

The Story of “John”

or

*“How a Novice Investor
Earned \$275,570 in His
First Year of Investing
and
in the Worst Real Estate
Market in 70 Years!”*

An Unauthorized Biography

By Dave Dinkel

*“Now is the Time to Live Your Dreams by
Facing and Overcoming Your Fears, because
the Only Thing Stopping you - is You”*

While this text and its contents are copyrighted, please feel free to pass it along to friends or a potential partner who you want to come into the business. It can not be modified or changed in any form or fashion or additional text added or subtracted.

DEDICATION

Every life is precious and no matter how rich, famous or unknown we are we should choose to live our lives to the fullest while we are able to do so.

October, 2008 became a turning point in my life and my wife, Nancy, of 45 years. I remember seeing "Breast Cancer Awareness Month" all over the TV and radio but never imagined that this insidious disease would find its way into our lives.

The life-changing events started by chance when a rescue puppy we have jumped into bed with us and put his paw on Nancy's breast. She felt a pain and a lump she had not previously felt. Unknowingly, Nancy immediately joined the ranks of over 180,000 women who annually find they have breast cancer. Even with the medical gains made against the disease, over 40,000 die each year.

As I write this, we are working our way into the medical system and know that God's will is going to prevail.

Without Nancy for the past 45 years, I am not sure what I would have done with myself or more accurately, to myself. Nancy has been there to support me in every way and has truly gone more than the "extra mile" in our marriage.

Therefore, this book is dedicated to all women who have, or will fight the battle with breast cancer and to Nancy's courage and ongoing fight for her own life.

Dave Dinkel

DISCLAIMER

The Author is not an attorney, CPA, or a Realtor® and any information derived or found in this material is NOT to be construed as legal or accounting advice. See an Attorney or CPA if you have any questions about statements in this material before you take any legal or accounting action on your own. The Author's comments about Realtors®, Real Estate Investors, Attorneys, and any other professions mentioned in this book are not meant to be any indictment of character or generalization about any group or any individuals. The Author believes any and all statements in this material are true to the best of his knowledge. For no specific reason, other than to save space, we have used the male gender (his, he) in all places where the female gender (her, she) would fit equally as well.

Limits of Liability and Disclaimer of Warranty: The author and publisher of this material have used their best efforts in preparing this information. Dave Dinkel, United Homeowners, Inc., and/or Heritage Realty Services, Inc. make no representation or warranties with respect to the accuracy, applicability, or completeness of this material and its contents. They disclaim any warranties either expressed or implied, merchantability, or fitness for any reason or particular purpose. The author, publisher, and the above mentioned companies shall in no event be held liable for any loss or other damages, including but not limited to special, incidental, consequential, or other damages. The advice of competent legal and tax or accounting professionals should be sought if the purchaser has any questions what-so-ever.

This Material contains information which is protected under Federal and International Copyright Laws and Treaties. Any unauthorized use of this material will result in severe civil and criminal penalties. Violating parties will be prosecuted to the fullest extent of the law. All rights reserved. Every effort has been made to present this product or service rendered accurately and its potential for income to you. Examples in these materials are not to be interpreted as a promise or guarantee of earnings. Earnings potential is entirely dependent on the person using this product, ideas and prospecting techniques.

Any and all claims or representations made in this Program or any of our related websites should be considered as exceptional by talented people who actually use the information we provide, and not the average result of anyone who buys or uses the program. Any lack of results, would especially apply to those individuals who buy or use the product but do not read the information we supply; or do not use the information we provide in the manner we prescribe; or anyone who doesn't follow directions; or follows these directions only partially.

Your level of success in attaining the results claimed in our materials depends on the time you devote to the program; ideas and techniques mentioned herein and supplied at later times; your own personal finances; your own knowledge; and your various personal skills. Since these factors differ from individual to individual, WE CANNOT GUARANTEE YOUR SUCCESS OR INCOME LEVEL, NOR ARE WE RESPONSIBLE FOR ANY OF YOUR ACTIONS. Users of this product and any of our other services or websites are advised to do their own due diligence when making any business decisions and all information, products, referrals to vendors, and services that have been provided should be independently verified by your own qualified professionals. Material in our products and on our websites may contain information that includes or is based upon forward-looking statements within the meaning of the Securities Litigation Reform Act of 1995. Forward-looking statements give our expectations or forecasts of future events. You can identify these statements by the fact that they do not relate strictly to historical or current facts. They use words such as "anticipate", "project", "intend", "plan", "believe" and any other words or terms of similar meaning in connection with a description of potential earnings or financial performance.

Any and all forward looking statements here, on any of our sales material or websites, are intended to express our opinion and not earnings potential for individuals who purchase our Program. Any testimonials in this document or on our websites represent the unique experiences of talented individuals and do not indicate you will even accomplish similar results. Many factors will be important in determining your actual results and no guarantees are made that you will achieve results similar to ours or anybody else's.

IN FACT, NO GUARANTEES ARE MADE THAT YOU WILL ACHIEVE ANY RESULTS FROM OUR IDEAS OR THE TECHNIQUES MENTIONED IN OUR MATERIAL OR ON OUR WEBSITES.

© 2008 Heritage Realty Services, Inc.

- 3 -

www.ExcelRESoftware.com, www.FSBOPowerSellingSystem.com,
www.RequiredFLDocs.com, DaveDinkel@Gmail.com

The "Story of John"

Table of Contents

TOPIC	Page
Dedication	2
Disclaimer	3
Table of Contents	4
Preface	6
Introduction	7
Hint #1	8
Overcoming the Most Common Fears of Investing	9
What if You Want to Buy and Rent?	11
Hint #2	12
How John's Story Began	13
Hint #3	14
Our Ever-Changing Real Estate Market	15
Hint #4	16
Hint #5	17
Hint #6	18
Hint #7	19
Getting Started	20
Hint #8	22
Life Cycle of a Deal Diagram	22
Part 1 – Getting Started	23
Part 2 – Finding the Deals – Power Prospecting	25
Wholesaling Etiquette	28
Huge, Huge Hint #9	28
Careful – Think Again About Short Sales	31
Part 3 – Qualifying Motivated Sellers	32
Part 4 – Determining if it is a "Deal or No Deal"	34
"Deal or No Deal" Software Overview	35
"Expense Tracker" Software Overview	37
"ARV Calculator" Software Overview	38

The "Story of John"

Table of Contents - continued

TOPIC	Page
Part 4 – Determining if it is a "Deal or No Deal"	34
"Deal or No Deal" Software Overview	35
"Expense Tracker" Software Overview	37
"ARV Calculator" Software Overview	38
Part 5 – Structure the Deal	40
Part 6 – Presentation to Seller	43
Hint #10	45
Part 7 – Contracting and Closing	45
Assignment of Contract	46
Part 8 – Exit Strategies	48
"Nut-shell Summary of What I Had John Do"	49
Hint #11	50
Hint #12	50
Domination Secret #1	52
Domination Secret #2	53
Domination Secret #3	54
Domination Secret #4	55
Insider Secret	55
Your Escrow Agreement	55
Domination Secret #5	57
Domination Secret #6	58
WARNING	58
Domination Secret #7	58
HUGE TIP	59
Domination Secret #8	60
"To Your Limitless Success"	61

Preface

This text is the first of a two-part series. The second book describes the life and times of another “newbie” investor and mentor student that earned over \$587,943 his first full year in the business. Impossible as it sounds, it happened and personally speaking, he was one of my more successful students, not because of the amount of money he made but because he followed my instructions to the letter. He did not say some of my ideas were “crazy” and couldn’t work like many students. I believe these “nay-sayers” do this because unconsciously they want to keep themselves from being successful. Joe just did as I said, gave me feedback, made changes and proceeded on. The rest is history as they say.

“The Story of Joe” (another unauthorized biography) goes into detail about how he made money in the worst market in seventy years with no money into deals. No risk of capital loss and almost all the time selling properties to retail buyers. He didn’t believe it could be done at first so I actually partnered on deals with him and the actual results can be seen on videos I produced. Actual house sales in a real estate market described as “Trying to catch a falling knife”. We sold properties at the same or higher prices that realtors had them listed for as much as seven months with no offers. We got and sold these properties to retail buyers one to two weeks after we got control of them – using options, partnership agreements, owner financing, subject to financing and sometimes a little cash for repairs.

Complete this text first and see how this method of making money in real estate fits you because a combination of both methods of buying or controlling properties, will allow you to rule your area and be called an “Investor King”.

Be forewarned that the techniques you will be exposed to are tried and proven to produce huge profits. But they are worthless if you don’t take the imitative to GET STARTED as soon as possible. **Every hour and every day you wait costs you money - so get started NOW!**

© 2008 Heritage Realty Services, Inc.

- 6 -

www.ExcelRESoftware.com, www.FSBOPowerSellingSystem.com,
www.RequiredFLDocs.com, DaveDinkel@Gmail.com

Introduction

By way of introduction, I have been a real estate investor since 1975 and mostly rehabbed except for an occasional wholesale deal when I had too many properties to work on myself. At one time I even had three "crews" working in my tri-county area doing rehabs on properties that were found by advertising or purchased from full-time wholesalers.

The process worked O.K. but the net profits per property that resulted were not worth the effort and the financial risk I took for the potential injuries of workers doing the rehabs. So in about 2000, we made the decision to cut back substantially on the number of properties that we rehabbed and to do the work ourselves. In this case "ourselves" meant me, my wife and our daughters and one son-in-law. The change from having the work done by paid crews to doing it ourselves made our average profit per property go from \$5,000 - \$10,000 to over \$62,534. Some of the increase was because of a rising market, but much was from the "savings" on paying outside labor and the much better quality of the rehabs we did, resulting in higher sales prices.

I had always been helpful and giving to other investors and was considered a source of information for many of the people I met at local REIA's (Real Estate Investment Associations). We often had "newbies" come over and see what we did to work on properties and I spent time with them showing them the tricks and techniques that had taken us years to learn.

Whenever we would put more houses under contract than we could comfortably rehab, we would wholesale these properties to other investors – many of whom I had met at the local REIA's.

The following "hint" and all the ones to follow may seem fairly obvious, but in actuality most investors don't realize their importance or power to make money!

HINT #1 - Local REIA's are a wonderful source of information and contacts that will shorten your learning curve to success and should help keep you out of trouble. But as with anything in life, always remember the slogan "Buyer Beware" because some club members prey on unsuspecting and trusting "newbies" - not all may seem as it appears so be careful out there.

