each specific rehabbing job in the same property.

In reality, the investor should always be calculating his actual expenses and costs for tax purposes and budget control. So, I went ahead and wrote a second program called “Expense Tracker”. This program does a daily calculation to determine your profit/loss every time you enter receipts for everything from labor to material costs.

I did this because I have seen too many investors “assume” they were making a profit until the grim reality set in at the closing table when they finally realized they didn’t get their original investment and expenses back. It doesn’t have to happen to anyone if they just take five minutes a day and enter receipts in this program that will then give you a “forward view” of the anticipated profit or loss.

The third part of the software program shows you in precise detail how to determine the “real resale value” of the property you are going to buy, or even more importantly, that you will have to sell.

Simple appraisals are worthless in these markets and Broker’s Price Opinions (“BPOs”) are tainted by the realtor looking to “buy your listing”. So this program shows you how to know exactly where to price your property to get the maximum value – and it is not the lowest price in the neighborhood. **I took the time to tell you about this software because it was critical in the success of John’s new wholesaling career that we are about to discuss.**

This software tool virtually makes your real estate investing “Failure Proof” if you use it!

You can see the software and what it can do later in this text and at www.ExcelRESoftware.com

What is the Best Income Method of Creating Wealth?

The real estate market has changed so much in just the past few years (after December 2007) that rental properties are very attractive as cash flowing vehicles. We are seeing multi-family properties that were purchased and financed for \$250,000 - \$350,000 regularly selling for less than \$100,000. However, in our area of the country, real estate taxes have become so inordinately high that cash flowing decent incomes per property (\$200 - \$500/unit/month) can still be tough, but not impossible, especially as property tax rates decline.

If you are determined you want to landlord, the following may be the best way to do it. Having said that, if I was younger (I'm 66), I would start buying single family homes ("SFH") instead of multi-family houses as rentals and mix in wholesale deals as the "perfect" retirement and current income plan. The benefit to buying SFHs is their potential appreciation in the years to come. Rental properties will always trade based solely on net income to the buyer.

For example, if you buy a rental property for \$75,000 and finance 80% (\$60,000) and you have a 7% mortgage you will pay \$399.18/month for Principal and Interest only. Let's assume in your area this SFH will rent for \$1,200/month and taxes and insurance are \$300 a month. This would yield an acceptable 8%+ if purchased for cash, but a 30% net return on invested capital - if financing was in place.

If you additionally wholesale three deals at a \$10,000 profit per deal, pay the income taxes on this money (net \$20,000), and put the rest into paying down your mortgage, the remaining time on your mortgage would be reduced by 1/3 to

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1/2 or 10 – 15 years! With just a few more deals (3 – 4) you will have no mortgage and the only expense will be taxes and insurance, maintenance and upkeep, etc. You now have a cash flow of approximately \$800/month or \$10,000/year on a \$75,000 investment or a 13+% net return – pre-tax.

I prefer to sell either wholesale to other investors or to a retail buyer. So let's say I make \$10,000 on the \$75,000, I would make 13% on that money in a few days or a couple of months at the most. But what if I wholesaled the property for \$10,000 and didn't put up more than \$100? My return would be 1000%! ***I love wholesaling because of the leverage, little or no risk, and the small amount of money required to be successful.***

Again, I want to caution you that rental properties trade ONLY on the net income to the owner. Don't get caught up in the “future value” of increasing the rents or what the seller thinks you should be able to rent and sell it for in later years. There is only one question that needs to be answered – ***“Does it make money at the price I am paying for it now, and how much is the net return on my investment?”***

TIP #2 - The process would look like this – buy one SFH rental, rehab it and rent it, do 3 – 5 wholesale deals and use the after-tax dollars to pay down the mortgage on the rental property. This is the secret to having huge cash flows in rental units – little or no mortgage to pay off and saving hundreds of thousands of dollars in interest costs. You can get an equity line against the properties later if you need cash for some other purpose. It may sound simple, and it actually is just that simple. **Too often we over-think a situation and lose a great opportunity in life.**

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The one constant in real estate and in life, is CHANGE. The world, as well as your personal environment, is constantly changing. Learn to adapt to the change or eventually you will become cast in stone – your own “headstone”!

Don't be so concerned with being “right” every time you try to make a real estate deal that you overlook the fact that you are standing in quicksand and sinking fast! Quicksand is a kin to your “JOB” (Just Over Broke) and your routine daily life, if you aren't doing what you love. There is no longer any security in the old fabled words “job security”.

One great example is all the investors, both professional and amateur, who couldn't believe the real estate market would ever decline. They eventually took huge financial losses and many went bankrupt. Even many hard money lenders didn't follow the simplest stock market trader's secret –

“Your first loss is always the smallest one!”

It is incredibly difficult for most people to take a loss on a property even when they know it is inevitable. They want to “keep the faith” that the market will come back, or maybe that a bigger sucker than they where will buy it.

TIP #3 - In wholesaling, the “never take a loss” strategy is simpler to follow because we sell properties after we have them under contract, but do not close unless we have a buyer already in hand. This buyer will have given us a larger deposit than we put up with the seller. Even if the end-buyer defaults before closing, we will make money on the “escrow spread”.

John’s Story

John (not his real name) got into real estate investing when he quit his full-time job and started rehabbing. He didn’t understand how to find and buy properties so he purchased them from local wholesalers. I occasionally sold him properties that I couldn’t rehab myself because I had too many at the time.

He bought his first two properties from me about three months apart and had them rehabbed and rented within a few weeks of his purchases. I looked at his rehab and frankly it was excellent for a first timer. I later learned he had an experienced construction worker do most of the laborious and detailed work.

Over time, I sold John eight more wholesale properties that he initially turned into SFH rentals. He had been in touch with me on an almost daily basis to ask mentoring or coaching-type questions and in hopes of splitting deals with me or getting a good deal as soon as I found one.

TIP #4 – When you are interested in buying a property from a wholesaler, contact him every 1 – 2 days to see what he gets because if it is a good deal it will be sold quickly!

Just make sure it is a DEAL.

John had turned his attention from renting properties to selling them retail because of rising property taxes and windstorm insurance that resulted in smaller and smaller net cash flows on his rentals. Eventually he sold his 10 or so SFH rentals to retail buyers.

His marketing abilities were not very good, but frankly, it didn’t matter because of the rapid rise in the real estate market

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in our area. Almost anything sold within a few days to a few weeks because buyers could get financing with “funny money” loans. There was a joke about “if the borrower could fog a mirror he will be accepted”. Unfortunately, too many of these buyers were given loans for the sake of making loans, not viable loans (investments) for the lenders.

This bad joke wasn't a joke any longer when the lenders' indiscretions resulted in the Subprime Mortgage Crisis and the resulting horrific collapse of the very fabric of our economy and the banking system. **Unfortunately, we will all pay for this foolhardiness for many years to come.**

However, as the market started to decline in the later part of 2006 and the early part of 2007, these “easy” buyers disappeared because they could not get the financing needed. This situation only got worse as we proceeded into 2008. **The issue of finding buyers is another great fear of investors.** If it isn't a fear for you, it should be because of “vampire” carrying costs, poor appraisals, lenders not willing to loan for mortgages, and fluctuating market values.

To eliminate this fear for my mentoring students and other investors, I put together a Marketing System called the FSBO Power Selling System™. You can see it at:

www.FSBOPowerSellingSystem.com

For the previous 20 years, I had used this marketing system to successfully sell my rehabbed properties in just one weekend or two weekends. As the markets got in trouble, it would sometimes take 3 - 4 weekends but we would sell everything we could rehab.

There is no secret that this marketing program was the first round-robin auction system that was specifically developed by and for investors. Many others “gurus” have since jumped on the bandwagon proclaiming they discovered the round-robin auction system. In fact, they weren't even investing when my system was drawing buyers like bees to honey. The program

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includes 30 other marketing techniques besides the round-robin auction to make sure the property is sold very quickly.

TIP #5 – If you are a rehabber, using the FSBO Power Selling System® will bring in tons of motivated buyers to your completed rehabs. Even better is to do the sales over and over again – even after you have the property under contract. This will give you access to buyers for your other rehabbed properties or the ones you will be doing in the future.

The enormous value of the FSBO Power Selling System™ is not only that it sells properties fast, but it can also build you a buyers list of retail buyers. However, I needed another vehicle to build a wholesale buyers list for my students so I developed the program and text at

www.MakingaBuyersList.com

As you will see later in this text, the most powerful tool you have is your wholesale buyers list and this program does it for you in days and weeks instead of months or years.

Our Ever-Changing Real Estate Market

In the fall of 2006, John called me and asked what turned out to be a life-changing question for him. His question was, *“I think the market is going down and I don’t want to rehab and retail properties any more. What should I do?”*

He went on to say that he wanted to do “risk-free” transactions and didn’t want to use any of his hard-earned

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profits from the previous few years. He was looking at other rehabbers wallowing in too many properties with too few buyers and was terrified he would be next. With hindsight, he would have been right if he had continued doing what he had done in the past.

