

## Driving for Dollars Doesn't Work

I am always amazed when someone tells me that a specific type of prospecting does not work. What happened last week was a guy walked into our office and asked to talk to us. He said he had been a mentor student of a local guru and just got a deal – but he wasn't sure what to do.

We asked about his contacting his guru and he explained he tried and was essentially told to go away and find out for himself what price to offer and how to write a contract. If the guru had looked at the deal, he might have acted differently.

We reviewed the deal with him and it was a solid deal. We wrote the contract for him and Bill went to look at the property. The deal looked better and better all the time and the seller agreed to \$101,500. Now came the issue of advertising the deal and we signed a partnership agreement with the new investor and immediately started to market it at \$136,000.

Not too surprisingly, offers started rolling in and when we finally got a signed contract and a \$10,000 deposit check, the price was \$149,000. Not bad for a first deal from a newbie. I asked where he found it and he immediately responded, "Driving for Dollars". From what other investors and some students tell me, this method of prospecting doesn't work – must have been pure, unadulterated luck this time. And the kicker was that he had only done it for a week – had to be luck.... Lucky, lucky, lucky!

For someone looking to drive for dollars, he has to be aware that there will be very few For Sale By Owners ("FSBOs") in neighborhoods. The reason is that almost every third or fourth property is upside-down or already in foreclosure. The exact number of single family homes (SFHs) that are "Distressed" and "Upside Down, Not in Foreclosure and Not for Sale" are as follows:

Broward total SFHs = 375,084 but 104,275 are "Distressed" and Upside Down, not in Foreclosure and Not Yet For Sale = **1 in 3.6 will be coming to market**

Miami-Dade total SFHs = 378,833 but 91,179 are "Distressed" and Upside Down, not in Foreclosure and Not Yet For Sale = **1 in 4.2 will be coming to market**

Palm Beach total SFHs = 298,871 but 65,331 are "Distressed" and Upside Down, not in Foreclosure and Not Yet For Sale = **1 in 4.6 will be coming to market**

Again this market is the greatest opportunity in Florida's real estate history – if you know what you are doing! If you don't, you'll get stopped fast or never get started. The choice is yours.

So we agree that there are very few SFHs that are FSBOs. What about all those run-down properties that are abandoned? Someone owns them and they don't live there so there must be an opportunity here somewhere – right? There is but you have to look at the ownership of each and every one and look closely. By simply doing research in the public record you'll find who the current owner is and by looking at the deeds in the public record you'll find how the deed was transferred and at what price.

Many investors try to transfer properties using quitclaim deeds so they don't have to show the sale price in the public record and to avoid doc stamps. It works occasionally, but often the doc stamp charges for the quitclaim deed reflect the transfer value despite the \$100 price recorded in the public record.

The most common reasons for “abandonment” are a pending probate, short sale or a foreclosure in the court system. Once the property becomes an REO (bank-owned-property), it has a new owner but the lender/asset manager may not be ready to list it. There are thousands of these derelict properties that are not for sale and have un-motivated sellers as owners. They are not prospects for an investor until the seller gets motivated.

We are seeing more and more properties that are the result of bulk REO sales and purchases at the tax deed sales. They almost always come with substantial baggage in the form of code violations that are refiled by the cities after the tax deed sales by the cities. In the case of the Bulk REOs these unlucky buyers get the code liens and violations with their purchase.

Unsuspecting investors continue to buy these dogs and transfer them by quitclaim deeds. That's so the uninformed buyer gets the \*#&\*%\$^ that's attached to the property. We had one about three weeks ago where the seller had to bring over \$15,000 to the closing to pay off liens on a property he paid less than \$10,000 for. It sure sounded like a deal when he purchased it as a bulk REO. Do your homework by first seeing who owned the property prior to your seller and close by getting a reputable closing agent to do the shadowing and/or preferably the closing.

Ironically, 90% of the leg work of looking for properties by driving for dollars can now be done using REIFAX.com in Florida to sort for the owners of the properties and their listing status. Even probates are now available online from REIFAX.com so you can do your prospecting in your executive chair in your home office. With an iPad® or laptop with a wireless internet card, you can look at the properties by pulling off to the side of the road and stopping for a couple of minutes. If the “chain-of-title” shows a viable prospect as the current owner, you can take pictures and mail the worst one to the owner.

The new guy I mentioned above was sooooo lucky; he found this property by a FSBO sign. Gee, I wonder why no other investor got lucky before him – since we all know that Driving for Dollars doesn't work.

A student called yesterday and said the listing agent said she would submit his offer but it was ridiculous and wouldn't be accepted. I guess he got lucky too because the asset manager made a counter offer and later accepted the student's offer. Some people have all the luck, I can't believe this happens – just plain luck. Lucky, lucky, lucky...

As I was leaving yesterday evening, another student called and snickering in the phone, she said "I got another one." This puts her at a rate of one deal every two weeks and for you guys who heard me talk about another female student, she is not who you think she is. It took her over two years in a national mentoring program with no deals to come into our mentoring program. She didn't do a deal for probably six months and she was trying.

After making about four offers a day, she learned all the foolish feedback from listing agents and "got it". I am proud to say she is a real pro at negotiation and "playing the realtor® game". I respect winners and she is one of the future best in the business. I forgot to mention, she is lucky too – how else could she get deals? Lucky, lucky, lucky...

I am going to show one of her deals at the next BREIA meeting where she bought the property for \$90,000 and we sold it for \$109,000. Line by line, you'll see the HUD -1 closing statement. You'll get the inside on how a closing could take five months and how the REO asset manager fixed up the property just before the first closing and postponed it to do the needed work by permit.

If you haven't figured it out yet, "You make your own luck". If you don't understand how to do this, you probably will continue to blame others for your shortcomings and continue to wait for the sky to fall.

Taking action is the cure for many ailments, including depression. Get up, get out, take action and keep doing it until it works. The only difference between you and successful people is they get lucky by trying and they don't let failure stop them. Don't tell yourself why something doesn't work, find out how to make it work or do something else.

To your limitless ~~success~~ luck,

Dave Dinkel

P.S. If you missed my last "Fearless Real Estate Investing Seminar" you have one more chance. We will be having it in Palm Beach on Saturday, April 16, 2011 from 8:30am until 5:00pm. The events in Broward and Miami were sold

out and this will be the last one I do. Take a look at what you'll get by coming at <http://www.breia.com/event/SignupBREIA.pdf>

***“Come on by and let's see if we can't get some luck on your side!”***