Somewhere in the early 2000's I started selling a first-time investor or "newbie" a series of wholesale houses. His goal was to fix these into viable rentals, sit on the income, and look to retire when the renters had paid the mortgages off and they could be sold. At this time in our market place, the deals were fairly easy to find and they actually cash flowed as rentals. However, all this would change dramatically in the next few years.

This "buy-rent-retire" strategy was nothing new and has been taught forever by real estate gurus. I, on the other hand, have avoided rentals all together because of the tenant/landlord relationship issues (at least in my mind) and the fact I have never seen a landlord last a long time in the business. I am not saying rentals don't work and I am positive there are probably tons of them out there - but it's not in my nature to work with tenants. The properties I wholesaled were single family homes (SFH's) with various amounts of repairs needed - some needed complete rehabs and many just cosmetic repairs (patch and paint for 1 -2 weeks).

My other personal logic as to why I didn't want tenants was the amount of monthly or annual "net" rent to be made was extremely small compared to the profits to be made rehabbing and selling the properties retail. For

example, assume you are able to get a \$500/month net cash flow (a very good amount). I could rehab and sell the same property for a \$60,000 profit - or about 10 years of rent income and not have to worry with potentially unruly tenants. Also, I don't have the extended liability of tenants in my properties; however, I am only as good as my next property's sale. However, your next sale is just around the corner as you will find out later - should you choose to be there.

I love real estate because it is what I call a "renewable resource". I mean this in the sense that someone is always moving, dying, divorcing, transferring jobs, and any number of other reasons that make for motivated sellers. And frankly, once you control the secrets of how to analyze the costs of repairs and the costs of carrying and closing on a property, you **CONTROL** your own destiny - because finding the properties to buy is actually very simple!

Overcoming the Most Common Fears of Investing

For the past 10 years I have mentored students in between doing my own business of rehabbing and wholesaling. The most common thing they were afraid of is losing money. They seem to have two actual fears of losing massive capital when selling a property by over-rehabbing and not getting their money out, or more often of setting on a property and not being able to sell it! This latter fear of slowly draining their capital or "bleeding" is especially prevalent in this current market.

Because I got so many questions about the issue of repairs costs and combined with the fact that I couldn't go to see every property, I actually took the time to write an Excel® program to eliminate this problem (or maybe and more aptly, this EXCUSE). The computer program actually has three separate programs, the first of which accurately

calculates the repair costs, closing and carrying costs of any property instantly. It does not require you measure every room in the property or know anything about electrical, plumbing or carpentry and it gives you two repair costs – one as Do-it-Yourself (“DIY”) project and the other as a contractor’s bid.

The final repair costs are so accurate that many handymen use it to bid jobs as contractors would. But the program addresses the next issue of newbies, that being what offer to make to the perspective seller. Remember I said it also calculates the carrying, closing, and financing costs? It does these instantly and includes the repair costs to determine what offer to make to the seller. At the same time it gives the investor a print-out to show to the seller for his closing presentation. All this time the program is using this data to determine a profit and loss calculation to make sure the investor makes a profit!

I didn’t stop there because the next problem that investors have with rehabs, wholesaling or retailing is knowing where they are in the actual “profit picture”. The program I wrote that I call “Deal or No Deal” gives the user an accurate picture of where your repair costs should be at any time.

But in reality, the investor should always be calculating his actual expenses and costs for tax purposes and budget control. So I went ahead and wrote a second program called “Expense Tracker”. This program does a daily calculation to determine your profit/loss every time you enter receipts for everything from labor to material costs. I have seen too many investors “assume” they were making a profit until the grim reality set in at the closing table when they finally realized they didn’t get their original investment and expenses back. It doesn’t have to happen to anyone if they just take ten minutes a day and enter receipts in this program that will then give you a “forward view” of the anticipated profit or loss.

The third part of the software program shows you in precise detail how to determine the "REAL value" of the property you are going to buy, or even more importantly, that you will have to sell. Simple appraisals are worthless in these markets and Broker's Price Opinions ("BPO's") are tainted by the realtor looking to "buy your listing". So this program shows you how to know exactly where to price your property to get the maximum value – and it is not the lowest price in the neighborhood. **I took the time to tell you about this software because it was critical in the success of the newbie investor we are about to discuss.**

This software tool makes your real estate investing "Failure Proof" if you use it on every deal. You can see the software and what it will do at the end of this text and at www.ExcelRESoftware.com

What if You Want to Buy and Rent?

The real estate market has changed so much in just the past few years (after December 2006) that rental properties are starting to become very attractive as cash flowing vehicles once again. However, in our area of the country, real estate taxes have become so inordinately high that cash flowing decent incomes per property (\$400 - \$750+/month) is still tough, but it is not impossible.

If you are determined you want to buy and rent, following may be the best way to do it. Having said that, if I was younger (I'm 64 now), I would start doing SFH rentals and mix in wholesale deals as the "perfect" retirement plan. For example if you buy a rental property for \$75,000 and finance 85% or \$63,750 you will have a mortgage payment at 8% or about \$468/month. Let's assume in our area this property will rent for \$900/month and taxes and insurance are \$400 a month. In essence this is a break-even because of the high taxes and insurance costs. However, if you wholesale three deals at only

\$10,000 per deal, pay the income taxes on this money (net \$20,000), and put the rest into paying down your mortgage, your mortgage payment could be reduced to \$321/month or the time on your mortgage would be reduced by 1/3 or 10 years! With just a few more deals (6 – 8) you will have no mortgage and the only expense will be taxes and insurance, maintenance and upkeep, etc. You now have a cash flow of approximately \$500/month or \$6,000/year on a \$73,500 investment or an 8.16% net return – pre-tax.

I prefer to only buy to sell either wholesale or to a retail buyer. So let's say I make \$10,000 on the \$73,500, I would make 13.6% on that money in a few months or less. But what if I wholesaled the property for \$10,000 and didn't put up but \$10? My return would be 1000%! **I love wholesaling because of the leverage, little or no risk, and the small amount of money required to be successful.**

Remember that rental properties trade ONLY on the net income to the owner. Don't get caught up in the "future value" of increasing the rents or what the seller thinks you should be able to rent and sell it for in later years. There is only one question that needs to be answered – "Does it make money at the price I am paying for it now, and how much is the net return on my investment?"

HINT #2 - The process would look like this – buy one SFH rental, rehab it and rent it, do 3 – 5 wholesale deals and use the after-tax dollars to pay down the mortgage on the rental property. This is the secret to having huge cash flows in rental units – little or no mortgage to pay off and saving hundreds of thousands of dollars in interest costs. You can get an equity line against the properties later if you need cash for some other purpose. It may sound simple, and it actually is just that simple. Too often we over-think a situation and lose a great opportunity in life.

The one constant in real estate and in life, is CHANGE. The world, and your personal environment, is constantly changing. Learn to adapt to the change or eventually you will become cast in stone – your own “headstone”!

Don't be concerned with being so “right” every time that you overlook the fact you are standing in quicksand and sinking fast! Quicksand is a kin to your “JOB” (Just Over Broke) and possibly your routine daily life. There is no longer any security in the old saying “job security”.

One great example is all the investors, both professional and amateur, who couldn't believe the real estate market could decline. They eventually took huge financial losses and many went bankrupt. Even many hard money lenders didn't follow the simplest stock market trader's secret –

“Your first loss is the smallest one!”

How John's Story Began

John (not his real name), got into real estate investing when he quit his full-time job and started rehabbing. He didn't understand how to find and buy properties so he purchased them from local wholesalers. I occasionally sold him properties that I couldn't rehab myself because I had too many at the time.

He bought his first two properties from me within three months and had them rehabbed and rented within a few weeks of his purchases. I looked at his rehab and felt it was pretty good for a first timer. I later learned he had an experienced construction worker do most of the laborious work and detailed work.

Over time, I sold John eight wholesale properties that initially he turned into rental SFH's. He had been in touch with me on an almost daily basis to ask mentoring-type questions and in hopes of splitting deals with me or getting a good deal as soon as I found one.

HINT # 3 – When you are interested in buying a property from a wholesaler, contact him every 1 – 2 days to see what he gets because if it is a good deal it will be sold quickly!

John had turned his attention from renting properties to selling them retail because of rising property taxes and windstorm insurance that resulted in smaller and smaller net cash flow on his rentals. Eventually he sold all his rentals (about 10) to retail buyers.

His marketing abilities were not very good, but frankly, it didn't matter because of the rapid rise in the real estate market in our area. Almost anything sold within a few days to a few weeks because buyers could get financing with "funny money" loans. There was a joke about "if the borrower could fog a mirror he will be accepted".

Unfortunately, this bad joke wasn't any longer a joke when the lenders indiscretions resulted in the Subprime Crisis and the horrific collapse of the very fabric of our economy and the banking system. **We will all pay for this foolhardiness for many years to come.**

However, as the market started to decline in the late part of 2006 and the early part of 2007, these "easy" buyers disappeared because they could not get the financing needed. This situation only got worse as we proceeded into 2008. **The issue of finding buyers is the second greatest fear of investors.** If it isn't a fear for you, it should be because of "vampire" carrying costs and fluctuating market values.

To eliminate this fear for my mentoring students and other investors I put together a Marketing System called the FSBO Power Selling System™, you can see it at www.FSBOPowerSellingSystem.com

For the previous 15 years, I had used it successfully to sell my houses in just one weekend and as the markets got in trouble it would sometimes take two weekends. There is no secret it was the first round-robin auction system that was published by and for investors. Many others “gurus” have since jumped on the bandwagon proclaiming they discovered the round-robin auction system. In fact, they weren’t even investing when my system was drawing buyers like bees to honey. My system includes 30 other marketing techniques besides the round-robin auction to make sure the property is sold very quickly.

The truly enormous value of the FSBO Power Selling System™ is not that it sells properties so fast. In fact, it’s more powerful aspect is to build you, the seller, a gigantic buyers’ list! **As you will see later in this text, the most powerful tool you have is your buyers’ list and this program does it for you.**

Our Ever-Changing Real Estate Market

In the fall of 2006, John called me and asked what turned out to be a life-changing question for him. The question was “I think the market is going down and I don’t want to rehab and retail properties any more. What should I do?” He went on to say that he wanted to do “risk-free” transactions and didn’t want to use any of his hard-earned profits from the previous few years. He was looking at other rehabbers wallowing in too many properties with too few buyers and was terrified he would be next. Ironically,

he would have been right if he had continued doing what he had done in the past.

John had purchased a total of eight properties from me, five of these properties he rehabbed and sold retail. He had done very well with them averaging about \$53,000 net after expenses per deal. I had made an average of \$31,000 per sale to him so we were both very satisfied with our deals together. So that sinks in to your reasoning, John had personally paid me over \$225,000 for the privilege of buying homes from me. **If he wasn't happy about what my spreads on the sales, he wouldn't have bought them from me – it's just that simple.** He didn't give away money and neither did I.

