GREG CLEMENT'S

FIS

FORECLOSURE INVESTING SYSTEM

2016 LITTLE GREEN BOOK

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In the field of short sales, things may constantly change; therefore, it is important for you to do your own due diligence to verify that your current knowledge and information is up to date and accurate. Furthermore, short sale practices vary by geographic location. They also vary according to the type of loan and the characteristics of the note holder and servicer. It is important for you to be aware of those variances.

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SECTION 1: INTRODUCTION

Preface

14 years ago I completely changed my life and the future of my family by quitting my job as a financial planner. Now that may not seem too responsible for a guy with a wife and 2 little boys at the time (we have 3 boys now, and two of them aren't so little anymore!), but it was the best decision I could have ever made for me and my family. It changed our future.

You see, when I quit my job I did it so that I could get into real estate investing and make some real money… not to mention so I could be my own boss, have control of my time, and spend more time with my family doing the things that we love to do.

But it wasn't quite that easy. Actually it was downright tough. The deals and money didn't just come rolling in, plus I didn't know what the heck I was doing! There were many times when I wished I had a course that would teach me everything from beginning to end, but I couldn't find anything that did that for me. So I taught myself through lots of different courses, learning some in this course and some in that. It was a pain, but I finally found myself with more deals than I could shake a stick at and that's when I knew that I needed to develop a real system to make my business run smoothly and efficiently.

So that's what I did and, throughout this book, I'm going to give you my secrets and systems that you'll be able to implement immediately into your own business. Plus, I'm going to give you the tools you need to deal with our country's current situation.

I think that we can both agree that we're living in a strange time; a time when we've watched our country go through an economic breakdown and mortgage meltdown; a time when we've seen our neighbors, friends, and families struggle; a time when we've even seen some of the people who are closest to us lose their homes. Maybe it was an experience like that which sparked your interest in foreclosures, or maybe you were ahead of the curve and started working with foreclosures long before we saw the Florida's and Las Vegas' of the country succumb to the foreclosure crisis. Either way, the information in this book is designed for you. I've written this book so that anyone who has an interest in foreclosure investing can pursue that interest. This book will give you a step-by-step process to investing in foreclosures using three different methods – Short Sales, REOs, and buying foreclosures at Auctions.

It's important to understand different types of foreclosure investing so that you never feel the constraints of what you don't know. Knowing several ways to invest in foreclosures opens up the door to a number of streams of revenue instead of just one. Say you primarily invest in REOs, but then a lead for a short sale comes along. If you don't know how to do a short sale deal, then that lead is no good to you. But if you also understand short sales, that could mean another $20,000 or $30,000 or more in your pocket instead of someone else's. Having the knowledge to be able to invest in different types of foreclosures can open up a whole new world for you and that is what I hope to do with this book.

This is such a weird time for investors because there are so many great opportunities out there, but there are also so many new regulations that you have to be careful. And not only do I want to teach you three ways to invest so that you don't miss out on revenue producing opportunities, but also because we never know what's going to happen.

Think about this with me for a second; say you only invest in short sales right now. What would happen if the government said “no more short sales?” What if that was it – short sales were banned. How would you provide for yourself and your family? Now I’m not saying this to scare you, but it’s something that every investor should think about because you need to have a backup plan. Even if you read this book and continue investing in short sales and never do an REO deal, you’ll still have the knowledge to do one should you want or need to.

That’s exactly why I wrote this book. I want to arm you with knowledge so that you can grow and thrive as a real estate investor if that’s what you choose to do.

Enjoy!

CHAPTER 1: WHY FORECLOSURES ARE A "CAN'T MISS" OPPORTUNITY

Foreclosures are one of the biggest opportunities for you to make money in real estate in today's economy and real estate market.

This is a fact: foreclosures are still high. As of today, nationwide, 1 in every 249 houses receives a foreclosure notice. Even though foreclosure rates are slowly decreasing from month to month, the national foreclosure rate is still up 21 percent above pre-recession averages. New Jersey currently has the nation's top foreclosure rate at .98% of housing units with a foreclosure filing. Maryland comes in at a close second at .90% of housing units with a foreclosure filing and Delaware is the third highest at .78% of housing units with a foreclosure filing. Florida comes in fourth at .70% of all housing units with a foreclosure notice and Nevada rounds out the top five with .68% of housing units with a foreclosure notice. Illinois, Ohio, South Carolina, Connecticut, and Indiana are also ranked in the top 10 highest rates[1].

The vast number of foreclosures across the United States in recent years has created TREMENDOUS opportunities for real estate investors to make money in Real Estate. The days of "traditional" real estate investing are over – at least for now. This is the time to make the most of this economy and invest in foreclosures. There are too many unbelievable opportunities out there, so please don't ignore what's going on and let this market pass you by. The beauty of investing in foreclosures is that you can make $20,000, $30,000, even $70,000 or MORE on one deal.

This is your window of opportunity and I want to help you seize it.

By investing in foreclosures, you are buying properties at prices that are well below market value and have built-in equity. Investing in foreclosures can also be one of the quickest ways to make money investing in real estate.

Real Estate investing can generate huge profits and can ultimately change your life. If you're looking to get out of your 40-hour per week job, real estate can be your escape route. If you want to be able to provide your family with the life that you think they should have… real estate can do that for you. If you feel like you want to give back to your community, real estate can provide that sense of giving. If you feel like you are truly looking for financial freedom and the freedom to live your life the way you intended, then look no further – you have found your footpath to freedom.

Investing in real estate has created more millionaires than any other industry and there's no reason why you can't be one of them.

In this book, I will give you the systems to start investing in foreclosures now. My experience and the systems that I've built will give you a foundation for a successful business. For example, I've built a system called Realeflow, which was built to automate as much of my real estate investing business as possible. Realeflow is the #1 Source of Real Estate Investing Leads and the tools to profit from them and has totally changed the way that I do real estate investing. I'll talk more about that later, but what experience has taught me is that every business needs systems. If you don't have the right systems in place, you won't reach your maximum potential, but with the right systems, you can take your business anywhere and everywhere.

CHAPTER 2: WHY IS THIS THE BEST TIME TO INVEST IN REAL ESTATE?

Have you heard the saying "buy low, sell high?"

Well, this is THE TIME to buy low. It may not be the best time to sell high, but if you buy low enough, you can still sell properties at market value, or even a little bit below if you want to sell quickly, and make a quick (and hefty) profit.

Your other option in today's market is to invest in properties and hold on to them. While you're holding your properties, you'll want to rent them out (if they're in condition to be rented) and then when the timing is right, put them on the market for sale. If your property isn't in good enough condition to rent out, but you want to hold onto it, you'll probably want to put some work into it so that when you are ready to sell it, you get top dollar. If you still aren't ready to sell once the property is fixed up, renting it out is always an option.

With mortgage rates being at an all-time low, there are tons of buyers out there wanting to take advantage of the low rates. In addition to the low mortgage rates, state offered first time homebuyer programs have also motivated many new buyers to take advantage of today's buying market. There are tons of buyers looking to buy properties at discounted prices and if you buy low enough to offer a discount to buyers, then you will be ahead of your competition by a long shot. People expect to be able to buy properties at below market value in today's economy, so your goal should be to get a steep enough discount to be able to sell your properties at a discounted rate and still make a good profit. You'll be selling properties like hot cakes if you can adjust to the market and give buyers what they're looking for.

The low rates are also making it more affordable for investors who want to take advantage of the renter market and are buying properties by way of securing a mortgage. Being able to buy at a percentage of a property's value and secure a mortgage with a super low interest rate is a win-win situation for you.

CHAPTER 3: THE FORECLOSURE PROCESS IN THE UNITED STATES

Each state has their own state specific foreclosure laws, however there are many similarities to the ways that each state handles foreclosures. There are judicial foreclosure states and non-judicial foreclosure states. We're going to start this section by going over the general timeline of the foreclosure process so you can better understand how the foreclosure process works and then we'll get into the differences between judicial foreclosures and non-judicial foreclosures and which states fall into each category.

The foreclosure process in the United States starts because of a homeowner not being able to make their monthly mortgage payment. There are many stages to the foreclosure process and many times throughout this process the homeowner has the opportunity to make up the missed payments in order for the bank to end foreclosure proceedings.

Once a homeowner misses their first mortgage payment they will be contacted by their mortgage company. If a second month's payment is missed, the lender will continue to contact the homeowner to try to find out why payments have been missed and to find out if they are trying to resolve the situation. At this time, the homeowner may be able to make up a payment in order to prevent falling 3 months behind. Once a homeowner misses their third consecutive payment, the lender/servicer will send a letter stating that the homeowner is in default, giving them 30 days to bring the loan current. This is called a "Demand or Acceleration Letter" and will include the exact amount that needs to be paid by the homeowner in order to bring the loan current and a specific date that the amount must be paid by. If arrangements are not made by the date specified in the letter or the full amount has not been paid to bring the loan current, the lender may, at this time, begin foreclosure proceedings.

Between 3 and 6 missed payments, the lender will file a Notice of Default, commonly referred to as an NOD, at the County Recorder's Office. The homeowner will also be notified of the NOD, usually through certified mail, demanding payment. If the loan is not brought current by the date on the Notice of Default (usually 30 days from the NOD filing date), a judgment will be filed and the lender has the right to request to sell the house at auction. To bring the loan current, the homeowner must pay all of the missed payments, including any late payment fees assessed.

If the loan is not brought current and the lender proceeds with the foreclosure, the homeowner will receive a Notice of Sale, which will also be posted on the property and recorded at the County Recorder's Office in the County where the property is located. A Notice of Sale is also posted in the local newspapers and a sale date, time, and location is set.

In most states the homeowner has up to the sale date to make arrangements with their lender or to bring their loan current by paying the total amount owed. If the homeowner is not able to do that, once the property is sold at foreclosure auction they might have a redemption period in which the total amount owed can be paid and the home can be reclaimed.

TYPES OF FORECLOSURES

There are two main types of foreclosures in the United States – a judicial foreclosure and a non-judicial foreclosure. Some States are one or the other and some states are both. About 60% of the states use the judicial foreclosure process.

Judicial Foreclosure

A judicial foreclosure state requires the note and mortgage holder (lender) to file a lawsuit against the borrower (homeowner) in order to sell the property at a foreclosure auction. A judicial foreclosure starts with a summons and complaint, which is served to the borrower. If the borrower does not respond to the complaint or does not bring the loan current, the lender gets a judgment by default and is able to sell the property at foreclosure auction. This process can take anywhere from 3-12 months depending on the number of court cases in the county. A county with a larger number of court cases can take closer to 12 months, whereas a county with a small number of court cases can take 3-6 months.

Non-Judicial Foreclosure

In a non-judicial foreclosure state a lender can foreclose on a property without filing a lawsuit, using a Power of Sale. Foreclosure by a Power of Sale is allowed if a Power of Sale clause was included in the Deed of Trust. In this case, when the borrower defaults, the lender files a Notice of Default and a Notice of Sale and is able to then sell the house through foreclosure auction without court supervision. This entire process usually takes about 90 days. The borrower sometimes has a Right of Redemption after the sale, which gives the borrower the right to get back title to the property by paying the amount owed.

The following is a list of states and the type of foreclosure process they use[2]:

State	Judicial (or) Non-Judicial	Process (# of Days)	Publish Sale	Redemption Period (# of Days)	Type of Sale
Alabama	Both	49-74	21	365	Trustee
Alaska	Both	105	65	365	Trustee
Arizona	Both	90+	41	30-180*	Trustee
Arkansas	Both	70-120	30	365*	Trustee
California	Both	117	21	365*	Trustee
Colorado	Both	120-145	60	75	Trustee
Connecticut	Judicial	62	NA	Decided by court	Court
Delaware	Judicial	170-210	60-90	None	Sheriff
Dist. Of Columbia	Non-Judicial	47	18	None	Trustee
Florida	Judicial	135-180	NA	None	Court
Georgia	Both	30-90	32	None	Trustee
Hawaii	Both	220	60	None	Trustee
Idaho	Both	150	45	365	Trustee
Illinois	Judicial	210-300	NA	90	Court
Indiana	Judicial	150-261	120	None	Sheriff
Iowa	Both	160	30	20	Sheriff
Kansas	Judicial	130	21	365	Sheriff
Kentucky	Judicial	147	NA	365	Court

Louisiana	Judicial	180	NA	None	Sheriff
Maine	Judicial	240	30	90	Court
Maryland	Judicial	46	40	Decided by Court	Court
Massachusetts	Judicial	75	41	None	Court
Michigan	Non-Judicial	60	30	30-365	Sheriff
Minnesota	Both	90-100	7	180	Sheriff
Mississippi	Both	90	30	None	Trustee
Missouri	Both	60	10	365	Trustee
Montana	Both	150	50	None	Trustee
Nebraska	Judicial	142	NA	None	Sheriff
Nevada	Both	116	80	None	Trustee
New Hampshire	Non-Judicial	59	24	None	Trustee
New Jersey	Judicial	270	NA	10	Sheriff
New Mexico	Judicial	180	NA	30-270	Court
New York	Judicial	445	NA	None	Court
North Carolina	Both	110	25	None	Sheriff
North Dakota	Judicial	150	NA	180-365	Sheriff
Ohio	Judicial	217	NA	None	Sheriff
Oklahoma	Both	186	NA	None	Sheriff
Oregon	Both	150	30	180	Trustee
Pennsylvania	Judicial	270	NA	None	Sheriff

Rhode Island	Both	62	21	None	Trustee
South Carolina	Judicial	150	NA	None	Court
South Dakota	Both	150	23	30-365	Sheriff
Tennessee	Non-Judicial	40-45	20-25	730	Trustee
Texas	Both	27	NA	None	Trustee
Utah	Non-Judicial	142	NA	Decided by Court	Trustee
Vermont	Judicial	95	NA	180-365	Court
Virginia	Both	45	14-28	None	Trustee
Washington	Both	135	90	None	Trustee
West Virginia	Non-Judicial	60-90	30-60	None	Trustee
Wisconsin	Both	290	NA	365	Sheriff
Wyoming	Both	60	25	90-365	Sheriff

Now that you understand the very basics of how foreclosures work across the U.S., it's also important to understand the options that lenders and borrowers have when facing foreclosure.

CHAPTER 4: OPTIONS FOR HOMEOWNERS AND LENDERS TO AVOID FORECLOSURE

Homeowners and Lenders actually have lots of options when it comes to foreclosures. The lender doesn't have to foreclose and, many times, homeowners don't know about all of the options that they have to avoid foreclosure. Oftentimes, homeowners have the ability to stop the foreclosure before it happens by working with their lender or with an investor.

Typically, once a homeowner misses 3 payments, the lender will start foreclosure proceedings. Depending on the state and county, it can take anywhere from 21 days to a year for a property to be foreclosed on. Yes, a YEAR! Where I live, it can take a year or more from the time the Notice of Default (NOD) is filed to get to the foreclosure auction, so there is plenty of time to find a solution. In 21-day states, once the lawsuit is filed, it can take anywhere from 21 - 45 days for the house to be sold at foreclosure auction. These days, the lenders might actually stall and wait a few months before they file the lawsuit, giving the homeowner more time to make other arrangements.

Many homeowners don't know that they still have plenty of time to make other arrangements so that they can avoid foreclosure. Some arrangements include working with the lender to make up missed payments. In many states, the homeowner has until the foreclosure auction to bring their loan current and stay in their house. Other arrangements include selling the house or working with a real estate investor like you.

Selling

Even though the homeowner is in default, they still own the property and have the right to sell it. Homeowners have a couple of different options for trying to sell their house, depending on how much they owe on it. In many foreclosures, there is no equity in the house, but if there is some equity in the house, or if what's owed is equal to or below the market value of the house, then a good option is to try to sell.

Two options for selling the property are For Sale By Owner (also referred to as FSBO) or through a Realtor. There are pros and cons to each.

Selling a house For Sale By Owner can be very stressful on the homeowner, who is probably already under a good deal of stress. It takes time for the homeowner to put ads in the newspapers or online, and they have to be there every time someone wants to see the house. They are also responsible for any marketing expenses for ads placed or signs that they want to put up. If they're already under financial distress, having more marketing expenses is probably not going to help.

Selling through a Realtor can be less stressful as far as expenses go and having to do their own marketing. However, those things aren't free. That's where the Realtor commission comes in. When the house is sold, a certain percentage is taken from the seller's proceeds in order to pay the Realtor. If the house doesn't sell for a high enough price, once the Realtor commission is paid, the homeowner (who is already unable to make their mortgage payment) then has to bring cash (which they may not have) to the closing table in order to satisfy what's owed to the lender.

Repayment Plans

There are two common types of repayment plans for someone who's in foreclosure – Loan Modification and Forbearance.

Loan Modification

A loan modification permanently changes one or more terms of the homeowner's loan. For example, the interest rate may be lowered and permanently changed so that the homeowner has a lower payment and better chance of being able to make their payments. There could also be an extension on the payoff terms of the loan. A re-amortization of the loan takes place and the new payoff schedule is put into place. When this happens, the loan is reinstated and the payment is one that the borrower can afford. This gives the homeowner a better chance of being able to make their mortgage payments and keep their house.

Forbearance

A forbearance agreement is beneficial for borrowers who have had temporary financial difficulty rather than long-term financial difficulty. The reason this is true is because a forbearance agreement has the borrower bring the loan current by rolling missed payments and late fees on top of their current mortgage payment, typically increasing their payment to an even higher amount than before. Makes sense, right? No way! For someone who is already having trouble paying their mortgage, this is a near impossible solution because it is increasing the monthly payment that they are already behind on. Most homeowners who are in foreclosure don't have extra money to make a higher payment, or even their current (lower) payment, so this isn't a good option for most people.

Deed-in-Lieu of Foreclosure

Another option that the lender may pursue in place of a foreclosure is a Deed-in-Lieu of Foreclosure. With a Deed-in-Lieu, the borrower basically turns over the property and gives the keys back to the bank in order for the lender to stop foreclosure proceedings. It's more of a voluntary foreclosure. The homeowner signs the house back over to the bank by signing a deed and the lender marks the note as "paid." The advantage to a deed-in-lieu is that neither the lender nor the borrower has to go through the stress and monetary drain of a full foreclosure. The bank saves a lot of time and money because they get the house back quickly and can put it back on the market to sell. The downside for the borrower is that this is still considered a foreclosure and will affect their credit in the same way that a regular foreclosure would, not to mention that they also have to move out of their house at that point.

Partial Claim

A Partial Claim is only an option available to FHA (Federal Housing Administration) or HUD (Housing and Urban Development) loans. FHA loans make it easier for people to qualify for a loan because FHA insures the loan against default. FHA guarantees that the lender won't have to write off the loan if the buyer defaults because FHA will pay. A partial claim is an interest free loan guaranteed by HUD and given to homeowners who are in default to pay off the arrears and reinstate their delinquent loan. Once the first mortgage is paid off, or when the property is sold, the partial claim loan must be repaid. Once the partial claim is complete, the borrower is no longer at risk of foreclosure or losing their home.

Short Sale

Pay close attention because this is where YOU come in. A short sale is when a borrower who is in default is able to sell their property for less than what is owed to the bank at the bank's approval. A short sale means that the lender will accept less than the total that is owed to them and will stop the foreclosure. This typically takes place when a borrower owes more on their home than the property is worth.

For example, if I owed $120,000 on my house, but it was only worth $100,000 and I could only sell it for $100,000 max, I would be a good candidate for a short sale. I would have to work with my lender and convince them (through paperwork, a BPO, etc.) that it would be beneficial to them to take the offer as payment in full because the house isn't worth $120,000 anymore and I don't have the money to bring to closing.

WHY, most people wonder, would a bank agree to take LESS than what is owed to them? The reason is a short sale saves both the bank and the homeowner lots of time, money, and stress.

Have you heard the saying, "Banks are in the business of lending money, not owning property?" Well, this is 100% true. Banks can only have so much property on their books at a time, not to mention that when they own a property, they then have to SELL the property. There are financial expenses that go along with holding on to a property and expenses that go along with trying to sell a property that the bank does not need to incur if they accept a short sale. With a short sale, they recover a portion of what is owed to them and in most cases, collecting that amount, even though it's less than what is owed, is going to be more than they would get if they foreclosed on the property and tried to sell it.

A short sale has stipulations, one being that it has to be an arms-length transaction. This means that whoever is buying the house cannot be related to the homeowner in foreclosure. The house, after it's sold, cannot be leased back to the homeowner who was in foreclosure and the homeowner who was in foreclosure cannot stay in the house for any reason. Previous to the Obama administration, in most cases, the homeowner was not allowed to receive any funds from the sale of the property. Only with FHA loans was the homeowner allowed to receive anything at all from the sale of the property, with the maximum amount being $2,000. Under the Obama administration's new plan, borrowers may receive $1,500 from the government if they sell their home for less than the amount of their mortgage.

The real pros of negotiating a short sale for the homeowner are that short sales have less of an impact on the homeowner's credit score than a foreclosure would have and the stress of going through a foreclosure is removed. Many times, whatever amount the bank receives is considered payment in full for the loan so the homeowner is not responsible for the deficiency between what was owed and what was paid.

Foreclosure Auction

If none of the previous options work for the homeowner, then the next step for the lender is to try to sell the house at a foreclosure auction. At this point, the lender's goal is to get at least what is owed on the property. The lender normally sets the opening bid at the outstanding loan amount. If the highest bidder's offer is not equal to what was owed, or very close to what was owed on the property, or if there are no bids the bank will buy the house back. The highest bidder in 95% of auction sales is the bank who buys the property back. Once the bank buys the house back, the property then becomes an REO, also called a Bank Owned Property.

REO/Bank Owned

Once a property goes through the entire foreclosure process, if it is bought back by the bank, it becomes an REO property, also referred to as Real Estate Owned or Bank Owned. Once the bank takes the property back, they classify it on their books as a non-performing asset. At that point the bank's goal is to sell the property.

Normally the bank will have a company clean the property out, but they usually don't make any repairs to it. Then they will have a BPO (Broker's Price Opinion) done by a real estate agent that the bank hires. Once they get that value back, they will hire a real estate agent to list the property for sale until it sells. The property is placed on the MLS and is available for anyone to buy. Most REO properties are then sold to investors looking for properties to rehab and sell.

SECTION 2 INVESTING IN SHORT SALES

CHAPTER 5: WHAT IS A SHORT SALE?

If you remember in Chapter 4, I talk about what a short sale is. To refresh your memory: A short sale is when a borrower who is in default on their home loan is able to sell the property for less than what is owed to the bank with the bank's approval. A short sale simply means that the lender will accept less than the total that is owed to them and will stop the foreclosure process.

A short sale typically takes place when a borrower owes more on their home than the property is worth. A good candidate for a short sale would be someone who owes $140,000 on their home that is only worth $100,000. There is no way that the homeowner is going to be able to sell their property for what they owe on it and the bank is probably going to take a total loss and end up buying the property back if they don't accept a short sale. In that case the property would become an REO and the bank would be responsible for selling it.

If the bank accepts a short sale, then they get back some (or most) of what they're owed and they are not responsible for selling the property. Lenders know that they could lose a lot more money if the property goes to foreclosure auction because of all of the fees involved, so a short sale is a way out for them too.

A short sale truly is a win-win-win-win situation. Let me explain why.

- The borrower escapes having to go through a full foreclosure and avoids having a foreclosure destroy their credit.
- The lender gets paid on an asset that they were not getting paid on for a number of months

before the short sale and recovers some of the money that was lent to the borrower. They also avoid having to take back the property and avoid having to try to sell it.

- The end buyer gets a deal on the property, many times being able to buy it at below market value because of the discount negotiated in the short sale.
- The investor who negotiated the short sale (YOU!) makes money! Short sales have been known to make profits for investors anywhere between $300 and $300,000 and up! The profit potential when dealing with short sales is limitless.

You can see now why short sales are so popular and are a huge opportunity for investors, homeowners in default, buyers, AND lenders.

Short sales are a huge opportunity for investors to buy properties at dramatically discounted prices and make large profits. The short sale process begins with an investor working with a homeowner who is in default and who wants to get rid of their property. The investor would then pull comparables (later used to support their offer to the lender) and complete paperwork with the homeowner, which will be submitted to the lender in a short sale package. Once the investor decides what they're willing to offer for the property, they will then submit the short sale package to the lender, which includes comparables that support their offer.

