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Sellers Going Back for More Money – Is it Wrong?

I was listening to the rants of a local wholesaler who was complaining about one of his associates “stealing” his buyers. He ranted on explaining that he had a buyer for a specific property and the seller was this local wholesaler. The wholesaler-seller went to closing and closed as he should have, but did a dry closing because the ranting wholesaler didn’t want him to meet his buyer. Later the end-buyer came to the closing and dry-closed and everyone got paid.

What the selling wholesaler did that annoyed the ranting wholesaler was he waited until he saw the new owners in his former property and he went up and introduced himself as the seller of the property. I am sure he explained he had other wholesale deals and he added these end-buyers to his mailing list.

The ranting wholesaler has for years believed that his buyers are his personal property and the only source of his livelihood. These buyers are quicker and more responsible than a general mailing list but they are all easily found in the public record – so it is open season on all of them.

I guess what really infuriated the ranting wholesaler was the fact that this same wholesaler had contacted another of his large buyers in a foreign country by mail. You can look at this in either of two ways:

1. Great tenacity on the part of the wholesaler to build his buyers list, or
2. A whining and ranting wholesaler who should take instructions from the other wholesaler as to how to find more end-buyers.

Ironically, I was personally selling this same ranting wholesaler a deal in Boca Raton a few years ago. I had purchased it for \$149,000 and closed on a Thursday. I was at the property the next day cleaning out what the seller had not taken with him. The ranting wholesaler called me to ask if I had any new deals. This method of “call the source” has gotten investors more deals that were never advertised than any other method – just a simple phone call.

I said I had just closed on the property and he could come by and see it. I asked him to come by at 2:00pm since I had a couple of wannabe investors coming by at that time to ask me some questions. At the appointed time, the wannabe investors showed up but the ranting investor was 15 minutes late. When he did get there he immediately asked who the other people were and I simply said, “They are looking to buy” – buy what I didn’t say!

The ranting investor rushed all over the property and said he would be back in 20 minutes after he checked out some comps in the neighborhood. He was actually back in 10 minutes and said he wanted it. I said I wanted \$187,500 which he agreed to. But there was a caveat – he had to rehab the property because I had promised the seller I would rehab it. Sounds silly but it was my promise to the seller – your word should be your bond. I had also met a neighbor who worked for public service television and she wanted to film the entire rehab. Since no permits had to be pulled I was good to go.

I set the closing for 15 days later and went on to another property to work on. However, I got a call from the neighbor asking why I had sold the property and I explained the buyer (ranting wholesaler) was going to do the rehab and he was capable. She then asked why the property had a "For Sale By Owner" sign in the front yard. My heart sank but I realized he was flipping it and did not respect my request that he rehab it. I called him and he explained that his partner didn't want to do the rehab and that was the reason.

When I came to the closing there were three other wholesalers there who had brought daisy-chain buyers to the table – but only one end-buyer. Each of the daisy chain buyers brought another wholesale buyer who had re-flipped the property. My ranting wholesaler had flipped the property for \$10,000, another wholesaler for another \$10,000 and a final wholesaler got yet another \$35,000 – the end-buyer was paying \$242,000 for an un-rehabbed property. It was a lakefront property with a pool and in reasonably good shape and it was rehabbed and sold just a few months later for \$355,000.

The ranting wholesaler was not a man of his word but he did make \$10,000 with no work or real effort. With some work and effort, and sticking to his word, he likely could have made the entire spread - \$355,000 - \$187,500 = \$167,500 less his expenses that I estimate would have been \$15,000. What do they say, "What goes around, comes around"?

If you are asking yourself why we didn't do the rehab ourselves, we had too many under rehab at the time and I am a strong believer of making chunks of cash without doing a lot of work. Our net on this deal was \$35,800 for a few hours work getting to closing and cleaning out 31 contractor-sized garbage bags.

In summary, don't fret that your buyers are being contacted by a seller that you made money off of, or that most advanced investors understand the power of [making a buyers list](#) and are looking for your buyers in the public record - like hungry sharks circling a wounded whale. Get out there and start hunting those whale buyers who seem to have limitless cash reserves.

To your limitless success,

Dave Dinkel

P.S. If building a buyers list has been challenging for you, take a look at <http://www.MakingaBuyersList.com>

P.P.S. We are getting very close to the last mentoring class that we will be doing. This will be Friday, January 21st and Saturday, January 22nd, 2011. If you have not yet gotten started as an investor or can't seem to get deals, check it out at <http://www.breia.com/mentoring.html>