I will explain how I made so much money on these deals later because it isn't any harder than making \$5,000 on the same wholesale deal once you learn certain techniques of wholesaling. John did a very nice job of rehabbing and was most proficient at adding bathrooms and bedrooms to existing properties without enlarging the house. He never pulled permits and was never caught by Code Enforcement, but that is a personal choice you will have **IF YOU REHAB**. For this e-booklet, we are only discussing wholesaling to reduce risk and provide substantial cash flows.

There are few rehabbers whose finished houses I like because I am so meticulous about how my final rehabs come out and the personal service I give my buyers.

HINT #4 - In fact, one of my selling features to retail buyers is my personal three week guarantee to fix anything that goes wrong in their new property. I explain that I will repair or replace anything that I rehabbed in the property, but not items that are broken from normal "wear and tear".

I only ever had one call-back from a buyer which was for a light switch that seemingly didn't work, until I explained to the new owner that it controlled a socket for a light to be turned off and on from the wall switch. This call-back made (or saved) me over \$3,000, because the owner had taken out all the new carpeting I had installed when she tiled the floor for allergy reasons. She asked me if I wanted the "old", but brand new carpet that was in the garage and I said "Yes". I installed it in another house within the week! **Good deeds do get rewarded!**

So John wanted to take it easy and let the money he had made over the past five years stay in the bank and not "risk" it in what he felt was going to be a down market. He knew that I had always wholesaled about 2/3 of the houses I bought and I told him I was going to be wholesaling exclusively in the near future for two specific reasons.

First, I thought the market would decline much more severely than even he imagined and I didn't want to be holding properties that I couldn't sell because their prices were falling too fast.

Secondly, because I had decided to start doing deals using very little or no cash to reduce my market risk to zero and increase my leverage. For 25+ years of my investing career I had used cash or conventional financing to buy properties.

HINT #5 -Using cash to buy properties got me deals when I was in competition with other investors for the same properties where they only offered creative financing. I could really close in 10 days like I said I could and I got the deals hands-down over the investors who couldn't flip these same properties before closing.

What I learned later was that I could overcome the cash offers by creatively "solving the seller's problems" and using what I called my Credibility Kit. The combination of

the "smart offers" and my personal credibility got me many, many deals, and often at below other investors' offers!

However, I got intrigued by the no-money deals about ten years ago and used this method on my wholesale deals exclusively, but initially not on my rehabs. At one time I had three construction crews in my tri-county area doing rehabs in two to three weeks per house and flipping them retail. I was netting \$10,000 per deal while my employees were getting paid three to four times this amount with no monetary risk at all. I decided I was tired of babysitting these guys and gals, and moved on without them – **HINT** - this is a lesson worth listening to.

As I learned various no-money techniques, I found I could buy and rehab properties with little or no money just like when I was wholesaling. In these cases I used options and partnership agreements with the homeowners to control the property while not having to put any money in them except for rehab costs.

Hint #6 - As you will find out, no matter how much money anyone has, somewhere in their investing career they need more money. I found that doing full cash deals limited me to about 5 – 10 properties at a time. Doing no-money deals allowed me to contract for an almost unlimited number of properties and with much less risk than actually buying them for cash.

So I carefully explained to John about full-time wholesaling and the benefits and the "issues" he was going to face. He was fascinated and this started an odyssey of taking him from virtually "ground zero" to his becoming one of the better wholesalers in our county.

I have to say that almost anyone reading this e-booklet could have done the same or better with the proper

coaching. John didn't have the technical savvy to do the contracting aspects of the deals, but he was a willing learner (1), especially after he made his first \$10,000 and never saw the property he wholesaled, and I was a willing teacher (2) since John had paid me well for the deals I sold him. These two aspects of investing, making money and having a mentor, made for a "perfect storm" in his investing career.

Since John had never bought a real estate course (believe it or not), he was really a novice, even after having bought, rehabbed, or kept for rentals, over 20 properties. So "training" him was like working with a newbie. You should also understand that having him find properties was also adding a "bird dog" to my pack, so it was beneficial to us both. He was a very highly paid birddog, but none-the-less a birddog for me in the beginning because he didn't have buyers for his deals and I did.

So I took John under my wing and in between my personal marketing, wholesaling and selling properties, John would call me and ask questions incessantly.

HINT #7 - You see, John knew that "things" aren't perfect in the real world and he pushed into the wholesaling game because he believed he could do it. After all, what did he have to lose if he didn't put any money into a deal? If you believe there is a perfect system that automates your buying and selling properties, you have fallen for the "hype" of the minute.

As I said to a perspective mentoring student just last week, real estate investing is simple with a mentor, but it still requires **HARD WORK**. The saying "The harder you work the luckier you get" has never been truer.

I am mentioning this next “personality trait” about John for a reason as you will see later - “John is a cheapskate!”

John was not even willing to update his computer so he was working in Word Perfect and couldn't open documents in Word! Secondly, his computer was six+ years old and he wouldn't even get a separate line for his fax machine that printed on thermal paper. So if he was getting a fax, he couldn't be on his telephone line because he had a dial-up internet connection. This later came back to haunt him as his email list management became a handicap for some months before he broke down and got a high-speed connection.

If you called him to send a fax, he had to turn the fax on and half the time it didn't work. His computer's printer was a dot-matrix that took an eternity to print documents so John made copies of the original contracts and filled them in by hand. His office was a small bedroom, with a small desk and his computer, printer and fax that were in the closet. I think he is what would be called a “minimalist”. I mention all this because I am trying to show you don't need huge sums of money to get into the wholesaling business. **However, this did restrict his ability to do business later on and probably cost him sales in excess of what he made for the year.**

Getting Started

John called me one day and asked his usual technical question after a few months wholesaling and mentioned he was very uncomfortable. I asked why and he said he had a business suit on for the first time in many years. He proceeded to tell me he was showing a property selling for \$8,000,000 that he had under contract with a partnership agreement and had perspective buyers looking at it. His assignment fee for this property would be \$250,000 if he

was able to get a buyer. His highest priced house he wholesaled prior to this was \$270,000 and his largest single profit was \$31,000. His average net profit was \$16,210 when all was said and done for his first year on 17 deals or almost one and one half (1 ½) deals per month.

I mention this business suit issue because it was out of John's comfort zone and that's where many "wannabe" investors can't get over the "tipping point" that takes them a success or they can't even get started. So with John it wasn't that easy until he saw checks coming in and then things changed.

Unfortunately, a very negative influence that has killed tens of thousands of perspective investors' success is the well-meaning outsider who only has negative input into an otherwise open minded investor. I am not discriminating against any particular group but increasingly I hear real estate agents telling investors what they do is illegal and that "it can't be that easy unless it is illegal". Just yesterday I had a real estate agent almost kill a deal because she proclaimed that a foreclosure proceeding would cost the investor \$50,000 to get the house back if the owner defaulted on his seller financing.

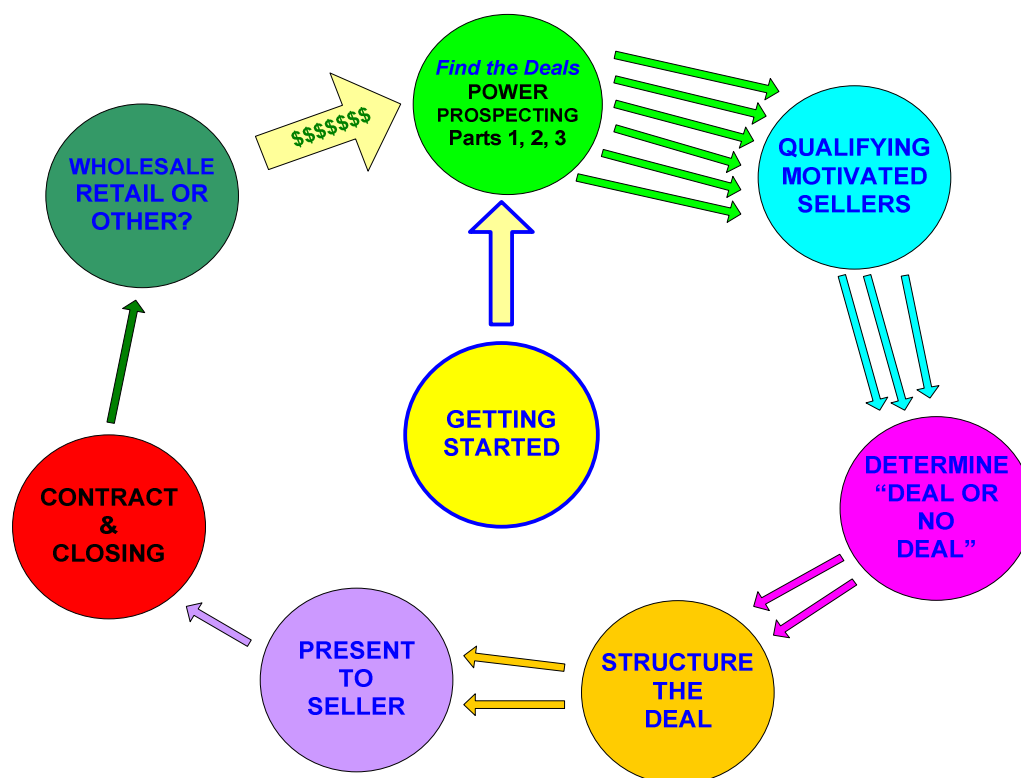
I gave the investor an IMMEDIATE solution that would cost him less than \$100 to get his home back in under 30 days and for the grand sum of \$100. This well-meaning (I think) realtor didn't know about what she spoke and it could have cost this investor \$100,000. **Consider the source of all information before you act on it!**

The first thing I asked John to do was start getting his email list compiled by going to local investment clubs. John's history of going to local REIA's was sketchy, because he would rarely go and when he did, he wouldn't stay very long – he hated talking to people.

HINT #8 – Local investment clubs can have real value for the contacts you make, and the wholesale deals that are flying around the room. But as always “Buyer Beware!” because if these deals haven’t been sold previously, so they may not be deals.

I used the following flow chart to teach John the “Life Cycle of a Deal”. This basic cycle is what I teach to my mentoring students but in greater detail than we have space for here. I focus the mentoring program on finding wholesale deals and using little, or preferably, no money at all, to control the deals.