The investor must convince the lender that their offer will benefit them in this situation. Supporting paperwork will include the following:

- Offer Letter

- CLOSING OR SETTLEMENT STATEMENT
- Signed Purchase and Sales Agreement
- Homeowner’s Hardship Letter
- Homeowner’s Last 2 Years of Tax Returns
- Homeowner’s Last 2 Pay Stubs
- Homeowner’s Last 2 Months of Bank Statements
- Homeowner’s Recent Mortgage Statement
- Homeowner’s Financial Statement
- Comparable Homes in the Area

All of these will be discussed in further detail in later chapters.

The lender uses all of the information listed above to determine whether or not it’s a good short sale opportunity for them and whether or not it makes sense for them to accept a short sale on the property. The investor then has to negotiate with the lender until both parties are satisfied with the amount.

CHAPTER 6: WHY INVEST IN SHORT SALES?

Because of the large number of homeowners in foreclosure in the last several years, short sales have become much more common than they were 14 years ago when I started investing in short sales. When I first started investing in short sales, lots of banks didn't even have a Loss Mitigation department; they all have them now.

But why should YOU invest in short sales? Let me ask you this: do you want to make money without having to invest your own cash? Do you want to make A LOT of money without having to invest your own cash? The answer must be YES! Right? You said yes, didn't you? If you didn't answer yes, then you can close this book right now and you don't ever have to look at it again. But if you answered yes, then keep reading!

Short sales are the best way to invest in real estate without ever having to use a lot of money out of your pocket. You can't go wrong if you don't even have to invest your own money.

Because there are still many overleveraged properties available, there are many great short sale deals out there. Many investors won't touch those properties with a ten-foot pole, but what they don't know is that those properties are like diamonds in the rough. A short sale can create a large amount of equity and can turn out to be a very profitable deal, although you do have to know and understand the short sale process and how it works in order to make the deal come together. That's what I'm here for. It's also important to understand how to determine which short sale deals to work on and which ones to let go. You don't want to spin your wheels on a deal with no potential while you're letting deals with huge potential pass you by. If you wanted to, you could be working on probably 30 short sales by the end of the month without even trying because of all of the short sale opportunities out there. Don't let this economy scare you this is your time to thrive.

Now that short sales are more common practice they are very willing to negotiate short sale deals if it means that they don't have to take the house all the way through the foreclosure process and they're going to recover some of the money owed on the property. Remember, banks are in the business of lending money and not owning property. It is much better for them monetarily if they can sell the property and avoid all of the fees that are assessed to the homeowner during the foreclosure process.

This is the perfect time to jump into investing in short sales because of the opportunities that are available in today's market and because of the bank's willingness to negotiate. Another great point is it doesn't matter what condition the house is in for a mortgage to be discounted. All the lender cares about is their bottom line. If the house needs a lot of repairs that will actually work in your favor because the lender will see that the house is in distress and they will most likely give you an even bigger discount. This will eliminate the bank's liability, which is exactly what they want.

Properties with second and third mortgages also present tremendous opportunity for you. This is something that most investors are scared of. BUT, in most short sale situations, the second and third mortgage holders know that if the house goes to foreclosure they won't get anything at all. A short sale is their opportunity to at least get something (even if it's $1,000) instead of nothing. They know that if the first mortgage holder buys the house back at foreclosure auction, they will be wiped out and will get nothing at all. THAT is motivation enough for them to accept a short sale and is hopefully motivation enough for you to start investing in short sales. THAT was an A-Ha moment for me when

I first started out. I couldn't believe that we could wipe out an entire mortgage and create equity like that.

Imagine finding a house that's in foreclosure that has an after repair value of $100,000 today. They have a first mortgage of $105,000 and a second mortgage of $35,000, owing a total of $140,000. If you discount the second mortgage to $1,000 and discount the first mortgage to $70,000, you have taken a property that was extremely overleveraged and created $29,000 in equity out of thin air and more of an opportunity to make a profit! This is what short sale investing is all about – taking a property that looks hopeless and turning it into a profitable investment for you. Not to mention the lenders, homeowners, and end buyers all win in the end too.

CHAPTER 7: FINDING SHORT SALE DEALS VS. SHORT SALE DUDS

There are so many different ways to find short sale deals and such an abundance of them that you should never be short on deals. But where are you going to find all of these people that are in foreclosure? If you're just getting started how are you going to let people know who you are and what you can do for them? What is your message to your prospects going to be? Why will they want to work with you and not someone else? And once you find all of these deals, how do you know which ones to work on? Are there deals that you should ignore and deals that should get your attention? Absolutely, and I'll show you how to determine deals from duds in this chapter.

When you start marketing to get deals, you have to think about how much money you have to spend on your marketing. Do you have thousands of dollars to make a T.V. commercial? Or are you going to buy a list or get property information at the courthouse or on the county's website and do direct mail such as postcards? Or are you going to cold call and door knock?

Are you going to rely solely on referrals? Or are you going to do a combination of all of the above (recommended)?

Whatever your method of marketing becomes, the one thing that you have to remember is to be consistent! Lots of times investors will do a big marketing push, get a bunch of deals, and then forget to market over the next few months. When that happens, their pipeline dries up.

Once they're done working on the deals that came in from their last marketing effort, they dont have anything new to work on. That's usually when they remember to start marketing again, so it's like starting back at square one every time. This is inconsistent for your whole business plus your potential clients will recognize your inconsistency. If they get a postcard from you once every 3 or 4 months, they're not even going to consider working with you. By the time they get your next postcard, their house may have already gone to auction! This is not the way to get customers. Being consistent will get you business. If your prospects see a postcard from you every week or every couple of weeks, they're going to remember your name, especially if you call them in addition to your direct mail marketing.

You should create a marketing plan that is consistent month after month that brings in leads on a consistent basis, and one that you can afford. You don't want to do a commercial if you don't have the funds. Although it may get you some qualified leads, it will probably send a ton of unqualified leads your way and could end up being a waste of money. You need to know who your target audience is and primarily market to them. If you know that you would never buy a house in a certain part of town, then there is no need to spend even a single dollar on marketing in that area; it would be a waste of money. You're not in business to waste money, you're in business to make money!

FINDING LEADS

County Courthouse

A great place to start finding foreclosure leads is the county courthouse in the county where you will be doing deals. This is also the most accurate list of leads that you will get. All foreclosures are public record, which means that once a Notice of Default has been recorded, it's public record and anyone can have access to it. You can easily go down to your county courthouse and find property information for all of the properties in the county that are in foreclosure. When you're at the courthouse, look for the civil case filings to find new foreclosures. You should get into the habit of going to the courthouse at least 2-3 times a week (or have someone go for you) and bring back a list of the new foreclosures each time. Depending on your area, you may have 50 new foreclosures a day.

Your county may also post the new foreclosures on a website that you can access instead of having to physically go to the courthouse. Make sure you find out if the information is online because, if it is, this can save you huge amounts of time.

The information that you need for your foreclosure list is:

- First & Last Name
- Address
- City
- State
- Zip Code
- Lender
- Date Notice of Default was filed
- Any additional information provided such as loan amount
- Foreclosure sale date if available

You also want to make sure that you're getting not just the new foreclosure filings, but also the foreclosures who have recently had a foreclosure sale date set as those leads will be highly motivated to work with you to avoid the impending foreclosure that looms in the not too distant future.

List Provider

You can also go through a list provider to get your foreclosure list. Most counties have a legal publication that provides the newest foreclosure filings each day. For example, ours is the Daily Legal News. You can work with them so that they only pull addresses from certain zip codes (if there are only certain zip codes in a county that you will do business in) and they will send you a daily spreadsheet of the newest foreclosure filings. They can work with you to get you the information that you need. If this is not available in your area, your best bet is to go to your county courthouse.

There are also list providers online that you can buy lists from such as foreclosure.com, realtytrac.com, foreclosurelistings.com, tlclists.com, preforeclosurealerts.com, preforeclosure.com, and defaultresearch.com. The only problem with these lists is they could be old and there could be numerous people buying the same list. This can get expensive and the leads will not be targeted.

You can also go through Realeflow (www.realeflow.com) to get your lists. Over the past few years we've negotiated with the best lead providers in the industry to get their best leads and data delivered automatically into our software. We have pre-foreclosure leads that are piped into the system as soon as our data providers get the information from the county. You can then use Realeflow's filters so you can target the list to exactly what you are looking for and where. Because Realeflow's leads are so fresh, this is the next best option to taking time out of your week and working with the busy clerks down at your local county office. As of writing this we have over 13 million foreclosure records in the system.

Referrals

Another great source of foreclosure leads are referrals from Realtors, mortgage brokers, attorneys, friends and family, and previous clients (once you get your business going and do some successful deals). By far, the best sources of referral business are previous clients, friends and family, and Realtor referrals.

Previous Clients and Friends and Family Referrals

Referrals are worth their weight in gold. What could be better than having a previous client rave to their neighbor or friend who is, or could be in the future, facing the same situation? Someone is in trouble and their friend is recommending you. Who do you think they're going to call first – YOU! That's a slam-dunk. I can almost guarantee that they will become your customer too. That's two deals for the price of one. Your marketing dollars have gotten you the first deal PLUS the neighbor or friend, without you having to spend any money marketing to that person. That's why previous customer referrals are like a goldmine.

Your friends and family also undoubtedly know someone who has been affected by our economy. Make sure your friends and family know what you do and how you can help people who are in foreclosure. Give them some of your marketing materials that tell a little bit about what you do so that they're familiar with it. You should be the first thing that comes to their mind when they talk with someone who's having trouble paying their mortgage.

Realtors

Realtors are another HUGE source of referral business. Say a Realtor meets with a seller who they know is overleveraged on their house. Does the Realtor want to list that property knowing that they most likely won't be able to sell it because the owner owes more on the house than it's worth? Would they want to list a property knowing that they'll put a lot of time, resources, and effort into marketing a property that they know is going to sit on the market for months and not sell? They know they won't make any money by listing the property, so what are they going to do? They're going to look for an alternative to simply listing the house. They're going to look for someone like YOU. If they know that you can negotiate a short sale on the house, get the homeowner out of foreclosure, and pay them a commission or referral fee, they're going to come to you.

So how do you make them come to you? Networking. You need to meet Realtors in your area and let them know what you do. A great thing to do is to go to REIA (Real Estate Investor Association) meetings in your area. Lots of times Realtors will also be at those meetings. Network while you're there as it's the perfect time and place to build relationships. Once they trust you and trust that you can do what you say you can do, they will send you all of their short sale deals. I promise. You just have to build the relationship. A Realtor's top two goals are to get the property sold for the homeowner and to make some money. If you can help them do that, they will send you deal after deal after deal.

Another way to connect with Realtors is to research the top Realtors in your area and give them a call. Better yet, stop in to their office and introduce yourself. Ask if you can take them to lunch to show them how you can help each other. Realtors love food! Explain to them what you do, position yourself as the short sale expert in your market and start to build a relationship with them. Show them the successes that you've had in your market and prove to them that you can do what you're saying you can do. Trust me, it'll be worth it in the long run. Imagine having one or two Realtors who gave you every short sale deal they came across. That's a never-ending supply of leads that you don't even have to spend marketing money on (besides buying lunch every now and then).

Word of mouth is huge in this industry, which is why you have to position yourself as a Center Of Influence in your area. You need to become the local expert on short sales and you'll have all of these referral sources sending deals your way. Referrals are the best clients because they already trust you. They were referred to you by someone that they trust so, in turn, they trust you from the start. Having your client trust you makes your job that much easier. They're easier to work with, they follow the directions that you give them, and they are more likely to follow the process through to the end.

BROAD STROKE MARKETING VS. TARGETED MARKETING

So now that you know where to find leads, how are you going to market to them once you have a list? There are so many ways to market to your list, some expensive, some not so expensive, but which ones work?

Here are some examples of different ways to market to your list:

- Television and Radio Ads
- Billboards
- Newspaper Ads
- Bandit signs
- Direct Mail - Postcards
- Direct Mail - Letters

- Door Knocking
- Cold Calling
- Voice Broadcasting
- Squeeze Pages

Let me tell you which of the marketing techniques above work well and which ones don't work so well.

Remember that when you're putting your marketing plan in place you want to have multiple means of generating leads. You can't rely on just one method because what happens if that one method no longer produces leads or what if you can no longer afford that method? Then you're left with no marketing at all and no means of generating leads and you'll have to start back at square one. So make sure that your marketing plan includes at least 2 or 3 of the methods that we discuss here.

Broad Stroke Marketing

Television and Radio Ads

The idea of these types of advertising is exciting, but do they work? First, they're expensive. True that they can get you a lot of face time with people, but are these types of ads putting you in front of the right people? This type of advertising isn't targeted at all, so you'll get lots of leads, but MANY of them are not qualified leads and may not even be in areas where you work. That's money down the drain, especially if you're just starting and don't have a huge budget for marketing. My advice would be to wait on this type of advertising until you have your heels dug in to this business and are making money.

Billboards

Billboards are similar to TV and radio ads – they're expensive and you're not marketing to a targeted audience. Yes, they may produce some leads, but most likely the leads won't be qualified, they may not be motivated, and they may not even be in an area where you work. While a large number of people may see your signs, it's not a targeted audience. There may only be 1 out of 400 people that drive by your sign and see it as an opportunity for them to get help. Then they have to remember the phone number and THEN they have to actually pick up the phone and call you. While billboards seem like a good idea, they're not very cost effective.

Newspaper Ads

Honestly, I feel the same way about newspaper ads as I do about TV commercials and billboards. I pretty much feel the same way about any type of marketing that isn't geared directly toward your target audience because it's money wasted. Your marketing is MOST effective when it's geared directly toward your target audience and you don't have to rely on someone driving by your sign or reading the newspaper. While newspaper ads seem like a good idea, they can be very expensive (unless you put ads in your smaller local papers) and they don't generate a lot of qualified leads. I know when we used to put ads in the Plain Dealer, it was super expensive and we would get leads, but they were almost always from areas that we wouldn't touch with a ten-foot pole. It was money wasted, but we quickly learned our lesson. If you really want to put ads in the paper, only put ads in your smaller local papers that are in the areas where you do business.

Bandit Signs

Bandit signs are a good way to get your name and phone number out there. You've seen them around

– plastic signs, usually yellow or white in color with a wire stand. I bet you've seen them on street corners advertising a house for sale or pool table or Jacuzzi. They're not expensive, they're simple, the message is easy for people to understand, and they're not too pretty, which draws people's attention to them! Be careful with bandit signs, though, because some cities have rules about where you can and can't place them (if they allow you to put them up at all) and if you violate their rules, they can fine you. Most times they will just pick up all of your signs and give you a warning. Sometimes they give the signs back, sometimes they don't. It depends on their mood that day I think! So check with the cities that you want to post signs in before putting them up to make sure that you're not going to waste time and money posting 50 signs in a neighborhood only to have them removed after a couple hours. Again, make sure you're not throwing money down the drain.

Targeted Marketing

Postcards

Now we're getting to the good stuff! This is targeted marketing. Direct mail includes postcards and personalized letters, which both work very well and get a much higher response than the methods listed previously. You can usually get a 1-3% response rate with postcards and a 4-10% response rate with more personalized letters.

Once you have your list that you're going to start marketing to, you want to start marketing to them on a consistent basis. You're not the only one sending them postcards or letters, you can be sure of that, but you CAN be the only one who is consistently sending them postcards and/or letters. The more they see your name, the easier it will be for them to recognize you when you call them or show up at their door. They will also appreciate your consistency and see you as someone who has it together enough to be able to help them.

The most effective times to market to people in foreclosure are right after the Notice of Default has been filed and again right after the foreclosure sale date has been set. These are the times when people are most motivated to work with you. Now, I don't mean send them a postcard right after the NOD has been filed and then not again until the foreclosure date has been set! No, that is exactly what you don't want to do! Instead, send them your marketing consistently for at least a few months after the NOD has been filed. If they don't respond, then try again once the sale date has been set.

Once the sale date has been set, they know that they only have a short window of time to try to do something about their situation and that usually lights a fire under them. During the middle months, they know that they have a certain amount of time to live in the house with no payment so they aren't as motivated during that time. I wouldn't stop marketing to them altogether during the middle months, instead just not as often. Rather than sending 2 postcards per month, only send 1 per month during that time.

The frequency of your mailings has a lot to do with the response that you get from prospects, but what has an even bigger effect on your prospects is the message that your marketing materials convey to them. Just because you send them 20 postcards doesn't mean they're going to call you. Your message has to make them feel connected to you, it has to make them trust that you are the one who can help them, and ultimately you are the one that they will do business with. Your marketing has to tell them WHY they should work with you and HOW you can help them. You have to stick out from your competition and have a call to action that tells your prospect exactly what to do.

There have been so many times that I've gone to a house to meet with a homeowner and they have had literally piles and piles of postcards and letters from our competition. For one reason or another, they decided to call me instead of everyone else in that pile.

You should also couple Cold Calling and/or Door Knocking with your direct mail efforts for an even bigger response. I'll talk about these more personal approaches shortly.

So the biggest things to remember when direct mail marketing are:

- Consistency
- Specific Call to Action
- Compelling Message
- Only Send Direct Mail to Your Target Market
- Couple Direct Mail with Cold Calling and/or Door Knocking

We use Realeflow's integrated direct mail engine for our postcard mailing. You can set up a campaign in 5 minutes or less and never have to deal with the hassle of mail merging, printing, and mailing it. There are other services out there but few that couple direct mail with targeted leads and a system to manage the leads that come in from the campaign.

Letters

Another highly effective form of direct mail marketing is personalized letters. This form of marketing gets an even higher response rate than postcards. For one thing, people think that letters are more personal and that creates a connection between you and the homeowner. The letters that get the highest open rate are the ones that look like they're handwritten.

These homeowners are human just like you and me. So think about your own experience. When you get home and look at the mail, what are the first pieces of mail that you open? Isn't it the ones with the handwritten envelopes? I know in my house, those are always the pieces of mail that are opened first, especially if it looks like it could be a personal letter, invitation, or card. Those are the pieces of mail that we care about most and get our attention first. Other pieces of mail with the labels or windows with our address coming through are assumed to be bills, credit card offers, or other types of junk mail. There are times when those pieces of mail are never opened – they go straight to the garbage! Don't let that happen to your letters. Set yourself apart. Get your mail opened.

Now I'm not saying that you need to address each envelope or write each letter yourself. In fact, I believe you should hardly ever be spending your time doing tasks like these. Don't get me wrong, marketing your business is of critical importance, however your time could be better spent handing this task off to someone else and spending the time saved (3-6 hours depending on the list size) forming a new relationship with a Realtor or negotiating a deal. The great thing is that there are several ways to give the impression a letter is handwritten without all the effort. Some fonts really do look like handwriting and it's hard to tell if they're handwritten or printed if you have the right printer. At a quick glance, they certainly do appear to be handwritten and will most likely be opened by your prospect. We offer these types of letters and fonts inside Realeflow. We also have a powerful technology called Personally Penned Letters that are letters written by a machine with a real ballpoint pen. It's the best of both worlds; personalization and automation.

Next your letter needs to be clear and concise. One page will do it. Tell your prospect exactly why you're writing to them – for example, "I want to buy your house." Tell them a little bit about yourself and how you can help them and give them a very specific call to action. Once they're done reading your letter, they should know exactly what you want them to do – for example, "call me to discuss how I can help you at 555-555-1212."

Make sure that the number you give them is a live working number that someone will answer (unless, of course, they're calling in the middle of the night, in which case, you need to have a reliable voicemail system and system for returning calls each day).

You may only have a short window when your prospect calls you. Many times people in foreclosure are embarrassed by their situation and so it takes them time to work up the nerve to call you. If you don't answer the phone or if you don't call them back for a couple of days, they may have already moved on to the next investor or just lost their nerve altogether and given up. It's very important that when someone reaches out to you from your marketing that you respond quickly.

Again, your response rate can increase dramatically if you couple this with a cold call to your prospect or with showing up at their house to talk to them. This may seem invasive to some, but sometimes this is the only thing that will work with certain people. Some people just need that little extra push.

Cold Calling

Cold calling can be intimidating, but it can also be very effective. It takes more time and effort on your part, but if you can do it, it'll pay off in the long run. Don't feel like you're bothering your prospect, you have to have the mindset that you're trying to help them and that you want to buy their house, not that you're trying to sell them something. If you've sent them direct mail, once you introduce yourself, they should recognize your name or the name of your company, which will make the conversation a lot easier. They know that you already know their situation and will be more willing to talk to you knowing that you have already done your homework.

Remember that cold calling is a numbers game. You will only reach a certain percentage of the people that you call. But your chances are higher of reaching people if you call at certain times. Calling in the middle of the day is a sure fire way to get you talking to a lot of answering machines, not people. You should call between 6pm and 8pm for the biggest number of reaches. This is the time when most people are getting home from work and getting dinner ready or relaxing with their family. Now this is the part when you need to change your mindset so you don't feel like you're invading your prospect's privacy or free time, but by offering them a solution to a situation that they undoubtedly don't want to be in.

If you look at each time you pick up the phone as a dollar amount, it will make dialing the phone each time a lot easier. Every phone call leads to a profit, even the "no's" lead to a "yes." You have to understand that you have to talk to a certain amount of people who say "no" before you get to someone who will say "yes" to you.

This is a really important concept that you need to understand before cold calling will seem like the profitable method that it is. The general concept is that this is a numbers game. I'm sure you've heard that term before and this is exactly the type of situation that it's referring to.

The only way to get someone to work with you is to get in front of them. That's why I'm suggesting you send them direct mail and call them or walk right up to their front door.

So the number that we're talking about in the "numbers game" is the number of leads you have. Because that's really what you're trying to get, right? Leads, so that some of those people turn into clients. The one number that you can control and improve is the number of leads coming into your pipeline.

Early on in our business, I learned that we needed 13 leads before we got one deal. But once we got that one deal it was worth about $18,000 to our business (average profit per deal at that time).

What that means is that every single lead at that time was worth $1,384.61. So the way I thought about it, and the way that you need to think about it too when you're cold calling, is that each call is worth a certain dollar amount. The point is that it's super important with all of your marketing to funnel as many leads as you can into your pipeline because even if they're leads you can't work on, they're still worth something to your business. This concept should make it much easier for you to pick up the phone and cold call your leads.

The objective when you're cold calling is to qualify your lead. If they're not interested in what you do, they will tell you right away. This is a good way of scrubbing your list too.

Pick out 40 properties that you want to personally "touch," track down their phone number online or via a skip tracing company, and call those people. Ask them questions so that you can find out more about their specific situation. First find out if they're interested in selling their house to you. Find out what their goal is and what they want to accomplish by working with you. Next get more details on their foreclosure. Ask them how much they owe including arrears and fees assessed. Find out who their lender is and if they have more than one mortgage. Find out if they have any other liens on their property. Ask them how much they owe on the property and when they made their last payment. Ask them open-ended questions and you'll learn a lot more about them and their situation.

Your next objective is to set an appointment with them so that you can see their house and explain all of their options to them. Try to set an appointment within a day or two. That gives them less time to think about it and get cold feet.

Door Knocking

Door knocking is another method that takes more time and effort on your part, but is very effective. Again, you have to have the right mindset with door knocking because you're walking right up to someone's front door to talk to them about being in foreclosure. This is where you have to train yourself to think that you're not trying to bother these people, you're not trying to sell them anything, but instead that you would like to buy their house and help them avoid foreclosure. You're trying to help them.

Again, door knocking coupled with direct mail marketing is very effective because if you've already sent them direct mail that they've read when you tell them who you are, they're going to recognize you immediately.

Now I'm not trying to say that door knocking is easy, because it's not. It can be intimidating, especially if you've never done any door-to-door type of business. If you have, then door knocking should be one of your primary means of marketing. If you're new to it, then it will take some courage. Once you get the hang of it, you'll be an old pro in no time.