John had purchased a total of ten properties from me, five of these properties he rehabbed and sold retail. He had done very well with them averaging about \$53,000 net after expenses per deal. I had made an average of \$31,000 per sale to him so we were both very satisfied with the deals we did together. This means that John had personally paid me over \$300,000 for the privilege of buying homes from me. ***If he hadn't have been happy about what my spreads on the sales were, he wouldn't have bought them from me – it's just that simple.*** He didn't give away money and neither did I. The market at that time dictated these profits; but in today's market, we are averaging a little over \$16,000 per wholesale deal or ½ what we got in the “good old days”.

I will explain how I made so much money on these deals later because it isn't any harder than making \$5,000 on the same wholesale deal, once you learn certain techniques of wholesaling. John did a very nice job of rehabbing and was most proficient at adding bathrooms and bedrooms to existing properties without enlarging the house. He never pulled permits and was never caught by Code Enforcement.

If you rehab, not pulling permits is a personal choice you will have, but in these times of financially-strapped municipalities, **YOU ARE LOOKING FOR TROUBLE from Code Enforcement.** For this e-booklet, we are only discussing wholesaling to reduce market risks and provide the user of this information with substantial cash flows.

Throughout this material, I will be disclosing tips on rehabbing as well as wholesaling. There aren't many rehabbers whose finished houses I like because I am so meticulous about how I did our rehabs. The following “TIP” is

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one example of a way to “cement the sale” with a buyer who is on the fence.

TIP #6 - In fact, one of my selling features to retail buyers is my personal three week guarantee to fix anything that goes wrong in their new property. I explain that I will repair or replace anything that I rehabbed in the property, but not items that are broken from normal “wear and tear” or items that I didn’t rehab. One example would be a broken water faucet that wasn’t my responsibility if I hadn’t replaced it in the rehab.

I only ever had one call-back from a buyer for a light switch that seemingly didn’t work, until I explained to the new owner that it controlled a wall socket that was usually used for a light to be turned off and on from the wall switch.

This call-back made (or saved) me over \$3,000 because the owner had taken out all the new carpeting I had installed right after she moved in because of her allergies. She asked me if I wanted the “old”, but brand new, carpet that was in the garage and I said, “Yes”. I installed it in another house within the week! ***Good deeds do get rewarded!***

So John wanted to take it easy and let the money he had made over the past five years stay in the bank and not “risk” it in what he felt was going to be a down market. He knew that I had always wholesaled about 2/3’s of the houses I bought and I told him I was going to be wholesaling exclusively in the near future for two specific reasons.

First, I thought the market would decline much more severely than even he imagined and I didn’t want to be holding properties that I couldn’t sell because their prices were falling too fast.

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Secondly, because I had decided to start doing deals using very little or no cash to reduce my market risk to zero and increase my leverage. For the past 25+ years of my investing career, I have used cash or financing (Other People’s Money) to buy properties.

TIP #7 - Using cash to buy properties got me deals when I was in competition with other investors for the same properties where they only offered creative financing. I could really close in 10 days like I said I could and I got the deals hands-down because the other investors couldn’t flip these same properties before closing.

What I learned later was that I could overcome the cash offers by creatively “solving the seller’s problems” and using what I called my Credibility Kit. The combination of the “smart offers” and my personal credibility got me many, many deals, and often at below other investors’ offers!

However, I got intrigued by the no-money deals about fifteen years ago and used this method on my wholesale deals exclusively, but initially I did not use this method on my rehabs.

At one time I had three construction crews in my tri-county area doing rehabs in two to three weeks per house and flipping them retail. I was netting \$10,000 per deal while my employees were getting paid three to four times this amount with no monetary risk at all. I decided I was tired of baby sitting these guys and gals, and moved on without them!

HINT - this is a serious lesson worth learning from someone else’s experience!

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As I learned various no-money techniques, I found I could buy and rehab properties with little or no money just like when I was wholesaling. In these cases, I used options and partnership agreements with the homeowners to control the property while putting very little or no money in them except occasionally for the rehab costs.

TIP #8 - As you will find out, no matter how much money anyone has, somewhere in their investing career they need more money. I found that doing full cash deals limited me to about 5 – 10 properties at a time. Doing no-money deals allowed me to contract for an almost unlimited number of properties and with much less risk than actually buying them for cash.

So I carefully explained to John about full-time wholesaling and the benefits and the “issues” he was going to face. He was fascinated and this started an odyssey of taking him from virtually “ground zero” to his becoming one of the better wholesalers in our state.

I have to say that almost anyone reading this e-book could have done the same or better than John with the proper coaching and personal persistence. John didn’t have the technical savvy to do the contracting aspects of the deals, but he was a willing learner; especially after he made his first \$10,000 wholesale profit and he never saw the property he wholesaled. I was a willing teacher since John had paid me well for the deals I sold him. These two aspects of investing, making money and having a mentor, can create a “perfect storm” of power for investors.

Since John had never bought a real estate course (believe it or not), he was really a novice, even after having bought, rehabbed, or kept for rentals. To be exact, he had been involved in about 20 properties up to that time. The last

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time I spoke to him, he had wholesaled 15 properties that month.

So “training” John was like working with a newbie. You should also understand that having him find properties was also adding a “bird dog” to my pack of bird dogs. So, it was beneficial to us both. He was a very highly paid bird dog, but none-the-less a bird dog for me in the beginning because he didn’t have buyers for his deals and I did. Once he created his buyers list, very little slowed him down.

So I took John under my wing to coach him to become a wholesaler. In between my personal marketing, wholesaling and selling properties, John would call me and ask questions incessantly.

TIP #9 – One great benefit of John’s previous experience was that he knew that “things” aren’t perfect in the real world and he pushed into the wholesaling game because he believed he could do it. After all, what did he have to lose if he didn’t put any money into a deal? If you believe there is a perfect system that automates your buying and selling properties, you have fallen for the “hype” of the minute.

As I said to a perspective mentoring student just last week, real estate investing is simple with a mentor, but it **still requires HARD WORK**. The saying, ***“The harder you work the luckier you get”*** has never been truer.

I am mentioning this next “personality trait” of John’s for a reason you will see later - “John is a cheapskate!”

John was not even willing to update his computer so he was working in Word Perfect® and couldn’t open documents in

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Word®! Secondly, his computer was six+ years old at the time and he wouldn't even get a separate line for his fax machine that printed on *thermal paper*. So if he was getting an incoming fax, he couldn't be on his telephone line because he had a dial-up internet connection!

This dialup issue later came back to haunt him as his email list management became a handicap for some months before he broke down and got a high-speed connection. Remember this is happening in 2007, not 1997!

If you called him to send a fax, he had to turn the fax on and half the time it didn't work. His computer's printer was a dot-matrix that took an eternity to print documents; so John made copies of the original contracts and filled them in by hand.

His office was a small bedroom, with a small desk and his computer, printer and fax were located in the closet in one room. I think he is what might be called a “minimalist”. I mention all this because I am trying to show you that you don't need huge sums of money to get into the wholesaling business.

However, this minimalist attitude did restrict his ability to do business and probably cost him sales in excess of what he made for the year. Common sense is not really very common!

What Happened Next?

John called me one day and asked his usual technical question after a few months wholesaling and mentioned he was very uncomfortable. I asked why and he said he had to wear a business suit for the first time in many years.

He proceeded to tell me he was showing a property he was attempting to sell for \$8,000,000. He had it under contract with a partnership agreement and had perspective buyers looking at it. His assignment fee for this property would be

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\$250,000 if he was able to get a buyer. The highest priced house he wholesaled prior to this was \$270,000 and his largest single profit was \$31,000. His average net profit was slightly over \$16,000 per wholesale deal for his first year on 16 properties, when all was said and done.

I mention his having to wear a suit because it was out of John’s comfort zone and that’s where many “wannabe” investors can’t get over the “tipping point” that takes them to success. In most cases, they can’t even get started because they don’t realize they have to make positive massive change to succeed. If you don’t believe this, **“How is what you are doing now working for you?”** For John it wasn’t that easy until he saw checks coming in and then things changed.

A very common but extremely negative influence that has killed tens of thousands of perspective investors’ success is the well-meaning outsider who only has negative input into an otherwise open-minded investor.

I am not discriminating against any particular group but increasingly I hear real estate agents telling investors what they do is illegal and that *“it can’t be that easy unless it is illegal”*. Just yesterday I had a real estate agent almost kill a deal because she proclaimed that a foreclosure proceeding would cost the investor \$50,000 to get the house back if the owner defaulted on his seller financing.

**Consider the source of all information
and if the giver has an anterior motive before
you act on it!**

The first thing I asked John to do was start getting his email list complied by going to local investment clubs. John’s history of going to local REIAs was sketchy, because he would rarely go and when he did, he wouldn’t stay very long – he hated talking to people.

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Since his buyers list was critical to his success, I went ahead and wrote the e-book and developed software to do the list building for him. I mentioned it above –

www.MakingaBuyersList.com

If you are thinking I am shamelessly promoting my personally developed programs, you are almost correct. I used these tools and developed them myself for students. If they didn't work I wouldn't mention them. John would likely tell everyone that these programs and my coaching made him what he is today.

