

9-23-2009

Just Tell Me the Truth – I Can Take It!

I got an email from a mentor student with the headline “I Got a Deal!” This isn’t uncommon, but for this student it was his first deal. Just a few days before, he had complained to me that he had made tons of offers and had no deals or even counter-offers. Whenever I hear this, I am always suspect of why other students are doing the same things and getting deals.

The last time he said he had made a ton of offers, but he had made only three. When we got over what “tons” means he didn’t come back for two weeks, but when he did, he again said he had made tons of offer with no results. After looking at his Purchase and Sale agreements for the 15 offers he actually made, I saw the problem immediately.

He hadn’t made the offers, a real estate agent made the offers on his behalf – virtually making it impossible to get these deals because the listing agent doesn’t need to have other agents bring buyers to the table. The student knew this but decided it was “easier and faster” than making the offers himself – except he forgot it would be easier to win the lotto three times in a row without buying any tickets! Hopefully for the last time, “Listing agents do not want to split an already minuscule commission on REO’s”.

But when he called this time he knew about making his own offers and how not to have to bid against every other investor in the tri-county area. Again, I asked him to come into the office and show me his worksheets. When he did I noticed that he was not following the Standard Operating Procedure (“SOP”) that is so essential to us getting REO brokers to eat out of our hands (so to speak). I asked if he had watched the special video that I made only for the mentor students and he said “Yes”. As I went into more and more details about each offer he had made, I knew he hadn’t watched the video.

I confronted him and explained why I knew he hadn’t watched the video and he relented and said he “scanned over it”. OK, so we were getting closer to the truth but it took me reviewing a couple more of his cases to spot another real problem with his offers. I told him what he had done incorrectly and he almost became confrontational and said that he had wasted all that time and I hadn’t told him what not to do – but it was in the video he hadn’t watched. So, ***“Just tell me the truth – I can take it”***.

I can guarantee that if he had continued doing what he was doing he would never have gotten an REO. What he was doing wrong was what most of the public accepts as common sense, and the public does get deals; they just aren’t great deals in the realm of today’s prices. The prices they are getting are GREAT relative to even a year ago and they are making money in many cases. However, they are leaving tens of thousands of dollars on the table for most of

their deals. If they are making money maybe \$10,000 – \$20,000 a deal it doesn't matter, but it does to us.

Anyway, the student and I are buddies again because he saw that I was closing on four REO deals that are sub-twenty thousand dollar deals that day and the following day. He says he will do better and he "gets it" as to why he was doing it wrong. He still says I didn't tell him the one thing he needed to know that would have made the difference. He is somewhat right because I may not have said it to his face because I did put it in a 1 hour and 25 minute video that specifically, and in precise detail, explained this quirk in the buying process and how to take advantage of it.

Besides his email today he also called and left a message that he had called and emailed me and he hadn't heard from me – he said "Why wasn't I calling him back?" As my students know, I monitor my emails all day long and reply within minutes if I am not in a closing or away from my desk. So I got back to him by telephone and listened while he told me that he has this deal and the listing agent isn't going to put it on the MLS® so he can bid right now and get the deal. Now I am very skeptical but go along to see what happens.

What I am repeating is hearsay from the student so I can't say for sure what the agent actually said, unfortunately the purported conversation sounds all too familiar.

So the deal looks like this - the "new" offering price is \$15,000 (yes, fifteen thousand dollars!), because the deal didn't close previously at a higher price and the Asset Manager just wanted out. The student says the agent would list it higher but would get the Asset Manager to accept the student's lower offer. The agent sent over a copy of what was to be the MLS® listing page and a description of the property and various comparables in the area which show the After Repaired Value ("ARV") to be between \$125,000 and \$145,000.

The student continued to get more and more excited as he goes into great detail of his relationship with the agent and how he has cultivated him and even asks me how he can legally pay the agent more commission than he is getting from the seller. However, I notice on the agent's description sheet the infamous words "Code Violations are Known to Exist". I explained to the student that he should call the agent and ask what these liens are because this particular city is not online and it will cost about \$175 for a lien search and take weeks.

The student replies that the agent already told him the code issues were minor and the Asset Manager would not pay any of them. I repeat that he should call the agent immediately especially when I see that the property is advertised as 3 bedrooms and one bath, but in the public record it is listed as five bedrooms and three bathrooms. I also see that the previous asking price was \$49,000 and it had a gigantic drop to \$15,000.

In about an hour I got a forwarded email from the agent with an attachment of the lien search from the previous attempted closing. I happen to have two students in my office and I explained that I needed to open this email and see what it says and that it would give them some insight into the transaction. I saw the first page and it said "page 1 of 1" so I hit the PRINT icon and returned to my conversation.

As I was talking to the students I noticed the printer just kept running and running. I looked back at a pile of paper out of the printer that just kept getting bigger and bigger. When it finally stopped there were 44 pages of code violations and liens on the property! As I scanned through them the one notice that really grabbed my attention (besides the roughly \$100,000+ in fines) was a **Demolition Order**.

So much for personal relationships with REO brokers who will "help" you get deals. This student had recently listened to some guru's newest and latest webinar/seminar that said you should "make friends with the agent". I guess this method is effective in some cases but paying the agent a Buyer's Agent Commission works better. I hope the student and the agent continue to be friends, but I also hope the student listens a little more closely to this old man with 34 years experience in doing deals. If I were the student, I would tell his personal friend the agent ***"Just tell me the truth – I can take it."***

To your limitless success,
Dave Dinkel