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Yes, I Said Short Sales Don't Work, But There are Exceptions

I constantly am misquoted and misunderstood but it is OK because in my old age I have learned that no matter how much you try to help people, you'll be criticized for not doing enough or doing the wrong thing. Frankly, it doesn't matter. I am as handsome as I'm ever going to be, so from here on out that's all I have to work with so I have to resort to brainpower, when it is still working.

Recently I sat with one of my mentoring students and he was whining that I wouldn't let him do deals. Sounds almost ludicrous but he believed it or, more likely, was vainly attempting to make excuses for his not having done any deals. His premise was that he found an REO deal that he could buy for \$33,000 and it was listed at \$39,000. Because he is a realtor, he immediately believes this is a deal. The problem that I saw was the \$200,000+ code liens that could not be negotiated by the city. The city wanted the property torn down.

Rehabbers had purchased the property and actually done a nice rehab in the interior of the property but to save time and effort had run plumbing and electrical wiring lines all over the outside of the building. The house looked as if an octopus was trying to strangle the house and then eat it. It was built in the late 1920's and was frame so there was a crawl space under the house to elevate it because of the original wood flooring. This crawl space could have been used for the wiring and plumbing but was too much trouble for the rehabbers.

Somewhere along the line the rehabbers put in new windows and doors and might as well have sent up a Saturn Rocket with a space shuttle attached to alert the local code enforcement officers. As soon as the property was flagged, the rehabbers got out and left the property. Not sure if it was a private lender or a conventional lender who had a serious senior moment (I know this feeling), but someone loaned money on the property and had to foreclose. The student had the ability to get the property under contract because a buddy of his was the listing agent. After all the "Multiple offers and give me your highest and best" nonsense, the student got the deal under contract.

I said "no" to putting this junker out to our buyers list, and you have to remember there isn't much we turn down if it is saleable. The student then tells me that we should be able to sell anything so just send it out to our list and see what happens. I graciously explain that our buyers will buy what they believe is a deal, and that we sell 90% of what we advertise, but in this case I didn't want to embarrass ourselves with all the title issues – that isn't the way we do business. He was outraged and went away and pouted for a couple of weeks.

Suddenly, he called one day to say he has a short sale approved and it is a wonderful deal. The list price is \$198,000 and he has it under contract for \$178,000. Well not actually under contract, actually the lender hadn't approved the short sale. The

listing agent should have said it is “approved for a short sale”, not that he got it. The lender never did approve the short sale and I got blamed for not doing short sales by him. Even if he had gotten it, it wasn’t even close to what we would eventually pay for it as an REO – like in the \$90,000 area. Why can’t people get it that when a property is listed on the MLS® and NOT SELLING, it isn’t a deal at that price?

As a longtime real estate investor (1975) I have learned that you have to change with the market and not be so rigid and inflexible that when something changes it is not too late to get on board. For example, I set up an office in my oldest daughter’s home in Wellington. We turned it into a short sale factory turning out tons of deals in a market where we couldn’t lose on anything we flipped. Yes, flipped, because at that time the lenders didn’t care if the end-buyer’s financing was used to fund the purchase side – now they consider it bank fraud and they are prosecuting for it – how times change!

After a couple of years of doing this I went on to doing more and more wholesaling and never looked back at short sales. They take too long to get accepted and too much time invested to make them worthwhile if you are doing all the paperwork yourself. To anyone who has asked me in the last two years if I do short sales I emphatically say “no” and that I don’t want to do them. But things have changed and there is a specific niche in the short sale arena that is getting killer deals for us.

The real estate market changes constantly and when a student asks me about the changes I made to our mentoring program he complains that I have changed it and that he wasn’t told about the changes so that’s why he isn’t doing his specified number of offers each day. Don’t try and blame others for your shortcomings, you have choices and if you don’t make the right choices you have no right to complain. This is very much like people who complain about our elected officials but don’t vote, supposedly because it is a waste of their time. Look at what happens to the system when your time becomes so important that you can’t participate for just a few hours – go vote!

Here is a simple question – If you had the ability to give deals away, would you give them to the underachievers and complainers, or would you give them to the successful students? Your answer depends on which one of these people you are, so to save you time, we give the deals to the students who “got it” and are successful, not the whiners who are very good at making excuses instead of persistently taking action. Life just isn’t fair....

If you got this far in this Insight, I thank you and am confirming that we are doing short sales - but NOT your typical SFHs at 81% of the BPO – we leave these for the retail buyers while we circle in the water waiting for these very failed short sale deals to become REOs.

In closing, I would like to say a simple, “Thank You” to all those loss mitigation representatives who diligently nurse their files so that only a very few get approved. This way they stay at their jobs, and then allow the Asset Managers to sell us the same properties at a further 30% - 40% discount. Investors continue to wonder why the loss

mit reps won't approve short sales, it is called job security. Most loss mit reps take a 1 – 2 week course from their lenders about how to negotiate with investors, realtors and homeowners. All the silly stuff you have to put up with is pre-planned and coordinated to make you crazy, or better yet, to make you feel like you have stolen the deal from them. You may not be as great a negotiator as you think, but if you are making money and deals are getting done, who cares? Just do it!

To your limitless success,

Dave Dinkel