While John's story is exceptional in many ways, he is not. I personally believe that almost anyone reading this material can be successful in real estate investing. Success means different things to different people; to some it means making an extra \$10,000 a year, while others it means making \$10,000 a week. Whatever your means of measuring success, the fact is that you will need two major attributes that John possessed – that is PERSISTENCE and not taking “NO” for an answer.

TIP #10 – Local investment clubs struggle with membership issues because the real pros don't attend, in most cases, and the majority of attendees do very little or no investing. These clubs make their money from “book and tape speakers” or in a few rare cases, from membership dues. The clubs can have real value for the contacts you make and the deals that are flying around the room. But as always “Buyer Beware!” because if these deals were really good deals, and they haven't been sold previously, they may not be all that great!

I used the following flow chart to explain to John the “Life Cycle of a Deal”. This basic cycle is what I teach to my

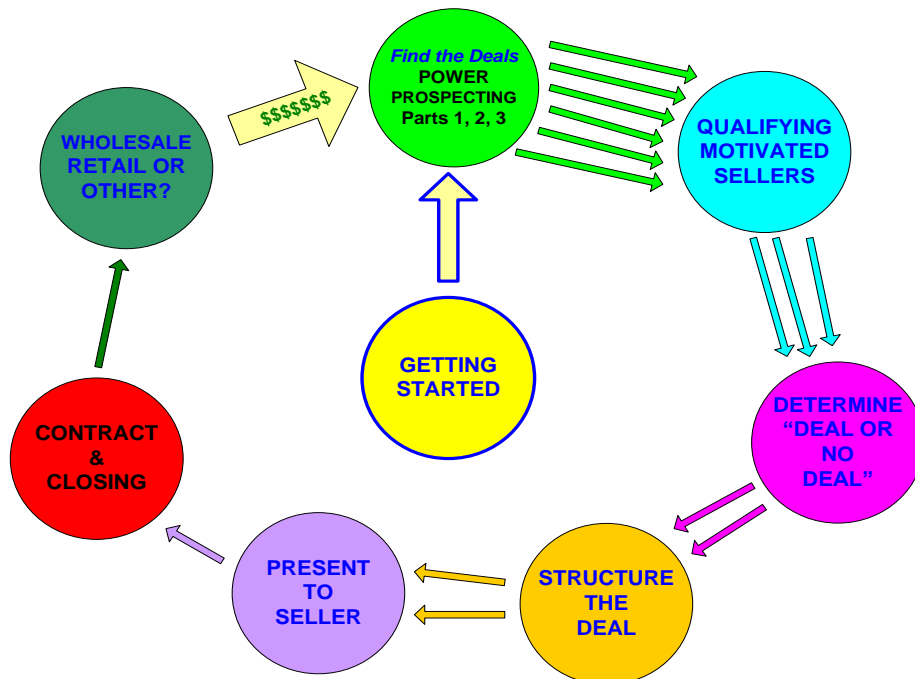
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mentoring students but in greater detail than we have space for here. I focus the mentoring program on finding wholesale deals and using little, or preferably, no money at all in the deals.

The people who have become my coaching or mentoring students have the full spectrum of investing backgrounds – from not having taken any courses to having spent \$60,000 on courses and not having done any deals.

The other types who take the program, in some cases, have extensive rehabbing or wholesaling experience and want us to look at every deal they do to keep themselves out of trouble. A few people in the last group had little or no experience in investing but wanted us to find them deals where they could invest but have the safety net of us looking at every deal before they bought them.

“LIFE CYCLE OF A REAL ESTATE DEAL”



The above “Life Cycle of a Real Estate Deal” is the same for wholesaling or rehabbing and selling to a retail buyer. We

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are now going to touch on some of the information I mentored John with and some “Helpful Hints” besides.

The Life Cycle of a Real Estate Deal – PART 1



This “first action” step is one that doesn’t have to be repeated as do all the others in the cycle. It is important that you get started correctly, but it is much more important that you get started! Procrastination and fear have kept more people from fulfilling their dreams than any other “real” factor. “Just Get Started ASAP” and let the rest fall in place.

Here are the topics we cover in detail in our Coaching and Mentoring Programs – as a guideline for you:

The Mental Game – *If you want to be successful and you know you can, why aren’t you? It’s not because of all the excuses you are thinking about, it’s for a simpler reason and we explore this in detail so you can CHANGE IT!*

Part 1 - The Basics –

- Business Cards
- Business Dress
- Business Entity to Use
- Home Office – How to set it up
- Overcoming Your Biggest Obstacle

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- Start by Failing – Just Start!
- Handling and Screening Prospects
- Finalizing Your Paperwork
- Structuring a Prospecting Program
- Goal Setting and How to Really Make it Work
- What Should a Lead Cost?
- Determining Lead Conversion & Cost/Deal
- What Type of Business to Do – wholesale, rehab and sell to retail or wholesale to retail?
- Three Elements of Every Deal

Part 2 – What to Do to Get Started –

- Determine How Much Time You Have to Spend and How Much Money You Have to Invest
- Get Contracting in Order
- Finalize a Multifaceted Prospecting Program
- Practice Your Seller Pre-Qualifier Script
- Start Building a Buyers List using www.MakingaBuyersList.com
- Practice with the www.ExcelRESoftware.com software using the real example in the material
- Practice Your Presentation Answers to Seller’s Questions and Objections
- Practice Filing Out Contracts and Assignment of Contract Forms
- Standardize Your Marketing Techniques
- Delegate Marginal Duties ASAP
- Find and Interview Local Realtors Using the Techniques in the software – www.12PercentPlus.com
- Keep Prospecting No Matter What
- Plan Your Week Ahead
- How to Find the Time (*How to add 10.25 weeks per year instantly to your life*)

I always ask this question to my students at the end of this section –

“Would you rather be on a super highway to life or stuck in a cattle path like almost everyone else? The choice is yours, and you can make the change as soon as you are ready. What is it you are waiting for and is that really a reason or an excuse?”

The Life Cycle of a Real Estate Deal – PART 2



Prospecting is one of the major keys to your success, so don't stop doing it - EVER! Just because you get a deal in hand, don't stop and wait until it sells and closes, get more and more deals under contract and keep focused on prospecting as your major endeavor – this is where the initial money is to finance your new profession.

***As you will see later, the really BIG Money is
in the Power of Your Buyers List!***

This part of the program actually has three parts but I have omitted a couple of methods of finding sellers that only the mentoring students get – sorry, but they pay for the mentoring program.

Part 1 -

Five Aspects of Great Advertising
Abandoned Properties
Websites to find missing owners
Ask Neighbors

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Bandit Signs (there is one method in this section that we teach that Students are sworn to secrecy once we tell them)

Bill Boards

Bus Benches

Bus Signage

Bus, Van or Car Wraps

Truck Signs

Business Cards

Building a Buyers' List – www.MakingaBuyersList.com

Change of Use or Redevelopment

Craig's List plus Other Free Sites

Door Hangers

Door Knocking

Driving for Dollars

XXXXXXXXXX – Mentoring students only...

Part 2 –

Farming an Area

Flapping Lips

Flyer and Penny Saver

Foreclosure Auction

FSBO Internet Sites

Government Employees (non-military)

Government Employees (military)

House Organs

Internet Advertising

Internet Advertising – Reselling Leads

Internet Site – Your Own

Letters – Direct Mail Campaigns

List Purchases (5 types of lists and their power)

Magazines

Magnetic Signs

Military Bases

MLS Listings – Active

MLS Listing – Expiring

Newspaper Ads

Note Holders

Postcards

XXXXXXXXXX – Mentoring students only...

XXXXXXXXXX – Mentoring students only...

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Pre-foreclosures
Probate
Radio Ads
REIAs

Part 3 -

Real Estate Agents – what to do and what not to do – www.12PercentPlus.com

Referrals from.... XXXXXXXXX – Mentoring students only...

Referrals from Mortgage Brokers
Referrals from Realtors
Referrals from Sellers
Renters
Telephone Solicitation or Cold Calling

Tag Team

TV Commercials
XXXXXXXXXX – Mentoring students only...

YouTube.com – Magic Moments

Vendor Referrals

XXXXXXXXXX – Mentoring students only...

Yellow Pages
YellowPages.com

I have highlighted the ones **in green above** that John used in his prospecting. I tried and couldn't get him to use more methods because he was “satisfied” with how much money he was making.

Had John followed my instructions, he could have done more deals in the same time period, but everyone must choose his/her own comfort level in their lives. What's your comfort level and how is it working for you?

Wholesaling Etiquette

I introduced John to a couple of the largest wholesalers in the tri-county area. This was so he could get their wholesale lists and offer deals to them directly or re-offer their deals to his buyers list.

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These guys typically did 3 – 5 deals a week and mostly from other investors bringing those deals to sell to the pros' mailing lists. This is the real life example of the power of a buyers list as these guys seldom ever leave their offices.