“LIFE CYCLE OF A REAL ESTATE DEAL”



The above “Life Cycle” is the same for wholesaling, or rehabbing and retailing. In the following pages we are

going to touch on some of the information I mentored John with and some additional "Helpful Hints". Besides wholesaling and retailing properties, we use "wholesaling to retail" extensively where a real estate market is dropping less than 1% per month, more about this aspect of investing later. This method allows us to double or triple our wholesale profits with a very small amount of money in a property.

The individuals who are my mentoring students have the full spectrum of investing backgrounds – from not having taken any courses what-so-ever, to having spent \$60,000+ on courses and not having done any deals. Other types who take the program, have extensive rehabbing or wholesaling experience and want us to look at every deal they do to keep themselves out of trouble. A few people in the last group had little or no experience in investing and just want us to find them deals where they could invest and have the "safety net" of us looking at every deal before they bought them.

The Life Cycle of a Real Estate Deal – PART 1



This "first action" step is one that doesn't have to be repeated as do all the others in the cycle. It is important that you get started correctly, **but it is much more important that you get started!** Procrastination and fear has kept more people from fulfilling their dreams than any other "real" handicap. "Just Get Started ASAP" on your investing career and the rest will fall in place. As a famous

© 2008 Heritage Realty Services, Inc.

- 23 -

www.ExcelRESoftware.com, www.FSBOPowerSellingSystem.com,
www.RequiredFLDocs.com, DaveDinkel@Gmail.com

person once said "When the Student is ready, the Mentor will appear".

Here are the topics we cover in detail in my Mentoring Program:

The Mental Game – *If you want to be successful and you know you can, why aren't you? It's not because of all the excuses you are thinking about, it's for a simpler reason and we explore this in detail so you can CHANGE IT!*

Part 1 - The Basics –

Business Cards

Business Dress

Business Entity to Use

Home Office – How to set it up

Overcoming Your Biggest Obstacle

Start by Failing – Just Get Start!

Handling and Screening Prospects

Finalizing Your Paperwork

Structuring a Prospecting Program

Goal Setting and How to Really Make it Work

What Should a Lead Cost?

Determining Lead Conversion & Cost/Deal

What Type of Business to Do – wholesale, retail
or wholesale to retail?

Three Elements That Every Deal Needs

Your Personalized Business Plan

Part 2 – What to Do to Get Started –

Determine Time to Spend and Money Available

Get Contracting in Order

Finalize a Multifaceted Prospecting Program

Practice Your Lead Qualifier Scripts

Start Building a Buyers List – Even before you
have a property for sale

Practice with the www.ExcelRESoftware.com
software using real examples

Practice Your Presentation Style

Practice Filing Out Contracts and Assignments

Standardize Your Marketing Techniques

Delegate Marginal Duties ASAP
Keep Prospecting No Matter What
Plan Your Week Ahead
How to Find the Time (*How to instantly add
10.25 weeks per year to your life*)

I always ask this question to my students at the end of this section - *"Would you rather be on a super highway to life or stuck in a cattle path like almost everyone else? The choice is yours, and you can make the change as soon as you are ready. What are you waiting for?"*

The above topics are the same ones we cover in detail with every mentoring student. These tips, tricks and techniques work anywhere in the country and most likely, anywhere in the world! They have been proven by more than 33 years of my personal investing experience and another 73+ years of combined experience for my three partners.

Since John had no previous experience with courses by authorities in real estate investing, he was an eager student and I was a willing teacher.

The Life Cycle of a Real Estate Deal – PART 2



Prospecting is the key to your success, so don't stop doing it EVER! Just because you get a deal in hand, don't stop and wait until it sells, get more and more deals under

contract and keep focused on prospecting as your major endeavor – this is where the initial money is at. **As you will see later, the really BIG Money is in the Power of Your List!**

This part of the program actually has three parts but I have omitted a couple of methods of finding sellers that only the mentoring students get – sorry, but they pay for the mentoring and this program.

Part 1 -

Five Aspects of Great Advertising

Abandoned Properties

 Websites to find missing owners

Ask Neighbors

Bandit Signs (there is one method in this section that we teach that Students are sworn to secrecy when we tell them)

Bill Boards

Bus Benches

Bus Signage

Bus, Van or Car Wraps

Truck Signs

Business Cards

Building a Buyers' List

Change of Use or Redevelopment

Craig's List Plus Other Free Sites

Door Hangers

Door Knocking

Driving for Dollars

XXXXXXXXXX – Can't disclose this one except to mentoring students

Part 2 –

Farming an Area

Flapping Lips

Flyer and Penny Saver

Foreclosure Auction

FSBO Internet Sites

Government Employees (non-military)

Government Employees (military)
House Organs
Internet Advertising
Internet Advertising – Reselling Leads
Internet Site – Your Own
Letters – Direct Mail Campaigns
List Purchases (5 types of lists and the power of each)
Magazines
Magnetic Signs
Military Bases
MLS Listings – Active
MLS Listing – Expiring
Newspaper Ads
Note Holders
Postcards
XXXXXXXXXX – Can't disclosure this one except to mentoring students
XXXXXXXXXX – Can't disclosure this one except to mentoring students
Pre-foreclosures
Probate
Radio Ads
REIA's

Part 3 -

Real Estate Agents – what to do and what not to do
Referrals from.... XXXXXXXXXXXX – Can't disclosure this one except to mentoring students
Referrals from Mortgage Brokers
Referrals from Realtors
Referrals from Sellers
Renters
Telephone Solicitation or Cold Calling
Tag Team
TV Commercials
XXXXXXXXXX – Can't disclosure this one except to mentoring students
YouTube.com – Magic Moments

Vendor Referrals

XXXXXXXXXX – Can't disclosure this one except to mentoring students

Yellow Pages

YellowPages.com

I have highlighted the ones **in green above** that John used in his prospecting. I tried but couldn't get him to use more methods because he was "satisfied" with how much money he was making. He didn't want to spend very much money for advertising so John became an expert in "Driving for Dollars" and looking for deals in the five zip code farming areas we chose for him.

Had John followed my instructions he could have done at least twice as many deals in the same time period, but everyone must choose his/her own comfort level in their lives. Have you thought about what your comfort level is?

Wholesaling Etiquette

I introduced John to a number of the largest wholesalers in the tri-county area. This was so he could get their wholesale lists and offer deals to them directly. These guys typically did 3 – 5 deals a week and mostly from other investors bringing those deals to sell to the pros' mailing lists.

As John started to wholesale more deals, and some that I sold him, he became paranoid that I would find out who his wholesale buyers were. These immature actions by John really disappointed me and are one reason for this unauthorized biography.

HUGE, HUGE HINT #9

The simplest way to build your buyers' list is to look at wholesale deals and keep a record of their addresses. Wait just long enough for the new deed to be put into the public record and

you will see who the buyer(s) are. Even if they are LLC's or Corps, you can find the owners/partners in the public record at your State's Recording Office. If you get the same buyer for a few properties, you may have speared your first "whale"!

Here are some things that you should understand, and ways to act when you deal with other wholesalers:

- 1.) If you are going to list someone else's property on your wholesale list, call him first and get permission! You may be very embarrassed if he won't sell to your client and you lose the client to him anyway because the client has seen the property and likes it.
- 2.) Always call the listing wholesaler because once you establish a relationship with him, he will allow you to take part of his spread instead of just "adding your profit on" to his wholesale price.
- 3.) If you have a buyer at a higher price than he has it listed, and he agreed to split his spread with you, you better agree to split your additional spread with him or he will probably not do business with you in the future.
- 4.) Try to do deals with deposits of \$1,000 or less. Initially this will be difficult, but once the pros know you will close even if you don't have a buyer, they shouldn't require a \$5,000 deposit which is standard in the industry. This aspect is very important because when you re-sell the property by assignment or double closing, you want to make sure your buyer will come to closing. You accomplish this by ALWAYS getting a

- \$5,000 deposit so you will make money even if your buyer defaults.
- 5.) Check to see if there is a "For Sale" or realtor's sign in the front yard of the wholesale property, if there is your prospect will call the other wholesaler directly and you will lose your hard-earned prospect and possibly a sale.
 - 6.) If the original seller was in foreclosure, you had better make certain that the buyer (other investor) you are purchasing it from got disclosure documents that may be required in your state. For example, go to www.RequiredFLDocs.com as an example, otherwise, you could be in the "daisy chain" of the other investor, yourself and anyone else buying the property as equally liable for the first buyer's short-sightedness.

In recent months, the easiest wholesale deals have become REO's or lender "Real Estate Owned" properties. All these REO's are owned by the lenders because of mortgage foreclosures and the resultant foreclosure auction, or deeds in lieu of foreclosure from homeowners to the lenders. The "tricks" to getting REO's are:

- 1.) Establishing a relationship with an REO broker and NEVER dealing with anyone who is not the listing agent on the REO property. The reason is very simple - the listing agent is very likely going to work with a buyer where he will get the full commission rather than another "co-broker" where he has to split the commission. Forget the idea "That's Illegal!" because you're right but this commission skimming happens too many times to mention. Yes, even I have lost deals where my bid was higher, using my agent, than another investor who submitted his bid to the listing agent directly. I had even told my agent I would pay him his 1/2 of the commission out of my pocket, he decided to "double dip" and didn't

tell the listing agent I was paying him separately.

- 2.) Don't sign a contract you don't intend to close on, or you are willing to lose your deposit on. In recent months lenders have been requiring more reasonable deposits, specifically in the range of \$1,000 to \$1,500 depending on your offering price on the property.
- 3.) Don't get caught in the hype of your agent or the listing agent telling you there are higher bids and you need to raise your offering price if you want it. Remember the listing agent represents the lender and not you, so anything goes.
- 4.) You will have to sign the lender's purchase and sale contract. These contracts are "onerous" and will not give you the smallest amount of protection. The lender will pick the closing agent, and everything else about the deal's closing. Many parts of their contract are illegal but it doesn't matter if you want the property at the price they agree to.
- 5.) The MOST IMPORTANT aspect of buying any property from a lender is to make certain the property is free and clear of any title encumbrances - city or county liens, code violations, tax liens, IRS liens, assessments for water or sewers, etc.! Have your closing agent run a title search to make certain the lender isn't "shifting" the problem to you when they transfer title to you.
- 6.) Stick to your guns about an Inspection Period of at least five - ten days so you can get a professional to check out your perspective purchase so you don't miss anything structural or other mechanical system that could cost you a chunk of change later.

Careful - Think Again About Short Sales

If you are thinking that short sales are better than REO's you are way off-base. REO's final sales prices

© 2008 Heritage Realty Services, Inc.

