

What is the Secret of Direct Mail for Real Estate?

I get asked this question all the time and the answer requires some explanation. Direct mail accounts for somewhere between 25% and 55% of all deals completed in real estate purchases. The wide range is because different investors prospect differently, and looking at our own results, direct mail only accounted for 7% of our deals. This is because we don't do as much direct mail as other investors.

Some investors only want sellers to call them, others don't care as long as they get the deal, and there is a third small group that doesn't care at all if the seller calls them except to return their phone call. These hardy souls who are not afraid of rejection, hang-ups or the "no call" list, are the telemarketers of the real estate industry and often are some of the most successful.

Let's first define who the direct mail pieces are going to and why. The property owners who receive this mail are "believed" by the sender (investor) to be individuals who want to sell their homes or multi-family properties and that they have equity in their property. While the investor can't determine motivation without talking to the seller, he assumes because of a stereotype of the seller that he should be motivated. This assumption may not even be close to the truth at the time of his mailings.

Four of the more seemingly motivated categories are:

1. out-of-area owners
2. pre-foreclosures
3. probates
4. divorce

How many of the above individuals in these categories are truly motivated? For any given time in any given area the number could be a few to many. For example, for out-of area owners and probates, at least some are interested in selling. However, all that are in pre-foreclosure, and many in divorce are motivated to sell. That sounds good, but how many are actually ready to make a move when your mailing piece gets to the property? The actual number may never be known and the investor who is trying to guess can mentally and emotionally hurt himself and not get the desired result. Is it all a random chance of luck, or what should an investor do in each of the above cases? Assuming each prospect has equity (this can and should be checked before the mailing) and they are going to sell sometime in the next 3 months, here are some thoughts on the possible mailing sequences.

1. Out-of-area owners for example are assumed to be dealing with a rental property, second home, probate or essentially a **nuisance** that they want to get rid of. Actually this is the case only a small fraction of the time. They have been dealing with the issues for

some time and usually want an unrealistic price for their property. But if you are not going to call them and see if they want to sell in the first place, the number of mail pieces you will probably need to get their attention is 5 – 8. These can be a mixture of letters and postcards mailed on a 2 - 3 week time span between each mailing piece. If you actually have reason to believe they are motivated, mail the sequence 7- 10 days apart.

2. Pre-foreclosures are motivated sellers if they have equity. They may not have equity but be motivated to do a short sale if they understand how long they can stay in their property if they try a short sale. In some non-judicial states, the foreclosure process only takes 30 days, not the 6 months to a year that we see in judicial states. In non-judicial states the mailing sequence should be every other day and in judicial states, every fourth to fifth day.

My personal experience is not to use a series of mailers each referring to the last one. If the homeowner was offended by an earlier letter (“Why aren’t you responding to me?”), your referencing it will not help in a later mailing and usually the homeowner isn’t even aware of your previous mail pieces.

3. Probates are somewhat in a world of their own since the courts decide what is done and when. A proactive personal representative can get the process moving but certain waiting periods must be observed. There are exemptions, but in most states if the sole asset of the estate is the personal residence of the deceased, there is special consideration for exempting the homesteaded property from creditors and the property can be sold quickly. The judge assigned the probate must approve the sale and he may call for an appraisal – always be prepared to justify your price with comparables and repair costs or you could lose a great deal.

Mail pieces to personal representatives are the proverbial hurry up and wait! You get the court announcement of the filing and you start mailing along with every other investor. The grieving beneficiary has a mourning period and a lot of the initial mail goes into the trash. We have always put their names in a tickler system and started working on them in 30 days. If you are going to mail to the personal reps, and no matter when you start - they usually require 5 – 7 letters and/or postcards spaced 2 weeks apart.

4. Divorces are seldom amiable; they are usually two people at war who have lost all sense of reason. Like it or not, you will unwittingly take sides – usually by gender. Be prepared for this and pick the power player if you can – 80% of the time the wife,

20% the man. This is another hurry up and wait scenario once again. You somewhere must speak to your counterpart in the divorce and find out what the solution is going to be as directed by the court or an agreement of the spouses. Usually the property is put in the hands of a realtor® or the spouse wants to remain in the property and works out a settlement. As with the probates, these can be long and drawn out with no happy conclusion. Mail in intervals of 3 weeks for 7 to 9 weeks.

On any of the above mailing campaigns, if you get no response after you complete your sequence, call the recipient and ask “Did you get my letter?” and after some small talk, “Do you want to sell?” I know, I know, I hear it already, “I can’t get them on the phone they are hiding from the bank (husband, creditors, etc.) and they won’t answer!” Of course they’re hiding, can you blame them? Now is the time to be creative and leave a message that will make them want to talk to you. Everyone wants to buy their property, so what is so special about you? Answer this question and you will become wealthy in real estate investing. If you can’t answer it, you may want to look at doing REOs instead.

While the price the seller wants to get is important to him, it may not matter in the bigger picture. For example, if he has a deadline to sell before the foreclosure sale, any equity is better than what he will receive if the property goes to the auction (unless there is overage at the sale). If he has equity that can be retrieved if you buy his property before the sale, he will get more and more motivated as he gets closer to the actual sale date.

What about the silver-bullet mailing piece that converts, in a single reading, a homeowner into a murky brained, non-thinking seller pleading with you to buy his property? Well, it doesn’t exist, but I will say from experience that the better letters that we have gotten responses on were on the vein of – “Attack the competition” – let the seller know what is coming from other investors, exactly what to be on the lookout for and all the while building credibility and trust with what you can do. And what do you think happens? The other investors did exactly as you said they would and you get the deal – almost as if it were scripted (it was)!

In summary, if you have problems figuring out how to write direct mail pieces or what to say to prospects, call the advertisements and opt-in to other investors websites to get the skinny on what they are doing – and do the same thing! You don’t have to reinvent the wheel to be very successful. Put yourself in the mental mindset of the prospect you are contacting, but stay focused on the fact that you will have to talk to them to do the deal eventually – so why not sooner?

To your limitless success,

Dave Dinkel