As John started to wholesale more deals, and even some that I sold him, he become paranoid that I would find out who his wholesale buyers were. These greedy and immature actions by John really disappointed me and are the main reason for this unauthorized biography.

John's success spawned this greed that I had never seen before. Ironically, had I been at all interested in his wholesale buyers they are easily accessible in the public record as soon as he closes his deals. What was he thinking?

Here are some things that you should understand, and ways to act when you deal with other wholesalers:

- 1.) If you are going to list someone else's property on your wholesale list, call him first and get permission! You may be very embarrassed if he won't sell to your client and you lose the client to him anyway because the client has seen the property and likes it.
- 2.) Always call the listing wholesaler because once you establish a relationship with him, he will allow you to take part of his spread, instead of just “adding your profit on” to his wholesale price.
- 3.) If you have a buyer at a higher price than he has it listed, and he agreed to split his spread with you, you better agree to split your additional spread with him or he will probably not do business with you in the future.
- 4.) Try to do deals with deposits of \$1,000 or less. Initially this will be difficult, but once the pros know you will close, even if you don't have a buyer, they shouldn't require a \$5,000 deposit - which is normally the standard in the industry.

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This aspect is very important because when you re-sell the property by assignment or double closing, you want to make sure your buyer will come to closing. **You accomplish this by ALWAYS getting a \$5,000 deposit so you will make money even if your buyer defaults.**

- 5.) Check to see if there is a “For Sale” or realtor’s sign in the front yard of the wholesale property; if there is, your prospect will call the other wholesaler directly and you will lose your hard-earned prospect and possibly a sale.

In recent months, the easiest wholesale deals have become REOs or lender “Real Estate Owned” properties. All these REOs are owned by the lenders because of mortgage foreclosures and the resultant foreclosure auction, or deeds in lieu of foreclosure from homeowners to the lenders.

The “tricks” to getting REOs are:

- 1.) Establishing a relationship with an REO broker and NEVER dealing with anyone who is not the listing agent on the REO property. The reason is very simple - the listing agent is very likely going to work with a buyer where he will get the full commission rather than another “co-broker” where he has to split the commission.

Forget the thought, **“That’s Illegal!”**, because you’re right, but this commission skimming happens too many times to mention. Yes, even I have lost deals where my bid was higher, using my agent, than another investor who submitted his bid to the listing agent directly. I had even told my agent I would pay him his ½ of the commission out of my pocket, he decided to “double dip” and didn’t tell the listing agent I was paying him separately.

- 2.) Don’t sign a contract you don’t intend to close on, or you are willing to lose your deposit on. In recent months, lenders have been requiring more reasonable deposits,

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specifically in the range of \$1,000 to \$1,500 depending on your offering price on the property.

- 3.) Don't get caught in the hype of your agent or the listing agent telling you there are higher bids and you need to raise your offering price if you want it. Remember the listing agent represents the lender and not you, so anything goes.
- 4.) You will have to sign the lender's purchase and sale contract. These contracts are “onerous” and will not give you the smallest amount of protection. The lender will pick the closing agent, and everything else about the deal's closing. Many parts of their contract are illegal but it doesn't matter if you want the property at the price they agree to.
- 5.) The MOST IMPORTANT aspect of buying any property from a lender is to make certain the property is free and clear of any title encumbrances – city or county liens, code violations, tax liens, IRS liens, assessments for water or sewers, etc.! Have your closing agent run a title search to make certain the lender isn't “shifting” the problem to you when they transfer title to you.
- 6.) Stick to your guns about an Inspection Period of at least five – ten days so you can get a professional to check out your prospective purchase so you don't miss anything structural or any other mechanical system that could cost you a chunk of change later.

Careful - Think Again About Short Sales

If you are thinking that short sales are better than REOs, you are way off-base. REOs final sales prices average about 30% lower than the best short sale price you will ever get. Besides, you don't have to take months of working with idiots

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from the lender to find out at the last minute they aren't doing the deal.

I have personally seen short sales not be completed and the property next come to market as an REO, only to have it sell 30% lower than the price that was offered and rejected for the short sale. You figure it out, because I have no logical reason for it and I am not sure the authorities in charge at the lenders realize it is happening on a regular basis.

The Life Cycle of a Real Estate Deal – PART 3



As a perspective wholesaler, you have to find deals either from homeowners or other investors. In most cases, the best deals come from homeowners; so I worked with John on pre-qualifying each in the same way using the script, so he didn't forget to ask anything that was important.

Most newbies get very excited when they speak to a prospect – which is a natural reaction. However, it leads to a waste of time for the seller and yourself, if the seller is not motivated or if there is no equity in the deal. Don't try and make every deal work – go on to the next one; there are plenty of them out there! – Remember I mentioned a renewable resource..... If you stick to a regimented program of prospecting, you will get plenty of deals – even if it is as simple as driving for dollars.

So in this section of the “Life Cycle of a Real Estate Deal”, we focus on using scripts to pre-qualify sellers as to the equity in the property and their personal motivation.

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Your Script should contain at LEAST the following data collection questions or information:

Name

Address

Telephone Number, Other Contact Numbers & Email

“Please describe your home

“Why are you selling?”

“What Loans are against the property?”

XXXXXXXXXX – Can’t disclosure this one except to mentoring students

“How much are your monthly payments?”

“How much are your Taxes and Insurance?”

“Are you behind on your payments?”

“Is it listed with a realtor or has it been?”

“How much do you think your home is worth?”

“How did you get that price?”

“What repairs are needed?”

“What about your roof?”

XXXXXXXXXX – Can’t disclosure this one except to mentoring students

“Would you sell for what is owed?”

XXXXXXXXXX – Can’t disclosure this one except to mentoring students

XXXXXXXXXX – Can’t disclosure this one except to mentoring students

“When can I see your home?”

XXXXXXXXXX – Can’t disclosure this one except to mentoring students

XXXXXXXXXX – Can’t disclosure this one except to mentoring students

This basic data collection form and script I utilize to pre-qualify sellers as to motivation, price they want and terms they may take for their property without having to go on every appointment to determine if I have a deal.

John was reluctant to use this form and he lost valuable time looking at properties where the seller wasn’t really motivated. However, I did explain how to “Drive for Dollars” in

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every neighborhood and this turned out to be one of his most successful prospecting methods.

About 4 months into the year he started doing well using OPDs “Other Peoples’ Deals” to broadcast to his email list and by this time his list was large enough that he was able to begin doing deals on a somewhat regular basis.

As you collect your email list, do not spam the new names you get or your IP or computer internet address (not your email address) will be banned and you will not be able to send emails without a great deal of trouble, and eventually not at all. It is easy to develop an opt-in strategy so the new emails will “self-approve” their addresses within your system.

Because John had a dial-up modem, he could only send about 20 emails at a time, and as his list grew, he spent hours of wasted time emailing to prospects that should have taken literally seconds. Start right and do it right and it will be easy instead of saving a few cents and the loss of hours of your time.

The Life Cycle of a Real Estate Deal – PART 4











Despite John’s familiarity with rehabbing, he had actually not found any wholesale deals on his own and didn’t know how to make offers to sellers. As I mentioned in a previous section, I wrote a software program in Excel to “failure proof” your deals.

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Rather than go over the details of its power to the user, please look at the information at www.ExcelRESoftware.com

www.ExcelRESoftware.com


What the “Deal or No Deal” Software Does For You -

	Calculates a Contractor bid price and a Do It Yourself Cost. <i>“Now you can use the Contractor bid price my software generates to check what your Contractor should be charging.”</i>
	Determines a CASH Offer and Multiple Term Offers to make to the seller. <i>“This eliminates the fear of not knowing if your offer is too high or too low.”</i>
	Gives the user a Repair Budget so he knows if he is ahead or behind the profit curve. <i>“The repair costs are broken down into the most important areas of a rehab, and the software even allows for a margin of error for unforeseen costs.”</i>
	Calculates the expected Profit or Loss on a Wholesale/Flip transaction, including all the associated costs with the deal. <i>“In the accompanying Manual where we review an example, I give insight into how I am able to get <u>TWO to THREE times</u> the profit spread of the average wholesaler.”</i>
	Accurately calculates the BUYING Closing Costs for a Buy and Hold Rehab, Double Closing and Flip, or a Contract Assignment – <u>all at the same time.</u> <i>“Now you can know what to expect when you go to closing!”</i>
	Accurately calculates the SELLING Closing Costs for a Buy and Hold Rehab, Double Closing and Flip, or a Contract Assignment – <u>all at the same time.</u> <i>“Now you can know what to expect when you go to closing!”</i>
	Calculates the loan costs for Hard Money, Conventional Financing, Private Funding, and for a Double Closing. <i>“These costs are what often made a difference between a profit and a loss to newer investors – NOT ANY MORE!”</i>
	Calculates the Carrying Costs for the following: Assignment/Double Closing, Time Needed to Rehab, Time to Sell the Property and even the Time needed to Close – INSTANTLY!