- 31 -

www.ExcelRESoftware.com, www.FSBOPowerSellingSystem.com,
www.RequiredFLDocs.com, DaveDinkel@Gmail.com

average about 30% lower than the best short sale price you will ever get. Besides, you don't have to take months of working with idiots from the lender to find out at the last minute they aren't doing the deal. I have personally seen short sales not be completed and the property next come to market as an REO, only to have it sell 30% lower than the price that was offered and rejected for the short sale. You figure it out, because I have no logical reason for it and I am not sure the authorities in charge at the lenders realize it is happening on a regular basis.

The Life Cycle of a Real Estate Deal – PART 3



As a perspective wholesaler, you have to find deals either from homeowners or other investors. In most cases the best deals come from homeowners, so I worked with John on pre-qualifying each in the same way using the script so he didn't forget to ask anything that was important.

Most newbies get very excited when they speak to a prospect – which is a natural reaction. However, it leads to a waste of time for the seller and yourself if the seller is not motivated or there is no equity in the deal. Don't try and make every deal work – go on to the next one because there are plenty of them out there! – Remember that I mentioned real estate as a renewable resource..... If you stick to a regimented program of prospecting, you will get plenty of deals – even if it is as simple as driving for dollars.

So, in this section of the "Life Cycle of a Real Estate Deal" we focus on using scripts to pre-qualify sellers as to the equity in the property and their personal motivation.

Your Script should collect at LEAST the following information about the seller:

Name

Address

Telephone Number, Other Contact Numbers & Email

"Please describe your home"

"Why are you selling?"

"What Loans are against the property?"

XXXXXXXXXX – Can't disclosure this one except to mentoring students

"How much are your monthly payments?"

"How much are your Taxes and Insurance?"

"Are you behind on your payments?"

"Is it listed with a realtor or has it been?"

"How much do you think your home is worth?"

"How did you get that price?"

"What repairs are needed?"

"What about your roof?"

XXXXXXXXXX – Can't disclosure this one except to mentoring students

"Would you sell for what is owed?"

XXXXXXXXXX – Can't disclosure this one except to mentoring students

XXXXXXXXXX – Can't disclosure this one except to mentoring students

"When can I see your home?"

XXXXXXXXXX – Can't disclosure this one except to mentoring students

XXXXXXXXXX – Can't disclosure this one except to mentoring students

Your basic data collection form and script should be able to pre-qualify sellers as to motivation; price they want and terms they may take for their property without having

to go on every appointment to determine if you have a deal.

John was reluctant to use this information collection format because he felt it infringed on the seller's personal life. Consequently, he lost valuable time looking at properties where the seller wasn't really motivated and there was no equity in the property.

However, I did explain and show him how to "Drive for Dollars" in every neighborhood and this turned out to be his most successful prospecting method. About 4 months into the year he started doing well using OPD's "Other Peoples' Deals" to broadcast to his email list and by this time his list was large enough that he was able to begin doing deals on a somewhat regular basis.

As you collect your email list do not spam the new names you get or your IP or computer internet address (not your email address) will be banned and you will not be able to send emails without a great deal of trouble, and eventually not at all. It is easy to develop an opt-in strategy so the new emails will "self-approve" their addresses within your system.

Because John had a dial-up modem, he could only send about 20 emails at a time and as his list grew, he spent hours of wasted time emailing to prospects that should have taken literally seconds. Start right and do it right and it will be easy instead of saving a few cents and the loss of hours of your time.

The Life Cycle of a Real Estate Deal – PART 4














Despite John's familiarity with rehabbing, he hadn't actually found any wholesale deals on his own and didn't know how to make offers to sellers. It is very important that a wholesaler has a good idea of what amount of repairs are needed to a property. Some wholesalers may disagree vehemently with that statement but think about whether you would want to buy a deal if you knew the seller was "short changing" you when estimating the rehab costs.



If you guess repair estimates or don't put any in your sales info, as some wholesalers do, you lose credibility with your buyers. There is nothing worse than to read a property needs \$10,000 in repairs and when you go to see it, you realize it actually needs \$50,000+! The lesson here is to not believe what anyone else tells you about expected repair costs – Learn yourself how to estimate repairs or use the following software to determine repair estimates and what offers to make to a seller.

Here is a description of an Excel software program to "failure proof" every deal. Rather than go over the details of its power to the user, please look at the information at www.ExcelRESoftware.com that shows the complete information about each of the three software programs that come in the package, or just look below -






What the "Deal or No Deal" Software Does For You -







	<p>Calculates a Contractor bid price and a Do It Yourself Cost. <i>"Now you can use the Contractor bid price my software generates to check what your Contractor should be charging."</i></p>
	<p>Determines a CASH Offer and Multiple Term Offers to make to the seller. <i>"This eliminates the fear of not knowing if your offer is too high or too low."</i></p>
	<p>Gives the user a Repair Budget so he knows if he is ahead or behind the profit curve.</p>

	<p><i>“The repair costs are broken down into the most important areas of a rehab, and the software even allows for a margin of error for unforeseen costs.”</i></p>
	<p>Calculates the expected Profit or Loss on a Wholesale/Flip transaction, including all the associated costs with the deal.</p> <p><i>In the accompanying Manual where we review an example, I give insight into how I am able to get <u>TWO to THREE times</u> the profit spread of the average wholesaler.”</i></p>
	<p>Accurately calculates the BUYING Closing Costs for a Buy and Hold Rehab, Double Closing and Flip, or a Contract Assignment – <u>all at the same time.</u></p> <p><i>“Now you can know what to expect when you go to closing!”</i></p>
	<p>Accurately calculates the SELLING Closing Costs for a Buy and Hold Rehab, Double Closing and Flip, or a Contract Assignment – <u>all at the same time.</u></p> <p><i>“Now you can know what to expect when you go to closing!”</i></p>
	<p>Calculates the loan costs for Hard Money, Conventional Financing, Private Funding, and for a Double Closing.</p> <p><i>“These costs are what often made a difference between a profit and a loss to newer investors – NOT ANY MORE!”</i></p>
	<p>Calculates the Carrying Costs for the following: Assignment/Double Closing, Time Needed to Rehab, Time to Sell the Property and even the Time needed to Close – INSTANTLY!</p> <p><i>“These costs have become CRITICAL in today’s slow markets and are often the downfall of even the most experienced investor – NOT ANY MORE!”</i></p>
	<p>Calculates the TOTAL Expenses of all related costs to the purchase and sale of the property to arrive at an Expected Profit or Loss BEFORE THE PROPERTY IS PURCHASED!</p> <p><i>“Finally and instantly, eliminates the nagging FEAR of whether it is a “Deal or No Deal”!”</i></p>
	<p>Calculates an in-depth Analysis for Expected Profit or Loss in FOUR situations: Buy/Hold/Sell if a Contractor does the work, Buy/Hold/Sell if you Do It Yourself (“DIY”), For a Double Closing with Hard Money Either for a Wholesale or Retail Deal or an Assignment or Flip.</p>
	<p>MOST IMPORTANTLY, it produces a printable Presentation Sheet for the seller so he understands why your offer is not as ridiculous as it initially sounds.</p> <p><i>“This type of analytical overview has produced hundreds of millions of dollars of profits for investors because of the <u>logical nature</u> of the presentation.”</i></p>


	<p>P.S. – for the old-school fans of a “belly-to-belly” presentation with a piece of paper at the dining room table, I included a “Quick Analysis” sheet that uses standard percentage price reductions (EASILY ADJUSTABLE) to arrive at a reason for the investor’s LOW offer to the seller.</p> <p><i>“This has worked for many years, BUT DON’T use this for your personal analysis of the property or you might go broke with unforeseen costs!”</i></p>
	<p>P.P.S. –I may not have made it clear previously but, the software user can easily change as many values as he determines necessary to calculate “What If” scenarios – including changing the offering price, ARV, closing costs, repair costs, time to close, time to sell, time to rehab, and the list goes on and on.....</p> <p><i>“The software is as powerful as the user wants it to be!”</i></p>



What the “Expense Tracker” Software Does For You -

	<p>Calculates a <u>Profit or Loss Statement</u> for any property, any financing terms, even including the use of an Assignment or an Option Consideration Fee.</p> <p><i>“The software calculations include all of the following related expense sub-categories:”</i></p>
	<p>Expense Category – <u>Option Price Paid to Seller.</u></p> <p><i>“This cost is for an Option to buy a property with as little as \$10 for a year or longer.”</i></p>
	<p>Expense Category – <u>Assignment Cost to a Wholesaler.</u></p> <p><i>“If the investor buys a property by an assignment of contract, this cost is figured into the Profit and Loss Statement.”</i></p>
	<p>Expense Category – <u>Advertising Costs</u> can get expensive and the software tracks your daily expense from bandit signs to newspaper ads and everything in-between.</p> <p><i>“In some parts of the country it is taking longer and longer to sell a property, so advertising expenses can be very important to track.”</i></p>
	<p>Expense Category – <u>Appliance/Air Conditioner/Heating</u> is a category that can break a budget in an instant, so it is handled as a separate and important category here and it is where you will enter appliance purchases for the kitchen.</p> <p><i>“Using the “Deal or No Deal” software, you can NOW accurately estimate the replacement or repair costs of these major mechanical systems.”</i></p>

	<p>Expense Category – <u>Carrying Costs</u> are the “profit vampires” that include, but are not limited to, mortgage payments, HOA fees, taxes, etc.</p> <p><i>“The software takes into account these nasty profit eaters when it does its calculations.”</i></p>
	<p>Expense Category – <u>Labor</u> is important especially if you are paying casual laborers and aren’t keeping track of who is getting how much.</p> <p><i>“Some people don’t want to acknowledge that they are paying “under-the-counter” cash for work done, but these are costs so whether you claim the costs and related tax withholdings, these are taken into account.”</i></p>
	<p>Expense Category – <u>Materials</u> is used to tracks all those “nickel and dime” material costs, rental costs and items that take hours to get and minutes to install.</p>
	<p><i>“Tracking these costs are CRITICAL to your profit because EVERY ONE ultimately comes out of your PROFIT, so enter them yourself every day or have someone do it for you so you have an accurate Profit and Loss Statement at hand daily!”</i></p>
	<p>Expense Category – <u>Utilities</u> is for all ongoing utilities including deposits so you won’t forget to get them back when you sell.</p> <p><i>“There is nothing worse than having power or water turned off because the utility company sent the bill to the former owner’s new address. Eliminate this issue because you will be able to see when they should be paid and if they have been.”</i></p>
	<p>Expense Category – <u>Miscellaneous</u> is a “catch all” for anything you can’t decide where to put in a previous category – plenty of room here too for entries.</p> <p><i>“If you are having a lot of “unanticipated” expenses, you need to look carefully at what you didn’t anticipate and why, if this expense category gets too large.”</i></p>

What the “ARV Calculator” Software Does For You -

	<p>Gives you a REALISTIC VALUE that you can start offering your property at and feel confident that it will be sold. <u>It will not be the lowest price in the neighborhood unless it warrants this estimate.</u></p> <p><i>“This price is a starting point because the software “builds in” a price reduction to the buyer. This is especially necessary if you find yourself in a “Soft Market”.</i></p>
---	--

	<p>The methods used with this software will allow the user to find other deals in his neighborhood and using the “Deal or No Deal” software, give the investor the various options of funding these deals with little or no cash.</p> <p><i>“This software can also be used by Wholesalers to accurately determine the REAL ARV instead of guessing and advertising to buyers an unrealistic ARV, and using the “Deal or No Deal” repair cost estimator, can show buyers what to ACTUALLY expect for rehab costs.”</i></p>
	<p>The software is intuitive and adjusts your selling price automatically if your area is changing rapidly in value – either UP or DOWN.</p> <p><i>“This feature eliminates the issue of your home being offered at a price that was OK last month but the market is falling so fast that you are left behind to take less money like the distressed sales around you.”</i></p>



By using the “Deal or No Deal” software, John was able to support his “repair estimates” to other rehabbers so he was able to get higher prices for his wholesale deals by an average amount of \$3,500 per deal – according to what he told me.

