

I Created a Firestorm of Controversy!

Wow! After having my e-mail box filled for two days I think I need to give everyone some feedback because the responses are representative of our society in general.

The responses ran as follows:

91.2% were strongly in favor of what I said and agreed wholeheartedly. At least two investors actually had exactly the same thing happen to them and felt it was the same realtor involved.

6.4% strongly felt that I was an idiot and suggested I should use their personal services in the future so I wasn't defrauded every time I did a deal.

2.4% were accusatory of my telling the truth and that I had somehow scammed the buyer, my profit was too large, the buyer would never sign a "non-refundable" clause with the deposit, it wasn't possible that the buyer would forfeit the deposit as he had more to lose than I did, and on and on, and on and on!

So we are all on the same page to start, I didn't send out this email to brag about a profit that I earned by purchasing a property. What was not shown was that I had expenses even though I bought it for a combination of cash, subject to, and owner financing all on the same deal, assumed all the carrying costs, two closings and repair costs, market risk and paying a commission on the sale of the property. These are just a few of the monetary risks an investor takes. Many investors have fallen by the wayside doing exactly that, only because they were pursuing the American Dream of being free from their JOBS.

The accusers that the escrow method was illegal need to go back to law school because I didn't say anything about how I did the escrow in the e-mail. Perhaps they had their own escrow issues in the past and projected their work onto what they thought I was doing or not doing. I did offer them a referral to one of Broward's most prestigious law firms that does 90% of our closings and who knows what is legal and what isn't. They thought I was stupid for paying for title insurance when I didn't have to, again if it had been them doing the closing they would not have stopped me. These guys just don't get the value of relationships and that this is a small business community and "what comes around truly does go around".

After being in the real estate market since 1975, I feel that it is imperative to share my experience so future and current investors have a much easier time with their investing. I sent this e-mail as a learning experience for new or seasoned investors who want to gain knowledge to help with their future deals. I did not have to say it happened to me and saved some of the criticism about how stupid I was, but frankly I could care less about these comments. I would really love to give you the name of the realtor/mortgage broker involved to keep everyone out of trouble if you ever deal with him, but you know I

can't do that. There should be a "Wall of Shame" so unwary investors and home buyers know who not to deal with but it won't happen until it's too late.

This e-mail was not an indictment of realtors or mortgage brokers, in fact, both professions are critical to successful real estate investors and I wish both sides could bury the hatchets and look to areas where they can work together.

Unless it kills you, no mistake is fatal in real estate investing and I will continue to tell the truth about what is happening to me or my fellow investors so it helps other legitimate investors and the industry.

So here I go again -

I got a call yesterday from a new investor with her first deal. She was calling to ask a question and I asked her to tell me about the deal. It was a rehab and she was offered it at a specific price that the seller said was very good because one sold a short distance away for much more. I don't want to use the exact prices because someone will be offended at the very least.

We did the comparable sales and, more importantly, the open listings review and saw a huge disparity in her price and what was offered in the neighborhood and what the potential "real" re-sale price would be. It showed a possible very substantial loss if it had to be sold. The property was going to be, or was being rented (so much for the rehab that was just completed) and the cash flow was negative by \$100 or more per month.

I asked why she was doing the deal and she explained that there was grant money involved and she could own the property for no money in the deal. No money is good, but negative cash flow is very bad and if the value wasn't there, it didn't make sense. The investors had purchased the property 3 - 4 months previously and had a good profit in it after their rehabbing costs and carrying expenses. There is nothing wrong about their making a profit if the deal works for the buyer. As a buyer living in this property the deal may have worked, but the open listings are killers for re-sale later.

Investigating further, the comparable sale was sold by the same investors selling her the property which is always a flag in our business. The open listing showed that if she had to sell, there were other homes very close proximity to hers being offered at 30 - 40% below what she was going to pay.

I explained my concerns and issues and I understand she was going to offer the investor 20% less for the deal. I was even more concerned that the "grant" money available might only be for someone living in the property and explained that she shouldn't get involved in falsifying an application.

As in "straw buyer" mortgage scams, unscrupulous people use the credit of someone

else to finance a property at an inflated value only to default on the "straw buyer's mortgage" and having it go into foreclosure. The straw buyer gets very mad at the scammer but is quickly informed that he has been a part of the scam because he falsified the loan application to the lender when he signed that he would be living in the home - whether he knew he did it or not. The victim does have equal liability in the scam and usually just goes away with his credit ruined for years. Don't ever sign anything that is not exactly true, even if you don't do the deal, or you could face more serious problems than bad credit!

I don't know the outcome of this deal, and yes, here I go again, trying to help people. I guess it's genetic but I'll keep trying as long as I am alive and kicking.

HERE IS AN ANSWER - If you are interested in doing deals with very little or no money in them and wholesaling them for a profit with no risk, come to next Wednesday's BREIA meeting (September 3) where I will do my "Educational Hour" on Five Ways to Do Deals With Very Little or No Money" and it's legal for those who think it isn't.

We started the "Mentoring to Success" Program at BREIA specifically to train new or active investors how to do wholesale deals and get a cash flow before they start rehabbing or purchasing rental properties. The goal is to do a deal within 30 days and make money and do it again and again. If you have an interest, more info is available on the program, but it is sold out until October because we are taking a very limited number of students.

Dave Dinkel with your Wednesday Minute Follow-up

Don't forget to take a look at these important software programs:

www.ExcelRESoftware.com (Failure-proof your real estate investing)

www.RequiredFLDocs.com (Must-have disclosure documents for every Florida investor)

www.FSBOAutopilot.com (For Sale by Owner Professional selling system to sell any home in one weekend)

www.StopMyForeclosureMess.com (32 Ways to Instantly Stop Foreclosure)