Some things to remember when door knocking:

- You will be rejected. You may be the most confident, compassionate, easy to get along with door knocker there is, but you will get rejected. If your feelings are easily hurt or if you don't take rejection well, then door knocking may not be for you. You may want to assign this to someone else in your office. No matter how good you are and no matter how much you know, there are going to be people who don't want your help – and they'll tell you so. You just have to mentally prepare and know that this is all part of the business.
- Make sure you build a rapport with the homeowner. Remember that you are on their doorstep during their personal time and you're talking to them about an embarrassing situation. Some might be defensive, and some will be very welcoming. For some people, this is just what they need to take action. Make sure to present yourself as non-threatening and compassionate. Stand at least one step below the door so that you're below them and not level with them when they open the door.
- This, just like cold calling, is a numbers game. Even though you will be rejected at some houses, they still have revenue attached to them because you need to get through those no's to get to the yeses. So remember that as you're about to walk up to someone's front door – even if they say no, it's okay because that means you're just that much closer to your next YES.
- Dress like your prospect. You don't want to show up at your prospect's house with a 3-piece

suit on, you'll seem intimidating. Think about your own experiences… Are you more likely to work with someone who reminds you of yourself and seems similar to you, or someone who feels intimidating to you? You're going to work with someone like yourself – and so is the homeowner in foreclosure. So present yourself in a casual way – khakis and a polo shirt or even jeans and a polo shirt will do the trick. Make sure you have a clean cut appearance (no jewelry or facial hair).

Anticipate their objections and know how to respond. Common objections are:

- I've got it taken care of. (you can ask them how and offer your help)
- I'm not in foreclosure. (let them know that as of the last time you checked the county foreclosures their lender was still reporting their house as being in foreclosure and you wanted to see if you could help)
- I'm just going to let the house go into foreclosure. (explain the consequences of letting this happen and explain how you can help)
- I'm filing bankruptcy. (again, explain the consequences of this and explain how you might be able to help them)
- Listen. This might be the most important one. Listen. Many times someone in foreclosure has not had the opportunity to really talk about their situation. The lender just wants to know when they're going to pay. When it's at this point, the lender doesn't listen to the reasons why the homeowner is in default, they just want to know if they're going to get paid. You are the one who can listen to them, listen to their reasons for missing their payments and provide a solution. When you listen, you gain someone's trust. They will see you as compassionate and they'll

quickly begin to trust you. If you're the only one who has come knocking on their door to offer help, you will most likely gain their business.

Use the following language when your prospect opens the door:

You: "Hi, is Joe Seller home?"

Homeowner: "I'm Joe, what do you want?"

You: "Hi, Joe. My name is Greg and I'm stopping by to see if you received the letter I sent you."

Homeowner: "What letter are you talking about?"

You: "Oh, I sent you a letter about buying your house, I thought you might be interested in selling it."

At this point, the homeowner will recognize you and remember reading one of your marketing pieces or they won't. They'll also have 2 thoughts – either "this guy is full of crap" or "I could really use his help, how can he help me?"

When they respond to you, they'll likely respond in one of three ways:

Homeowner: "Yes, I've thought about selling it."

Or… **Homeowner:** “No, I’m not selling.”

Or… **Homeowner:** “How do you know all this?”

You: “Joe, I saw that a Notice of Default was filed for your house and I help people in your situation by buying houses. I buy 8-10 properties a month in this area and wanted to see if I could help you.”

Once you say that, stop talking because it’s time to LISTEN. Let them talk about what’s going on with the house and in their life. This is the time for them to tell you their story. If they don’t say anything at all, then you can follow up with, “What are you planning to do?”

Many times they will respond with one of the following:

Homeowner: “Working with the bank.”

Or… **Homeowner:** “Filing Bankruptcy.”

Or… **Homeowner:** “Nothing.”

At that point you can begin to educate them on each option and how it can impact their future. You can also begin to talk to them about how you can help them and how it’s different and will have a more positive affect than any of their other options.

If they're interested in what you have to say and how you can help them, make a follow up appointment with them or if they need to think about it, make sure to get their number and follow up with them within 2 days. When you follow up with them, ask if they've had a chance to think about what you talked about and find out if they're ready to move forward. At that point, set up an appointment to meet with them to go over their options with you.

Now what if no one is home when you knock on their door? Make sure you have a leave behind packet of information. You don't want your leave behind to be overwhelming, so make it simple and concise. Also, write a message on a Post-it note that you stick on their door that says that you were in the area and wanted to make sure that they got your letter. Sign your name and leave your phone number.

Voice Broadcast

Another marketing method that you can use in addition to direct mail is voice broadcasting. A voice broadcast is a good way to get a message out to your entire list of prospects at once. You don't want to use this alone, but rather than calling each prospect yourself, this is a good way to reach them all in a short amount of time.

A voice broadcast is a message that you record and then that voice message is sent to the list of phone numbers that you want it sent to. When the person, or their voicemail picks up, a message is left. This is good to do if you've just sent out a batch of postcards or letters.

Your voice broadcast can say:

> "Hi, this is Greg Clement. I sent you a yellow postcard in the mail with some information about your house and I wanted to make sure that you got it. I'm interested in buying your house if you're interested in selling it. If you are, you can call me at 555-555-1212. Thanks."

There are a few good voice broadcast providers out there, but the one that we've used in the past is Automatic Response Technologies (ART). You can find them at www.automaticresponse.com. I say in the past, because we've built a voice broadcasting system right inside Realeflow.

We call it Moby and it's a voice broadcasting and SMS engine designed to help real estate investors with this very task. You can record and send voice messages out through Moby to your prospects and can even set up voice recordings for when they call you back. Again, just another way to save time and keep you focused on the important things.

Squeeze Pages

Now this is an area that is more involved than a few paragraphs, but I can start by explaining what a squeeze page is. A squeeze page is a landing page designed to get opt-in email addresses from prospective subscribers. Your squeeze page can also be a multi-step squeeze page that collects more than just their email address on subsequent pages.

Squeeze pages work exceptionally well because they are clear, concise, and have an easy to understand call to action. A squeeze page also offers something in return for the prospect submitting their email address, usually a free report on how to avoid or fight foreclosure.

The beauty of a squeeze page is that you can also set up auto-responders to go out to all of the people who have opted in at whatever intervals you want. I have an auto-responder set up that goes out to my opt ins every 3 days for 30 days. The emails seem like they're personally written (which they were) and they're sent out in a specific order. What's great about this is that I set up the auto-responder once and I don't have to think about it again and the whole time my prospects are getting emails from me. The key to a squeeze page working is driving traffic to it. If you have a squeeze page just sitting out there, it's probably not going to generate a lot of leads for you. But if you drive traffic to your squeeze page, then it can convert up to 30% or even higher, which is better than all of the marketing methods listed above. That means that if 100 people see your squeeze page, 30 of them will give you their information!

Here are a couple different ways you can setup squeeze pages:

- Do it yourself
- Hire a web developer
- Buy a template from a provider and integrate it
- Set up a squeeze page in Realeflow

With Realeflow you can set up a squeeze page and can also set up an auto-responder, which is set to email your prospects at pre-determined intervals for a certain period of time. When a new prospect opts in to your squeeze page, they are automatically dropped into your database, and they automatically start getting a series of marketing emails from you without you having to do anything.

It would take me waaayyy too long to try to teach you how to do all of that in this book, but the basics are mentioned above.

Know Your Market

No matter what type of marketing you do, the most important thing is to KNOW YOUR MARKET! You have to become an expert in your market and know which areas to buy in and which houses and areas to avoid.

The reason behind this is that you could get 500 prospects from a billboard, but if they're all in undesirable areas, they're worth squat – zilch – nada! It doesn't matter how much (or little) you can buy a house for, if you can't resell it, you're stuck. It's not worth it to waste time, energy, and resources on a deal that you'll never be able to resell. Believe me on this one, I've done it and I won't do it again.

So the bottom line is know your market and buy where the buyers are.

Keeping Your Marketing Consistent

Now that you have lots of ideas of different types of marketing you can do, the question is how to keep your marketing consistent. You've got a number of options for how to manage your marketing.

One way to manage your marketing is to do it yourself or to hire an assistant to do your marketing. This means getting prospects on a consistent basis, updating your prospect list, and sending mailings on a set schedule. Sending mailings includes printing the postcards or letters or a combination of both, stuffing the envelopes if you send letters, addressing them, and stamping them. The hard part about that is doing it WHEN YOU'RE SUPPOSED TO DO IT.

Another option is to have a fulfillment house do your mailings for you. You can use a company like Pure Postcards who will do everything mentioned above for you – for a fee. But they'll do it on schedule. Marketing is such an easy and important piece of the puzzle to automate.

That's why we put a such big focus on building the marketing engine inside of Realeflow and made it as automated as possible. Everything from list gathering, to direct mail, to squeeze pages, to autoresponders, and more are designed to save time and money.

I highly encourage you to automate this part of your business. You'll see a difference, I promise. Your pipeline will be steady rather than having dry spells with no new prospects and you'll get more leads on a consistent basis.

CHAPTER 8: WHAT TO DO WITH YOUR NEW SHORT SALE DEALS

Now that you have leads in your pipeline and short sale deals ready to go, what's next? There are a couple things you want to do before you start signing paperwork.

First, you want to analyze your potential deals and make sure that they're good opportunities before you sign on the dotted line. On the surface, most deals can look like money-makers, but once you are immersed in this business and have a better feel for what makes a good deal and what doesn't, you'll know right away.

In the meantime, I have a solution for you that will analyze your deals and tell you whether or not they're good short sale opportunities. I think we can agree that it doesn't make any sense to work on a deal that isn't a good opportunity from the start because the likelihood of it turning into a good opportunity is slim to none. Your time is better spent on deals that have potential right from the beginning. It's important not to waste time and resources working on deals that aren't going to go anywhere so that you can instead save it for deals with big potential.

Since there are so many moving parts to a short sale, there are a lot of areas that need to be analyzed before you can know whether or not it's a good deal. That is exactly why I created a deal scoring system. I kept getting stuck on certain deals and felt like I had been spinning my wheels since the pen hit the paper the day I signed the seller up as a client and wished that I had never taken on the case to begin with. I knew that I was missing something – a way to know before I signed people up as clients whether or not I could make money and whether or not I could help them.

So I looked at all the moving parts of a short sale and determined which ones impacted the deal the most. Then I went through a checklist of items, which would help me determine if I had an excellent deal, a very good deal, a good deal, a deal with some potential, or a below average deal (run if it's below average!).

Here are the important factors that you need to look at when analyzing your deals:

- **Resellability -** can you quickly resell the property?
- **Location -** determine what type of location the property of interest is in. Is it in an area where

you will easily be able to sell it? Do people want to live there? Is it in an area where selling will be fairly easy, but may take some additional time? Or is it in an area with little or no development where it will be difficult to sell?

- **Wholesale Cost of Repairs –** determine how much money you'll need to put into the house to be able to sell it.
- **Buyers –** do you have a potential buyer already lined up for the property? Do you have people with strong interest in the property or area? Is there potential interest in the property or little to no interest at all?
- **Discount-Ability –** can you get a big discount on the property?
- **Loan Type –** is it FHA, VA, Fannie Mae, Freddie Mac, or Conventional?
- **Balance of the 1st and 2nd Mortgages to the After Repair Value –** what do they owe in comparison to the after repair value of the house?
- **BPO –** can you support your offer?
- **Are there comparables** near the offer price that can be used to support your offer?
- **What is the Retail Cost of Repairs?**
- **Is the house vacant or occupied?**
- **Age of Loan –** how mature is the loan?

Taking a good look at all of this information will give you a great indication of whether you're looking at lucrative deal or a time-suck. No time-sucks allowed!

This system allows you to pass on the deals that don't have any potential and really focus your efforts on the ones that are going to make you the most money.

CHAPTER 9: PROTECT YOUR A$$ETS: PAPERWORK AND CONTRACTS FOR BUYERS AND SELLERS

One of the most important things you can do as an investor is to protect yourself and your business.

Even though you're in the business of helping people, it doesn't always work out the way that we would like it to. And when that happens, people get upset. Not always, but there are times when people get upset and want to retaliate even though you have done your best and even if there was nothing more that you could have done to make the deal work.

Foreclosure is an embarrassing and frustrating situation for most people and you come in and give them hope. When you can't help them, their hope is lost. Sometimes, losing hope is even more painful than the foreclosure itself. Divorce, loss of a job, and death are common reasons behind foreclosure that cause pain, and to have a foreclosure piled on top can seem hopeless. Finding out that you can't help them can feel like they're at the end of the road. The point is that you need to protect yourself and your company through the appropriate paperwork.

First I'm going to give you a list of paperwork that you'll need the seller to sign before you can move forward with their deal. After that I'll explain what each piece of paperwork does.

- Authorization To Release Information
- Affidavit Of Understanding
- Contract For Sale And Purchase
- Addendum To Contract For Sale And Purchase

Now let me explain what each piece of paperwork does and why you need your lead to sign it before you do anything. Some of this paperwork will be included in your short sale package, so as we go through each one I'll indicate if it should be included.

Authorization To Release Information (See Appendix A)

The Authorization To Release Information is the first piece of paperwork that you need to have signed in order to talk to the seller's bank and will also be included in your short sale package. Without this, you are dead in the water. No matter what, their lender will not talk to you, or anyone else for that matter, without an authorization signed by the seller. The authorization tells their lender that it's okay to talk to you about their loan. The loan number must be on the authorization and it must be signed and dated by the seller. It's also important to have your name along with the name of your company or the name of the company that will be helping to negotiate with the bank on the authorization.

Once you have the authorization signed, fax or email it to the seller's bank. If you call the lender and let them know that you have an authorization to send in for your client, they will give you the correct number to fax it to. They will also give you a timeline for when you can call back next. Normally it can take 24-48 hours, even 72 hours, for the authorization to get loaded into their system under the correct account. At that time, you will want to call the lender again and make sure that they got your authorization and that it's on file. Once they tell you that they have it and they're authorized to speak with you, you can begin working with the lender.

Affidavit Of Understanding (See Appendix B)

This is a super important piece of paperwork that is specifically designed by a knowledgeable lawyer to protect you, the investor. This piece of paper manages the expectations of the seller and spells out all of the terms of the agreement for the parties involved. If your seller won't sign this piece of paperwork, then you should NOT move forward with having them sign any other paperwork until they do. There are 24 statements that must be initialed and the seller must also sign and date it at the bottom in front of a notary public who must then notarize the document.

By signing this document before a notary, the seller is stating under oath that they understand each situation that could arise from working with you. It also states that they understand that you are not promising them anything and that they understand what you have talked about with them and disclosed to them.

Specifically, statements 19 and 20 are Hold Harmless Clauses, which protect you in the event that you are not able to negotiate a short sale and the house goes to foreclosure. They also protect you in the event that something goes wrong with the transaction.

Each and every statement on this disclosure is extremely important in protecting you and your company throughout the transaction. If your seller feels comfortable signing the disclosure on the spot, you should still advise them to have their attorney look over the disclosure with them before they sign it. But don't have them sign any other paperwork and don't start working on their property before you have the signed disclosure back in your hands. It's in your best interest to operate this way.

Here's a true story…

A few years ago we got a call from a woman who had gotten one of our post cards in the mail. She was in foreclosure and wanted to know if we could help her by buying her house.

We pulled her up in Realeflow and were going through the seller script when we realized that she had two mortgages, making her a pretty good candidate for a successful short sale. A lot of our leads at the time were houses in pre-foreclosure and were potentially good short sale candidates. This one was no exception.

We started to work on the file soon after her first call. We got the paperwork together, went out to meet with her, and immediately submitted the short sale package to her lenders.

The first mortgage was HSBC, which at the time was a notoriously tough lender for accepting a short sale on a mortgage in default. We tried anyways. We opened this file up in September of 2006. Right around December of 2006, almost three months later, we were still working on the file.

HSBC made it very clear that they would not agree to a discount. Unfortunately they thought the value of the house was higher than it actually was. We had the second mortgage already discounted from $30,000 to $1,000, but no matter how much we tried to get them to accept the discount on our client's behalf, they refused to do so. It stood to be a pretty good deal if we could get HSBC to agree to a discount, but they wouldn't budge.

After three months of trying to work on this deal and HSBC not giving an inch, we had to tell her that we couldn't help her, and that the house was going to go to auction. She was upset. She was going through a divorce, which I'm sure was also upsetting, but she seemed to understand. We gave it a good shot and did everything that we could do. It went to auction in early 2007.

Soon after that, we got a certified letter in the mail from a law firm stating that the house went to auction and the bank was now going after the seller for almost $80,000 for the deficiency. Not only that, but it was also threatening us with a lawsuit if we didn't pay the $80,000 deficiency judgment for her.

It was definitely alarming to get a letter like that in the mail, but we knew that we had done everything that we could and that we also did it by the book… and we could prove it.

I called and had a short conversation with the attorney asking if the seller had provided them with any of the paperwork that they had signed when we started working with them such as the 24-point Affidavit Of Understanding… and they had not.

The first thing I did was pulled up the signed Affidavit and printed it. The next thing I did was went into the property file in Realeflow and printed out the 62 activity feed notes that had accumulated over those 3 months. 62 notes, date stamped, time stamped, and name stamped that walked through the case starting from day 1 all the way through the date when we closed the file.

I fired those off to her attorney with a short note explaining what he was looking at. Well, that did the trick because I never heard from that attorney again. Case closed. If I didn't have her signed Affidavit to send to the attorney stating that she understood that there was a possibility that the house could still go to foreclosure, I would probably have still been dealing with this situation today.

Contract for Sale and Purchase (See Appendix C)

The Contract for Sale and Purchase is also included in your short sale package and is a very integral part of the deal. Without the seller signing this, you have no right to the property and should not even consider working on a deal where the seller won't sign the Contract for Sale and Purchase.

First of all, you need to send this in with your short sale package or the package will be incomplete and the bank won't look at it. Second, without the Contract for Sale and Purchase signed by the seller, they could easily sell the property right out from under you. Without this contract, you are totally vulnerable to something like that happening and you would have no recourse.

Overall, the Contract for Sale and Purchase is a purchase and sales agreement for real estate contingent upon certain terms. The people involved in the Contract for Sale and Purchase are the buyer and the seller. The homeowner who is in default is often referred to as the seller and the real estate investor, either the investor personally or their company, is often referred to as the buyer. With the Contract for Sale and Purchase, there is an option deposit given (in place of the typical earnest money) of at least $10. This deposit is non-refundable and is given to secure your opportunity to buy the property in the future should all contingencies be met. In addition, the promises from seller to buyer and buyer to seller make this a binding contract.

The contract gives the investor the option to buy the property if the contingencies of a successful short sale negotiation are met and that short sale amount is satisfactory to the investor. They are not obligated to buy the property if the terms are not satisfactory to them, but have the right to buy if they are.

- **In Section 1,** you need to fill in the property address as well as the parcel number that the county uses.
- **In Section 2,** you will fill in the seller's information as well as the buyer's information.
- **Under 3A,** you will fill in the initial purchase price, which is the price that you're offering the lender. We will discuss later how to determine what your initial offer is. It's important to note that the purchase price in this section includes the negotiated balances of all mortgages, liens, title, escrow, and closing costs. Make sure to add in an amount if there will be seller concessions.
- **Section 3B** states that the seller understands that the transaction is a short sale and that the sale is contingent upon the bank accepting a short sale offer and agrees to an amount that is acceptable to the buyer. It also states that the buyer is trying to negotiate an amount that will be considered as payment in full by all lien holders and that the seller will receive no funds at closing.
- **Sections 3C and 3D** pertain to the purchase price – the purchase price will change throughout the negotiation process with the bank and the seller authorizes the buyer to increase the preliminary offer as necessary without needing to sign a new contract every time or authorize the increase of the offer.
- **Section 4** is where you need to fill in the time frame that the contract will be valid, which is also the amount of time that you have to complete the deal. Because of the nature of short sales, I give myself a full year on the contract. You shouldn't need a full year, but it gives you extra time just in case something goes wrong.
- **Section 6** is where you fill in the amount of time for you to get an inspection (you will want to give yourself the same amount of time as you did in section 4) as well as indicate whether you

will need to obtain financing or if you will be paying cash.

- **Section 7** makes some important representations and warranties that you will want to pay attention to. In 7B, the seller states that they have good and marketable title to the property with no liens or restrictions other than the ones appearing on title, which will be cleared prior to closing and will be taken out of the sale proceeds. 7E states that the seller does not have a contract to sell the property to anyone else. 7F states that the property is in exclusive possession of the seller if it is owner occupied or that they do not have exclusive possession of the property if it's a rental property. 7H gives the parties the right to list the property with another agent for sale to a third party. If there are any additional rights given to the buyer as far as maintenance or access to the property is concerned, make sure it's written in to section 7I.
- **Section 8** goes over the conditions that must be met for the transaction to close and states that if those conditions are not met, the buyer is not under any obligation to close on the property.
- **Section 9** discusses clear title and states that the seller can convey clear and marketable title at closing. However, if the seller cannot convey clear and marketable title at closing because the defect (lien for example) cannot be removed, the buyer has the option to accept the title as is or terminate the agreement. Late liens have been known to pop up during the short sale process and this states that the funds needed to take care of it will come out of the sellers proceeds.
- **Section 10** covers Closing. It's important for you the buyer to choose the right title company when dealing with short sales because they are such complex deals. There are title companies who won't even close short sales, but when you find the right title company who knows what they're doing, you'll be sitting pretty and it'll be important to always use that title company to close your short sale deals.
- **Section 10A** is where you're going to fill in the title company who's closing the deal and

Section 10C states that all of the closing costs that are being paid by the seller will come out of the seller's proceeds. This means that the seller will not have to bring any cash to closing.

- **Sections 11** through **26** are pretty self-explanatory. However, pay attention because when you get to **section 27**, there is one very important sentence that I highly suggest you write in on every short sale option contract you do. Always write in the following sentence in **section 27**: "Closing is contingent upon lender's short sale approval in writing that is satisfactory to the buyer."

Once everything is completed in that transaction, the investor can at that point sell the property to the end buyer. This closing can take place hours, days or weeks later as long as the deed for this transaction is recorded after the deed from the previous transaction from original seller to investor. When closings take place right after one another like that, they are often referred to as back-to-back closings or simultaneous closings.

CHAPTER 10: NEGOTIATING YOUR SHORT SALE DEALS

Now that you have deals in your system, what are you going to do with them? There is a "flow" to a short sale deal, with each event during the deal leading to the next. The major milestones in a short sale deal are as follows:

1. Get Short Sale Package paperwork signed by seller and all additional paperwork required for short sale package
2. Send your signed Authorization To Release Information to lender
3. Order Payoff from lender
4. Put together complete short sale package and submit complete package to lender
5. Order interior BPO
6. Attend BPO and bring supporting documents to support your offer
7. Negotiate with lender
8. Get short sale approval in writing from lender
9. Close the deal

Getting Short Sale Package Paperwork Signed

In the last chapter we went over all of the paperwork that you need to have signed by the homeowner, but there is so much more that makes up a complete short sale package. The paperwork that you need to have signed by the seller to put the deal in motion includes all of the paperwork that we talked about in the last chapter. Each lender and servicer is different in what they require so you may need to collect all the following pieces of information from the seller before your deal can move forward:

- Last 2 Years Tax Returns
- Last 2 Pay Stubs
- Last 2 Months Bank Statements
- Recent Mortgage Statement with Loan Number and Phone Number For Lender
- Hardship Letter written by Seller
- Financial Statement Completed by Seller

Once you have the information listed above, you can start communicating with the seller's Lender.

Send Authorization To Release Information To Lender

The first thing that you need to do is send the lender the signed Authorization To Release Information. Call their main customer service number and let them know that you're a third party calling on the account and that you have an Authorization To Release Information that you need them to put on file. They'll give you a number to fax it to or an email address to send it to and also a timeline of when it will be uploaded into their system and attached to the account, usually 24-48 hours. Sometimes they'll have it in there sooner, but not in less than at least a few hours. After you've faxed it and have given them some time to receive it and post it, give them a call back to see if the Authorization has been attached to the account yet and make sure that they have the correct information for you – your name and company name.

Order Your Payoff

Once the lender has put your Authorization on file, the next thing that you'll need to do is order a payoff. The payoff will tell you exactly how much your seller owes on that day and the total amount to pay off the loan. It's super important to know exactly how much the seller owes so you know exactly what you're dealing with. Most homeowners who are in foreclosure don't know exactly what they owe. They have a general idea, but lots of times forget to take into account all of the late fees and legal fees that are assessed. Ordering a payoff is so important because it gives you a starting point and then you can form your offer from there.