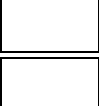

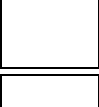



“The Story of John the Wholesaler”

	<p><i>“These costs have become CRITICAL in today’s slow markets and are often the downfall of even the most experienced investor – NOT ANY MORE!”</i></p>
	<p>Calculates the TOTAL Expenses of all related costs to the purchase and sale of the property to arrive at an Expected Profit or Loss BEFORE THE PROPERTY IS PURCHASED!</p> <p><i>“Finally and instantly, eliminates the nagging FEAR of whether it is a “Deal or No Deal”!”</i></p>
	<p>Calculates an in-depth Analysis for Expected Profit or Loss in FOUR situations: Buy/Hold/Sell if a Contractor does the work, Buy/Hold/Sell if you Do It Yourself (“DIY”), For a Double Closing with Hard Money Either for a Wholesale or Retail Deal or an Assignment or Flip.</p>
	<p>MOST IMPORTANTLY, it produces a printable Presentation Sheet for the seller so he understands why your offer is not as ridiculous as it initially sounds.</p> <p><i>“This type of analytical overview has produced hundreds of millions of dollars of profits for investors because of the logical nature of the presentation.”</i></p>
	<p>P.S. – for the old-school fans of a “belly-to-belly” presentation with a piece of paper at the dining room table, I included a “Quick Analysis” sheet that uses standard percentage price reductions (EASILY ADJUSTABLE) to arrive at a reason for the investor’s LOW offer to the seller.</p> <p><i>“This has worked for many years, BUT DON’T use this for your personal analysis of the property or you might go broke with unforeseen costs!”</i></p>
	<p>P.P.S. –I may not have made it clear previously but the software user can easily change as many values as he determines necessary to calculate “What If” scenarios – including changing the offering price, ARV, closing costs, repair costs, time to close, time to sell, time to rehab, and the list goes on and on.....</p> <p><i>“The software is as powerful as the user wants it to be!”</i></p>


What the **“Expense Tracker”** Software Does For You -

	<p>Calculates a Profit or Loss Statement for any property, any financing terms, even including the use of an Assignment or an Option Consideration Fee.</p> <p><i>“The software calculations include all of the following related expense sub-categories:”</i></p>
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“The Story of John the Wholesaler”

	<p>Expense Category – <u>Option Price</u> Paid to Seller. <i>“This cost is for an Option to buy a property with as little as \$10 for a year or longer.”</i></p>
	<p>Expense Category – <u>Assignment Cost</u> to a Wholesaler. <i>“If the investor buys a property by an assignment of contract, this cost is figured into the Profit and Loss Statement.”</i></p>
	<p>Expense Category – <u>Advertising Costs</u> can get expensive and the software tracks your daily expense from bandit signs to newspaper ads and everything in-between. <i>“In some parts of the country it is taking longer and longer to sell a property, so advertising expenses can be very important to track.”</i></p>
	<p>Expense Category – <u>Appliance/Air Conditioner/Heating</u> is a category that can break a budget in an instant, so it is handled as a separate and important category here and it is where you will enter appliance purchases for the kitchen. <i>“Using the “Deal or No Deal” software, you can NOW accurately estimate the replacement or repair costs of these major mechanical systems.”</i></p>
	<p>Expense Category – <u>Carrying Costs</u> are the “profit vampires” that include, but are not limited to, mortgage payments, HOA fees, taxes, etc. <i>“The software takes into account these nasty profit eaters when it does its calculations.”</i></p>
	<p>Expense Category – <u>Labor</u> is important especially if you are paying casual laborers and aren’t keeping track of who is getting how much. <i>“Some people don’t want to acknowledge that they are paying “under-the-counter” cash for work done, but these are costs; so whether you claim the costs and related tax withholdings, these are taken into account.”</i></p>
	<p>Expense Category – <u>Materials</u> is used to tracks all those “nickel and dime” material costs, rental costs and items that take hours to get and minutes to install.</p>
	<p><i>“Tracking these costs are CRITICAL to your profit because EVERY ONE ultimately comes out of your PROFIT, so enter them yourself every day or have someone do it for you so you have an accurate Profit and Loss Statement at hand daily!”</i></p>
	<p>Expense Category – <u>Utilities</u> is for all ongoing utilities including deposits so you won’t forget to get them back when you sell. <i>“There is nothing worse than having power or water turned off because the utility company sent the bill to the former owner’s new address. Eliminate this issue because you will be able to see when they should be paid and if they have been.”</i></p>

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	<p>Expense Category – <u>Miscellaneous</u> is a “catch all” for anything you can’t decide where to put in a previous category – plenty of room here too for entries.</p> <p><i>“If you are having a lot of “unanticipated” expenses, you need to look carefully at what you didn’t anticipate and why, if this expense category gets too large.”</i></p>
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What the “ARV Calculator” Software Does For You -

	<p>Gives you a REALISTIC VALUE that you can start offering your property at and feel confident that it will be sold. <u>It will not be the lowest price in the neighborhood</u> unless it warrants this estimate.</p> <p><i>“This price is a starting point because the software “builds in” a price reduction to the buyer. This is especially necessary if you find yourself in a “Soft Market”.</i></p>
	<p>The methods used with this software will allow the user to find other deals in his neighborhood and using the “Deal or No Deal” software, give the investor the various options of funding these deals with little or no cash.</p> <p><i>“This software can also be used by Wholesalers to accurately determine the REAL ARV instead of guessing and advertising to buyers an unrealistic ARV, and using the “Deal or No Deal” repair cost estimator can show buyers what to ACTUALLY expect for rehab costs.”</i></p>
	<p>The software is intuitive and adjusts your selling price automatically if your area is changing rapidly in value – either UP or DOWN.</p> <p><i>“This feature eliminates the issue of your home being offered at a price that was OK last month but the market is falling so fast that you are left behind, forced to take less money like the distressed sales around you.”</i></p>



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By using the “Deal or No Deal” software, John was able to support his “repair estimates” to other rehabbers so he was able to get higher prices for his wholesale deals by an average amount of \$6,500 per deal – according to what he told me.

This is not a shameless pitch for buying the software; in fact, I put the info from the website here so you would better know what you need to go fearlessly into deals.

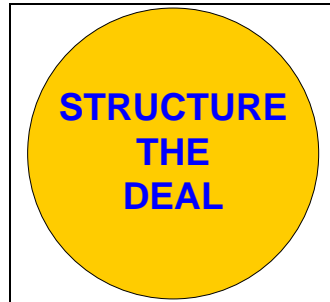
John was stubborn about not doing any work on the properties himself and not paying anyone else to do it. The simplest clean out and cleaning up the yard would have yielded him thousands of extra dollars per deal! John just didn’t want to take the time or get his hands dirty doing it. I also suggested he use a “clean up” service who usually charges a few hundred dollars per property, but the results turn into thousands of dollars of greater profits per deal. He didn’t want to spend the money – *“penny wise and pound foolish”* as they say.

I actually offered to sell one of his properties for him and said, “Just let me have it at \$125,000 and I’ll keep whatever I sell it for over that price.” He previously told me he would be very satisfied with \$120,000 (his contract was for \$110,000), but I knew I could get \$140,000 on a bad day.

John refused and he tried to wholesale it himself but lost the deal because he couldn’t market it in time. I later bought it from the same wholesaler John got it from and sold it for \$140,000 in one weekend. The key was the use of the tactics in the www.FSBOPowerSellingSystem.com material that I had used for 20 years. P.S. John didn’t want to buy the System because he felt it was too expensive at \$37!

The “Deal or No Deal” software automatically structures every deal for you, but I cover the various ways of doing deals with little or no cash in the following section.

The Life Cycle of a Real Estate Deal – PART 5



Every Deal needs these Three elements –

1. A Motivated Seller
2. Equity in the Property or the ability to make equity in the property – short sale or rehabbing
3. “Terms” meaning Cash or Terms using “subject to” or seller financing to buy the property

In wholesaling, we use contracting to control the property until we either close with an end-buyer or assign the contract and let another investor take over our contract and close in “our position”. If the profit is over \$15,000, we will often close so the buyer and seller aren’t aware of how much profit we are making. Even professional investors can get funny if they believe you are making “too much” on a deal and certainly sellers always feel they should get more for their property.

The concept of controlling the property by contract but never closing with your own money was difficult for John to understand. He was only familiar with closing with cash and going about rehabbing the property and selling it retail.

Frankly, it took some time to get John to understand the concept, but he got it real quick at the first closing! In a number

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of cases, John closed properties with me in Land Trusts. In these transactions, I closed the entire sale to John myself with only a notary, myself and John.

John would give me a cashier’s check for the full amount of the purchase and I transferred the Beneficial Ownership of the Land Trust to him – all in ten minutes or less and at his home. We did use a HUD-1 Statement to figure accrued taxes and other costs but the title insurance was previously paid at my first closing and was issued to the Land Trust so it did not change.

