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How to Pry a Potential Squatter Out Of a Property

This wholesale transaction has a number of lessons – see how many you can pick up on. A seller called us from a mailing and we qualified him as to motivation and how much he wanted for his property. He was asking \$45,000 but he admits the best offer from four other investors had been \$15,000. We did our research to see what we could wholesale it for and offer \$12,000, but we agree to pay some back property taxes and the usual and customary closing costs. The other investors are keying off the lowest comp in the neighborhood instead of something close to fair market value for a resale at retail.

The seller agrees to the price and terms of closing and we ask a mentoring student to look at the property because he lives close to it and for us it is a 1 1/2 hour drive. The student takes pictures and gets back to us that the property is in very good shape with a newer roof. From here on out the student is our contact person with this seller and we are splitting the deal with him. The seller agrees to a future closing date of about 30 days away.

Next, we advertised the property for \$40,000 and had 5 -6 interested parties in about 6 hours. Unfortunately, all but two were newbies that absolutely didn't know what they were talking about. In one case the investor had his attorney review our contract and make comments. Rather than say the real feelings I had for this attorney, all I will say is "if you don't do real estate closings, don't practice on us".

This attorney killed the deal for her investor and probably will for many more to come. For example, she would not allow an extension of the closing date if the closing agent couldn't get the title issues resolved timely! She wanted to issue the title policy even though she was not the closing agent and we were paying for the title policy. These unusual requests are in her best interest, not her client or us. What was she thinking? Just because she passed the Bar Examination doesn't make her experienced enough to practice law.

The one qualified call we got was from a realtor who had seen the property when it had been listed previously for 9 months with no offers and said he may have a cash buyer for \$50,000 so we sent him the contract and explained the transfer of title by land trust that we were going to do. The end-buyer was agreeable after he had his "real" attorney review the material.

Besides a title issue that we cleared up, the seller had a problem with when he could move out. He wanted to move on the last Friday of the month so we scheduled the closing of both sides of the transaction on that date. Two weeks later the seller called and said he couldn't close on the last day of the month but had to close the coming Friday (only 3 days away)! He has already taken his kids out of school and ABSOLUTELY had to move on that date. The lien search

came back that same day with a couple of surprises which we informed the seller of immediately.

The dilemma for us was that the end-buyer would be out of the country that week and couldn't close until the following week. Since this buyer lived in a foreign country we encountered the minor issue of getting a notary, but it was easily resolved using a person at the America Consulate in his city where he lived.

We explained to the seller that we were going to close but that we would withhold \$2,500 in escrow until he was physically out of the property and the appliances must stay. All seemed well but shortly thereafter the closing agent called to tell me there was a \$3,000+ water bill, a pit bull fine and other liens on the property that we didn't know about because the lien search took so long to get back – yes, it is “Team Metro” once again. The student panicked and I told him to just bring the seller to closing and we would explain the charges. With panic in his voice, he said the seller would never close because he needed a certain amount of money to leave town. I reassured the student to let us handle it and he somewhat reluctantly agreed.

All went well at the closing and the escrow was withheld as planned and the seller didn't mention the issue of the water bill and the other lien. The seller signed a Notice to Vacate and the Escrow Agreement and took away his check for approximately \$7,000. The seller said he would be out on Wednesday of the following week and we agreed to that “newest” term of the deal. The end-buyer was set to close with us on the following Friday so all moves ahead as expected.

So at the closing the seller deeded the property into a land trust we formed for this transaction. The student's wife was the trustee, not sure why she was instead of him, but it's OK. Anyway, we contacted the realtor who controlled the buyer and said we were ready to close. The buyer had a \$5,000 non-refundable deposit with his attorney but we had included our clause in his contract so we automatically got the deposit paid to us by his attorney if the end-buyer even flinched. But the buyer was out of the country and his attorney asked for a closing statement.

I put together a HUD -1 and credited his attorney with a \$500 fee from the buyer's side. I also drafted all the trust documents – Assignment of Beneficial Interest, Resignation of Trustee, Appointment of Successor Trustee, Disbursement of Proceeds, etc. Next, I sent everything to the buyer's attorney and waited to see what she didn't like or what else she needed. In a couple of hours she responded with two changes to the HUD-1 which were a \$650 fee to her instead of the \$500 fee I offered her on behalf of the buyer, and another \$50 (buyer's side) for wire charges. I made the changes, emailed her the closing package, and sent the originals overnight. We weren't coming to her closing or picking up a check as we almost always wire funds from these closings. I guess it would be more spectacular to have checks issued so we could hold them up to

say we did a deal – but who really cares? Shamelessly, I did take video of the student being handed our disbursement check as her partnership distribution.

Now for the surprise – the seller called on Monday and said he couldn't get his driver's license for another week and needed until the following Tuesday to move out. This would have been four (4) days after the buyer's closing and that wouldn't happen under our contract because it specifies "on or before" Friday. We could have asked for an extension but if the buyer wouldn't agree, we would have to refund his deposit.

Now the student was really panicked! He said we were losing the deal and I calmly explained that we were in a pickle but that it would be sweet gerkins before it was over – he doesn't appreciate the humor but called the seller back as we asked and simply said "I spoke with my partners and they said it is OK for you to take until next Tuesday, but remember if you leave after this Wednesday your \$2,500 escrow is forfeited". The seller said he would get back with the student.

No phone call came from the seller until the following Monday which is just two days before he had to leave. Seller explained that he would be out the following day and he got all his problems straightened out. In fact, the seller was out before we got to see the property on Wednesday so all was on course to close. The student is now on vacation and we were sending some last minute docs back and forth by fax and email but all went smoothly. When we saw the property it was left with trash everywhere and the appliances were still there. Sellers are good for their word – but usually only if there is money involved.

The student apologized profusely for being so nerdy and said he will trust our judgment in the future. I am always amazed when we try and do deals with newbies that know we have been in the business for over 34 years and they still disagree with us about what they believe to be true – why? There is a definite reason, and it's usually because some guru told them something different.

I strongly believe that everyone, absolutely everyone has the potential to be all they can be. Unfortunately, our personal limiting belief systems keep us trapped in a cycle of not taking the MASSIVE action that is required for true change. I think this is because students are not desperate enough to really sacrifice for change – they can always get a JOB as a safety net. Their comfort zone expands and contracts but is too elastic to allow them to escape it. Until massive action and sacrifice combined with powerful visualization are used, the student spins in a world of denial that "nothing works".

Don't look for reasons for failure or you will make them happen. We went through this same issue when we made the offer to the seller because the student didn't think the seller would take our ridiculously low offer. I'll say it again "Don't be your worst enemy looking for reasons to fail!" Looking at the reasons students fail can be summed into one word – "FEAR" As many times as they say

they are fearless they destroy their own confidence, and ability, by being uncertain (fearful) about the future.

What was the outcome of this deal? The seller was happy to get the proceeds from the sale and leave Florida. He got the proper amount of money he contracted for, both attorneys made their fees, the student completed his first deal, we made money, and the realtor has come over to the “investor side” of the real estate community.

To your limitless success,

Dave Dinkel