This is not a shameless pitch for buying the software, in fact, I included the info from the website so you would know what you need to be able to calculate “by hand” if necessary, to safely go into deals.

The software comes in an e-format so you can have your working copies in a matter of minutes after you purchase it.

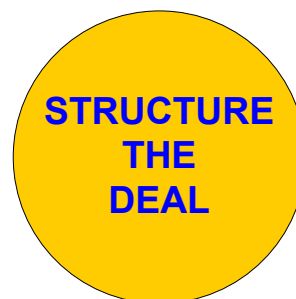
John was stubborn about not doing any clean-up work on the properties himself and not paying anyone else to do it. **The simplest clean-out of the property combined**

with cleaning up the yard would have yielded him thousands of extra dollars per deal! John just didn't want to take the time or get his hands dirty doing it. I also suggested he use a "clean up" service who usually charges a few hundred dollars per property depending on its condition because these cleanups usually result in thousands of dollars of greater profit per deal. He didn't want to spend the money so again he was "penny wise and pound foolish" as they say.

I actually offered to sell one of his properties for him and said to him "Just let me have it at \$125,000 and I'll keep whatever I sell it for over that price". John had told me he would be very satisfied with selling it for \$120,000 but I knew I could get \$140,000 on a bad day. John refused and he tried it himself and lost the deal because he couldn't market it in time before the closing date. I later bought it from the same wholesaler that John got it from and sold it for \$140,000 in one weekend. The key was the use of the tactics in the www.FSBOPowerSellingSystem.com material that I have used for 15 years. P.S. John didn't want to buy the FSBO Power Selling System because he felt it was too expensive at \$179! As I said above, "Penny wise and pound foolish"!

The "Deal or No Deal" software automatically structures every deal for you, but I cover the various ways of doing deals with little or no cash in the following section.

The Life Cycle of a Real Estate Deal – PART 5



Every Deal needs at least the first two (2) of the following elements –

- 1.) A Motivated Seller
- 2.) Equity in the Property
- 3.) “Terms” meaning Cash or Terms using “subject to” or seller financing to buy the property

In wholesaling we use contracting to control the property until we either close with an end-buyer or assign the contract and let another investor take over our contract and close in “our position”. If the profit is over \$15,000 – \$20,000 we will most often close so the buyer and seller aren’t aware of how much profit we are making. Even pro investors can get funny if they believe you are making “too much” on a deal and certainly sellers always feel they should get more for their property.

The concept of controlling the property by contract but never closing with your own money was difficult for John to understand. He was only familiar with closing with cash and going about rehabbing the property and selling it retail. Frankly, it took some time to get him to understand the concept, but he got it real quick at the first closing!

In a number of cases, John closed properties with me in Land Trusts. In these transactions, I closed the entire sale to John myself with only a notary, myself and John. John would give me a cashier’s check for the full amount of the purchase and I transferred the Beneficial Ownership of the Land Trust to him – all in ten minutes or less and at his home. We did use a HUD-1 Statement to figure accrued taxes and other costs but the title insurance was previously paid at my first closing and was issued to the Land Trust so it did not change.

Additional Methods of Controlling a Property

The additional common types of Deal Structures that are most important to an investor wholesaling are:

1.) Contract Assignment is where a contract to buy a property is sold or "assigned" to another party who actually closes with the original Seller. These assignments are usually used in wholesaling, but can just as easily be used in retailing a property. The amount of the profit can be an issue here (\$20,000+) for either the buyer or seller so you may have to do a double closing.

2.) Option Agreements are agreements that give the Optionee the right to purchase a property at a given price ("Strike Price"), for a specific period ("Option Period"), and for specific terms (Cash or Financing). The money paid to the Seller for this option, or the legal right to purchase the property, is called an "Option Consideration". Option agreements can be used for very inexpensive to very expensive properties, but are most often associated with raw land or commercial properties. The amount of the option consideration you should pay the seller shouldn't exceed \$100 unless you "really" want the option and believe you have a buyer in hand. In this case, have the buyer sign a purchase and sale agreement with a large deposit and give the owner a smaller deposit so you will make money even if your buyer doesn't come to closing. WARNING – make certain your contract stipulates that the sale is subject to your getting fee-simple title to the property for your buyer. If you don't do this, you could get sued by your buyer for breach of contract.

3.) Partnership Agreement is a contractual agreement between the Seller and a Buyer where someone agrees to rehab the property, market it, and sell it (hopefully at a profit), and split the profit, after expenses, with the Seller. Any combination of conditions and parameters can be stipulated between the partners and percentage (%) split can be negotiated. These contracts are most often used in retail-buyer situations but can be used in wholesaling – **the key here is to have the Seller pay the mortgage and carrying costs while the rehab is ongoing.**

NOTE – I didn't discuss Lease Options and Contract for Deeds as funding methods. These options are viable in certain situations but are continuing to be attacked by State regulatory authorities and may not be viable in the near future in many states. Their usefulness is also questionable in declining markets and, again I didn't have John use them, so they are not mentioned here.

John only wanted to do wholesale deals despite my finding a few deals that could have netted him over \$50,000 for a simple rehab, so I sold these properties to other investors. He stayed on his course and made good money in a market that financially killed thousands of experienced real estate investors. And I have to say "there is nothing wrong with that!"

The Life Cycle of a Real Estate Deal – PART 6



I had to mentor John through many of his sales but he learned with each one that despite what sellers tell you, if they are motivated, they are negotiable.

The hardest part for John was answering the typical objection "How can you offer me \$100,000 when I am asking \$200,000?" I believe the best way to overcome this objection is to get the seller to understand the LOGIC behind how we arrived at that price.

Most investors use a Maximum Allowable Offer ("MAO") of 70% of Fair Market Value ("FMV") less repair

costs. The better analysis uses 70% of FMV less repairs and less closing. The most professional programs also subtract carrying costs. The carrying costs can be a money vampire that has cost many investors their careers because they couldn't sell their properties fast enough in a declining market. All of these factors are taken automatically into consideration in the www.ExcelRESoftware.com software. When I wrote the software I took it one step further and made a "Presentation to Seller" as a printout that the investor could present and leave with the homeowner if necessary.

However, the most critical element in the above equations is the FMV. What actually should be determined is the **Real Amount the property can be sold for in an "unruly" market.** This may be a very obvious statement but try and tell that to a stary-eyed investor who has just spent a 1,000 hours rehabbing a property, especially when his friendly realtor is telling him he can get four zillion dollars from a buyer he has - all that is needed is a listing contract!

I say "unruly" market because, sure enough, when you get ready to sell, something could really go wrong per Murphy's Law. The usual methods of determining this value have been appraisals, Broker's Price Opinions ("BPO's") or Comparative Market Analysis ("CMA's"). Values determined by these methods are no longer valid in many markets because of high foreclosure rates and distressed real estate markets (i.e. factory closings, etc.).

The only truly "reliable" method of estimating the **Real Amount** the property can be sold for is to compare its condition with the open MLS™ listings in a ½ - one mile radius of the property. This should be done by a telephone survey because you already know these properties aren't selling at their listed prices, and **the prices the sellers are willing to reduce them to determine your real competition.** The lowest of these listed, but comparable properties, is your true competition.

John didn't get the real value behind this concept because the greater value of this concept is actually your calling on these listed properties to determine if there are other deals in the area. Trust me, there are other deals that no one knows about until you start calling on listed properties and FSBO ("For Sale By Owner") properties. John's largest deal came from one of these calls to a FSBO owner as he was roaming a neighborhood after looking at another wholesaler's property.

Don't assume that a "no" means "no", but rather a "not yet" and here is why -

HINT #10 - About 40% of our deals come 3 - 5 months after our initial presentation to a seller. If you followup on a regular basis with perspective sellers, this figure could be 50%+.

Besides actually determining the **Real Amount** you expect to sell the property for, or what the next investor needs to make a profit, you can use this "real" pricing information in the neighborhood to influence your seller. Remember the key factors to getting the seller to agree to a ridiculous offer (**what you need to make a profit with the risk involved**) **is to make your presentation logical about the repair costs and the competition in the neighborhood.**

The Life Cycle of a Real Estate Deal – PART 7



Probably every reader will be using some Purchase and Sale Agreement ("P & S Agreement") that they got from some guru, an attorney or even a friend. These may range in length from one page to 8+ pages but they should all accomplish the same objective. We prefer to use a Standard contract that has been approved by the State Bar Association and the State Realtors Association. HOWEVER, each and every investor should take time to carefully read and understand what the contract/agreement means legally. Any clause or paragraph in the contract/agreement that is not required by State or Federal law can be "extinguished" by using an addendum or clause to overcome them.

Following is the **primary contract** that a wholesaler will be using besides his P & S Agreement when assigning his deals to other investors -

ASSIGNMENT OF CONTRACT

This Assignment of Contract dated *November, 20, 2008*, is between *Wholesaler, LLC*, herein referred to as "ASSIGNOR" (SELLER), whose address is *7801 SW 6th Court, Plantation, FL 33324*, and *FL Wholesale Properties Inc., a Florida Corporation*, herein referred to as "ASSIGNEE" (BUYER), whose address is *123 Main St., Anywhere, FL, 33333*, and whose telephone number is *954 -274 -0024*.