To order a payoff, you'll need to contact the seller's lender. You can start by calling the general 1-800 number and they'll direct you to the payoff department. Yes, there is a whole department dedicated to this alone. The payoff department will need you to fax the Authorization To Release Information signed by the seller before they will send you anything. It normally takes 24-48 hours for them to get the Authorization uploaded to their system and attached to the file. If you haven't received a payoff and haven't heard anything in 48 hours, you should call them back to make sure they received it. With so many Authorizations and payoff requests coming in on a daily basis, lenders have been known to lose 1 or 2 payoff requests.

Some lenders will give you the payoff number over the phone and others will let you request a payoff over the phone, while still others will require that you send in a written payoff request along with the Authorization To Release Information. You will need to send them a short letter stating that you are requesting a payoff amount for loan number xxxxxxxxxx and request that the payoff be good for 30 days. They will tell you how long the payoff will take, usually a few days to a week depending on the lender. If you haven't received your payoff in that amount of time, call the payoff department again to see if they received your request and sent the payoff. With so many foreclosures happening, lenders are having a hard time keeping up, so there will be times when you have to follow up with them more than once.

Put Together A Complete Short Sale Package And Send To Lender

Once you have the payoff and you're sure that you have everything you need for your short sale package, it's time to put it together and send it to the lender.

It's really important to send a complete short sale package the first time – this will show the lender that you're a serious buyer and you know what you're doing. Due to the number of foreclosures and consequently short sales happening, lenders are bogged down by part time investors and Realtors who don't know what they're doing. They're getting tons of incomplete packages and ridiculous offers every day that they don't have time for. An incomplete package shows them that you don't know what you're doing and leads them to believe that you're going to be hard to deal with and probably won't close on the deal. They will not take you seriously if you send an incomplete package and your package will go straight to the bottom of their pile (which could be a pile of 100 or more short sale offer packages). Moral of the story: send a complete package the first time, every time!

Listed below is everything that is included in a complete short sale package and the exact order that your documents should be in.

- Fax Cover Sheet
- Authorization To Release Information
- Short Sale Package Cover Letter
- Table Of Contents

- Contract For Sale And Purchase
- Settlement Statement
- Signed Counseling Certification (only required if FHA loan)
- Signed Application To Participate (only required if FHA loan)
- Listing Agreement (if applicable)
- Financial Form (FDMC Form)
- Hardship Letter
- Last 2 Pay Stubs
- Last 2 Months Bank Statements
- Last 2 Years Tax Returns (Full tax returns, not just W2's)
- Buyers' Pre-Approval Letter Or Proof Of Funds Letter
- Repair Estimates and Pictures

There are times when a seller may not have all of the information required for a short sale package – for example, they may no longer have a bank account and thus no bank statements. Or maybe they didn't even file their taxes 2 years ago. In that case, clearly state in your Cover Letter the items that are missing and why they are missing. For example, let them know that Joe Seller did not file taxes in 2014, but that you have included his W-2 from 2014. Or let them know that Joe Seller does not have a job, so he doesn't have pay stubs, but you have included his Social Security check stubs from the last 2 months. It's best to explain to them exactly what is missing and why so that they don't have to go searching through the file.

Once your package is ready to go, it's time to send it straight to the lender. Call the lender's customer service number and let them know that you have a short sale package that you'd like to send over and ask them what department handles their short sales. Most lenders at this point have a Loss Mitigation department. When we first started, a lot of lenders didn't have a Loss Mitigation department and didn't know what one was. Times sure have changed over the last few years!

If they don't have a Loss Mitigation department to handle short sales, they most likely have a loan resolution department or a workout department. Once you've determined what department you'll be working with, ask for the direct phone number and fax number for that department. Before hanging up, make sure you ask if anyone has been assigned to that account yet, and if they have, ask for that person's name, direct phone and fax numbers and ask if you can fax your short sale package right to that person. Follow their instructions and fax your complete short sale package to the number that they tell you to send it to.

If the customer service person asks you what your offer is, you can go ahead and tell them, but don't worry if they say that the offer is too low. I think that's their standard, knee-jerk reaction to any offer. The customer service person is not the person who will be handling the file or making the decisions anyway, so send your offer in.

Later, I'll go over "The Art Of The Offer" and how to determine what your offer will be.

Once you've faxed your short sale package in, it normally takes 7-10 days for the file to be assigned to a loss mitigator, if it isn't already. Some can take as few as 2-3 days and some can take as long as 30 days. They will give you an indication as to how long it will take to be assigned.

No one will look at the file or the offer until it has been assigned, so it's important to follow up on this. If they say it takes 7-10 days to be assigned, call back in 5 days to see if it's been assigned yet. If not, call back again when it's been 7 days. Set a task for yourself to follow up with the lender every 2 to 3 days until the file has been assigned. Once the file has been assigned be sure to get the loss mitigator's direct contact information, including their email, phone, and fax number and find out from the loss mitigator how they prefer to communicate. Make sure once you talk to the loss mitigator that you find out as much information as you can about the loan. For example, find out what type of loan it is – is it a VA loan, FHA, Fannie Mae, Freddie Mac, or Conventional and find out who owns the loan. This information will be very important moving forward.

One thing you should know is that it is your responsibility to follow up with the lender. Each loss mitigator is working on hundreds of files and usually doesn't call you back when they say they will. So you need to continue to follow up with them. Some people prefer to call every single day – that will not work. Their voicemail most likely says not to call them every day as it slows down their ability to retrieve messages and return calls. You definitely don't want to tick them off, so follow their instructions. The saying "the squeaky wheel gets the grease" isn't ALWAYS true.

This is also the perfect time to start building a relationship with the lender, not only for this deal, but for future deals as well. Having a point of contact at the bank that you work well with, and who trusts that you will close deals, is priceless. Once you have that person, you can call them every time you have a new deal with that lender and they may work more efficiently with you to move your files through the system. This is the perfect situation should you need a BPO ordered, an auction postponed, or a file expedited.

Realize that you are in a very delicate position and are at the mercy of the bank. I know that sucks, but that's just the way that it is. By calling every single day and leaving messages every day, you could get your file pushed to the bottom of the pile. I'm not saying not to do anything until you hear from the lender because you could be waiting forever! But there's a delicate balance between moving your file along and annoying the loss mitigator. Make sure that you're aware of that and manage your seller's expectations accordingly. Let them know that you'll keep them posted, but that there will not be an update every day and that there is no need for you to talk with them on a daily basis. If you manage your seller's expectations, you won't believe the amount of time that you'll have that you wouldn't have had otherwise (because they would be calling you every day for an update, I guarantee it!).

$20,000 Per Hour Work – The Interior BPO

Once the file has been assigned to the loss mitigator, you will start communicating with just that person at the bank regarding the file. The first time you talk with them, they will most likely review the contents of the short sale package over the phone and go over your offer with you. They may ask why your offer is what it is or even say that the offer is too low. At this point, you just need to make sure that they have everything they need for a complete file. There is no sense in increasing your offer at this point, they are simply trying to play hard-ball. If the lender says that they don't have a complete package, get them what they need. If they don't have the package at all, which has been known to happen, just ask them where to fax the package to again and call back 30-45 minutes after you've faxed it again to confirm that they've received it.

The first thing that you'll need to do once the lender has determined that they have a complete package is get an interior BPO ordered. A BPO is a Broker's Price Opinion and is similar to an appraisal. A real estate broker or agent or certified appraiser conducts the BPO and determines the as-is value of the property based on their evaluation and comparable properties in the area.

An interior BPO is important because it's impossible to tell the real condition of a house just by looking at the outside. All houses in foreclosure need work. Yes, I can say "all" because you can find at least some work, even if it's something small that needs to be done to every house. So it's important to get someone out to the house to evaluate both the interior and exterior. This is also the perfect time for you to make a case to support your offer.

I say that the interior BPO is $20,000 per hour work because this is where you create your spread – the interior BPO. If it comes in too high, your spread is lower, if it comes in low, you've created "value" in the property that didn't exist before and have given yourself the opportunity to make even more money.

It's important at this point to know what type of loan you're working with because that will determine what percentage of the BPO value is acceptable for the lender to take and can make negotiating a lot easier if you also find out the BPO value.

Oftentimes the lender that you're dealing with does not own the loan, they are just the servicing company for it. In this situation, there is another investor who actually owns the loan.

Here are some important guidelines that you need to be aware of, depending on the type of loan and who owns the loan.

Freddie Mac Loans:

- The buyer on a short sale must be an individual and cannot be a company, LLC, trustee, etc. The buyer MUST hold the property at least 30 days, and then is only allowed a 20% profit from the purchase price if sold from day 30-90.
- A Freddie Mac loan must net 82% of the BPO value

VA, Fannie Mae, FHA, Conventional Loans:

- The buyer can be an individual, a company, a trust, or an entity.
- It is possible that the lender may ask for written proof of a company or trust, but that is rare
- A VA loan must net 88% of the appraisal (An appraisal needs ordered on VA short sales)
- A Fannie Mae loan must net 82% of the BPO value
- An FHA loan must net 88% of the appraisal value for houses on the market for 30 days or less, 86% for houses on the market 31-60 days, and 84% for houses on the market 3 months and beyond. The buyer MUST hold the property at least 30 days, and then is only allowed a 20% profit from the purchase price if sold from day 30-90.
- A Conventional loan must net between 80% and 100% of the BPO value

Having this information makes negotiating quite a bit easier. You just need to know the BPO value, or close to it, and negotiations should be a breeze. Even if the lender sends you a counteroffer and tells you that your offer needs to be higher, you can stick to your offer and tell them that you know what their guidelines are and that your offer meets what they need to net. Normally, they don't easily tell you the actual BPO value, so there may be some guesswork involved because the lender is trying to get the highest offer out of you. They may give you a range, or at times they may end up telling you. This is one of the reasons that it's necessary for you to be at the BPO, because the agent doing the BPO may tell you what the value is going to be before they leave. Score!

Before we move on to the actual BPO, what you need to bring, and what you need to do, let's go over some more guidelines for FHA loans because they have very specific guidelines that you need to understand.

FHA Loan Guidelines

An FHA loan is different than the other types of loans because it is a government backed loan. FHA does not make loans, but they insure loans that lenders make, similar to Private Mortgage Insurance (PMI), but it is a government agency.

The great thing about FHA is that they tell you the BPO value, eliminating the guesswork and long negotiations. But they have certain guidelines that must be adhered to in order to complete the deal when an FHA loan is the first mortgage.

- The seller must live in the property and must be on title to the property.
- The seller must remain on title to the property until the deal closes and is funded.
- FHA requires sellers to go through HUD counseling. The appropriate forms are found online or your loss mitigator might be able to send them to you and your seller will have to schedule an appointment. Sometimes counseling can be done over the phone, but either way, the forms

must be signed by the counselor.

- The seller must complete any and all required FHA short sale forms.
- Title must be cleared of all mortgages and liens or if there are any other mortgages and/or liens they must already be negotiated with approval letters in order to move forward with an FHA short sale.
- Property must be listed with a licensed real estate agent.
- The FHA appraisal cannot be less than 63% of the borrower's indebtedness. Indebtedness only includes principal plus interest and does not include any late fees or attorney fees assessed.
- Repair estimates cannot be more than 10% of the ARV (After Repair Value) of the house. For this reason, it's important for you to be at the BPO to make sure that the appraiser knows that the loan is an FHA loan and is aware of this stipulation.
- BPO for an FHA short sale is always done by an FHA certified appraiser.
- Upon short sale approval, FHA gives the seller 90 days to find a buyer for the house.
- If there is an offer within the 90-day window, FHA will allow 30 more days to close the deal. It is possible that if more than 30 days is needed, they will allow it, but that is at the lender's discretion.
- FHA allows the seller to receive $1,000 at closing, which is paid by the lender out of their proceeds.

Now if you have an FHA mortgage that is a 2nd mortgage, not a first, the rules listed previously don't apply. In this situation, FHA will release the lien, but they will pursue a deficiency judgment, meaning that they will go after the homeowner for the remaining amount owed to them. They have been known to release liens for as little as $1,000, but they will not consider it as payment in full.

Getting The Bank To Order The BPO

Okay, so now that we've got all of that out of the way, let's get into the BPO itself. Once the file has been assigned and you're in contact with the loss mitigator handling the file, you need to let them know that YOU are the main contact when they order the interior BPO. You want them to contact you so that you can schedule a time with the BPO agent because you need to be at the BPO. No ifs, ands, or buts about it. The entire deal hinges on the interior BPO. Since the bank will take a certain percentage of what the BPO comes in at, you need it to come in as low as possible to guarantee yourself the biggest discount.

There are a few scenarios that could happen when you're trying to get the interior BPO ordered.

1. The lender says that they already have an appraisal and your offer is way too low. If this happens, you need to ask them whether they have an interior or exterior appraisal. This makes a huge difference because with an exterior appraisal, they simply drive by the house, make sure that it's still standing, and take comps from the area to determine the value of the property in question. They do not see the interior of the house and don't see all of the repairs that are needed and thus they don't have a true value of the house. The value that they do have for the house is usually much higher than the actual value. If they're resisting ordering an interior BPO, you need to explain to them that the house needs $X in repairs and without an interior BPO they won't have a true value for the property. Also explain to them that if they end up having to foreclose on the property that they'll need a true value to know what they're actually working with.
2. The lender says that your offer is too low and they won't order an interior BPO unless you raise

your offer. Now there are two ways to go about this. Stick to your guns or raise your offer. If you have room to raise your offer a few thousand, go ahead and do it to get the BPO ordered. If you don't feel like you can raise your offer at all, then you have to stick to your guns. Explain to them that your offer is based on the comparables in the neighborhood, the repairs needed in the house, declining house values, and if this applies to the neighborhood where the house is, longer market times. Explain to them that if they foreclose on the house that it could sit there for months and months before they're able to sell it, bringing their holding costs higher and higher.

Usually, these arguments will do the trick and the lender will order the BPO. It is possible that the lender will order a BPO before you've even had either of these conversations. Most order them without a fight, but some need a little more convincing. Either way, once they order it, make sure that you give the lender your information so that the BPO agent schedules the appointment with you. If the house is occupied make sure that the homeowner is aware that you will be scheduling a BPO within the next week and make sure that they will give you access to the house.

Guidelines To A Successful BPO

I mentioned earlier that the BPO is what each deal hinges on. If the BPO comes in too high, it could kill the deal.

If the property is occupied, it is best not to have the homeowner at the house during the BPO. Every homeowner is proud of their house and their knee-jerk reaction is to point out all of the great aspects of their home. The homeowner will also want to clean the house or make repairs. The BPO is not the time or the place for that. Explain to them that cleaning or making repairs is not in their best interest in this scenario. This is the one time when it's better to leave the house in its actual as-is condition. The BPO is the place for you to make a case that supports your offer. Usually, the agent appraising the house doesn't know why they are doing the appraisal, so the appointment is where you can help fill in the gaps. Make sure that the homeowner knows that if the BPO agent shows up at their door with no appointment, that they need to tell the agent to call you to make an appointment. I cannot stress enough how important it is for you to be at the BPO.

When a BPO is ordered and lands on an agent's desk, they have 3 days to complete the BPO and get it back to the lender. So when they call, work with them to set up an appointment right away.

Each BPO agent is different, but most fall into one of three categories. One type of BPO agent is very friendly, wants to know everything you know about the property and the seller's situation, accepts and uses the paperwork that you give them, and try to come up with a value that will make the deal work. This agent may even ask you where you need the BPO to come in at and will try to meet that number. It's even possible that they tell you where the BPO will come in. That makes your life very easy. Another type of agent isn't overly friendly, but takes the information that you give them, listens to what you have to say, but isn't overly influenced by what you tell them. They will come up with a BPO value that they think is fair for the property. The third type of BPO agent takes the information that you have, but doesn't really care about what you have to say. You still want to tell them as much as you can, but it will definitely be more difficult with this agent. They will most likely come up with a value on their own and may not take anything that you said or gave them into account. When you get to the BPO, you don't want to be overbearing or seem like you're trying to control the situation. Your goal is to let them into the property, give them the documentation that you have, and explain to them the situation with the house and the homeowner. You want to try to build a rapport with the BPO agent, but you don't want to be all over them or trying to run the show.

Do not try to impress the agent with your knowledge of real estate or your fancy clothes or fancy car. Dress casual, leave the fancy car at home, act as if you don't know a whole lot about real estate, and let the BPO agent be in control. Do not try to persuade them or talk them into having the BPO come in at a certain number. Give them the information that you have, tell them the situation of the property and homeowner, and answer any questions that they may have. You don't want to "lead" the BPO agent through the house, but rather walk through behind them and through conversation you can point out major repairs that are needed. Stay away from pointing out every little thing that needs to be done though, they'll see that on your repair estimate.

What To Bring To The BPO

There is a packet of information that you need to bring to every BPO. Make sure you arrive at least 15 minutes early so that you get there before they do and always bring the following:

- Purchase and Sales Agreement
- Comparables that support your offer
- Detailed repair estimates
- Hardship letter written by the seller

If you want to bring additional information, limit it to the following:

- Cover letter explaining the situation with the property and the homeowner
- A Map showing the foreclosures and REOs in the property's neighborhood
- Homes that are listed For Sale By Owner in the area with long market times and lower prices
- The Property's history if it was listed before, and especially if it was on the market for a long time

All of this information will help the BPO agent to come up with a fair value for the property.

Now if the lender refuses to do a BPO or if they insist that you pay for a BPO, have an FHA appraisal done on the property and send that in to the lender. The industry considers FHA appraisals to be the highest standard appraisal and it is likely that the lender would accept it and use it.

It is also important to remember WHY you are at the property – for the BPO and that's it. There have been times when the agent doing the BPO has asked the investor for the listing once the house is ready to be listed. You do not want to get into any deals with the agent, especially at this point, that could appear as though you gave them the listing in order for them to bring in the BPO where you needed it to be. You want to be above board with everything that you do and that would not be above board.

Once the BPO is over, shake the agent's hand, thank them for coming out, and ask them if they know when they might turn in the BPO to the lender. They'll usually turn it back in within a couple of days of completing it, but sometimes it can take up to two weeks. You could even try calling the BPO agent a couple of days later asking if they need anything else from you, any more comps or anything like that. Ask them if the comps that you gave them worked or if they needed to find more on their own.

This conversation may give you an indication of what their value came in at.

The Art of the Offer: Flawless Deal Evaluation

Up to this point, I have talked a lot about submitting your offer and supporting your offer, but how do you know WHAT to offer? The offer is a very important piece of the puzzle – you don't want to offer too much and have a property that you can't sell, but you don't want to offer to be so low that they won't even look at your offer or consider negotiating with you. So how do you determine what your initial offer should be?

There's a simple formula that you can follow, especially until you get more comfortable with making offers. The formula is (ARV – Cost of Repairs) x 50% to 65%.

Now, this is not a formula that you already have numbers to plug into it. You first need to determine the ARV and Cost of Repairs. The ARV is the After Repair Value of the property. This is what you think you could quickly sell the property for after all of the repairs are made. To determine the ARV of a property, you'll need to pull comparables from the neighborhood for the last six months to see what properties are selling for in that neighborhood. You'll also want to look at the market time for those properties. Did the higher priced properties sit on the market for a long time before selling? Which properties sold quickly? What are you going to list the property for in order to try to sell it in a few weeks? THAT is your ARV. If you're having a hard time with this, this is the perfect time to enlist the help of a Realtor or look it up in a software like FlipComp (www.flipcomp.com). Realtors know their market and they are up on the trends that are happening in their markets. They will easily be able to help you determine what price would move the property in question quickly. Since you're pulling comparables, make sure to pay attention to the low ones too. Once you have your offer constructed, you'll be looking at the low comps to make sure that you can support your offer.

Next, you need to determine the cost of repairs (also called repair estimate or work estimate). What would it take in repairs to get the property to its After Repair Value? You have a couple of ways to determine the cost of repairs. Rely on someone else or DIY (Do It Yourself). I prefer the DIY method.

1. Have a contractor come out to the property to evaluate and write up a repair estimate for the interior and exterior of the property.
2. Do It Yourself using a program that helps you to put together repair estimates. This is what I prefer because then I don't have to rely on anyone else to show up when they say they will (which you'll find can be hard to come by when it comes to contractors) and who will do what they say they will. For this exact reason, I built an application into Realeflow called the Hammerpoint Repair Estimator that assists you in creating repair estimates in 4 minutes or less. The great thing about using this is that you don't have to know anything about contracting or creating repair estimates. You simply have to fill in the square footage of the property and then go through the Hammerpoint's extensive point and click list of interior and exterior repairs. You just need to click on the items in the list that need repaired and the Hammerpoint will calculate everything for you and will be ready to print a detailed professional repair estimate whenever you need it. It's a great feeling knowing that you don't have to rely on anyone but yourself for this.

Once you've come up with the ARV and the repair costs, simply subtract the repair costs from the ARV and multiply that number by between 50% and 65% to come up with your initial offer.

For example, let's do the calculation based on an ARV of $300,000 and repair costs of $30,000.

$300,000 - $30,000 = $270,000

$270,000 x 65% = $175,500

Your initial offer to the lender would be $175,500.

What I'm about to say next is super important: You should ONLY make that your initial offer IF you have comparables to support your offer. If nothing else in the neighborhood is selling for anywhere even close to that number, then you may need to come up a little bit to make sure that your offer is considered. Now that may be the case if you start at 50%, but usually you'll be okay calculating 65% of the ARV minus repair costs.

Here are some other tips for gathering supporting evidence that can help make sure that your initial offer is looked at.

Put together a market forecast for the market where the property is located. Data from the MLS can assist you in putting together a market forecast. If you're not an agent and don't have access to the MLS, you can ask a friend who is a Realtor to help you with this, or you can access MLS listings through FlipComp. FlipComp is an easy to use website that will allow you search for comparable sales around a particular property. It will show you active MLS listings, pending sales, and sold properties.

A market forecast is put together to help you forecast what will happen in the market in the upcoming three to six months. This will help you to determine the ARV of the property as well as your current offer to the lender. A market forecast looks at the number of listings, pending properties, and sold properties over a certain period of time to help determine the trends happening in the market. You should look back 12 months, 6 months, and look at the current market and this will help you to determine what will happen in the next three to six months in that market. This will show you if properties are appreciating or depreciating and then you can apply that to your property. This is also great evidence to support your offer.

In addition, you can have a home inspection done on the property. A home inspection will point out everything that is not in good working condition or needs repaired on the property. This is a great document to support your offer, especially if the inspection comes up with many repairs.

When you talk with the seller about what you're going to offer, they may be offended that you're offering such a low price for their home. You just have to explain to them that the market has been on a steady decline and property values are not what they used to be. You should also explain that this is just a starting point and that your initial offer can't be too high, or you won't be able to sell the property later on because of what's happening in the market. A property's true value is what someone will pay for it. So we can sit here all day and talk about the ARV and market value, but the real true value is what someone will actually pay for the property.

The CLOSING OR SETTLEMENT STATEMENT is a very important document in the purchase and sale of a property. The CLOSING OR SETTLEMENT STATEMENT is a settlement statement where you will find the breakdown of the transaction. It lists all of the credits and debits on both the buyer's and seller's side of the transaction. The final CLOSING OR SETTLEMENT STATEMENT is prepared by the title company, but you will need to prepare a CLOSING OR SETTLEMENT STATEMENT during your negotiation with the lender. The CLOSING OR SETTLEMENT STATEMENT looks intimidating and confusing, but once you get the hang of it, it really isn't; you just need a little practice.

It's good to understand how the CLOSING OR SETTLEMENT STATEMENT works so that you can understand how all of the funds from the transaction are allocated and how the title company comes up with your final net profit. Hopefully you agree that it's good to understand what you're getting and why you're getting that amount from every transaction. This knowledge will help you plan and forecast better.

A CLOSING OR SETTLEMENT STATEMENT is created for both sides of the transaction so each side can see a complete breakdown of the funds from the transaction and the expenses. With every short sale package, you need to send in a completed CLOSING OR SETTLEMENT STATEMENT showing the lender the fees that will be incurred and their net profit should they go through with the sale. The CLOSING OR SETTLEMENT STATEMENT used during the negotiation process with the lender is called the negotiating CLOSING OR SETTLEMENT STATEMENT. This is not the final CLOSING OR SETTLEMENT STATEMENT that will be signed at the transfer of the property. The title company will complete the final CLOSING OR SETTLEMENT STATEMENT for closing.