Additional Methods of Controlling a Property

The additional common types of Deal Structures that will be covered here are:

1.) Contract Assignment is where a contract to buy a property is sold or “assigned” to another party who actually closes with the original Seller. These assignments are usually used in wholesaling, but can just as easily be used in retailing a property.

2.) Option Agreements are agreements that give the Optionee the right to purchase a property at a given price (“Strike Price”), for a specific period (“Option Period”), and for specific terms (Cash or Financing). The money paid to the Seller for this option, or ability to purchase the property, is called an “Option Consideration”. Usually option agreements are done with retail properties and often with commercial deals.

3.) Partnership Agreement is a contractual agreement between the Seller and a Buyer who agrees to rehab the property, market it, and sell it (hopefully at a profit), and split the profit, after expenses, with the Seller. These are most often used in retail situations but can be used in wholesaling

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– the key here is to have the Seller pay the mortgage and carrying costs while the rehab is ongoing.

NOTE – not discussed in this material are Lease Option and Contract for Deed funding methods. These options are viable in certain situations but are continuing to be attacked by State regulatory authorities and may not be viable in the near future in many states. Their viability is also questionable in declining markets, that’s why they are not mentioned here.

John only wanted to do wholesale deals despite my finding a few deals that could have netted him over \$50,000 for a simple rehab. He stayed on his course and made good money in a market that financially killed thousands of experienced real estate investors. I can only say that, *“There is nothing wrong with that!”*

The Life Cycle of a Real Estate Deal – PART 6



I had to coach John through many of his sales but he learned with each one that despite what sellers tell you, if they are motivated, they are negotiable.

The hardest part for John was answering the typical objection, “How can you offer me \$100,000 when I am asking \$200,000?” I believe the best way to overcome this objection is to get the seller to understand the LOGIC behind how we arrived at that price.

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Most investors use a Maximum Allowable Offer (“MAO”) of 70% of Fair Market Value (“FMV”) less repair costs. The better analysis uses 70% of FMV less repairs and less closing. The most professional programs also subtract carrying costs. The carrying costs can be a “money vampire” that has cost many investors their careers because they couldn’t sell their properties fast enough in a declining market.

All of these factors are taken automatically into consideration in the www.ExcelRESoftware.com software. When I wrote the software, I took it one step further and made a “Presentation to Seller” as a printout that the investor could present and leave with the homeowner if necessary.

However, the most critical element in the above equations is the FMV. What actually should be determined is the **Real Amount the property can be sold for in an “unruly” market**. This may be a very obvious statement, but try and tell that to a starry-eyed investor who has just spent a 1,000 hours rehabbing a property, especially when his friendly realtor is telling him he can get four zillion dollars from a buyer he has – all that is needed is a listing contract!

I say “unruly” market because, sure enough, when you get ready to sell, something could really go wrong per Murphy’s Law. The usual methods of determining this value have been appraisals, Broker’s Price Opinions (“BPOs”) or Comparative Market Analysis (“CMAs”). Values determined by these methods are no longer valid in many markets because of high foreclosure rates and distressed real estate markets (i.e. factory closings, etc.).

The only truly “reliable” method of estimating the **Real Amount** the property can be sold for is to compare its condition with the open MLS™ listings in a ½ - one mile radius of the property. This should be done by a telephone survey because you already know these properties aren’t selling at their listed prices, and **the prices the sellers are willing to reduce their asking price determines your real competition**. The lowest of

“The Story of John the Wholesaler”

these listed, but comparable properties, is your true competition.

John didn't get the TRUE value behind this concept because the greater value of this concept is actually your calling on these listed properties to determine if there are other deals in the area. Trust me, there are other deals that no one knows about until you start calling on listed properties and FSBO (“For Sale By Owner”) properties.

John's largest deal came from one of these calls to a FSBO owner as he was roaming a neighborhood after looking at another wholesaler's property. Don't assume that a “no” means “no”, but rather a “not yet” and here is why –

TIP #11 – About 40% of our deals come 3 – 5 months after our initial presentation to a seller. If you follow-up on a regular basis with perspective sellers, this figure could be even higher. These are all deals where the seller said, “Absolutely Not!”

Besides actually determining the **Real Amount** you expect to sell the property for, or what the next investor needs to make a profit, you can use this “real” pricing information in the neighborhood to influence your seller.

Remember the key factors to getting the seller to agree to a ridiculous offer (what you need to make a profit with the risk involved) is to make your presentation logical about the repair costs and the competition in the neighborhood.

The Life Cycle of a Real Estate Deal – PART 7



Probably every reader will be using some Purchase and Sale Agreement (“P & S Agreement”) that they got from some guru, an attorney or even a friend. These may range in length from one page to 8+ pages, but they should all accomplish the same objective. We prefer to use a Standard contract that has been approved by the State Bar Association and the State Realtors Association.

HOWEVER, each and every investor should take time to carefully read and understand what the contract/agreement means legally. Any clause or paragraph in the contract/agreement that is not required by State or Federal law can be “extinguished” by using an addendum or clause to overcome them.

On the following page is the **primary contract** that a wholesaler will be using besides his P & S Agreement when assigning his deals to another investor –

SAMPLE

ASSIGNMENT OF CONTRACT

This Assignment of Contract dated *November, 20*, 2010, is between *Wholesaler, LLC*, herein referred to as "ASSIGNOR" (SELLER), whose address is *1234 Main Street, Anywhere, MN 30124*, and *FL Wholesale Properties Inc., a Georgia Corporation*, herein referred to as "ASSIGNEE" (BUYER), whose address is *123 Main St., Anywhere, FL, 33333*, and whose telephone number is *954-274-0024*.

WHEREAS, the Assignor entered into that certain REAL ESTATE CONTRACT, acting as the Buyer, with *Sally Homeowner* (HOMEOWNER), the date which was *November, 18*, 2010, (copy attached), for the purchase of the property located at *2463 Main St., Miami, FL 33031*.

WHEREAS, the ASSIGNEE desires to purchase the said property for the total purchase price of \$*43,500* in accordance with the terms and conditions of said REAL ESTATE CONTRACT between *Wholesaler, LLC* (ASSIGNOR), and *Sally Homeowner* (HOMEOWNER).

THEREFORE, the parties agree to the following:

- 1.) Closing shall be held on or before *December, 20*, 2010
- 2.) The ASSIGNOR hereby assigns all privileges, rights and interest in and to the above mentioned REAL ESTATE CONTRACT between *Wholesaler, LLC* (ASSIGNOR), and *Sally Homeowner* (HOMEOWNER), and in consideration thereof, the ASSIGNEE agrees to pay the ASSIGNOR a total assignment fee of \$ *15,500*, in addition to the ASSIGNEE'S closing costs as per the contract, making the total purchase price \$ *59,000*.
- 3.) A deposit in the amount of \$*5,000* shall be paid by Assignee to the Assignor on the total \$ *15,500* assignment fee at the time of execution of the Assignment of Contract.
- 4.) The ASSIGNEE agrees to pay all closing costs associated with the transaction in accordance with the terms of the REAL ESTATE CONTRACT, furthermore the Assignee agrees to utilize the firm of *No-Name Title Services*, as Settlement Agent to conclude the transaction and pay all standard and customary closing charges.

“The Story of John the Wholesaler”

- 6.) The ASSIGNEE hereby agrees to accept all other terms and conditions of said REAL ESTATE CONTRACT between *Wholesaler, LLC* (ASSIGNOR), and Sally *Homeowner*, (HOMEOWNER).
- 7.) This contract may not be assigned by the ASSIGNEE without the consent of the ASSIGNOR which may be unreasonably withheld.
- 8.) The ASSIGNEE hereby agrees to reimburse the ASSIGNOR \$*1,000* (Original Deposit), the amount of the deposit paid on the REAL ESTATE CONTRACT between *Wholesaler, LLC* (ASSIGNOR)., and *Sally Homeowner*, (HOMEOWNER).
- 9.) The ASSIGNEE hereby expressly acknowledges that the ASSIGNOR is not in physical possession of the premises and thus cannot make any representation or warranty as to the physical condition of the premises or as to the marketability of title therein.
- 10.) In the event ASSIGNEE fails to close this transaction per Paragraph 1 above, for any reason whatsoever, the ASSIGNOR shall have the right to terminate this Assignment of Contract and declare the ASSIGNEE in default, wherein, ASSIGNOR shall (a) retain the sum of \$ *5,000* as liquidated damages, and (b) all right, title, and interest pursuant to the Contract for Purchase and Sale shall automatically revert to the ASSIGNOR without notice.

Wholesaler, LLC

FL Wholesale Properties Inc.

By _____
ASSIGNOR - *Signature*

By _____
ASSIGNEE - *Signature*

ASSIGNOR – Print Name

ASSIGNEE- Print Name

In the above example, any similarity to any actual company, LLC or an individual is purely coincidental.

While this contract was drafted by an attorney, it is suggested that you have any contract you use in real estate investing reviewed by a real estate attorney in your area – before you use it.