WHEREAS, the Assignor entered into that certain REAL ESTATE CONTRACT, acting as the Buyer, with *Sally Homeowner* (HOMEOWNER), the date which was *November, 18, 2008*, (copy attached), for the purchase of the property located at *2463 Main St., Miami, FL 33031*.

WHEREAS, the ASSIGNEE desires to purchase the said property for the total purchase price of \$*43,500* in accordance with the terms and conditions of said REAL ESTATE CONTRACT between *Wholesaler, LLC* (ASSIGNOR), and *Sally Homeowner* (HOMEOWNER).

THEREFORE, the parties agree to the following:

- 1.) Closing shall be held on or before *December, 20, 2008*
- 2.) The ASSIGNOR hereby assigns all privileges, rights and interest in and to the above mentioned REAL ESTATE CONTRACT between

Wholesaler, LLC (ASSIGNOR), and *Sally Homeowner* (HOMEOWNER), and in consideration thereof, the ASSIGNEE agrees to pay the ASSIGNOR a total assignment fee of \$ *15,500*, in addition to the ASSIGNEE'S closing costs as per the contract, making the total purchase price \$ *59,000*.

- 3.) A deposit in the amount of \$*5,000* shall be paid by Assignee to the Assignor on the total \$ *15,500* assignment fee at the time of execution of the Assignment of Contract.
- 4.) The ASSIGNEE agrees to pay all closing costs associated with the transaction in accordance with the terms of the REAL ESTATE CONTRACT, furthermore the Assignee agrees to utilize the firm of *Frank, Weinberg & Black, PL*, as Settlement Agent to conclude the transaction and pay all standard and customary closing charges.
- 5.) The ASSIGNEE hereby agrees to accept all other terms and conditions of said REAL ESTATE CONTRACT between *Wholesaler, LLC* (ASSIGNOR), and Sally *Homeowner* (HOMEOWNER).
- 6.) This contract may not be assigned by the ASSIGNEE without the consent of the ASSIGNOR which may be unreasonably withheld.
- 7.) The ASSIGNEE hereby agrees to reimburse the ASSIGNOR, \$*1,000* (Original Deposit) the amount of the deposit paid on the REAL ESTATE CONTRACT between *Wholesaler, LLC* (ASSIGNOR)., and *Sally Homeowner* (HOMEOWNER).
- 8.) The ASSIGNEE hereby expressly acknowledges that the ASSIGNOR is not in physical possession of the premises and thus cannot make any representation or warranty as to the physical condition of the premises or as to the marketability of title therein.
- 9.) In the event ASSIGNEE fails to close this transaction per Paragraph 1 above, for any reason whatsoever, the ASSIGNOR shall have the right to terminate this Assignment of Contract and declare the ASSIGNEE in default, wherein, ASSIGNOR shall (a) retain the sum of \$ *5,000* as liquidated damages, and (b) all right, title, and interest pursuant to the Contract for Purchase and sale shall automatically revert to the ASSIGNOR without notice.

Wholesaler, LLC

FL Wholesale Properties Inc.,

By _____
ASSIGNOR - *Signature*

By _____
ASSIGNEE - *Signature*

ASSIGNOR – Print Name

ASSIGNEE- Print Name

In the above example, any similarity to an actual company, LLC or an individual is purely coincidental.

The Life Cycle of a Real Estate Deal – PART 8



The final question for John to answer for himself was which one of the following methods of making money in real estate investing best fitted his new look at the real estate market:

- 1.) **Wholesaling** – he had little or no risk (\$500) and little money (\$500) into the deals.
- 2.) **Retailing** – as he had done in the past, but I showed him how to retail in a falling market and still make 15% - 20% on each deal. He considered this too much work and risky. This is the process my other mentoring student used to make over twice what John did in the same time period!
- 3.) **Hard Money Lending** – since John had accumulated some capital he asked me about doing hard money lending. Hard money lending is also called “Predatory Lending” because it is designed to take the collateralized property at a deep discount to FMV in the event of a default by the borrower.

The “safest” hard money lending is to supply the cash for double closing by investors who don’t have money of their own. The potential is 1 ½ to 2 points per deal so on a \$100,000 purchase price, the “profit” to the hard money lender would be \$1,500 to \$2,000 for 15 minutes to an hour’s work. **DON’T try this on your own**

without asking about the single pitfall in this process that is your single risk – the buyer is a straw buyer with a fake cashier's check. Think about this and you should get what I mean. To protect yourself, make certain the funds are wired into the closing agent's account at least a day prior to the closing.

If you don't believe you can do hard money lending because you are broke, you are correct. However, even had John been broke, I gave him the knowledge to use OPM ("Other Peoples' Money) to do the deals and split the profits with them. If you did only two deals a month at \$2,000 gross profit/deal and half went to your lender, you could make \$24,000/year working about one hour a week. John didn't get this concept until five months into his mentoring and I didn't include his hard money earnings in his first year's income from wholesaling.

John chose to do number 1 and 3 above and he dabbled in each but never achieved his potential that I believed he had.

So here in a nut-shell is what I had John do –

- 1.) Develop his email list as quickly as possible and use Constant Contact so he could opt-in his perspective buyers so he wasn't spamming people. (*Later I found out he didn't because of the cost(\$20/month) and his internet provider shut him down for almost a full month*)
- 2.) Start going to his local REIA's (real estate investment clubs) and network with vendors and get on the lists of as many wholesalers as possible.

Note of interest – **John continued to buy properties from me and flipped them to other wholesalers.** At one point I asked him to tell me who his wholesale buyer was on one property because I had to come to closing

since I was the original seller. He declined to tell me the buyer out of greed that I would take his buyer away. This incident changed our relationship and hence, this unauthorized biography. **The real life lesson here was "If your buyer doesn't trust you, DON'T trust your buyer!"**

3.) Get his office together with a high-speed internet line, a fax built into his computer, a real online fax/email program, and update his operating system to Windows XP Pro so he could use files in Word and Excel.

HINT #9 - I had John develop a written plan for getting as many email addresses as he could. He started with all the cards he had collected from interacting with local vendors and realtors that came to see his rehabs he was selling. Early in his rehabbing career, John should have purchased my www.FSBOPowerSellingSystem.com to sell his rehabbed properties even more quickly. But the additional benefit of this program is that it shows the user (investor) how to accumulate a huge Buyers' List in no time at all, and in any market. This became very apparent later when John started wholesaling and he had no buyers initially.

4.) My biggest accomplishment was to gift him with the patience to have the persistence that 99% of all investors lack and that causes their failure. Stick to it and it will get easier as you get luckier!

HINT #10 - As I had instructed him, John started collecting email addresses of every wholesaler in the tri-county area. By doing this he networked himself into an inner circle of guys looking to do deals daily. These were

deals that they spent huge advertising dollars to get - as part of their "buying machines".

Once you work yourself into the "inner circle" of large wholesalers, work within their spreads - this means DO NOT advertise deals where you have to re-mark up the properties to sell them to your wholesale list. If you have to remark them up for a profit, your perspective buyers will see that they have to pay you more for the same property. To get this done, you will have to talk to these "super wholesalers" first and get their approval.

If they don't approve, go to the next guy BUT put them on your list and eventually if you are originating deals, they will find you! I have included both a "Partnership Agreement" and an "Assignment of Contract" in this text of this material for your use in your business. They are for educational purposes only and should not be used unless you have an attorney review them. These documents are the most powerful tools you will need for your success except for a "Purchase and Sale" Agreement.

So John got deals from these large wholesalers with his goal of "flipping" to other wholesale buyers and rehabbers with little or no advertising or out-of-pocket costs to him. Between wholesalers and wannabe wholesalers, he built his list to about 100 "quality" emails in two months. He made rapid advances by going to all the local real estate club meetings and going up to everyone in the corporate areas and the membership mixing area and **telling them he wanted to "Buy" properties**. This sounds simple and it is so there is no real hard brain work here. But, if he had come on as another wholesaler they probably would have felt he was a competitor and he wouldn't have gotten the same response.

As you will discover, occasionally an email will come into your mail box with a list of email addresses accidentally

attached. The sender sent his email list as a "CC" or courtesy copy instead of a "BCC" or blind courtesy copy. If you don't think this really matters there are probably thousands of unemployed employees who made this mistake! The longer you are in the business the more frequently it happens. These are obviously very good prospects for wholesaling, but under Federal CAMSPAM laws you can't legally send them emails. That doesn't seem to stop anyone especially in the wholesale business, but I recommend you not do it.

John advertised himself as a "buyer" because his goal was to re-list the deals he saw from other wholesalers and investors and to sell these other deals to his clients. Essentially, when he started wholesaling he was a "list broker", just re-listing other people's deals. Nothing new here, but there was one very important "trick" I taught him.

Domination Secret #1

BEFORE you re-list someone else's property on your wholesale list, ask them for permission. This is not just to be courteous but rather what I call "**an exchange of service**". The wholesaler who originally listed the property has all kinds of resellers just putting his offering on their lists and marking the property higher. These re-sellers even use his original pictures to make it appear they have the property under contract. And most often they will say "Don't disturb the tenants" even if the property is vacant.

This relisting tactic without getting permission makes for confusion in the buyers' community seeing the same property for sale at different prices. What tends to happen is the lowest priced offering draws the wholesalers who don't trust the higher priced investor's offering. Often they just ignore the offering and look for other deals. A good wholesaler knows this and will call and ask the reseller to remove it from their list.

By calling and talking to the wholesaler who has the property under contract before you list it, you will probably be able to get him to allow you to resell it at his price with \$5,000 or more as a referral fee. More importantly, you now have a contact that is a ready buyer of other deals that you may have gotten in the same way – reseller! John met two large wholesalers who he sold four properties to that I had sold to John, and taking a fast \$5,000 profit on each without trying to sell these properties to his list just to build credibility with them and because he knew they would close.

If they won't agree to reduce their selling price to you, don't worry, just try again later on another property. Be persistent and, if they aren't jerks, they will work with you in time. One way to overcome their objection is to say "Why not try me and whoever sells it first makes the money, if you sell first you make the whole spread, if I sell first I make \$5,000", that way he has no risk and will be especially happy to cooperate in slow markets. Get him on your side, especially if you have a problem in the future if your buyer doesn't close. **This is why getting a higher deposit is so important!**

The biggest problem with amateur wholesalers is they don't intend to close and will renege on the contract at the closing table – often by not showing up for the closing. This makes for major problems for the first wholesaler in the deal. Don't put a property under contract unless you have a buyer or, preferably, you know you will close if you have to do so. **Your career could be killed if you get the reputation of the investor who "doesn't close".**

Domination Secret #2

Simultaneously John got his contracting in place (Assignment of Contract, Land Trust, Purchase and Sale

Agreement, etc.) and learned how to use Land Trusts to eliminate closing costs when transferring properties between wholesalers. Having your contracting in place is critical because you want to be able to write a contract BEFORE you start and you want perspective sellers to believe you are a pro, even if it is your first deal.