So let's go through the CLOSING OR SETTLEMENT STATEMENT so that you can better understand what each section means and what goes into each section. (See Appendix F for Sample)

- **Section A -** Settlement Statement: simply the title of the SETTLEMENT STATEMENT.
- **Section B –** Type of Loan: This is where the title company will enter in the type of loan used to secure the property. If you're buying the property with cash, this will be left blank.
- **Section C -** Note: Simply a note explaining the SETTLEMENT STATEMENT.
- **Section D –** Name and Address of Borrower: This is where the name and address of the buyer is entered – if the Option Contract is in your name, you will enter your name and address. If it is in the company's name, you will enter the company's name here.
- **Section E –** Name and Address of Seller: This is where the name and address of the seller is entered, normally the person that you're working with who is in foreclosure.
- **Section F –** Name and Address of Lender: If you're buying the property with cash or doing a back to back closing with cash, simply write "CASH" in this section. If you're taking out a mortgage to close on the property, this is where the name and address of your lender will go.
- **Section G –** Property Location: This is the address of the subject property that you're trying to buy.
- **Section H –** Settlement Agent and Place of Settlement: This is the title company who is closing the transaction and their address. This is not where the documents will be signed by each party, but rather where the transaction will be reviewed and settled after signing.
- **Section I –** Settlement Date: This is the date that closing takes place and the deed is transferred.
- **Section J –** Summary Of Borrower's Transaction: Lines 100-303 detail the funds and their allocations on the borrower's side of the transaction.
    - **Lines 100-120** break down the gross amount that is due from the borrower and what those funds are being allocated to.

- **Line 101** is the gross sales price of the property or the contract sales price.
- **Line 102** is filled in if the buyer is purchasing any personal property from the seller in the transaction, such as furniture or appliances.
- **Line 103** is where you put the total settlement charges from line 1400 (on page 2), which are the total settlement charges that the buyer needs to pay.
- **Lines 104 and 105** are there in case there are any amounts owed by the borrower or previously paid by the seller. For a short sale, in the case where a 1st mortgage has said that a 2nd mortgage can only receive a certain amount, only that amount can be put in line 505, which is the line where the payoff for the 2nd mortgage goes. If there are additional amounts owed, they would go on line 104 or 105.
- **Lines 106-112** detail any amounts that are paid by the seller in advance such as taxes.
- And finally, **line 120** is the gross amount due from the buyer/borrower. This is the total of lines 101-112.
- **Lines 200-220** are the amounts paid by or on behalf of the borrower before closing. These are funds that the buyer will get credit for at closing.
- **Line 201** is the amount of earnest money that the buyer put down.
- **Line 202** is the Principal amount of their new loan if they are securing a mortgage to purchase the property.
- **Lines 203-206** are the existing amount of the loan if title to the property is being taken subject to an existing loan or if the buyer is assuming a loan.
- **Lines 207-209** are there in case the seller is giving any seller concessions to the buyer at closing such as a monetary credit to help with closing costs or allowance for the buyer to make repairs.

- **Lines 210-219** are there to make adjustments for items that are unpaid by the seller such as taxes.
- **Line 220** is the total of lines 200-219 and is added to the borrower's proceeds.
- **Lines 300-303** detail the total amount due to or paid by the borrower.
- **Line 301** is the total amount owed by the borrower at closing to buy the property. This amount is taken from Line 120.
- **Line 302** is the amount already paid by the borrower. This is the amount being credited to the buyer at closing. This amount is taken from Line 220.
- **Line 303** is the total amount owed by the borrower at closing the purchase, the property after all credits, and closing costs have been taken into account. To get the amount for Line 303, you will subtract Line 302 from Line 301 to determine the total amount that the buyer has to bring to closing.

- **Section K –** Summary Of Seller's Transaction: Lines 400-603 determine what amount is due to the seller and if the seller has to bring any money to closing.
  - **Lines 400-420** determine the gross amount that is to due the seller.
  - **Line 401** is the contract sales price of the property.
  - **Line 402** is a credit for any personal property the buyer is purchasing from the seller at closing such as furniture or appliances.
  - **Lines 403-405** are for amounts that are owed by the borrower to the seller such as when the seller's loan is assumed by the borrower.
  - **Lines 406-412** are items that were paid in advance by the seller such as taxes.
  - **Line 420** is the gross amount due to the seller before closing costs, payoffs, etc. and is the total of lines 401-412.

- **Lines 500-520** are amounts that are subtracted from the seller’s funds at closing.
- **Line 501** is used when the buyer’s earnest money or deposit is being held by a real estate broker who is going to pay the earnest money or deposit directly to the seller or put it towards the seller’s costs.
- **Line 502** is the total of the settlement charges that the seller needs to pay and is taken from Line 1400.
- **Line 503** is used if the borrower is assuming a loan of the seller’s and is subtracted from the sales price.
- **Line 504** is the total payoff amount owed to the 1st Mortgage holder. In a short sale transaction this will be the final negotiated amount that is agreed upon by both buyer and lender.
- **Line 505** is the total payoff amount owed to the 2nd Mortgage holder (if there is one). In a short sale transaction this will be the final negotiated amount that is agreed upon by both buyer and lender.
- **Line 506** is available if there is a 3rd Mortgage on the property.
- **Line 507** is where any seller concessions would go.
- **Line 508** is for the water and sewer hold. Normally the title company will hold $200 to pay what is due for the water and sewer.
- **Line 509** is for any miscellaneous items that need to be paid by the seller.
- **Lines 510-519** are for any items that need to be paid by the seller such as taxes.
- **Line 520** is the total of lines 500-519 and that total amount is taken out of the seller’s proceeds at closing.
- **Lines 600-603** indicate the cash owed to or owed by the seller at closing.

- **Line 601** is the gross amount due to the seller. This amount is taken from Line 420.
- **Line 602** is the total amount to be taken out of the seller's proceeds. This amount is taken from Line 520.
- **Line 603** is the amount in Line 602 subtracted from the amount in Line 601. In a normal transaction this amount can be either an amount due to the seller or an amount owed by the seller, meaning the seller would have to bring cash to closing. In a short sale, you never want this line to be an amount owed to the seller. Lenders do not normally allow the seller to get any money from the short sale of their house, so this number should be $0.

- **Section L –** Settlement Charges: These are various closing costs and charges that are paid by either the seller's funds or the borrower's funds at closing. You'll see on the right that there are two columns, one for the charges paid from the borrower's funds and one for the charges paid from the seller's funds.
  - **Line 700** is the total commission paid to real estate agents from the transaction.
  - **Lines 701 and 702** break up the commission paid if the total commission be being split between two brokerages.
  - **Line 703** shows what amount of the commission the buyer paid and what amount the seller paid. Usually commissions come out of the seller's funds.
  - **Line 704** shows if there is a broker processing fee.
  - **Lines 800-808** are fees that are payable in connection with the loan and are normally paid by the buyer. This would be used if you're securing a loan to purchase the property. These items are referred to as buyer pre-paids and usually the bank will pay something towards these items.

- **Line 801** is the loan origination charge, which is the fee that the lender charges for processing the loan.
- **Line 802** is the credit or charge (points) for the specific interest rate chosen, which shows if any "points" are being purchased, normally to reduce the interest rate of the loan. Each point is 1% of the loan amount.
- **Line 803** is the adjusted origination charge, which is the total of lines 801 and 802.
- **Line 804** is the appraisal fee that is paid for the appraisal of the property.
- **Line 805** is the credit report fee, which covers the cost of the credit report that the lender pulls to review credit history.
- **Line 806** is the fee for any tax service.
- **Line 807** is the Flood certification fee.
- **Line 808** is for any other miscellaneous fees in connection with the loan.
- **Lines 900-904** are items that the lender requires to be paid in advance and are normally paid by the buyer.
- **Line 901** is pre-paid interest that is paid by the buyer and is interest paid for the period between closing on the property and the buyer's first monthly mortgage payment.
- **Line 902** is the mortgage insurance premium that's due at closing to secure mortgage insurance.
- **Line 903** is homeowner's Insurance and is required to be paid at closing to secure insurance on the property.
- **Line 904** is for other miscellaneous items.
- **Lines 1000-1007** include Reserves Deposited With the Lender and itemizes monies collected by the lender for items such as homeowner's insurance, mortgage insurance,

and taxes. The lender is limited as to how much they can collect. The difference between this section and the section above is that the charges in the 900 section are current charges and the charges in this section are charges for the escrow account to pay next year's premiums.

- **Lines 1100-1108** include title charges, which should always be put on the seller's (lender's) side of the HUD unless the bank tells you otherwise. These are fees associated with the property's transfer of title and are normally charged to both the buyer and the seller.
- **Line 1101** is where you'll enter the total title services and lender's title insurance amount.
- **Line 1102** is the settlement or closing fee.
- **Line 1103** is the owner's title insurance premium. Line 1104 is the lender's title insurance premium. Line 1105 is the lender's title policy limit.
- **Line 1106** is the owner's title policy limit.
- **Line 1107** is the amount of the total title insurance premium that is retained by the title agent.
- **Line 1108** is the amount of the total title insurance premium that is retained by the underwriter.
- If there are additional title charges paid to other third parties, additional sequentially numbers lines may be added to the 1100 series to itemize those title charges.
- **Lines 1200-1206** are Government Recording and Transfer Charges and include charges from recording the Deed, Mortgage, and any fees for city, county, and state tax stamps.
- **Lines 1300-1305** are there to include any additional settlement charges such as a survey

or pest inspection that the buyer can shop for.

- **Line 1400** is the grand total of all settlement charges for the buyer and the seller and will be entered accordingly into line 103 of Section J for the buyer and Line 502 of Section K for the seller.

If you're securing a loan, you'll need to fill out the third page of the new CLOSING OR SETTLEMENT STATEMENT. However, since most short sales do not involve the investor securing a loan for the property, you will most likely not need to fill out this third page. At this point, many lenders are not enforcing use of the new CLOSING OR SETTLEMENT STATEMENT, but it would be my suggestion to start using the new one now. It is very similar, almost exactly the same in fact, as the old one. The difference is the addition of the third page.

Filling Out The CLOSING OR SETTLEMENT STATEMENT

Now that you know what the CLOSING OR SETTLEMENT STATEMENT contains, it's also important to know how to fill it out since you'll need to complete one for your short sale package.

Do the easy parts first. Fill in lines 101 and 401 with the contract sales price (this is your offer and is the same price that you have on your Purchase and Sales Agreement). If there is a 2nd Mortgage, put the payoff amount on Line 505 and if there's a 3rd Mortgage or other lien, put the payoff amount on Line 506. Next input any seller concessions on Line 507 if there are any. On Line 508 put an amount of $300 for the water escrow holdback.

Next you want to figure out the taxes and enter the taxes unpaid by the seller in Lines 510-512 and any seller concessions in Line 507. These numbers will also be reflected on the buyer's side on Lines 210-212 and Line 207.

Next you want to fill out the 2nd page of the CLOSING OR SETTLEMENT STATEMENT with all of the settlement charges. Here are some guidelines for approximate amounts to enter on the second page of the CLOSING OR SETTLEMENT STATEMENT.

You can assume a 6% commission split between the buyer's agent and the seller's agent, 3% each. On Line 700 you will enter the total commission based on the sale price and then on Lines 701 and 702 you will split the commission between the seller's agent and the buyer's agent, listing the total commission to each. The total commission will go under the seller's side on line 703.

Something to remember is that your CLOSING OR SETTLEMENT STATEMENT must match your Purchase and Sales Agreement, so make sure that your commissions are also listed on your Option Contract. If the two forms don't match up, the lender will not let the deal move forward.

- **Lines 800-811** are not applicable unless you're securing a mortgage to buy the property.
- **Lines 900-1008** can be left blank except for **Line 903**, which is for Homeowner's Insurance. This can be an amount between $400 and $500 and is entered on the borrower's side.

Next you're going to fill in all of the Title Charges on Lines 1100-1118 and all of these fees can be placed on the seller's side of the CLOSING OR SETTLEMENT STATEMENT. You can leave lines 1105- 1108 blank. Normal fees are as follows, but can change:

- **Line 1101 –** Total title services and lender's title insurance: $455
- Line 1102 – **Settlement or Closing Fee:** $300-$600 or $150-$300 per side
- Line 1103 – **Owner's Title Insurance Premium:** $275
- **Title Examination:** $100-$200
- Line 1104 – **Lender's Title Insurance Premium:** $75
- You might want to add a line at 1109 and add **Courier Fees**, which is $50 on each side.
- You can also add a line at 1110 and add **Wire Fees**, which can be $40 on each side.
- You can also add lines for the following fees to the 1100 series: **Title Insurance Binder:** $50-$100
- **Document Preparation:** $500
- **Notary Fees:** $150-$300 per transaction. Split this up between the buyer's side and the seller's side
- **Attorney's Fees:** $60
- On Line 1202 you can enter a $200 **recording fee**.

If there are any additional charges such as a consulting fee, you can add them to Lines 1302-1305. We typically add a 3.5% **consulting fee.** Sometimes the lender will pay it, sometimes they won't, but it's worth a shot.

Now add the **settlement charges** from Line 1400 to Lines 103 for the buyer and 502 for the seller.

After you complete this, Line 603 should equal $0, showing that the seller is not getting anything at closing. If there is a positive number in that field, add it to the 1st Mortgage payoff amount.

Upon first glance, a CLOSING OR SETTLEMENT STATEMENT looks very confusing and intimidating, but once you've filled out a few, it'll be old hat for you.

Negotiation Tips and Tricks

So now that you know what paperwork you need and how to fill it out, you need to know how to work with the loss mitigator assigned to your case. You two need to work together, even though you're on very different sides of the deal.

You are trying to get the lowest price possible to be able to purchase the property and make a profit. The loss mitigator works for the bank and is trying to minimize their losses and get as much as they can for the property in question. So how do you work together?

Once the BPO has been turned in to the lender, they will most likely review the BPO report and check the comparables that are included in the report. They will also check the repairs and the cost associated with the repairs.

You'll want to start calling the lender at about the time frame that the BPO agent told you it would take for them to turn the BPO report in to the lender. In many cases, the loss mitigator won't answer when you call. Many times they're already on another call or are being bombarded by phone calls. Like I said before, don't call them every single day and don't be rude when you leave them a message. You don't want to aggravate them and have them stick your file at the bottom of their 100-file pile. So be pleasant when you call and pleasant when you leave them a message. Sometimes they will call you when they get the BPO back, but many times, they'll leave it up to you to call them. Another form of communication that a lot of loss mitigators are going to is email. Email is less invasive than a phone call, so follow up your phone call with an email.

Once they have a BPO back, there are a few scenarios that can happen. The loss mitigator can say that your offer is way too low and that they're closing the file, they can say that you need to increase your offer, or they can say that your offer is pretty close to the BPO and that they're going to submit it for approval.

While that last scenario is not typical, it does happen. And when it does, it's awesome! It makes the rest of the process a lot easier and less time consuming. But what happens in the other two scenarios?

What if the lender tells you that your offer is way too low and they're closing the file, not even giving you a counteroffer? If you think you can raise your offer an amount that will get them to keep the file open, ask them if they will look at your offer if you increase it. Lots of times, they will tell you what your offer needs to be for them to even look at it and most times they are bluffing. If they decide to simply close the file, you could try submitting a totally new offer with a totally new short sale package a month later.

What if they tell you that you need to increase your offer, but they don't tell you what the BPO value is? Sometimes they'll tell you how much you need to increase your offer, but a lot of times, they'll still look at your counteroffer even if it's less than what they said it should be. Remember, they're in the business of negotiating and trying to get the most that they can for the property. Depending on the situation, you will need to increase your offer by two or three thousand, maybe even five thousand, if there's room, and see what their counteroffer is at that point. A five thousand-dollar increase in offer is a substantial amount and should keep the lines of communication open to continue

negotiating. Just make sure that you have room in the deal to increase your offer. You have to know what you can sell the property for before you can increase your offer, so it's important to determine ahead of time what your highest offer will be.

If the lender keeps saying that each offer is way too low because the BPO came in so high, you should ask for them to order a new BPO to try to get a lower one. It's pretty rare that a lender will spend the money to order a second one, but it's a possibility. Another possibility is if you offer to pay for it – they might be more inclined to order one if you offer to pay the expense. If they are unwilling to order a new BPO and you can't get close to what they need to get, then the deal will be dead.

If the loss mitigator tells you what the BPO value is, then you'll be sitting pretty. Next you need to make sure that you know who owns the loan so that you know what percentage of the BPO value the lender will accept. Knowing these two pieces of information makes your life a whole lot easier. This avoids all of the back and forth negotiations. It's clean and simple and to the point. You know what they need to net and you know whether or not you can pay that amount. If you can, send in a new Purchase And Sales Agreement and CLOSING OR SETTLEMENT STATEMENT and move forward.

When you're negotiating with the lender, you don't need to send in a new short sale package each time you increase your offer. You only need to send in the Purchase And Sales Agreement with the updated price on it along with the updated CLOSING OR SETTLEMENT STATEMENT. Send those two documents along with a cover letter explaining your offer. Remember that your seller does not need to sign a new Purchase And Sales Agreement every time you increase your offer because there is language built right into the Purchase And Sales Agreement stating that you can change the price as necessary without their signature.

Once the loss mitigator has an offer that they think they can get approved, they'll let you know that they're going to submit it for approval. The loss mitigator does not make the final decision and does not give the final approval. The loss mitigator will have a manager or the investor who owns the loan, who is the final decision maker on the deal.

The approval process can take anywhere from a week to a few weeks. I've seen it take a day and I've seen it take over a month, but one to three weeks is the norm. You should call every couple of days to inquire about the approval, especially if you already have a buyer lined up to close. It's okay to try to move things along as long as you're not pesky about it.

CHAPTER 11: CLOSING YOUR SHORT SALE DEALS

The closing process when it comes to closing short sale deals can be a complicated because of the time delay between the A-B and B-C closings. This is exactly why you need to have a good relationship with a good title company to close all of your short sale deals.

When you start talking with title companies, a lot of them will tell you that they don't close short sale deals. That's fine, steer clear of them because they obviously won't know what they're doing. Some investors will try to talk them into closing their short sale deals, but it's better to move on to the next title company rather than trying to get a title company to start closing your short sales.

You might also have the end buyer try to dictate which title company to use for closing, but it's important that you stick with your title company to close the deal to avoid any problems during the closing process. At times the buyer or buyer's agent will insist that they use their title company for the second closing, but you need to stand firm. Closing with the title company who closes all of your short sale deals and who closes a number of short sale deals each month is your best bet for closing the deal without errors or problems arising.

Another important aspect of closing a short sale is managing the expectations of the end buyer. Because a short sale is not a typical closing and there are many more moving parts to a short sale than a "regular" real estate closing, it could take longer than anticipated. Your job is to manage expectations and give the end buyer a realistic time frame for the amount of time that closing could take. This is especially important if you've found a potential buyer before you have received the payoff approvals in writing. If you have not gotten your approvals in writing yet, you will probably want to schedule closing for more than 45 days out if you're relatively close to getting them. If you're sure that they'll be coming in a day or two, it's safe to plan the second closing for 38 to 450 days out. If it's at the beginning of the short sale process, then you'll need to make sure they know that the entire process could take more than 3-6 months so that they're prepared. Without this type of expectation management, you'll be in a constant uphill battle with the buyer. They will be excited and anxious to close on the deal, so stringing them along for months by telling them that it should be soon is not a good way to handle the situation. Simply let them know that the deal is a short sale and that it could take (X) number of months and ask if they're willing to hang in there. If they love the property and have the time, they will.

Once you either have your discounted mortgage and lien payoffs or approvals in writing, or know for SURE that you'll be getting them in writing, you can schedule closing the first closing. The first thing you need to do is coordinate the closing date and time with your title company. Make sure that you, or the option holder, schedules closing with them and make sure that they have the homeowner's (seller's) contact information and the buyer's contact information. The title company will then contact all of the parties and schedule a closing date and time with them.

Next make sure that you fax all of the mortgage and lien payoff approval letters from the lender along with the CLOSING OR SETTLEMENT STATEMENT that was approved by the lender accepting the short sale, the closing instructions from the lender accepting the short sale and any other mortgage or lien holder instructions to the title company. It's very important that the title company follows those instructions exactly as they are written. If the lender doesn't receive the funds when and how they've stipulated, there is the possibility that they could send the funds back and close the file. The possibility of that happening is pretty small, but know that it is possible, which is why the title company needs to carefully follow their instructions to the “T.”

The title company will send you a copy of the CLOSING OR SETTLEMENT STATEMENT to make sure that everything is correct before closing. Be sure to let them know if any adjustments need to be made as soon as possible because the title company will need to fax the CLOSING OR SETTLEMENT STATEMENT to the lender for approval within a specified time period. Make sure that the lender has approved the final CLOSING OR SETTLEMENT STATEMENT in writing before closing. If anything changes on the CLOSING OR SETTLEMENT STATEMENT after the lender’s approval, there is again the chance that the lender will reject the funds and close the deal. The funds must be received by the lender along with a signed and certified copy of the final CLOSING OR SETTLEMENT STATEMENT before the expiration date given on the approval letter and instructions.

It’s important as mentioned above that closing happens when scheduled because of the lender’s timeline.

Once everyone has signed, follow up with the title company to make sure that deed has recorded and the funds have been sent to the lender, either via overnight mail or wire transfer. This normally takes place the day after everyone has signed. It is also up to the title company to overnight the final CLOSING OR SETTLEMENT STATEMENT and closing documents to the lender, so follow up to make sure that everything has been completed.

Once everything that we’ve talked about has taken place and the lender has accepted the funds, you have closed a deal!

SECTION 3: BUYING FORECLOSURES THROUGH AUCTION

CHAPTER 12 WHAT IS A FORECLOSURE AUCTION?

A foreclosure auction happens as a result of a homeowner defaulting on their mortgage by not making the monthly mortgage payments on their home. There are a number of reasons why homeowners default on their mortgages. Divorce, loss of a job, death, pay cuts, and other unexpected financial hardships all have been the catalyst for people not being able to pay their mortgages.

As we discussed in the short sale section there are many stages to the foreclosure process. There are many opportunities throughout the foreclosure process for the homeowner to make up the missed payments in order for the bank to end foreclosure proceedings.

If the homeowner is not able to take advantage of any of those opportunities and if the loan is not brought current in the time specified, then a judgment will be filed and the lender has the right to request to sell the house at a public foreclosure auction.

At this time, the homeowner will receive a Notice of Sale, which will also be posted on the property and recorded at the County Recorder's Office in the County where the property is located. A Notice of Sale is also posted in the local newspapers and a sale date, time, and location is set.

In most states you have up to the sale date to make arrangements with your lender or simply bring your loan current by paying the total amount owed. If you're not able to do that, once the property is sold at foreclosure auction you may then have a redemption period in which you can pay the total amount owed and reclaim your home.

If the property goes to foreclosure auction, either a trustee's sale or a judicial foreclosure, anyone can bid on the property to buy it. A representative for the lender will be present at the auction and will most likely buy the property back if the minimum required bid is not met.

A foreclosure auction starts with a minimum bid which is the balance of the loan plus any accrued interest, attorney's fees, and any other costs associated with the foreclosure process.

Once the auction begins, the bidding begins and the property is sold to the highest bidder. If no one bids on the property or if the minimum bid is not met, the lender will likely buy the property back and then list it as an REO (Real Estate Owned). The lender's other option is to sell the property to the highest bidder even if the minimum bid is not met. If this happens, the lender has the right to file a deficiency judgment for the balance owed to them between what was paid and what they were actually owed. With a deficiency judgment, they would try to collect the balance owed to them from the homeowner who was in default.

In both scenarios the homeowner loses their home and must move out. However, in the second scenario, the homeowner not only loses their home, but they could still end up having to pay the lender thousands of dollars.

Although this is a crappy situation for the homeowner to be in, this is a great opportunity for you as a real estate investor to get a great deal on a property. In most cases, foreclosure auctions are a great place for investors to buy properties at a fraction of retail market value. Being able to buy low can create a huge potential for large profits later on.