The Life Cycle of a Real Estate Deal – PART 8



The final question for John to answer for himself was which one of the following methods of making money in real estate investing best fitted his new look at the real estate market:

- 1.) **Wholesaling** – he had little or no risk (\$100) and little money (\$100) into the deals.
- 2.) **Retailing** – as he had done in the past; but I showed him how to retail in a falling market and still make 15% - 20% on each deal. He considered this too much work and risky. This is the process my other mentoring student used to make over twice what John did in the same time period!
- 3.) **Hard Money Lending** – since John had accumulated some capital he asked me about doing hard money lending. Hard money lending is also called “Predatory Lending” because it is designed to take the collateralized property at a deep discount to FMV in the event of a default by the borrower.

The “safest” hard money lending is to supply the cash for double closings by investors who don’t have money of their own. The potential is 1 ½ to 2 points per deal; so on a \$100,000 purchase price, the “profit” to the hard money lender would be \$1,500 to \$2,000 for 15 minutes to an hours work. **DON'T try this on your own without asking about the single pitfall in**

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this process that is your greatest risk – the buyer is a straw buyer with a fake cashier’s check. Your money leaves the closing with the scam seller who is in cahoots with the buyer.

Think about this and you should get what I mean. To protect yourself, make certain the funds are wired into the closing agent’s account at least a day prior to the closing.

If you don’t believe you can do hard money lending because you are broke, you are correct. However, had John been broke, I gave him the knowledge to use OPM (“Other Peoples’ Money”) to do the deals and split the profits with them. If you did only two deals a month at \$2,000 gross profit/deal and half went to your lender, you could make \$24,000/year working about one hour a week. John didn’t get this concept until five months into his coaching and I didn’t include his hard money earnings in his first year’s income from wholesaling.

John chose to do number 1 (wholesaling) and 3 (hard money lending) above and he dabbled in each but never achieved the potential that I believed he had.

Nut-shell Summary of What I Had John Do –

- 1.) Develop his email program and use a service such as Constant Contact (or Aweber) so he could opt-in his perspective buyers so he wasn’t spamming people. *(Later I found out he didn’t because of the cost (\$20/month) and his internet provider shut him down for a month)*
- 2.) Start going to his local REIAs (real estate investment clubs) and network with vendors and get on the lists of as many wholesalers as possible.

Note of interest – John continued to buy properties from me and flipped them to other wholesalers. At one point I asked him to tell me who the buyer was because I had to come to closing as the original seller. He declined to tell me

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the buyer out of greed that I would take his buyer away. *“If your buyer doesn’t trust you, DON’T trust your buyer!”*

3.) Get his office together with a high-speed line, a fax built into his computer and an online fax/email program, and update his operating system to Windows XP Pro so he could use files in Word and Excel.

4.) My biggest accomplishment was to get him to understand how important patience is and to have the persistence that 99% of all investors lack and that causes their failure. Stick to it and it will get easier as you get luckier!

Once you work yourself into the “inner circle” of large wholesalers, work within their spreads – this means - DO NOT advertise deals where you have to re-markup the properties to sell them to your wholesale list. If you have to re-mark them up for a profit, your perspective buyers will see that they have to pay you more for the same property. To get this done, you will have to talk to these “super wholesalers” first and get their approval.

TIP #12 - If they don’t approve, go to the next guy. But put them on your list and eventually, if you are originating deals, they will find you! I have included both a “Partnership Agreement” and an “Assignment of Contract” in this material for your use in your business. Have these contracts reviewed by a local real estate attorney before using them as your municipality or State may have different legal requirements for these documents. These documents are the most powerful tools you will need for your success except for a “Purchase and Sale” Agreement.

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- 1.) So John got deals from them with his goal of “flipping” to other wholesale buyers and rehabbers with no cost to him except for minimal advertising. Between wholesalers and wannabe wholesalers, he built his list to about 100 “quality” emails in two months. He made rapid advances by going to all the local real estate club meetings and going up to everyone in the corporate areas and the membership mixing area and **telling them he wanted to “Buy” properties**. This sounds simple and it is. If he had come on as another wholesaler they probably would have felt he was a competitor and he wouldn’t have gotten the same response.
- 2.) As you will discover, occasionally an email will come into your mail box with a list of email addresses accidentally attached. The longer you are in the business, the more frequently it happens. These are obviously very good prospects but under Federal CAMSPAM laws you can’t send them emails. That doesn’t seem to stop anyone, especially in the wholesale business, but I recommend you not do it.

John advertised himself as a “buyer” because his goal was to re-list the deals he saw from other wholesalers and investors and to sell these other deals to his clients. Essentially, **when he started wholesaling he was a “list broker”, just re-listing other people’s deals.** Nothing new here, but there were some very important “tricks” I taught him to help him dominate his market.

Domination Secret #1

BEFORE you re-list someone else’s property on your wholesale list, ask them for permission. This is not just to be courteous but rather what I call “**an exchange of service**”. The wholesaler who originally listed the property has all kinds of re-listers just putting his offering on their lists and marking the property higher. These re-listers even use his pictures to make it appear they have the property under

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contract. Most often they will say, “Don’t disturb the tenants,” even if the property is vacant.

This relisting tactic without getting permission makes for confusion in the buyers’ community seeing the same property for sale at different prices, seldom knowing if they have the lowest price. What tends to happen is the lowest priced offering draws the wholesalers who don’t trust the higher priced investor’s offering. Often they just ignore the offering and look for other deals. A good wholesaler knows this and will call and ask the reseller to remove it from their list. If he doesn’t call and you get a buyer, you may be surprised to get no referral fee whatsoever!

By calling and talking to the wholesaler who has the property under contract, you will probably be able to get him to allow you to re-list it at his price with \$5,000 or more as a referral fee. More importantly, you now have a contact that is a ready buyer of other deals that you may have gotten in the same way – re-listing! John met two large wholesalers who he sold properties to that I had sold to him while making a fast \$5,000 profit without trying to sell them elsewhere.

If they won’t agree to reduce their price to you, don’t worry, just try again later on another property. Be persistent and, if they aren’t jerks, they will work with you in time. One way to overcome their objection is to say, “Why not try me and whoever sells it first makes the money; if you sell first, you make the whole spread, if I sell first I make \$5,000”. That way he has no risk and will be happy to cooperate in slow markets. Get him on your side, especially if you have a problem in the future if your buyer doesn’t close. **This is why getting a higher deposit is so important!**

The biggest problem with amateur wholesalers is they don’t intend to close and will renege on the contract at the closing table – often by not showing up for the closing. This makes for major problems for the first wholesaler in the deal.

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Don't put a property under contract unless you have a buyer or, preferably, you know you will close if you have to do so. ***Your career could be damaged or even killed if you get the reputation of the investor who “doesn't close”.***

Domination Secret #2

Simultaneously, John got his contracting in place (Assignment of Contract, Land Trust, Purchase and Sale Agreement, etc.) and learned how to use Land Trusts to eliminate closing costs when transferring properties between wholesalers. Having your contracting in place is critical because you want to be able to write a contract BEFORE you start making offers and you want perspective sellers to believe you are a pro, even on your first deal. This leads to Domination Secret #3 which concerns your most important contract - Assignment of Contract and its Escrow Clause and Escrow Agreement.

Domination Secret #3

The **Assignment of Contract** is your “transfer” document to allow someone else to assume your rights to the Purchase and Sale Agreement and is absolutely necessary most of the time. If you find that only 50% of your wholesale deals are done by using an Assignment of Contract, you need to look at what you are doing more closely. This would imply that you are closing too often and paying unnecessary closing costs. I mentioned previously that the only time you should be doing a double closing is when your profit is so large you are concerned that the buyer or seller would not close.

You're not doing anything wrong, you just may be missing more profit potential; so start looking at cleaning up the property, getting larger spreads, and doing double closings. These changes in your wholesaling method should increase your spreads by 2 or 3 times (i.e. \$5,000 - \$15,000). These large spreads are easier if you find the properties yourself and create the spread. John found his own properties by “driving

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www.FSBOPowerSellingSystem.com www.MakingaBuyersList.com
www.ExcelRESoftware.com www.12PercentPlus.com

for dollars” when he went to look at other properties he wanted to re-list.

Domination Secret #4

This secret is what really separates the real pros from the wannabes. The escrow deposit is most important because you should always make a profit on every deal even if your end-buyer doesn't close! You will be collecting a larger non-refundable deposit from your buyer than you paid to your seller. The larger amount is what the market will support but it shouldn't be less that \$2,000 greater than your escrow.

If your escrow is too high, expect to have your buyer say “no” to the deposit. Don't fold in and say “O.K.” because you will, at best, waste your time and get nothing for it. Go back to the original seller and re-negotiate his deposit lower so you can't lose.

TIP #13 – the closing percentage of wholesale deals with pros as your buyers is 95% or higher. You're closing ratio with newbies is maybe 50% or less, so be ready for this and cover yourself in two ways. First, the easiest way to cover yourself is to take at least one back-up contract. If you find getting a back-up is difficult, work on getting your list larger! Secondly, and more importantly, use language in your purchase and sale agreement that **ABSOLUTELY, POSITIVELY,** insures you will get the escrow if your buyer defaults.

