

Shortcuts to Finding Real Estate Deals by Driving for Dollars

Driving for dollars to find real estate deals has been the source of literally millions of deals for investors, and even buyers looking to live in these properties. Many investors have become millionaires by simply driving neighborhoods, or having bird dogs do it for them. But if you are just starting, or having trouble finding deals, here are a few clues to sniffing out the money in a neighborhood.

Start simply by picking a farm area, usually consisting of two to three zip codes. The price of the properties in these zip codes will vary across neighborhoods and often across main streets. You should select these neighborhoods depending on your exit strategy for the properties you buy or put under contract as well as their relationship to the Median Priced homes in the area. First find the Median Priced Home in your county on the internet. Next take 75% of this value and that is the target price of the area where you want to prospect. For example if the MPH in your county is \$125,000, your target MPH area would be $\$125,000 \times 0.75 = \$93,750$. These are generally blue collar working-class neighborhoods or so called "bread and butter" houses for investors. If you are afraid to drive any specific area, don't do it, your life isn't worth the risk.

The three exit strategies that are most frequently used are wholesaling, rehabbing and selling to a retail buyer, or fixing the property just enough to rent it. In many areas investors will also look at doing lease options and even butterfly lease options where the funds needed and risk in the deal are minimal. I am considering these deals as rentals for this discussion, even though they aren't the same since the investor only needs owner financing or the ability to do a "subject to" on the existing mortgage. The investor does have to landlord to some extent and is only paid his profit when the option is exercised at or near the end of the lease. Until that time, he will collect a rent spread which can vary greatly.

If you are focused on wholesaling, your profit margins may be the smallest of the three methods initially, but will not require any cash or risk on your part to do these deals. Your credit will not come into play either because you can assign your contract, or do double closings whenever necessary. If you are good at negotiating prices with sellers and terms of the deal where owner financing is involved, your profit potential can be larger than a rehabber's and many years worth of rental income in one lump sum. Additionally, if you target the sale of your property to rehabbers or landlords, these two groups will pay much more than other investors who will re-sell the property again.

When you have picked your zip codes and decided on the specific neighborhoods you want to drive, you should get ready to hit the road. I suggest you start a very specific log of when you leave, the starting mileage and when you return with the ending mileage for IRS purposes. Ask your accountant how much you can deduct from your income taxes and how to take this deduction legally as it could mean thousands of tax savings if you drive a lot. You'll need a couple of pads of paper to take notes, pens, a map if you don't have a GPS, and preferably a co-pilot who will do the looking while you

watch your driving. You are going to be driving slowly and stopping and starting much of the time so be careful out there!

Now that you're on the road and looking at each house, what are you looking for? First and foremost, properties that are run-down, have high grass, or are abandoned. Next you will take down these addresses, if they are visible, or if not, try and figure out what you think they should be from house numbers on either side. These will have to be researched in the public records for the owners. As an advanced technique, get out and talk to the neighbors until you find someone who knows what the story is for that property. Leave anyone you talk to your business card and hang a door-hanger flyer with your info if no one is at home, or if they won't answer the door. If you spend the time talking to the neighbors, you'll likely get more deals than from the original suspect properties.

You could have done some preparation before you started by looking for what you believe will be distressed homeowners such as those in pre-foreclosure, divorce or bankruptcy to name a few. Armed with these addresses, you can target market them as they will likely be sellers in the near future. To get to these prospects, you'll have to do the dreaded "door knocking" and tell the person who answers who you are what you can do for them. You have 30 seconds, or less, to make your case so practice what you are going to say well in advance of arriving at that house.

You also want to look at all the For Sale By Owners ("FSBOs") in the neighborhood as these people are under the radar as far as being listed on the Multiple Listing Service® ("MLS®") and often they won't advertise in the local newspaper or on the internet. It is an old axiom that "the smaller the FSBO sign, the larger the profit" and I have found this to be true. These diehard homeowners generally want what the property may have sold for 2 – 3 years ago so they don't appear to be deals. However, if you persist in going back to them on a regular basis and make a logical presentation as to why your offer is what it is, you will get deals. Usually these deals are the largest profit margin deals in our business.

Call the FBSOs while you are in front of their homes. Ask to see the property and go in and look. Don't quote any price as you, "Have to do your research and will get back to them". The homeowners may push you for a price, but do not give one until you build a case for what price you will offer. Always ask the question, "Why are you selling?" Their answer is crucial in determining their motivation. If they aren't motivated you are likely wasting your time, but every seller at some time becomes motivated if he has to sell.

After a full day of driving and getting a lot of addresses to research, you may arrive home tired, so take a break. The research you have to do is mostly online so you can do it at night (even on the weekends) or the following day. You will look up the owner's name and address in the public record. If the address of the owner is different from the address of the property, you have an out-of-area owner. This could be an investor, a probate, or any number other reasons the owner doesn't live there. If you noticed mail

scattered across the yard when you were at a specific house, the owner isn't forwarding his mail and will be more difficult to contact, but it can be done.

You can use one of the skip-tracing services to locate the owners themselves or relatives of the owners. I did a deal where the owner was out-of-state and I mailed (I admit it) a couple of letters. Suddenly, a realtor sign went up in the front yard and I bought it through the realtor. While I netted about \$70,000 on this \$105,000 property I did OK but when I asked the realtor how he got the listing he said he had mailed for 6 months but finally got the deal when he CALLED the owner on record. The address in the public record was incorrect and no mail was forwarded. If I had called, it would have been an extra \$10,000 or more for me in the form of a better price and not have a commission to pay – live and learn. I know the seller pays the realtor's commission but the one who really pays it in the final analysis is the buyer's money.

This is where the pros are separated from the wannabes – You can mail to the owner's address and it should be forwarded or to the address other than the property, or you can call the owner direct. Simply put, pros call and wannabes mail and mail and mail. You can find the owner's phone number online, and these online, no-cost services will sometimes even give unlisted numbers. Have your script ready beforehand about why they should deal with you and what you can do for them, be specific and to the point as you don't have but 30 seconds to make your case.

I am not saying you are a wimp if you don't call. I am saying that calling takes guts and pros have the guts to make the calls and get the deals while your letters are sitting unopened on a hallway table in the owner's home. I hear a lot of "I like it when they call me, not when I have to call them!" The homeowner probably feels exactly the same, "I don't like to call anyone", so who is going to be the winner and speak to one another? Generally, it is the homeowner who gets desperate and calls the last mail piece, referral to a realtor, or someone other than you. So if you choose to, you can keep on mailing and mailing and mailing and waiting and waiting and waiting for a reply. Just how patient are you, or how much time do you have to wait?

To your limitless success,
Dave Dinkel

P.S. If you haven't seen it yet, look at the program that is leveling the playing field for Buyers and sellers in real estate - www.makingabuyerslist.com