The downside to buying properties at foreclosure auction is that you are not able to see the inside of the properties that you're bidding on. You can do drive bys and see the exterior of the property, but there are no interior showings before the auction. Unfortunately, it's like a craps shoot. You could get a house that's beautiful inside and needs little work or you could get a property that needs a complete rehab or something between the two. But if you buy it for the right price, you can make money with any type of property.

CHAPTER 13: HOW TO FIND PROPERTIES BEING SOLD AT FORECLOSURE AUCTION

There are two great ways to find properties being sold at foreclosure auction: foreclosure listing sites and your County Sheriff's Office website.

Foreclosure Listing Sites

Some of the most reputable foreclosure listing sites are:

- Realeflow.com (http://www.realeflow.com/)
  - In Realeflow you can search for pre-foreclosures that have auction dates set inside the Leadpipes feature. At the time of writing this Realeflow has access to over 13 million foreclosures that you can search for and see all the relevant property information. It's updated as soon as the counties update their electronic records.
- RealtyTrac.com (http://www.realtytrac.com/)
  - On RealtyTrac.com you can search for properties that are in the pre-foreclosure stage, properties that are scheduled for foreclosure auction, and properties that have been bought back by the bank and are listed as REOs. You can also get a listing of properties that are listed for sale on the MLS and For Sale By Owner (FSBO). They have over 1.5 million foreclosures to search. You can actually get a good amount of property information for free from this site, but if you want all of the details of the property, you need to be a member of the site.
- Foreclosurelistings.com (http://www.foreclosurelistings.com/)
  - Foreclosurelistings.com has over 2 million homes that you can search that are in the

stages of pre-foreclosure, foreclosure, are up for foreclosure auction, are broker listings, or bankruptcies. Similar to RealtyTrac, you can get a limited amount of free information on Foreclosurelistings.com, but if you want more detailed information, you need to sign up as a member.

- Foreclosure.com (http://www.foreclosure.com/)
    - Foreclosure.com has a cool feature that allows you to see the distressed property listing totals for each county of each state. It gives you the totals for pre-foreclosures, Sheriff Sales, auctions, foreclosures, bankruptcies, For Sale By Owner properties (FSBOs), and tax lien properties. This site also gives you the property address without having to become a member of the site. This site also owns foreclosures.com.

All of the sites that I mentioned typically give you a free trial before signing up with them. It's a great way to test the site and the information that you can get from it before signing up as a paying member. It's also a good way to check the information for accuracy and to see how current their information is. Any of these sites are good, but you should determine which one is the best one for you.

County Sheriff's Office Website

Your County Sheriff's Office website is by far the best and most accurate place to look for foreclosure auction information. They have the most updated information about the properties up for auction in their county. If you don't know the site for your county's Sheriff's Office, you can Google it and it'll bring it right up. For example, I would Google "Cuyahoga County Sheriff Office." That brings up both the Sheriff Department and Sheriff's Office. I'm looking for the Sheriff's Office, that's who conducts the sales.

For example, the site for Cuyahoga County's Sheriff's Office is http://sheriff.cuyahogacounty.us/.

On this site, you can search foreclosure auctions by sale date, city, and parcel number. You can see properties that are scheduled for auction as well as properties that have already been sold or postponed.

If you're looking at properties sold at auction it'll usually give you the sale date, sale number, parcel number, location of the property, sale status, prorated taxes amount, case number, plaintiff, defendant, address, description, sold amount, purchaser, and attorney.

If you're looking at properties that are up for auction the site will give you the sale date, sale number, parcel number, location, sale status, prorated taxes amount, case number, plaintiff, defendant, address, description, appraisal, minimum bid, and attorney.

This is by far the best place to get foreclosure auction information because it's up to date, it gives you a ton of information, and it's free. On the Cuyahoga County Sheriff's site, each property has a clickable parcel number, which then takes you to the County Auditor's site if you want even more information on the property.

Once you find the correct site to see your county's foreclosure auctions, make sure you bookmark it so you can easily get to it every time you need it. I love shortcuts, they're a great way to save time.

CHAPTER 14: THE GOOD AND THE BAD OF BUYING AT FORECLOSURE AUCTION

There is an upside and a downside to buying properties at foreclosure auctions. While you have to make the decision for yourself if the risk is worth the reward, I can help you to understand what is great about buying properties at auction and what might come back to bite you. But ultimately the decision is yours.

The Good

Deep discounts. Enough said. As I'm looking through properties sold at Sheriff Sale for Lakewood, Ohio (which is a nice suburb just west of the city of Cleveland) there are properties that have sold for $14,000, $23,000, $25,000, $40,000, $50,000, $60,000 and up to just over $100,000. The properties listed for sale are listed at $13,000, $16,000, $22,000, $25,000, $27,000, $30,000, $50,000, $60,000 and up to $110,000. Now keep in mind that Lakewood is a nice suburb with high energy, decent schools, and a lot going on. In other areas, prices would be even cheaper, but this is a good example of prices in a neighborhood where people are actually living and buying properties. Now if I look at sold properties in another area where a lot of investing goes on, the West Side of Cleveland, there are a large number of properties selling for $6,000, $10,000, $13,000, and $20,000. Granted the area is not quite as nice, but the point is that people are still buying and selling properties in that area and if you could buy a property for $10,000 and then rent it or sell it, wouldn't that be worth it? Which leads me to my next point…

Huge Profit Potential! Property investing is about making a profit. You wouldn't do it if you didn't think you would make a profit, would you? No. So let's think about this. If you're able to buy a property for a fraction (a small fraction mind you) of its market value, wouldn't that be worth it? Of course it would – as long as you've done your homework first. The great thing about buying properties at auction is that they're cheap – generally speaking. The minimum bid starts at the amount that is owed on the property, which is usually a lot less than its market value. However, you can't just go buying up properties because they're cheap. You have to know your market and make sure that you're going to be able to resell the property or, at the very least, rent it out to get a return on your investment. It doesn't matter if you can buy a property for $1,000, if you can't resell it, it's not a good deal. It's only a good deal if the property can be sold or at least rented. So be careful and don't get caught up in the low prices if the property isn't in a desirable area.

Figure out auction process before diving in. You can observe the auction process before buying. Going to a foreclosure auction for the first time can be intimidating, especially if you're planning to buy a property at one for the first time. A great thing to do is to go to at least a few auctions a head of time to get used to the way that the auction works. It's good to be familiar with the auction process and what goes on there before buying.

Property information before the auction. You can get property and sale information 4-6 weeks before the actual auction. This is great because it gives you plenty of time to research the property before the sale. You can research the mortgage and lien information, the homeowners and the property itself. You will want to see if you can dig up any old property listings for pictures since you technically won't be able to see the inside of the property before the auction.

With so much time, you can even do drive bys of the property and maybe run into the homeowner or a neighbor. If you run into the homeowner, they might be willing to show you the property and if you run into a neighbor, they might at least be able to give you some inside scoop on the property and might know about the property's condition.

Little competition. Depending on your area, you may not have much competition bidding against you at the auction. You could be the only one there to bid on a property besides the bank, which is good for you. As long as you bid at or above the minimum bid, you should end up being the high bidder. For a diligent investor like yourself, this can create tremendous investing opportunities.

The Bad

No interior showings before the auction. As I mentioned before, you are not able to see the interior of the property being sold before the auction. Because there are no interior property showings before the auction, you could be getting an incredible deal when you buy at auction or you could be buying a money pit. Without knowing the condition of the property inside, you really don't know what you're getting into. The inside could be in pristine condition or it could be a total train wreck in need of a complete rehab. Try looking up old listings for the property to see if you can find any pictures of the interior. That won't mean that the house is in the same condition, but will give you an idea of where the house started out before the current owners bought it. If the property was listed by the current owners who are being foreclosed on, those pictures will give you an even better idea of the current condition of the property. That's not to say that after those pictures were taken the homeowners didn't take a sledgehammer to the walls! Because of this, it's so important to do your homework and be prepared before you go to the auction. Drive by the property to see what you can see from the outside. The outside of the property is a pretty good indication of the interior of the property. If the exterior is in complete shambles and disarray, then you can bet that the inside is too. If you "happen" to "run into" the homeowner while you're checking out the neighborhood, they might be willing to show you the property. Tell them that you're very interested in bidding on their beautiful home at the auction and maybe they'll show it to you. Another good way to get an indication of the condition of the property is to talk to the neighbors. If they knew the homeowners, they could have some insight as to their home life and general condition of the interior of the property. Without being able to see the inside for yourself, there really is no way to truly assess the property and repair costs and no way to truly determine your highest bid. What you'll have to do in this situation is assume a worst-case scenario with thousands of dollars in repairs. Then use that to help determine your high bid. You can see how important it is to do your homework and not go into an auction blind.

You need cash at closing. In order to bid on a property, you will need a certified check or cash for 10% of the final bid amount that you have to pay upon being declared the highest bidder. You will then be required to pay the remaining amount within 30-90 days (in most states, but some are less). In Cuyahoga County, Ohio we are required to pay the remaining amount within 30 days of the sale. There are no extensions, so it's also important to secure financing before the auction in case you are the highest bidder. This will ensure that you're able to pay the remaining amount within the 30-day time period. In Cuyahoga County, high bidders are also required to pay recording fees and conveyance fees at the time of the sale. Be sure you know exactly what those fees will be before bidding on a property.

Owner's Right of Redemption. Be careful if you're in a state with an owner's right of redemption period. Right of redemption means that the homeowner has a certain amount of time in which they can redeem the property. By making up all of the back payments owed and bringing the loan current, they are redeeming the property and can take back title to it. This means that you lose the property. If the right of redemption ends before or on the auction date, then there's nothing to worry about, but if the right of redemption period lasts weeks, months, or a year after the auction, then there is cause for concern. In most cases, there is little chance that the homeowner will be able to come up with the funds to get the property back, but it can happen. Financial situations can change quickly. Don't get stuck buying a property and putting a lot of work into it just to have it taken back by the homeowner. So do your homework and make sure that you're aware of your state's redemption laws.

The first mortgage may not be the only lien. It's important to do your research so you know exactly what is owed on the property before bidding on it. If you end up being the highest bidder, you simply take the place of the homeowner. That does not mean that everything else on title is wiped clean. It means that you are now responsible if there are other liens or taxes owed on the property. So make sure you know what you're bidding on before you bid.

CHAPTER 15: HOW A FORECLOSURE AUCTION WORKS

A foreclosure auction is a pretty simple process really. There's a property, people bid on it, the highest bidder wins. That certainly is the gist of it, but let's walk through the process from beginning to end.

The date and time of the auction is listed on the Sheriff's Office website. On the date of the auction, it is commonly referred to as being held on the courthouse steps, however, the actual auction is normally indoors somewhere. The exact place will also be listed on the website.

Make sure to arrive at the auction early as auctions go quickly. Sometimes there is no one there to bid but the bank, so the process can go very fast. If necessary, register yourself as a bidder. Steer clear of discussing the property and your bid with anyone else as they could be your competition. Make sure you know how the bidding process works before you get there. For example, in Cuyahoga County, no bids are accepted that are made through hand signals. They will only acknowledge verbal bids that are made.

There is a minimum bid that is determined by the court The minimum bid is 66% of the appraised value. The court orders the appraisal. Once the bidding starts, be sure to bid on the property that you're there for. In the event that no one bids on the property, the bank will buy the property back instead of a third party buying it. They will then list the property as an REO (Real Estate Owned) and try to sell it.

Make sure that you have already determined your high bid before the bidding begins. If you are high bidder on the property, you will need to give your deposit at that time in either the form of a certified check or cash. There will be no time to go to the bank after the sale, so it is imperative that you have the money with you for the deposit.

Verify with the auctioneer that you’re the high bidder on the property and be sure to get all of the necessary documents needed. Verify with the auctioneer what steps need to be taken in order to take ownership and possession of the property. Depending on the state, you may be able to take ownership within a few days, whereas other states can take weeks or a month or more before the sale is confirmed.

CHAPTER 16: TIPS TO BUYING "RIGHT" AT FORECLOSURE AUCTION

There are phenomenal deals to be had by buying properties at foreclosure auction. But if you don't do your homework, you could end up spending a lot more than you anticipated and could end up with a money pit instead of a money-maker. It's easy to get caught up in an auction, so you have to keep your wits about you and do your research ahead of time.

Attend Foreclosure Auctions

If you've never attended a foreclosure auction before, don't make your first auction the one that you'll be bidding at. You want to attend foreclosure auctions before the one where you'll be trying to bid on a property so that you can observe how things are done, the flow of the auction, the way that bids are made and accepted, and the flow of the auction. This will help you to feel more comfortable when you attend an auction to bid on a property. This way, you'll have some familiarity with the auction process.

Confirm Auction Status

First, confirm the auction status of the property that you're interested in, the exact location of the auction, and the bidding and buying procedures. This is important because auctions move quickly and if you're late because you went to the wrong place first, you'll probably miss it.

Do Your Homework

Next, drive by the property well before the auction to check out the neighborhood and see what you can find out about the property. Make sure that the property is in a desirable neighborhood where you'll be able to resell it. Here's the thing: if the property is in a crappy neighborhood where you won't be able to sell it, it doesn't matter how much or little you bought the property for, it's a waste of money and now you own it. I don't care if you can buy it for a thousand bucks, if it's in a bad neighborhood where it has a high potential of being vandalized and sitting on the market for months or years, DON'T BUY IT! It's not a good investment. Period. This I know from experience, so learn from my mistakes.

Because there are no interior showings of the property before the auction, it's important to gather as much information about the property as possible. When you drive by, observe as much as you can about the exterior of the property. Maybe even park the car and take a little walk around the neighborhood to observe the neighborhood and possibly run into neighbors, or even the homeowner. If you run into the homeowner, see if they will possibly show you the inside. You never know, it's worth a shot! This is your hard earned money we're talking about, and the goal here is to make a lot more of it, so you need to do whatever you can to get as much information on your potential new investment as possible. If you don't see the owners, maybe you'll at least be able to talk to some neighbors and get some insight as to the condition of the property.

You need this information to determine the cost of repairs on the property, which will help you to determine what you're willing to offer. Another good way to at least try to see some interior pictures is to see if you can find current or old listings for the property. That will at the very least give you an idea about the layout of the interior. If it's a current listing, you will also have a good idea about the condition of the property on the surface. If you have no way to get any information on the property, then go with a worst-case scenario. Assume that you need to put thousands of dollars of repairs into the house and that will help you to determine what you can buy it for.

Research Property Financials

Take some time to do your research and find out how much is owed on the property between mortgages, liens, and taxes. The website will also tell you what the minimum bid will be on the property. Take into account the repairs that are needed on the property and the market value of the property, both as is and after repair value. You also want to take into account the neighborhood's appreciation or deprecation when determining your starting bid.

Determine what you will be able to sell the property for in its as-is condition. Now determine what you would have to buy the property for in order to make a profit. Next figure out the property's after repair value and determine how much money you would have to put into the property in order to get it to that condition. Now determine what you would have to buy the property for in order to make a profit with that exit strategy. You also need to take into account holding costs - if the property sits on the market for a number of months, how much will that cost you? Don't forget that you may have to pay off any other existing mortgages or liens as well. Figure out what you want your minimum profit to be and this will help you in the next step.

Determine Your Bid

Before auction day make sure you have determined your starting bid and, more importantly, your highest bid for the property. There is always a minimum bid, which is the total amount that is owed to the lender, including the mortgage principal and interest as well as any attorney fees and costs associated with the foreclosure. If no one bids the minimum amount, the bank will buy the property back. So make sure that you're willing to bid at least the minimum or it won't even be worth your time to attend the auction.

The more important part of this is determining your highest bid. What is the most that you'll be willing to pay for the property, taking into account any other liens, mortgages, and taxes owed, as well as necessary repairs. It's easy to get caught up in the electricity of an auction if there is competition, but don't let that happen to you. You have to stick to your decision or you could end up losing money instead of making it. It's hard when you're in the heat of the moment and you're bidding against someone for a property that you already have plans laid out for in your head. That is why you need to remember that there will be more properties that will make you profits if this one can't. So don't keep bidding up on a property just because you want it – you'll probably wish you hadn't.

Insider tip: If the lender doesn't show up to bid on the property, they probably know something that you don't know. If the lender doesn't want it, you don't want it either. Walk away.

Confirm Auction Details On Auction Day

Call the day of the auction to make sure that the auction hasn't been postponed or cancelled. It happens quite often that a foreclosure auction is postponed or cancelled the morning of the sale because either the homeowner came up with the money or worked out a deal with their lender or somehow bought themselves more time. Confirm the time and exact location of the auction as well.

You also want to determine ahead of time exactly how much you will need to bring with you in the event that you're the high bidder. Find out how much the deposit is, when the remaining balance is due, what type of payment is required, and if there are extra fees for recording documents, etc. and what type of payment is required for them.

Get there early. Don't be late or you could miss it. Auctions move quite fast, so you don't want to be late. If the auction starts at 9am and there is no one else there to bid on the property but the bank, the auction could be over in less than 5 minutes. For this reason, it's important to get there at least 15 minutes early. If you're not familiar with the area of the city where the auction is being held, make sure to go down before the day of the auction to determine where you will park and how long it will take to get there. You don't want to miss out on a great property because you were too late.

What Happens When You're The Highest Bidder?

Once the auction is over, if you're the highest bidder you need to do a few things. First, confirm with the auctioneer that you are the highest bidder and get all of the

necessary documents before you leave the auction.   You will have to give them your deposit money and any other funds required for recording fees.

Before you leave that day, make sure that you know exactly what you need to do in order to take possession of the property and when you can take possession of the property. Also find out when the remaining balance is due and what type of payment is required. There are no extensions permitted to pay the remaining balance, so be sure to have financing in place before the auction, especially if the remaining funds are due in 30 days or less. If the remaining balance is not paid on time or is not paid at all, the buyer (you) can be found in contempt of court and fined a substantial amount of money. You will not get your deposit back, that money will be forfeited.

What If There Are Tenants Occupying The Property?

If tenants occupy the property that you just purchased, you'll want to contact a real estate attorney or the county sheriff if you're not familiar with eviction procedures in your area. Just because you purchased the property doesn't mean that you can ignore the laws and rules for evicting tenants. Do it the right way the first time and you won't have any problems down the road.

The information in this section will help you tremendously if you're just getting started with buying properties at foreclosure auction. The key to making smart investments is making good decisions and sticking to them.

SECTION 4: BUYING REOs

CHAPTER 17: WHAT IS AN REO?

An REO (Real Estate Owned) is a property that goes through the entire foreclosure process and ends up being bought back by the lender at the foreclosure auction. Once it's bought back by the lender, it becomes Real Estate Owned. At that point the lender's goal is to try to sell the property as quickly as possible.

If you remember in previous chapters I talked about the foreclosure process and how there are many times throughout the process when homeowners can work out a deal with the lender or sell the property or redeem the property so that they can keep it. If none of those things happens during the foreclosure process, then the property goes to foreclosure auction. If the foreclosure auction is unsuccessful and the bank buys the property back, it then becomes an REO.

An unsuccessful foreclosure auction would be one where there are no bids on the property or one where the bids are all too low. If you remember, there is always a minimum bid at a foreclosure auction, which is the loan amount that is owed to the bank plus any late fees, attorney fees, and other fees assessed during the foreclosure process.

The bank will rarely sell the property at a foreclosure auction for less than what is owed on it. They simply buy the property back and sell it as an REO.

What Happens Once The Bank Owns The Property?

Once the bank owns the property, they want to sell it as quickly as possible. Lenders are not in the business of owning real estate, they are in the business of lending money. So for that reason, they need to get as much real estate off their books as quickly as they can.

Before they can do that, there are a few things the lender must take care of first. If the property is occupied, they have to take care of evicting the tenants or homeowners. If there are any other mortgages, mechanics liens, tax liens, or homeowner's association dues owed, the lender will negotiate to have those removed.

Once they have taken care of the eviction and clouds on the title, then they are able to move on to thinking about selling the property. The lender will have the property appraised, the cost of repairs assessed, and then they will determine the value of the property. Not often, but at times, the lender may also do some repairs to the property if they feel that it's necessary for the sale of the house. Usually the lender will put the property on the market as is and will sell it as is.

Once they're ready to list it, they'll list it for sale with an REO agent at a real estate brokerage. Lenders usually have a few REO agents that they are comfortable with and list the majority, if not all, of their properties with. You will want to contact the listing agent who will be able to show you the property and give you more information on it. They will also be the one presenting your offer to the bank, who is the seller at this point.

The lender is trying to recover as much as possible from the sale of this property, so they will have it listed pretty close to what they actually want to get out of it. That's not to say that there isn't any room to negotiate, as you know in real estate, there is always room to negotiate. REO properties will be listed at a fair price, but may not always be listed at rock bottom prices.

Why Buy REOs?

If there are other ways to buy properties at low prices, like short sales and auctions, then why buy REOs? Good question and I'm going to answer it. There are actually a lot of advantages to buying REO properties.

No tenants to evict – Once the lender buys the house back at foreclosure auction, it is their responsibility to evict the tenants living in the property. The eviction is normally done before the house is listed for sale on the market.

Clean title – There are no back taxes, liens or mortgages to worry about when buying an REO. Once the lender buys the house back they will have any clouds on the title removed. This includes any other mortgages, tax liens, mechanics liens, and anything else clouding the title.

May already have some repairs completed – Although the lender is selling the REO in it's as-is condition, they may have already done some work to the property before they listed it. It used to be that banks would never do any work to their REO properties and they were sold as-is. Now it's a little more common for some banks to do some work to their REO properties before selling them. This depends on the property's condition and whether or not doing some minor repairs will increase the lender's chances of getting a better offer, but it's no longer out of the question.

Can view interior of the property before buying – REO properties are listed on the market for sale, just like any other house that's listed for sale. REOs are listed with REO agents on the

MLS and thus can have exterior and interior showings at any time. REOs are vacant as well, so it should be easy to find a time that the agent can show the property to you. This is a major difference between buying properties at foreclosure auction and buying REOs – you are not able to see the interior of the property before buying it at foreclosure auction, but you can see the interior of an REO before putting an offer on it. This is great because it avoids the surprise of something major being wrong with the house.

Can have inspections and appraisals done – This goes along with the previous point – being able to see the interior is great, being able to have an inspection and/or appraisal done is excellent. Any inspections and appraisals will be at your expense, but they will be worth it, especially if you don't know what you're looking for. If you're not sure about the condition of the property by looking at it yourself, I would recommend paying to have an inspection done. This guarantees that there will be no surprises down the road. If there's anything wrong with the property, they will find it during the inspection. Then it's easy to make an educated decision about what you're going to offer and what you're willing to pay based on the inspection report.

Huge savings can create huge cash flow – Depending on what you're buying the property for, either sale or rental, the goal is for the property to cash flow, or make you money. You don't want to lose money on the sale, you want to make money – a lot of it. The way to go about that is to buy properties at a discounted price and then sell it at market value or even a little bit below for a quick sale. If your plan is to hold on to the property as a rental, you want to make sure that the property is going to cash flow, meaning that you're going to make a profit on it each month, not break even or lose money.

Purchase process is simple – this is the easiest of the foreclosure investment techniques. Short sales can be complicated and foreclosure auctions can be risky and even difficult to get funds for. When buying an REO, the process is simple and usually pretty quick. Since lenders are trying to get rid of properties fast, they are normally very responsive to a reasonable offer. You put an offer on the property, you negotiate, you do your inspections, you secure funds and schedule closing. It's the most cut and dry of the foreclosure investing techniques.

May be able to negotiate rehab costs, interest, closing costs, down payment, etc. – Because banks want to get rid of their REOs as quickly as possible, you may have some additional negotiating power. Once you've completed your inspections, you may be able to negotiate the price due to costs associated with rehabbing the property. If you're also securing your loan to buy the property with the selling lender, you may be able to negotiate your interest rate, closing costs, and down payment with them in order to close the deal. This is not guaranteed, but it's worth a shot to ask. There is no doubt that the bank wants to get rid of the property, it's a matter of how far they will go to sell it.

Less risk – Because of the nature of an REO property, it carries the least risk of the foreclosure investment options that we've talked about so far. You know what the lender is asking for the property and you know whether or not you're willing to pay that amount. Because you are also able to view the interior and do inspections, the risk that's involved in buying at a foreclosure auction is removed.