This leads to Domination Secret #3 which concerns your most important contract - Assignment of Contract and its Escrow Clause and Escrow Agreement.

Domination Secret #3

The **Assignment of Contract** is your "transfer" document to allow someone else to assume your rights to your purchase and sale agreement and is absolutely necessary most of the time. If you find that 90+% of your wholesale deals are NOT being done by using an Assignment of Contract, you need to look at what you are doing more closely. This would imply that you are closing too often and paying unnecessary closing costs. I mentioned previously that the only time you should be doing a double closing is when your profit is so large you are concerned that buyer or seller would not close.

You're not doing anything wrong by closing so often, you just may be missing more profit potential by assigning more contracts. If you want to close most of the time, start looking at cleaning up the property, getting larger spreads, and then doing double closings if necessary. These minimal cleanups and getting lower sellers' prices should increase your spreads by 2 or 3 times (i.e. \$5,000 to \$15,000). These large spreads are easier if you find the properties yourself and create the spread. John found all his own properties by "driving for dollars" when he went to look at other properties he wanted to resell for other wholesalers.

Domination Secret #4

Next is what really separates the real pros from the wannabes. **The escrow deposit is most important because you should always make a profit on every deal even if you don't close!** You will be collecting a larger non-refundable deposit from your buyer than you paid to your seller. The larger buyer escrow should be whatever the market will support but it shouldn't be less than \$2,000 greater than your escrow to your seller.

If your escrow is too high, expect to have your buyer say "no" to the deposit. Don't fold in and say "O.K." instead, go back to the original seller and re-negotiate his deposit lower so you can't lose – or know that you will make nothing and lose credibility if you don't close.

Insider Secret – the closing percentage of wholesale deals with pros as your buyers is 95% or higher. You're closing ratio with newbie's is maybe 50% or less so be ready for this and cover yourself in two ways. First, the easiest way to cover yourself is to take at least one back-up contract. If you find getting a back-up is difficult, work on getting your list larger! Secondly, and more importantly, use language in your purchase and sale agreement that **ABSOLUTELY, POSITIVELY**, insures you will get the escrow if your buyer defaults. **This is not as easily said and done, so ask your closing agent BEFORE you do any contracting what is acceptable to him to release the escrow without the buyer's WRITTEN permission.**

Don't take "no" for an answer on this issue with your attorney and look for another attorney who will cooperate if you must!

Your Escrow Agreement

Your Assignment or Purchase and Sale Agreement will stipulate "Escrow deposit is non-refundable if buyer is unable to close timely". **WARNING - This does not mean that your deposit is non-refundable!**

I can almost hear the screaming now that I have lost my mind and that you have gotten your escrow whenever there was not a closing. My short answer is – you shouldn't have and you were lucky.

Here's why – your contract, either an assignment of contract or purchase and sale agreement, are contracts that must be confirmed by a court to be considered valid if there is any dispute by either side. Your attorney or closing agent **may** send you the escrow check (I know he may have in the past!) by agreeing with you that the escrow should go to you because of the escrow clause in your contract. However, he doesn't have the legal right to do that, because he is not a judge in the judicial system. What he can do is send the defaulting party (your buyer who didn't close) a letter stating that he is paying you the escrow in 10 days if he (the defaulting buyer) has no objection. **If he has an objection, the escrow will only be paid if both parties agree – some chance of that!**

If it hasn't happened to you, it will when the party who believes he is entitled to have his deposit returned, sues you for its return. He may be wrong and you may be 100% right, but how much does a lawsuit cost? The answer is "probably much more than the escrow deposit" and his attorney knows it.

There is a simple solution, discuss with your attorney what documentation he needs to release the escrow to you the day after the closing date if the buyer defaults – yes, the **DAY AFTER**, no extensions. Next have him draft the clause, addendum or the complete document and have the perspective buyer sign it.

It is also important that you get the escrow in your

name if possible to have ABSOLUTE control of these funds. If the buyer won't make the check payable to you or your "Escrow Sounding Corporate Name" simply have him make it to your attorney who drafted your personal escrow agreement!

For those of you who don't believe it could happen to you, I warned John about this "tiny issue" and he laughed because he had done about 15 wholesale deals by that time and now he was a "pro" in his mind. He didn't laugh on the 17th deal when he couldn't get his escrow when his buyer defaulted and he lost his \$5,000 deposit - a loss that was easily avoidable. His buyer threatened a lawsuit and John wimped-out and gave the deposit back to his buyer. He should have just split it and his buyer would have taken half rather than paying his attorney to fight for the other half.

I am only trying to help, so you have been warned.

Domination Secret #5

John advertised in his local newspaper "handyman property for sale" with a property that was priced at 30% - 40% of retail value and collected the names and telephone numbers of semi-motivated buyers. He built his email list to 300 within 3 months and he still runs this ad for four weeks, takes it out for two weeks and starts over again. John used this "bait and switch" advertising tactic successfully forever and still uses it today. What he overlooked is the power of building a retail buyers' list using these prospects. In the next book in this series, I will explain how "Joe" did exactly this and made almost twice what John did in the same mentoring period!

P.S. Our mentoring students are given over 45 ways to find buyers so there are plenty of ways to find

these elusive buyers that seem as scarce as hen's teeth today.

Domination Secret #6

I'm going to mention this super important secret again because it is THAT IMPORTANT: Your ultimate power in real estate investing is in your email list! If you aren't always list building, you will eventually not have anyone to pre-sell your properties to and you will start sliding back to "normality".

As I mentioned previously, since John was on other wholesalers' lists, occasionally one would not "BCC" the list but accidentally "CC" the list, and all his clients became John's in an instant. This added about 1,200 more to John's list. The more lists you get on, the more frequently this happens. **DON'T let it happen to you** – always "BCC" your list and "CC" only to yourself to make certain it works.

WARNING – copying someone's email list and using it is spamming and it's illegal under Federal law. Yes, illegal, so I suggest that if you do get someone's email list that you re-opt in the entire list SLOWLY otherwise you will get a high number of spam complaints. A "high number" in this industry that will have your email account barred is over 1 or 2 spam complaints per 1,000 emails! You may get away with it once or twice, but about the third time you will get an error message that your account is closed. You are better off to send an email with the Subject Line of "THANKS" and include something that is an irresistible offer that the reader has to opt-in to get, hence, they become your client. An irresistible offer would be a report of value or access to your wholesale list "24 hours before the public". **Take this seriously as it could stop your steady progress and in serious cases cost you substantial fines.**

Domination Secret #7

Do What You Say You Are Going To Do – in the world of wholesaling, your word is your bond, so if you make a mistake and renege on a deal, you will find that your reputation precedes you and may cost you deals forever. The real estate industry is a small community and eventually you will find out just how small if you act like a jerk or lie, cheat or steal from other investors or homeowners. You won't notice it at first but you can be assured, you will hear about it later. If you are uncertain about how much a property is worth or the total rehab costs, do what John does and use the "Deal or No Deal" Software to do the evaluations. You can see it at <http://www.ExcelRESoftware.com>

This is a piece of information that I thought was important enough to include at this time as a "Huge Tip":

HUGE TIP – If a seller gives you, or you give a buyer an "As Is" contract and the seller knows of a "Material Defect" with the property, but they don't disclose it, he/she STILL has the liability for the defect. Don't let the seller or his attorney tell you anything different. I have seen too many cases to mention where the seller "runs" after the sale and when the house sinks in the pre-existing sink hole (just an example), and says "You bought it 'As Is', go away!", so the seller is sued and has to pay back all the money, PLUS even possibly lose the house as part of the fraud settlement! **Don't ever be bullied by people who you think know more than you – get angry and get your own attorney.** Since fraud is involved, your attorney should be your State's Attorney because of the threat of jail time and because **he doesn't charge** for his legal service.

I was once asked to be an expert witness for a ocean-front home that sold for \$10,000,000 (cheap at the time) where the seller hadn't disclosed an extremely serious

termite infestation. Instead of treating for the termites, the seller saved money and just fixed the exterior structural damage and sold the property "As Is" expecting he had left the problem behind. I can't give all the details of the lawsuit and settlement exactly, but the seller lost the property and paid back all the proceeds of the sale and was, last I heard, still on probation. The lesson here is the seller intentionally covered up a major defect to the property and intentionally did not disclose this defect to the buyer.

If you get a property with a defect, usually non-permitted additions are the most frequent, DISCLOSE these to your buyer so the problem doesn't come back and become very expensive later.

I once sold a 4/3 as a 3/2 because it had an illegal addition, and disclosed the non-permitted addition to the buyer. I got less than FMV for what should have been a 4/3 but I knew that permitting the addition would take a long time and I may have had to tear it down, all of which I disclosed to the buyer. It took four buyers before I finally closed on the property because only one was willing to take the chance on what to do with the addition. Interestingly, five years later I re-purchased the property in foreclosure and with the same illegal addition in place, except this time the lender had acquired the problem.

Domination Secret #8

A great source of wholesale buyers for me has always been realtors who have formed a relationship with a few clients who will allow the realtor to buy properties for them and rehab and retail these properties.

Finding these realtors is as simple as calling their offices and asking for the realtor(s) who will buy "wholesale properties" for rehabbing. Don't contact their

offices by letter, but you can easily and cheaply buy an email list of every realtor in your county or state! This is an opted-in or approved list so you shouldn't get spam complaints if you don't send them junk.

Explain your concept in person or by email of the potential of their making a commission on the sell side (5% - 6%), a property or construction management fee (15%), and OFTEN, a profit split with the buyer (80%/20%). Next show them example properties that you have sold and possibly even "after" pictures from the rehabbers who bought the property. It is not a hard sell to the smart realtors; to the compliance freaks, they will immediately squeal it is "illegal". The few realtors who do this do not spread the word because it is so lucrative. Go on to the next one and don't worry about it as you are just selling properties!

I hope that this booklet has given you some insight into the wonderful world of real estate investing and particularly wholesaling. It is not meant to be a complete course but rather to give you insight into the fact that anyone, especially with a little guidance and an open mind, can make a career in real estate investing.

It has been my pleasure giving you this look into the mind of a "newbie" wholesaler and I hope you use it wisely and as soon as possible. The second part of this book series will detail the power of persistence and how to "wholesale to retail" with little or no money and no risk. This student did almost twice what John did in his first year and again in one of the worst real estate market in 70 years!

To your limitless success,

Dave Dinkel