

All This Happened in One Small Part of One Day

If you wonder what we do all day besides playing video poker and making brownies, here is just a very small sample of a segment of an “average” day:

Nancy and I went to look at two properties on the way to the office. They were both REOs that had 6 pictures of one, but only one picture of the other one on the MLS®. We had gotten to a point in the negotiation for the properties with the asset managers where we knew we had the deal if we wanted it.

In the pictures on the MLS® of the first property, the two bathrooms were obviously rehabbed. One bathroom had a shelf stuck in the wall where a window was originally. The second bathroom was also remodeled, or more likely, built onto the house as part of the illegal addition.

What wasn't shown in any of the pictures was the extensive ceiling damage from old leaks, mold (?) or mildew, and so much termite damage that we wondered if the termites were holding hands to hold the walls up. Was this the smell of money, no, just rotten decaying wood.

Ironically, the original oak floor in the main house was untouched by termites. Maybe it was too tough to eat? The oak floor was in such great shape that it must have been refinished sometime in the past. Well, almost in great shape - except for the two scratches that ran across the entire living room from someone dragging a kicking and fighting refrigerator out the front door.

The second property was listed as a 3 bedroom 2 bath home but turned out to be a 2/1 with two illegal additions. One was attached to the main house (it was a 1/1) and the other was free-standing that was almost the size of the main house. Couldn't see into the window and the door was nailed shut. It was illegal because the siding was not an approved material. The one picture in the MLS® was of the front of the house and no mention in the realtor's comments that the property was an illegal triplex!

It is not unusual for the pictures on the MLS® to be misleading. Maybe not intentionally, but they were definitely very different than what we saw. This problem of not putting up new pictures is especially prevalent in REOs - especially when you see the homeowner's furniture and personal belongings in the pictures. These pictures were taken when the homeowner was trying to sell before his foreclosure. Now the property could be stripped of every piece of metal in the property including the washer, dryer, dishwasher, stove and refrigerator, air handler and compressor!

The pictures that sell the property are taken by the listing agent or the investor and should be as forthcoming as possible. If the pictures mislead the perspective buyer, the buyer may not come back to that investor or listing agent for another deal. Could it be

that the agents are lazy or too busy to take new pictures? Or is it because new pictures would keep buyers from looking at the property? So it is lazy, busy or just don't care that has buyers gasp as they go into a property that essentially looks like it is in a parallel universe from Garbageville.

Next up on the daily agenda:

I meet with a lovely couple and their son. I would like their son to be the youngest investor in our program, but this hasn't happened so far. He is very capable and I hope he sticks to it. They came into our to review what was going on for them. We sit and review what they are doing to see what's not happening and why. There is always a solution as the format for the mentoring program is mathematically impossible to not do deals if they follow the program.

Frankly, it can be discouraging to go through repetitive motions and have the same thing happen all the time – nothing. We sat and talked for about a half hour before it became obvious to everyone what they had been doing wrong. There were 3 or 4 small things that seem insignificant, but were costing them deals. What always happens is the student justifies his position and why he did what he did. It may sound logical to him, but I always ask, "How's that working for you so far?" I know the answer and usually so does he at that very moment – "It's not".

But the BIGGEST short-coming of their work was that they were allowing a realtor (buyer's agent) who didn't have the listing to enter their contracts for them on REO offers. In exchange for writing the contract and working with the listing agent, this buyer's agent would split the commission with the listing agent. That's what the buyer's agent thought. The listing agent is thinking, "I'm not splitting the #: *%^&\$#% commission even if Hell freezes over!" I know what you are thinking, that the listing agent can't do this and can't do that, but they do, so get used to it!

I have stressed this issue of splitting commissions to students and the public so much that I probably have a black and blue spot on my brain. If you want someone else to do your work on submitting offers, pay them separately. If paying the \$1,000 to \$3,000+ to write a contract that takes eight minutes to write, is OK with you, CALL ME and I'll write them for you!

Next up on the day's agenda and still before noon:

When you see an investor's ad saying "Must Close by Next Friday (or a specific date)" for a property, you know if he doesn't sell it then the property will be back on the market after that date for \$5,000 - \$10,000+ less. If you follow-up with the seller you can pick up a good deal every now and then.

Next on the day's agenda:

When having an attorney draw a mortgage and note, carefully read the final documents before signing it and having it recorded. In a mortgage, the Lender is called the "Mortgagee" and the Borrower is called the "Mortgagor". This is EXACTLY backwards from all other real estate documents such as Lessee (Tenant) and Lessor (Landlord). I

mention this because we were getting ready to sign a mortgage on a property and found 5 mistakes and one wrong date that was incorrect by a whole year! Don't assume anything, otherwise it makes an "ass of u and me".

As I was proofing this the following day, I wanted to add that Nan has re-proofed the same mortgage document two more times with new mistakes each time. Seems the attorney is changing his computer system and there are problems – boy, is that ever an understatement. READ whatever you are signing BEFORE you sign it!

Next on the Day's agenda and it is only slightly after lunch:

We get a call about an upcoming closing tomorrow, and we got another "happening" to a deal that is typical of what is going on lately.

The student had gotten a short sale under contract and received bank approval for \$62,000 (not the real price). The lender's seller used the "Net Sheet" or Preliminary HUD – 1 Statement as the maximum amount they would allow the payoff to be.

What's important here is that the HUD-1 was not put together by a closing agent who also did NOT do a lien search – he just threw out what he thought the closing costs would be and submitted it to the loss mitigation representative for the bank. The problem was there was an outstanding water bill from two former owners, but it was NOT a lien listed in the public record! This means that the former title policies exempted these bills from being paid at the former closings because they weren't liens recorded in the public record. The amount was \$1,200, not a deal killer as the profit was over \$15,000 including this cost but pure profit out of the student's pocket.

What is important about this water bill issue is that it is **VERY COMMON**, and is most often overlooked by "substandard" closing agents. Actually, the former closing agent was a local law firm whose number is disconnected as they are out of business. A fitting ending is all I can say. Usually these are the closing agents chosen by the REO asset managers or some investors who pick agents that let them get away with anything.

In one instance, we had to do a mail away closing on an REO and we found the outstanding water bill (by calling the city ourselves) to be over \$4,000. Once we showed it to them, they paid it at closing, but not without a fight. Can you imagine what a surprise it would have been if we hadn't found it and when we went to get the water turned on we got handed a \$4,000+ water bill that had to be paid!

If you haven't done a mail-away closing, it is just what it sounds like – you sign the buyer's documents and send money by cashier's check or wire to an out-of-area closing agent. They assemble both sides of the closing, and forward the signed deed to the recording agent in your county and the funds to the seller with the seller's docs. Talk about not having any control, this is it! But get used to it unless you want to drive to Minnesota to close your buy side.

Back to work, or I should say getting the brownies out of the oven.

To your limitless success,
Dave Dinkel