CHAPTER 18: FINDING REOS – WHY HAVING THE TOP REO AGENTS IN YOUR CORNER WILL MAKE YOU RICH

There are lots of ways to find REOs, but some are more efficient than others. Because there are so many REOs out there and because there are so many buyers, you want to get first crack when a new REO comes on the market. So how are you going to do that?

Searching For REOs Online

There are foreclosure listing sites (the same ones mentioned in Chapter 13) that also allow you to search for REO listings. RealtyTrac.com, Foreclosurelistings.com, Foreclosures.com, and Foreclosure.com all give you the ability to search for REO properties on their sites. They will either be listed as REOs or Bank-Owned properties. You can search for REOs on these sites in every state across the U.S. Again, some sites give you more information than others, so you need to determine which sites you like using best and then stick with them. For example, Realtytrac.com gives you a good amount of information without even being a paying member, whereas foreclosures.com gives you very limited information so you almost have to be a member to get any useful information out of the site.

Another good place to search for REOs is on HUD's website – you can search for bank owned properties at www.homesales.gov. On this site, you can search by City and State. Your search can also be narrowed down by the number of bedrooms and bathrooms that you're looking for.

You can also search for REO properties on the MLS if you have access to it. If you don't have access to it, you need to make friends with an agent who will either search for properties for you, or better yet, access MLS listings through FlipComp. I'll talk about the MLS and REO agents more next.

Why Having An REO Agent In Your Corner Is Priceless

You can definitely search for and find REOs on your own, but why should you? There's no reason for you to do all of that searching if you have one or two of the top REO agents in your area in your corner. You see, REO agents hold the keys to the kingdom and they know it. When REO agents get new listings, they have investors like yourself breaking down their door to get a good deal.

This is exactly why you want them to come to you first. When they get the next sweet deal, you want them to think of you first and give you first crack at their new REO listing. Having an REO agent or two like this can give you a constant stream of REO properties – they can simply make you rich. It's like having someone whose job is to constantly fill your REO pipeline.

How To Find The Top REO Agents In Your Area

So now that you understand WHY it's important to have a couple of the top REO agents in your corner, you need to know HOW to find them, and better yet, HOW to get them to work with you.

So let's start with how to find them. You'll need MLS access for this part, so hopefully you're a Realtor or you're friends with a Realtor who can help you do this search.

You're going to need to search the REO or Bank Owned property listings in your MLS to find out who the top REO agents are. When you do this search, you'll want to search for the last 90 days to see which agents have the most active REO listings and the most sold REO listings. This is going to help you determine who the heavy hitters are in your area. Those are the people that you want to go after. Once you determine who the top REO agents are, you'll be able to pull their contact information off of the

MLS.

If you have no way of searching the MLS, you can also do a Google search to find REO agents in your area. For Example, search “REO Agent Cleveland” (or whatever city you’re searching in) to come up with a list of REO agents in your area. Now you have no way of knowing that they do as many deals as they say they do, but if they’ve spent money to market and they’re on page one of Google, they’re probably doing a good number of REOs every month.

Once you’ve found the top 10-15 REO agents in your area, it’s time to introduce yourself. You know why YOU want to work with THEM, but they don’t know why THEY want to work with YOU. And that’s what you have to tell them.

It’s easy for an REO agent to see why it’s beneficial for you to work with them, but they have to be sure that the relationship is going to benefit them too. They want to know that if they work with you, if they give you first crack at all of their new REO listings, that you’re going to come through and buy a bunch of their listings. You’re not going to just talk the talk, you’ve got to walk the walk. You’re going to help them sell more listings and make more money every month – and that’s how you will get them in your corner. They want to know that when you put a contract on a house to buy it that you’re going to come through and close on that property. This means more money in their pocket and that’s what matters.

Okay, so HOW? How do you convince them that they should work with you? Well, they’re busy people, just like you and me, so they might be hard to get a hold of. You can try calling them on the phone, you can try emailing them, but I like to go to their office if all else fails. Definitely phone and face-to-face are the best ways to meet for the first time. Now this is not easy to do the first couple of times, but this isn't about what's easy – later when you have them calling you every time they get a new REO listing – that's what's easy. We have to do the hard part before we can get to the easy stuff.

Basically you want to tell these agents, either over the phone or in person, that you are going to become their biggest client and that you're going to buy and close on their REO properties more than anyone else they know. This will get their attention.

When you talk to them, you don't want to seem arrogant or cocky because people typically don't like arrogant and cocky. Instead of drawing them to you, this type of attitude will push them away. Instead, you want to be very friendly, but also serious about the message that you're conveying. You want them to like you, but you also need to convey that you're serious about this – if they give you a chance, you will become their biggest client and you will make THEM a lot of money.

Think of all the commissions that they'll collect by selling their listings. If you remember that, then this won't seem as difficult. Not only are they helping you, but you are also helping them, and during this conversation, that's what matters.

Invite them out to lunch or meet with them at their office. Either way, make it convenient for them. Tell them that you know that they're one of the top agents in the area and because you are one of the top REO investors, you can do a lot of business together and make each other a lot of money. Tell them how excited you are to work with them and make them money. Let them know that you've done your homework and you're a serious buyer looking to buy 10-20 REOs per month and you thought that because they're a top agent in the field, it would be a good fit.

You'll have to sell yourself to them, so it will be important that you have the confidence to do that.

How To Sweeten The Deal For The REO Agent

There are lots of things you can do to sweeten the deal for the REO agent. Just being able to buy up a good portion of their properties is great, but what else can you do for them to make the deal even better? Here are some suggestions.

Give them all the commission. If you're an agent too and can get half of the commission on the deal – don't. Let them have all of the commission on every REO that you buy from them. You're going to cash in later, so let them cash in now. This is going to make them come to you more and more, knowing that every time they sell you a property, they're going to get the full commission. This is a huge bonus because if they sell the property to another agent or someone represented by an agent, their commission is going to be split in half. That's a lot of money being taken out of their pockets, so if you're able to put that money back in their pockets, you'll become their favorite customer.

Close on time. Every time you buy a property, close on time. This is huge and shows the agent that you're credible and that you're serious. If you need to ask for an extension here and there, that's one thing, but if you start asking for extensions on every property and waiting until you get to closing day to ask for it, you're going to really start to make them mad. Not only that, but if extensions and failed closings happen more often than not, they could get totally cut off by the lenders who are sending them the listings. If that happens and REO listings are their livelihood, then they've lost a lot more than a commission, they've lost everything. For these reasons it's important to an agent to have properties close on time and to have closing go smoothly. You need to be the one who closes on time and who makes their life easier. If you're not that person, they're going to cut you off.

Don't waste their time. Believe me, REO agents are super busy and they don't have time to waste. Don't put in a bunch of offers with them and then go look at the properties and then back out once you see that they're falling down. That's a big No-No because it's a huge time waster. Not to mention everything that we just discussed in the previous paragraph.

Make sure you have funding. Before you even present yourself to these agents, know how you're going to buy these properties. Are you going to buy them with cash? Do you have a hard money lender? Are you going to get financing? This is all stuff that you need to know before you present yourself to these agents and before you start making offers. Don't make the mistake of getting an offer accepted and then having no idea how you're going to actually fund the deal.

If you follow the guidelines in this chapter, you'll be able to get at least a couple REO agents to start funneling deals your way. Remember, you're going to make their life easier and, in turn, they are going to make your life easier.

CHAPTER 19: THE ART OF THE REO OFFER

How do you know what to offer on REO properties? They're usually already listed pretty low, but how do you know what to offer to 1.) Have your offer considered and accepted and 2.) Be able to sell the property and make a profit? Number 2 is really the key to everything – being able to sell the property. It doesn't matter what you buy it for, if you can't sell it and make a profit, it wasn't a good deal.

When you're first starting out, it's important to evaluate each deal before making an offer on it because it's so crucial to the whole deal. Once you've been buying REOs for a while, you'll start to just "know" what to offer. But for now it's important to evaluate each deal to make sure you're making good offers.

It's imperative to know your market. We talked about this in previous chapters and this can be carried throughout the book, no matter what type of real estate investing you're doing. You need to know what properties are selling for in your market, otherwise you could end up upside down on every deal. Even if it seems like a good deal to you, you need to know what you'll be able to sell it for. Remember that a property is only worth what someone is willing to pay for it.

You also need to have a clear view of what your exit strategy will be when you're putting an offer on a property because this will also affect what you buy the property for. If you want to retail the property (meaning sell it to a retail buyer, someone who will live in it) and need to put a bunch of money into it, you need to make sure there's room for that when you make your offer. The other option is to wholesale the property to another investor. It's up to you to know what properties are wholesaling for in your market and make your offer based upon that.

Comparables

The first thing you need to know is how to get comparables for the area where the property is. If your plan is to sell the property to a retail homebuyer, then pull up retail properties that are comparable to the property that you're going to buy. If your plan is to wholesale it to another investor, then pull up properties that were sold to other investors in that area.

You want to go back 3 months to get a clear view of what properties are selling for. You can go back as far as 6 months if you need to, even a year if necessary. You definitely don't want to go back further than a year for your comps because they won't be a good indicator of what the market is doing now. 3-6 months gives you good information about the current market.

You can use the MLS to find comps and you can also use free sites like Zillow (www.zillow.com) or paid membership sites like FlipComp (www.flipcomp.com). FlipComp allows you to access MLS listings to find comparable properties and will automatically generate comp reports for you. It also allows you to generate lead lists and comb through the MLS in your area looking for certain keywords that may indicate a seller is distressed.

When you're pulling comps, you don't want to go more than 1 mile away. The closer, the better and the comps should all be in the same neighborhood. When you're looking for comparables, you're looking for properties that have sold in the last 90 to 180 days. You also want to look at properties that are similar in square footage, number of bedrooms, bathrooms, and lot size.

When you're looking at comparables, you want to take into account the cheapest selling price and the highest selling price, and of course, look at the average selling price. The highest selling price is going to tell you the absolute max that you can sell your property for. The cheapest selling price will tell you that if you're buying a property for less than what the cheapest selling price is, you're in good shape to wholesale the property and make money.

You also need to look at properties based on your exit strategy so you know what properties are wholesaling for and what properties are retailing for. If you're wholesaling a property, you can't expect to get retail prices for it, so you need to look at comps based on your exit strategy.

Once you start doing deals and you know your market, you won't even have to look at a property to know that it's a good deal. You'll just know by looking at comps and based on the price whether it's a good deal or not. That comes with experience.

Home Inspection

If you're new to buying REOs, you might want to spend the money to have a home inspection. A home inspection is going to tell you what is wrong with the property and you'll get an idea of what needs to go into it if you want to retail it when you sell it. This is good especially if you're new to investing. This information will help you determine what you need to buy the house for in order to put money into it and still make a profit. Using this in conjunction with comps is going to tell you where you need to be price-wise.

You can also use the Hammerpoint Repair Estimator application in Realeflow to pull together a repair estimate for the property. This too will help you to determine how much money you will need to put into the property if you're retailing it and will ultimately help you to determine how much you can pay for the property.

The Offer

When you've got your comps and are ready to make your offer, you want to take the three lowest comps and average those comparables. Then build in a 20% profit margin. So say your average comp is $40,000 and you build in a profit margin of $8,000 (20% of $40,000). That means that you would be willing to pay $32,000 max for the property. But you don't want your first offer to be $32,000 because then you have no room to negotiate if they counteroffer you. You always want to start lower than what you're willing to pay so that there's room to negotiate the final price. In this situation, I would offer $24,000, which is 60% of where your comps are coming in.

This gives you plenty of room to negotiate and even the opportunity to possibly pay less than what you've determined your maximum price to be. It's important to give yourself a cushion between your first offer and the maximum amount that you're willing to pay. By starting with the low comps, you're building in a good cushion and giving yourself the opportunity to make a nice profit.

Being able to buy low also means being able to sell FAST. If you can buy low and give someone else a good deal (because everyone is looking for a good deal, not just you and me), you'll be able to sell your property fast and make a fast profit. That is the ultimate goal – to sell fast and make a profit.

CHAPTER 20: PAPERWORK AND CONTRACTS FOR YOUR REO DEALS

If you've been in real estate for a while, then you know that the key to every real estate transaction is the paperwork. And if you're a new investor, you'll quickly learn this. Every real estate transaction revolves around the paperwork and without good paperwork, it's easy to shoot yourself in the foot.

REOs are not very complicated because you're simply doing a back to back closing. The end buyer's money is funding the first transaction, so you don't even need to put up any money of your own. What you do need to do is make an offer that gets accepted by the bank and find a buyer who can close on time and pay enough so you can make a profit.

The paperwork isn't very complicated, but it is important to add in certain clauses and addendums in case something goes wrong. This is where you learn to protect yourself, while at the same time getting your offers accepted.

I'm going to provide a Purchase and Sales Agreement for you that you can use for the B-C transaction. If you're a Realtor, you probably have your own paperwork already that you'll want to use for the A-B transaction, so go ahead and use that. You also may not need the paperwork for the A-B transaction if the REO listing agent wants to use their own contract (in most cases they do). Depending on your relationship with them, they may want to use their own at first, but as you begin working together more, they may be fine having you send in your offers on your own contract. As the relationships develop, you'll figure out how each REO agent operates best.

What I'm about to go over in this chapter is designed to protect you and is designed to help you make money, not lose money and waste time. The worst thing that can happen is to have a buyer waste your time, back out of a deal, and have you lose money on the deal. With what I'm going to teach you, that won't happen.

If you need to get out of a deal, I'm going to show you how to do that too. Now you know that you should not make a practice of getting into and then out of deals, but I'm going to give you the knowledge to get out of a deal if you need to.

The first thing to know is that when you're writing an REO offer, it's different than writing an offer to buy a residential property and different than writing a short sale offer – it's different because you're dealing with a bank who has already lost a bunch of money on this property and are trying to get rid of it as fast as they can, while trying to recover some of what they've lost. They don't have time for bogus offers. They only have time for solid, serious offers.

Writing Your Offer

Let's go over what constitutes a solid, serious offer in the bank's eyes.

> **Cash Offer or Hard Money –** banks love cash offers! A cash offer or hard money offer means that you will be paying with cash or you will be getting a cash loan from a private money lender. Banks prefer cash offers, but if you can't do cash, then do hard money. Hard money still falls under financing, but it's better than getting a conventional or FHA loan. The one thing to look for when you write a cash offer is whether or not they require a larger deposit. Sometimes cash offers require a larger deposit, in which case you can change your offer to hard money so that

they require a smaller deposit.

Make your deposit non-refundable – I know this sounds crazy, but I'm going to also show you how you can get your deposit back if you need to, but for the purpose of writing the offer, make your deposit non- refundable. This shows the bank that you are super serious about buying this property and you know what you're doing.

No Inspection contingencies – by doing this, you are making this offer as clean and neat as possible and very attractive to the bank.

Schedule a quick close – 30 days is good, but once you've been buying REOs for a while, you'll hopefully get to the point where you can close in 14 or 21 days. This makes your offer even more attractive to the bank. Most buyers can close in 30 days, but if you can close sooner, then you're at an advantage over other potential buyers.

Make your contracts so they can't be assigned to anyone else. I can show you how to assign your contracts, but banks don't like to see contracts that are assignable.

Don't ask for seller concessions – don't ask for help with closing costs or repair costs. This helps to keep your offer clean and neat, which banks like. They want clean, neat offers that can close quickly.

Submit the offer the way that the bank or REO agent prefers to receive it.

If they prefer to have it emailed to them, email it. If they prefer to have it faxed, fax it. Do what they want you to do with the offer.

Next, let's go over how to fill out the contract when writing your offer to the bank.

- First you're going to fill in the seller's name. The seller is the owner who is currently on record.
- Next you're going to fill in the buyer's name and address – this is your name.
- Next fill in the property address, city, state, and zip.
- Fill in the total purchase price, which is your offer.
- Next fill in the deposit that you're putting down and the balance due at closing.
- Make sure to fill in that it is a cash offer and there are no financing contingencies.
- Have the seller pay for closing costs.
- Put the closing date 30 days out, or sooner once you've been investing for a while and know you can close in a shorter time period.
- Make sure the contract shows that it is not assignable.
- When you get to the inspection part of your contract leave it blank, which they will usually take as a zero inspection. It's not saying that you want or don't want an inspection and this gives you an opportunity to get out of the contract if you need to because you haven't filled in the inspection period. If you're required to fill something in here, put zero days.
- Once this offer is written, you need to sign it, and submit it.

Easy enough, right? This is especially easy when you're working with an experienced REO agent who knows what they're doing.

Now let's talk about writing up the contract between the buyer and you. The first thing that you need to understand is that you're writing a contract to sell a property that you don't own yet. This is the contract where it's important to write in contingencies to protect yourself. You're also being transparent and letting your buyer know that you don't own the property yet and that the sale is contingent on other things happening first. Even though you're doing these things, you're writing the contract to your advantage.

Everything that you're doing is to your advantage. Before we get into writing the contract, we should also talk about the deposit that you're going to get from the buyer – because you ARE going to collect a deposit from them!   A good deposit amount is $2,000. We've found that $1,000 or less is pretty easy for people to walk away from and the last thing you want is for someone to tie up your property and then walk away right before closing. More than $2,000 is hard for people to give as a deposit on a sale like this, so we've settled on a $2,000 deposit and I suggest that's what you collect as well.

Now if you have people who have given you a $2,000 deposit and have walked away, you may want to increase their deposit amount when working with them.

Tips to filling out the B-C contract to your advantage

- Make sure the closing date on this contract is the same as the closing date on the contract with the bank.
- You should also let your buyer know that you may need extra time to close depending on how quickly the bank moves. Because this can be a concern, you should also write in a clause

allowing the contract to be extended for up to two weeks if the bank is unable to close on time. This is also the time when you can manage the buyer's expectations by explaining that this is a bank owned property and closing depends on the bank also closing on time.

- Make the deposit non-refundable. The deposit can be paid to you or to the title company. This is a very important clause to write in because this is the clause that is going to make their deposit non-refundable. This clause also gets around you and the buyer having to sign a cancellation contract and release of escrow should the buyer fall through.
- If the buyer is unable to close by 5pm on the closing date due to no fault of the seller, the buyer gives authorization to the title company to immediately distribute the entire deposit amount to the seller without signing a cancellation of contract and release of escrow.
- Have the buyer pay the closing costs. This is an industry standard when selling a property as an investor, and seasoned investors will know that. However, if you're dealing with a newer investor, you may need to educate them on this. And of course this allows you to make more money on the transaction.
- Make sure to write in a contingency clause stating that closing is contingent upon you first closing with the bank. This protects you in case the deal falls through with the bank and you're unable to close with your buyer. You can use the language below.
- This contract is contingent upon seller closing on subject property.
- You also want to disclose that you've never lived in the property, which in most states makes you exempt from having to provide a completed Residential Property Disclosure Form. Make sure to check your state laws on this.
- Make sure that the contract that you're writing with your buyer is not assignable.

See **Appendix F** for an example of a Sales Contract.

What if you can't find a buyer?

I've given you some clauses to protect yourself, but what if you need to get out of the contract because you weren't able to find a buyer? If you know that you're not going to be able to find a buyer for the property before your closing date with the bank, what do you do? You need an out.

You can use your inspection contingency. You can say that you did an inspection and the property is in worse condition than you thought from your first showing and that you can't close on it.

If the bank does not close in time, you have a perfect way to get out of the contract. Wait until after 5pm to be sure that the title company doesn't call to set up closing and then send an email to the title company and the bank and get your deposit back. You want to send an email stating that you are formally requesting the return of your escrow on the deal as the closing has been postponed due to no fault of the buyer. State that you were ready, willing, and able to close and that since you are now out of contract you are requesting a refund of your escrow deposit and list the deposit amount. You can state that you simply want your money returned and if they need anything further from you, to please let you know.

A title defect is also a way to get out of a contract. If there is a title defect, a bank may ask you to take title subject to an "exception" on the title policy. This is not acceptable and your contract states that they must give you clear and marketable title. If this is the case and you need to get out of the contract, use the title defect to get out.

You can also use the condition of the property to get out of a contract. If you're sure that you aren't going to be able to find a buyer, you can say that you've done your walk through and the property is not in the same condition as it was when you first looked at it. It could be due to vandalism, water damage to the property, mold, or any other problem that you may find.

Remember that you don't want to do this on the day of closing. It's best if you have to get out, to get out at least a few days before closing. You want to stay in good standing with the bank and the REO agent.

Managing Your Buyer

The final most important part of this transaction is your buyer. You need to stay in contact with your buyer to be sure that they're going to be able to close on the same day as you're closing with the bank. Talk to them weekly to make sure that they're still on the same timeline. Always schedule closing with your buyer on the same day as closing is scheduled with the bank. If your buyer is able to close sooner, let them know that your closing is dependent on closing with the bank, so you'll need to close on that specific day. You can try to get the bank to close earlier, but you'll need to push them a little to make that happen.

What happens if your buyer backs out or needs more time? You'll need to get an extension.

You can ask for an extension and blame it on financing. If you're doing hard money, you can say that the hard money underwriting is taking extra time and you'll need a two-week extension.

You can say that you've bought a number of houses over the past week and you need to free some money up before you can close. Again, this is a good reason to ask for a two-week extension.

You can say that you're going out of town and need to postpone closing.

You don't want to make a habit out of asking for extensions, but if it's necessary, those are some good reasons to ask for one.

Title Companies

Make sure that you find a good title company to close your REO transactions. As with short sales, not all title companies will do these back to back closings. Don't get discouraged and don't think that there's something wrong with doing these types of deals. You just need to find the right title company to close them for you.

But whatever you do, protect yourself.

CHAPTER 21: MAKING SURE YOUR REOs CASH FLOW

How are you going to make sure that you're making good decisions and are buying properties that you're going to sell quickly and make a profit on? The one thing you have to remember is that your ultimate goal when you're buying properties is to SELL them. It doesn't matter how much or how little you can buy a property for, if you can't sell it, it wasn't a good deal. Seriously, I don't care if you find a property to buy for $500; if you can't sell it, it wasn't worth it. So how do you avoid getting caught up in buying properties just because you can buy them at super cheap prices and how do you stay focused on making profits?

The first thing you need to do is become an expert in your area. This is super important because this is the foundation that you're going to use in your decision making when looking at properties to buy and sell. Becoming an expert in your area means following the trends, knowing which areas are moving properties and which areas are stagnant, and knowing what properties are selling for in those areas.

A couple of good ways to keep up with what's going on in the market are by checking market times and sales prices on the MLS and, if you don't have MLS access, by using a site such as FlipComp (www.flipcomp.com) or AltosResearch (www.altosresearch.com).

AltosResearch is easy to use and allows you to keep your eye on the number of listings in particular areas. You can also see the average prices so you know what properties are selling for, and whether the average price is going up or down on a monthly basis. It also gives you average days on market, which is something you need to know when trying to sell properties. This information keeps your finger on the pulse of your market and helps you to make well-informed decisions about what you can sell properties for in different areas.

This is the kind of information that you need to make decisions that lead to profits every time.

Once you become an expert in your area, you'll know which areas are hot and which areas to avoid. This is what I was talking about earlier. There will be hot areas where properties are selling. Investors will be heavily buying in those areas and properties will be easy to sell in those areas. There will also be areas to avoid like the plague. Areas that are stagnant where properties are sitting on the market for months and months will be tempting to buy in because you'll be able to buy properties for super cheap prices. But remember that those are also the areas where you will end up hanging on to that property for months at a time because nobody is buying there.

We got sucked into areas like that a couple of times at the beginning. We were swept away by the super cheap prices and thought that we would be able to sell, but we were wrong and ended up holding onto a couple of properties for waaaayyyy too long. So I learned my lesson the hard way, but I'm hoping that you'll learn from my mistakes instead of making your own.

Once you've been investing for a little while this will all become instinct to you. You won't need to check the MLS to see what properties are selling for and what to offer for your properties, you'll just know. But even so, it's always good to continue your research so that you're up to date with the current market trends.

Even though you can get good deals in crappy areas, those aren't where the buyers are. Always keep this in mind: buy where the buyers are.

