

## WARNING - Local Grinch Tried to Steal Christmas

This does not exactly have anything to do with the holidays but we almost got taken yesterday and so could you if you are buying any REO's. We have closed on hundreds of these so don't start assuming we are novices at what I am explaining next.

We were set to send in a deposit check for an REO deal and the contract was ready to be signed. The seller's Addendum was slow in coming to us and once we got it the listing agent seemed pushy to get it signed – nothing new here. Of course the investor who brought us the deal was very eager because we had the property pre-sold.

As he always does, Bill took a close look at the Addendum and in the small print it clearly stated that the buyer had to pay any and all outstanding liens and was responsible for open code issues. We asked the listing agent if there were any and she said "none I know of". Coincidentally, we had our attorneys shadowing the deal and they called to tell us there was a code violation in excess of \$60,000 that would not be cleared at the closing by the seller (Lender's Asset Manager).

We had been told by the listing agent that there were no liens against the property and we couldn't see any in the public record since the city involved is not online. In addition, the Addendum clearly stated that the deposit amount was to be \$1,000, but the agent had told us it was \$2,000. When Bill asked why she simply stated "because she could!"

The agent admitted she knew about the amount of the violation, this is one that should have been cured by the seller at or before the closing. What would have happened if a novice investor had gotten to the closing table and not reviewed the HUD-1 Statement in advance? They would not have seen any charge or credit for the \$65,000, so all would have seemed OK. Very, very few novices review the title commitment and ask for the B-1 deletions as we do.

However, the listing agent said (now that we knew about the problem) that it was our responsibility and it came with the property. **WARNING – the listing agent would not mail the Addendum before she had a cashier's check in hand!** You see, she thought we had sent in the deposit. What a surprise when Bill said he wasn't sending it! There was a lot of hollering and shouting but the bottom line is that had we sent the deposit, we would have lost it rather than close.

Here is the point – since a number of investors have the reputation for not closing, a few listing agents have taken the approach of getting larger than necessary deposits in hand and not worrying about the investors closing. They keep the deposits (some have their own closing agents) and move on to the next investor looking to get yet another deposit. I know I'll hear about this as to why it can't happen but I had a very nice couple come in last week who were losing a \$5,000 deposit on a deal they tried to do.

The investor who brought us this deal was not a mentor student. We have what we call a "Wall of Shame" of investors and realtors who have acted unprofessionally or outright tried to defraud us or our students. So we don't get everyone suing us, we do not publish the list. This investor was using one of these realtors and we warned him way ahead of time. He didn't listen and the result was exactly as we expected. I guess we were lulled into a sense of "it'll be OK this time" and it wasn't!

**If you intend to stay in this business, read your REO Addendums very, very carefully and whatever the Addendum says, it overrides your contract clauses and it will happen – that's why it is in writing! Do your homework because the "factory" closing agents for the REO sellers are not on your side – they are the enemy. P.S. – These people believe that investors are the enemy, but who are the only people buying all their mistakes?**

To your limitless success,

Dave Dinkel