This is not so easily said and done, so ask your closing agent BEFORE you do any contracting what is acceptable to him to release the escrow without the buyer's WRITTEN permission.

Don't take “no” for an answer on this issue with your attorney and look for another attorney who will cooperate if you must!

Your Escrow Deposit Clause

Your Assignment or Purchase and Sale Agreement should stipulate “Escrow deposit is non-refundable if buyer is unable to close timely”.

WARNING - This does not mean that your deposit is non-refundable!

I can almost hear the screaming now that I have lost my mind and that you have gotten your escrow whenever there was not a closing. My short answer is – you shouldn't have and you were lucky.

Here's why – your contracts, either an Assignment of Contract or Purchase and Sale Agreement, are contracts that must be confirmed by a court to be considered valid if there is any dispute by either side. Your attorney or closing agent **may** send you the escrow check (I know he may have in the past!) by agreeing with you that the escrow should go to you because of the escrow clause in your contract. However, he doesn't have the legal right to do that, because he is not a judge in the judicial system.

What he can do is send the defaulting party (your buyer who didn't close) a letter stating that he is paying you the escrow in 10 days if he (the defaulting buyer) has no objection. **If he has an objection, the escrow will only be paid if both parties agree – some chance of that!**

If it hasn't happened to you, it will when the party, who believes he is entitled to have his deposit returned, sues you for

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its return. He may be wrong and you may be 100% right, but how much does a lawsuit cost? The answer is “probably much more than the escrow deposit” and his attorney knows it.

There is a simple solution. Discuss with your attorney what documentation he needs to release the escrow to you the day after the closing date if the buyer defaults – yes, the **DAY AFTER**, no extensions. Next have him draft the clause, addendum or the complete document and have the perspective buyer sign it.

It is also important that you get the escrow in your name, if possible, to have control of these funds. If the buyer won't make the check payable to you or your “Escrow Sounding Corporate Name”, have it made to your attorney who drafted your personal escrow agreement.

For those of you who don't believe it will happen to you, I warned John about this “tiny issue” and he laughed because he had done about 15 wholesale deals by then. He didn't laugh on the 17th deal when he couldn't get his escrow from his buyer who defaulted and lost his \$5,000 deposit - a loss that was easily avoidable.

His buyer threatened a lawsuit and John wimped-out and gave the deposit back to his buyer. He should have just split it and his buyer would have taken half rather than paying his attorney to fight for the other half.

I am only trying to help, so you have been warned.

Domination Secret #5

John advertised in his local newspaper “handyman property for sale” with a property that was priced at 30% - 40% of retail value and collected the names and telephone numbers of semi-motivated buyers. He built his email list to 300 within 3 months and he still runs this ad for four weeks, takes it out for two weeks and starts over again.

John used this “bait and switch” advertising tactic successfully forever and still uses it today. What he overlooked is the power of building a retail buyers list using these prospects. In the next book in this series, I will explain how “Joe” did exactly this and made almost twice what John did in the same mentoring period!

P.S. Our coaching students are given over 45 ways to find buyers so there are plenty of ways to find these elusive buyers that seem as scarce as hen’s teeth today.

Domination Secret #6

I’m going to mention this super important secret again because it is THAT IMPORTANT: Your ultimate power in real estate investing is in your email list! If you aren’t always list building, you will eventually not have anyone to pre-sell your properties to and you will start sliding back to “normality”.

As I mentioned previously, since John was on other wholesalers’ lists, occasionally one would not “BCC” the list but accidentally “CC” the list, and all his clients became John’s in an instant. This added about 1,200 more to John’s list. The more lists you get on, the more frequently this happens. ***DON’T let it happen to you*** – always “BCC” your list and “CC” only to yourself to make certain it works.

WARNING – copying someone’s email list and using it is spamming and it’s illegal under Federal law. Yes, illegal, so I suggest that if you do get someone’s email list that you re-opt in

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the entire list SLOWLY otherwise you will get a high number of spam complaints.

A “high number” in this industry that will have your email account barred is over 1 or 2 spam complaints per 1,000 emails! You may get away with it once or twice, but about the third time you will get an error message that your account is closed.

You are better off to send an email with the Subject Line of “THANKS” and include something that is an irresistible offer that the reader has to opt-in to get, hence, they become your client. An irresistible offer would be a report of value or access to your wholesale list “24 hours before the public”.

Take this seriously as it could stop your steady progress and in serious cases cost you substantial fines.

TIP #14 – If a seller gives you, or you give a seller, an “As Is” contract and the seller knows of a “Material Defect” with the property, and doesn’t disclose it, he/she will likely STILL have the liability for the defect. Don’t let the seller or his attorney tell you something different. I have seen too many cases to mention where the seller “runs” after the sale and when the house sinks in the pre-existing sink hole (just an example), and he or his attorney says, “You bought it ‘As Is’, go away!”.

The seller is sued and has to pay back all the money, PLUS even possibly lose the house as part of the fraud settlement! Don’t ever be bullied by people who you think know more than you – get angry and get your own attorney. Since fraud is involved, your attorney should be the State’s Attorney in your county because of the threat of jail time and because **he doesn’t charge** for his legal service. He may say it is a civil matter but don’t give in on your fraud charge!

“The Story of John the Wholesaler”

I was once asked to be an expert witness for an ocean-front home that sold for \$10,000,000 (cheap at the time) where the seller hadn't disclosed an extremely serious termite infestation. Instead of treating for the termites, the seller saved money and just fixed the exterior structural damage and sold the property “As Is” expecting he had left the problem behind. I can't give all the details of the law suit and settlement exactly, but the seller lost the property and paid back all the proceeds of the sale and was, last I heard, still on probation. The lesson here is the seller intentionally fixed a major defect to the property and intentionally did not disclose this defect to the buyer.

If you get a property with a defect, usually non-permitted additions are the most frequent, DISCLOSE these to your buyer so the problem doesn't come back and be very expensive later.

I once sold a 4/3 that had an illegal addition, as a 3/2 and disclosed the non-permitted addition to the buyer. I got less than FMV for what should have been a 4/3 but I knew that permitting the addition would take a long time to fix and I may have had to tear it down, all of which I disclosed to the buyer. It took four buyers before I finally closed on the property because only one was willing to take the chance on what to do with the addition.

Domination Secret #7

Do What You Say You Are Going To Do – in the world of wholesaling, your word is your bond, so if you make a mistake and renege on a deal, you will find that your reputation precedes you and may cost you deals forever.

The real estate industry is a small community and eventually you will find out just how small if you act like a jerk or lie, cheat or steal from other investors or homeowners. You won't notice it at first but you can be assured, you will hear about it later. If you are uncertain about how much a property is

“The Story of John the Wholesaler”

worth or the total rehab costs, do what John did and use the “Deal or No Deal” Software to do the evaluations. You can see it at www.ExcelRESoftware.com

Domination Secret #8

A great source of wholesale buyers for me has always been realtors who have formed a relationship with a few clients who will allow the realtor to buy properties for them and rehab and retail these properties.

Finding these realtors is as simple as calling their offices and asking for the realtor(s) who will buy “wholesale properties” for rehabbing. Don’t contact their offices by letter, but you can easily and cheaply buy an email list of every realtor in your county or state!

This list must be an opted-in or approved list so you don’t get spam complaints if you don’t send them junk. Explain your concept in person or by email of the potential of their making a commission on the sell side (5% - 6%), a property or construction management fee (15%), and OFTEN, a profit split with the buyer (80%/20%). This and eight other methods for realtors to get more fees and commissions without your having to pay them can be seen at –

www.12PercentPlus.com

Next, show them example properties that you have sold and possibly even “after” pictures from the rehabbers who bought the property. It is not a hard sell to the smart realtors; to the compliance freaks, they will immediately squeal it is “illegal”. The few realtors who do this do not spread the word because it is so lucrative.

Go on to the next one and don’t worry about it as you are just selling properties!

I hope that this booklet has given you some insight into the wonderful world of real estate investing and particularly

“The Story of John the Wholesaler”

wholesaling. It is not meant to be a complete course but rather to give you insight into the fact that anyone, especially with a little guidance and an open mind, can make a career in real estate investing.

It has been my pleasure giving you this look into the mind of a “newbie” wholesaler and I hope you use it wisely and as soon as possible. The second part of this book series will detail the power of persistence and how to “wholesale to retail” with little or no money and no risk. This student did almost twice what John did in his second year and again in one of the worst real estate markets in 30 years!

To your limitless success,

Dave Dinkel

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FriendFeed: <http://friendfeed.com/davedinkel>

If you have questions you are welcome to email me at
DaveDinkel@Yahoo.com

Here is a brief recap of software and e-books that should help your real estate investing:

www.FSBOPowerSellingSystem.com

www.MakingaBuyersList.com

www.ExcelRESoftware.com

www.12PercentPlus.com

www.CrushingtheREOMarket.com

www.StopMyForeclosureMess.com