Once you start buying properties, you're going to start dealing with investors to sell your properties to. You'll want to start developing relationships with those investors so you know when you buy a property in a certain area that you can call Joe Buyer and he'll most likely be interested in buying the property. These investors can be your lifeblood, so it's important to cultivate these relationships, just like it's important to cultivate your relationships with the REO agents. Because you need to find a buyer for your REO properties fast, having a few regulars to call will help you move properties fast and close on time. Don't just call these investors when you've got a property, shoot them an email every now and then to see how they're doing, ask how their family is. Little things like this will keep you at the top of these investor's minds, so when they're looking for properties, they'll call you. Rather than you having to call them all the time, they'll start contacting you when they're in the market to buy properties.

As you work more with these investors, you'll start to learn which ones close on time, which ones drag their feet, which ones might back out, and from there you'll learn how to deal with each one. You should narrow it down to a handful of investors who you know will close every time.

A lot of the investors that you deal with will probably be experienced investors, which is good because you don't need to explain everything to them. However, they are also savvier and are looking for the best deal they can find. They've been around the block and they know what's out there. This is why it's good to look for newer investors as well when trying to find buyers for your properties. Look for investors who are new at investing and are still a little wet behind the ears. Newer investors aren't quite as savvy and think they're getting a good deal even if it isn't the very best deal that they could have gotten. You’re not praying on them, but you’re taking what someone is willing to pay for a property. A more experienced investor may not be willing to pay what a newer investor will pay.

Make sure you’re getting the best deal for yourself. Do your homework; make sure that your offer is low enough that you’ll have room to make a profit on the sale. Know what properties are selling for in the area before making your offer. Determine what your exit strategy will be – will you wholesale the property or try to sell it to a retail buyer? Know what each type of property is selling for and what your property could be sold for and use that information when making your offers.

SECTION 5: SELLING PROPERTIES AND MAKING PROFITS

CHAPTER 22: THE MINDSET TO SELL

When you're ready to sell your properties, you need to adjust your mindset from buyer to seller. And depending on your exit strategy, you may also need to adjust your mindset to align with your exit strategy.

For example, when you're working with REOs, you need to think like a wholesaler. You're not trying to get top dollar for these properties, you're trying to sell them for a profit to another investor who's also looking for a deal. You need to understand the wholesale market and what's happening in the wholesale market. When you're selling REOs to other investors, you're not worried about what's happening in the retail market, you're going to be more concerned with wholesale prices.

Now if you're negotiating short sales and are selling those properties to retail buyers, you'll need to adjust your mindset back to the retail market. You'll need to know what homes are selling for to retail buyers and what people are looking for.

Use The LAMP System To Price Your Properties

When you're pricing your properties, especially your REOs, use the Lean And Mean Pricing System (LAMP) to price your properties right.

With your REOs you want to price them close to your bottom line. Only leave a couple thousand dollars of negotiating room so your buyers know that you're not trying to pull one over on them. Properties that are priced well get the most attention and sell the quickest in all markets, no matter what your exit strategy is.

When you're pricing your properties for sale, make sure you do your homework and price your properties aggressively. Pull comparables that align with the exit strategy that you're going for. So if you're selling a property for retail prices, pull comparables that have sold at retail prices. If you're selling an REO to another investor, pull only the comparables that are wholesale prices.

This information is going to help you price your properties competitively and get your properties sold fast. Especially in today's market people are looking for a deal, so the properties that are competitively priced get the most attention. If people see a property that's overpriced, they feel like they're going to be taken advantage of and they feel like there's going to be a better deal out there and won't waste time looking at the higher priced properties.

CHAPTER 23: USING TRADITIONAL METHODS TO SELL YOUR PROPERTIES

There are traditional methods and new methods to sell properties. The traditional methods still work, but aren't designed to sell your properties fast like the new methods are.

A traditional way to sell a house is by listing it with a Realtor. When you do this, the Realtor will list the property on the MLS, put a sign up in the yard, put a literature box in the front yard, maybe market your property in other Realtor publications and other online places like Realtor.com, and see what happens.

Your Realtor will be in charge of doing all of the marketing for the property and, in exchange, you will pay them a commission when the house sells.

In Ohio we have two main types of listing agreements, an Exclusive Right To Sell Listing Agreement and an Exclusive Agency Listing Agreement.

An Exclusive Right to Sell Agreement means that the real estate agent represents the seller and gets paid a commission no matter how the house is sold. If the agent brings the buyer, they get paid. If the seller brings the buyer, the agent still gets paid. They get paid as long as the house sells, it doesn't matter where the buyer comes from. In this scenario, the seller does not have the right to sell the property and not pay a commission to the agent.

An Exclusive Agency Listing Agreement agrees to pay the agent only if they bring the buyer. If the seller finds the buyer, the agent does not get paid. In this scenario the seller reserves the right to sell the property him/herself.

Be sure to find out if there are limitations with an Exclusive Agency Listing Agreement. If there are no limitations and you feel that you will get the same level of service from your agent, then go with the Exclusive Agency agreement as long as you can find a good agent who will agree to that type of agreement.

You can also sell your house For Sale By Owner and forgo listing it with a Realtor and having to pay the commission. However, you would do all of the marketing for the property, which means you will incur all of the marketing costs. You would do some of the same things that a Realtor would do, but the listing would not be on the MLS and Realtors wouldn't have easy access to the listing.

When selling a house For Sale By Owner, you will put a For Sale sign in the front yard as well as a literature box that will have a 1 page literature sheet in it with information about the property that people can take with them. You should also list the property online on sites such as FSBO.com, your own website, Zillow, Craigslist, trulia, and any social media sites that you belong to. These are all good ways to get your property out there. You should also put ads in the newspaper; local papers work better than the bigger papers and are more affordable.

Another thing you can do is put up bandit signs in the area (if the neighborhood allows it) about the house for sale. That will draw more attention to it and one of the neighbors may know someone, a family member or friend, looking to move into the area.

In either scenario, make sure that the property is clean and neat, especially if it's a retail property. If it's a wholesale, you have some wiggle room here! But do what you can to make it appealing to potential buyers. If that means just cleaning up the outside to make it presentable, then that's what you need to do. But in either case, put yourself in the shoes of the buyer and think about what they will be looking for when they come to look at the property.

Now let's look at some new methods of selling properties in today's market.

CHAPTER 24: USING THE PROPERTY LAUNCH FORMULA FOR A 60 MINUTE SALE

When you have a property to sell, if you're like me and probably every other investor out there, you want to sell it FAST. So HOW are you going to sell your properties fast and still make a profit?

The first system you can use is the Property Launch Formula where you "launch" your property like a new product is launched. A property launch works on any property in any market. There is a formula to doing a property launch and steps that must be followed to carry off a property launch, but this is stuff that anybody can do.

The formula is B + B + S + S = 60 Minute Sale

(Buyers + Buzz + Scarcity + Staging = 60 Minute Sale)

The goal of the property launch formula is to tell the world that the property is going to be available for sale, but that it's not ready quite yet. This alone builds scarcity among people and makes people want to see the property. Then over two days you let people see the property and then you take offers with the intention of selling the property in one day to the highest bidder.

Here is the timeline that you're going to use for your property launch:

Pre-launch – pre-launch takes place five to ten days before the property is available

Preview – the preview is two days before the property is available. Good days for the preview are weekend days because that's when most people are free to view properties.

Launch period – this is a two-day period immediately following the preview period. Say your preview is on a Saturday and Sunday, then your launch period is on Monday and Tuesday.

The property launch formula is a great way to sell your house fast and is also a great way to build your buyers list in the meantime. You can only sell the house to one person, right? So what do you do with all of the other people who are interested in the house? You add them to your buyers list and try to get them into another one of your houses. This is an awesome way to build your buyers list fast with hot prospects.

Three Phases of the Timeline

Pre-Launch Phase

You need to start the pre-launch phase five to ten days before your launch day and during this time you're going to drive traffic to information about the property and the launch and try to get them there on preview day. You can start by driving people to your marketing website and/or a toll-free recorded message with information about the property and the sale of it. If you don't have one already, you should look into setting up an account with a company who provides that type of service.

You can also use Moby inside of Realeflow (www.realeflow.com) to record a message with information about the property and the sale of it or set up a number they can send a text message to for more information.

You can also buy lists of potential buyers in the area within a half mile or mile radius of the property. You can send those people a postcard with information about the property and information about the sale. You can refer to it as a "name your price sale," which gets people's attention.

The three best sources for lists are Realeflow's Leadpipes (www.realeflow.com), ListSource (www.listsource.com), and PostcardPros (www.postcardpros.com).

Don't forget about the buyers list that you already have. This is a great resource and one that you should utilize every time you have a property to sell. This can include your own buyers list and can also include other people's buyers' lists if you're Realeflow user. Realeflow's Power Matching application is super powerful because it lets you tap into the entire community and match buyers with sellers in seconds across our nationwide network of 35,000+ investors.

Other marketing that you'll want to do is advertising in the newspaper and on the radio. You can also use social networking as a great way to market – use sites like Facebook and Twitter to get the message out. You can also list your property on FSBO sites and Craigslist, which has become a huge outlet for people looking to buy and sell properties.

Other marketing that you can do is to print out property launch flyers to drop off at local Realtor offices, churches, or businesses that people frequent in your area.

What you want to do during pre-launch is put together the story of the house and create some buzz about the house. Include any interesting points about the property, the location, and the neighborhood.

You can also put together a bonus package that comes with the house. For example, a year of house cleaning or a HDTV, furnished kitchen, or lawn mowers are bonuses that have worked well in the past. Make sure that your potential buyers know that the bonus package is only available through launch day and not after.

You can also build scarcity by talking about the discount price of the property. Make sure people know that they're getting a sweet deal and you'll create even more buzz and excitement over it.

You should also have the property professionally staged so that it looks its best. A property that is staged properly will prompt offers that are higher more often than properties that are not staged.

Preview Phase

The preview phase is the first chance that people will get to look at the property. Up until this point you are intentionally keeping people out of the house so that everyone is there at the same time, which creates even more scarcity. Having one house, but 30 potential buyers can create a huge frenzy, which is what you want. You want a lot of people to see it during this time so that buyers can see the property and so it creates a sense of urgency.

Have two 90 minute showings on back-to-back days, usually evenings if it's during the week or during the day if it's on a weekend. You should have refreshments like soda, Gatorade, and lemonade, and snacks like pizza and cookies.

Two important things to have there are an appraisal and an inspection report. Having these two items there shows that you’re being totally up front with the property and the potential buyers will trust you more. You’re being totally transparent by doing this. You can also allow potential buyers to do their own inspection during the preview period.

Launch

At the launch, you’ve done everything that you can do during pre-launch and now you’re just encouraging people who are interested in the property to make an offer. Once the offers are made, you go through them and choose the best one. You’ll get most of your offers on the yellow bid sheet that you have at the property, but you may also get some via email. You can send out an email to everyone who made an offer and anyone who showed interest in the property letting them know that you’ll be choosing the best offer by the following day at midnight. Once all of the offers are in, it’s up to you to sort through and choose the best offer.

CHAPTER 25: THE “QUICK AUCTION” FORMULA

Let's talk about the Quick Auction Formula because this is another good way to sell your properties in 5 days or less. I've done dozens of private auctions on properties, but I haven't done a 5-day auction in probably two years because they lost their luster.

A few years ago, we were auctioning off three houses in one weekend, but only sold one because we didn't get a bid high enough to sell the other two.

All of our auctions that didn't work were because we didn't get a lot of people to look at the property. The ones that did work had 30-40 people looking at the property during the auction period. So we’ve taken the 5-day auction and merged it with the Property Launch Formula to come up with the Quick Auction Formula. A quick auction is very similar to a Property Launch because you use some of the same pre-launch marketing that’s done in a property launch.

You should put ads in the newspaper stating that you're going to start the bidding at 50% - 60% of the ARV (after repair value). If the property is worth $250,000 and it's in a neighborhood of homes ranging from $220,000 to $270,000, then you start the bidding at $125,000. Your ad will say, “Bidding starts at $125,000 for this house appraised at $250,000; highest bid will be accepted.”

Similar to the Property Launch you will encourage people to look at the property on certain days during the preview period and place their bids on a bid sheet. You only want to let people in during the preview to create more scarcity during the preview – there’s only one house and 30 people.

You also have to be structured in when you're going to take offers and sell the house. If your preview period is Saturday and Sunday, then you will encourage people to make offers through Monday and Tuesday. What you're doing is taking out all the bad parts about an auction and replacing them with good parts.

At a normal auction you may not be able to see the property. You have to make hurried decisions, you're bidding against other people on the spot. With the Quick Auction, it's more like a silent auction.

A super effective way to jazz things up at an auction is by putting a bonus package together. You have to make it known that the bonus package and discount price are only going to be accepted through Tuesday at midnight (or whatever day you choose).

The main difference between the Quick Auction and the Property Launch Formula is your marketing. All of your ads and marketing materials instead of saying, "Make an offer", will say, "Home appraised at $250,000, opening bid starts at $125,000."

Then, when you actually hold the auction, you label the yellow pad Non- Binding Bid Sheet. Ask people to tell you what they'd pay for the house and what they want to bid. Once they bid, let them know that you will call them back Tuesday afternoon and, at that time, let them know what the highest bid is, and find out whether they want to proceed.

If you have 10 or 15 bids, you will call everyone who placed a bid back and say, "Your bid was $180,000 and the highest bid is $210,000. Do you want to increase your bid?" Somebody might increase their bid to $212,000. Then you would call the next person and say, "The highest bid is $212,000. Do you want to increase your bid?" You might go back and forth numerous times, each time letting people who are still in the running know what the highest bid is and giving them the opportunity to increase their bid.

We found that if you mix in an auction ingredient into the property launch, it makes it even more effective. It isn't like a straight auction because you'll have more buyers viewing the property because of the bonuses. When you mix in the auction ingredient – open bidding starts at 50% of retail – BAM!; you have captured even more people who want to look at your property. And more people viewing the property almost guarantees a sale every time.

CHAPTER 26: USING YOUR BUYERS LIST TO SELL PROPERTIES

A lot of what I've just talked about revolves around marketing to get new potential buyers to view your properties. But what about the buyers list that you already have? That's like a goldmine that needs to be cultivated so that you know when you have properties ready to sell, you have people ready to buy.

When we're talking about REO and wholesale properties, you want to have a list of investors who you can call or email, knowing that at least one or two of those people will be interested in the property. You want to have both investors who want to buy properties to fix up and sell and other wholesalers who are just looking to buy properties to sell to other investors. If you have a good list of investors, you should never have a problem selling one of your wholesale properties.

Not only do you want to have a responsive buyers list like that, but you also need to have a VIP buyers list. This list should be people who regularly buy properties from you. These should be the first people you call when you have a property that you need to sell. If they're on your VIP buyers list, they get first crack at anything that fits what they're looking for. As you build and develop and cultivate relationships with your VIP buyers, you'll see how easy it will become to sell a property. When you're an investor buying and selling properties, your buyers list is your biggest asset, so don't let it go by the wayside. Grow it and cultivate it and it will make your life much easier.

If you're not sure how to build a buyers list, you might remember me talking about how a Property Launch is a great way to build a buyers list. That's true. As people call about the property that you're launching, you want to make sure to add them to your buyers list, getting as much information as you can about what they're looking for. Since there's only one house to sell, they will more than likely end up on your buyers list and in the market for one of your other properties.

Once they're on your list, keep in touch with them. You want to send them property listings that you have, but also keep in touch by sending them a short personal note every now and then. Or send them some information that might help them in their house hunt. People love free information and feel as though they need to reciprocate when you give them something.

This is a good way to keep in touch with your list and a good way to keep your investors buying from you.

CHAPTER 27: CONCLUSION

This book might seem different than other books you've read on real estate investing because we've covered more than one way to invest in real estate in this book. The reason that I decided to cover multiple ways to invest in real estate is because you need to be prepared for anything. You need to be prepared for changes in the market and I want you to be educated so that you can roll with the punches.

What if you only knew how to invest in short sales and tomorrow a new nationwide law banned short sales? Then what? What would you do? How would you make money?

That is the reason behind writing this book the way that I did. This book was meant to educate you in three different areas of real estate investing so that you have a good working knowledge of how to invest in foreclosures in more ways than one.

This book was also meant to give you a system for buying and selling foreclosures. The systems that I wrote about are my systems that I've used to invest in foreclosures for the last 14 years. Compared to some of the other investors out there, fourteen years doesn't seem like a lot. BUT, I learned quickly and by using the systems that I put in place, was able to become a very successful investor very quickly. And so I wanted to share my systems with you so that you too can become successful using systems that I know work.

My buying and selling systems have been used nationwide, so I know they work all across the U.S., and I know they will work for you.

If there was one thing that was common to all three types of investing, it was becoming an expert in your market. So I want you to start now – start researching different neighborhoods in your area, find out which ones are hot, and which ones are stagnant. Start talking to Realtors and other investors and get as much information as you can about your particular market because, whether you choose to use just one of the types of investing that I taught you or all three, you will need to know your market to be successful.

I wrote this book because I want you to be successful. I want you to live the life that you're meant to live. I want you to enjoy your family and not miss the precious moments that happen throughout life. I want to give you the tools so that you can choose your own destiny. I want you to fulfill your dreams. If one thing in this book has helped you do that, then I've done my job.

Live Free!

Greg

References

1. Staff, Realtytrac. "533,813 U.S. Properties with Foreclosure Filings in First Six Months of 2016, Down 11 Percent From a Year Ago - Newsroom and Media Center." RealtyTrac. RealtyTrac, 13 July 2016. Web. 11 Aug. 2016.
2. Staff, Realtytrac. "Foreclosure Laws and Procedures By State - Real Estate Guides." Real Estate Guides. N.p., n.d. Web. 11 Aug. 2016.

Appendix

Authorization to Release Information

Lender/Lien: ____

Loan/Account Number: ____

Property Address: ____

Borrower: ____

Co-borrower: ____

I/We hereby authorize you to release to ____________________, its employees, officers, agents and assigns, any and all information they may require for the transfer or payoff or settlement of my/our loan/account for the above referenced property. "Agents" includes all real estate agents, closing agents, attorneys, employees of _____________________ and their assistants. You may reproduce this document to acquire reference from more than one source.

____

Signature

Social Security#:

Date:

____

Signature

Social Security#:

Date:

Appendix B: Affidavit of Understanding And Addendum to Contract for Sale and Purchase

AFFIDAVIT OF UNDERSTANDING AND ADDENDUM TO CONTRACT FOR SALE AND PURCHASE

STATE OF AL)
) ss
COUNTY OF)

THIS IS AN IMPORTANT LEGAL CONTRACT CONCERNING THE SALE OF YOUR HOME AND SHOULD BE READ CAREFULLY. CONTACT AN ATTORNEY BEFORE SIGNING.

The undersigned, being duly sworn, deposes and says:

__________ 1. **I am currently in default of my loan(s) and am unable to make up my back payments or continue making further payments. I have attempted several other avenues of action to remedy my financial situation, including:**

____

____

____

__________ 2. _______ a) I reasonably believe that I have NO equity in this property
OR
_______ b) I reasonably believe that there is $________ or less in equity in this property.

__________ 3. **I understand that my mortgage holder, even after agreeing to a short sale, may require that the difference between the original balance and the negotiated balance be paid by me and hold me personally liable for such payment**. Should the mortgage holder not require payment of the difference, such act may constitute a taxable event. I acknowledge being advised to contact a Certified Public Accountant or other tax professional relating to the taxable consequences of the mortgage holder's forgiveness of any debt.

_________ 4. **I understand that the Buyer will attempt to negotiate a short sale with some or all of the owners of the liens on the property.** I understand that Buyer will not be doing this on my behalf, but on its own accord in trying to make this deal work for the Buyer. Buyer has not made me any promises, guarantees or representations about his ability to complete this task. I understand fully and completely that, if Buyer is not able to negotiate the short sale with the lender, the lenders may proceed with foreclosure. I further understand that if the lender accepts a short sale, this may or may not relieve me of my personal responsibility for the loan and may affect my credit score. I also understand that any forbearance or forgiveness of debt by lien holders may result in a taxable gain and I should consult with a qualified tax advisor to discuss the implications of such a gain if I should receive a form 1099 from the lender.

_________ 5**. I understand that Buyer makes no promises or obligations as to curing back payments or making additional payments on my loan.** Even if Buyer cures the back payments on my loan, I understand that this does not obligate Buyer to continue making payments. At Buyer's sole discretion, Buyer may decide to stop making payments on my underlying notes at any time.

_________ 6. I agree to vacate the property on or before 12:00 Noon on _____________ and leave the premises in a neat and clean condition and free from all personal effects, furniture and debris. If I remain beyond that time or do not leave the property in a neat and clean condition and free from all personal effects, furniture and debris I will be liable for damages, including occupancy charges of per diem/day. I understand that such occupancy charges do not constitute a lease, rental agreement or tenancy agreement

_________ 7. I agree to waive any rights I may have to any prepaid or escrowed property taxes, insurance, homeowner's association dues, county property tax refunds or other amounts held by any party in escrow, including, but not limited to lenders, homeowner's associations and insurance companies.

_________ 8. **I have had the opportunity to seek legal, tax and financial counsel as to the implications of this transaction.** I understand that Buyer is not my agent, representative or real estate agent in this transaction and is not acting on my behalf. Buyer has made no representations as to the value of the property or seller's legal rights or options with regard to the property. I UNDERSTAND THAT THIS DOCUMENT DOES NOT DEFINE OR EXPLAIN MY RIGHTS OR OPTIONS, and I have had the opportunity to seek legal, financial, tax or other professional counsel to weigh my options, my rights and the legal consequences of this transaction.

_________ 9. I understand Buyer may assign this Agreement to another party for a profit and that I may be closing the sale with someone other than Buyer. I also understand Buyer may close in the name of a nominee or related company, or may choose to simultaneously resell the property to another party for a profit.

_________ 10. **I understand that Buyer agrees to provide me with copies of these documents within 5 business days of this agreement.** I may request additional copies of said documents at any time by paying the cost of reproduction.

_________ 11. I expressly warrant and represents that there are no other liens, claims, or problems with the property other than as represented by me. I warrant that all major mechanical systems in the property are in good and working order, the roof and basement (if any) are free from leaks and that there are no adverse conditions affecting the property value that may exist that have not been disclosed.

_________ 12. **I understand that I may have certain rights under the state or federal law, including, but not limited to bankruptcy, redemption or other equitable rights that may give me additional rights**. This disclosure is not to be construed as a list of my rights or legal advice, but simply an acknowledgment that I have investigated my rights under the law. I understand that I may want to consult with legal counsel regarding these possible rights.

_________ 13. I understand by signing the Agreement, I have agreed to sell the Property to the Buyer and am now bound by the terms and conditions described in this Agreement. I further understand that I cannot continue to market the Property to any other party, except as provided herein.

_________ 14. **I understand that I have no right or option to re-purchase or live in the property.** Buyer has made no representations, oral, in writing, express or by implication that I will have the opportunity to re-gain ownership of the property.

_________ 15. **I agree to sign a limited power of attorney to Buyer or his assigns to deal with any clerical, human, computer and/or mathematical errors that may occur in the processing of the documentation for the property or any future dealing with lender, lienholders or any other parties that may have an interest in the property.** I declare that any and all documents signed by my attorneyin-fact shall be valid as if they had been initially, signed and delivered by me personally.

_________ 16. The Buyer has agreed to give me $ __________ on _____, 20____, which is fair and adequate consideration for my rights in the property and will be used for moving expenses, even though this may be less than what I could expect to gain from either curing the loan and/or negotiating a workout or forbearance with my lender and/or refinancing the debt and/or placing the property for sale on the open marketplace either myself or through a real estate broker and that **I am knowingly and willingly agreeing to accept this consideration knowing these options and other potential options are available to me.** I have not been promised any other consideration or money other than as stated herein. I have not been promised anything other than what is described in this Agreement. There are no unresolved issues, no “side agreements,” and there are no other terms not disclosed in this Agreement.

_________ 17. **I understand that the Buyer is not acting on my behalf as counselor, advisor, consultant or non-profit agency.** I understand that Buyer may make a substantial profit from this transaction and that his primary motivation in engaging in this transaction is to make a profit from the rental or resale of the property.

_________ 18. I understand Buyer has chosen to close this transaction with a specific formal process, title company or escrow company. Buyer may choose to record the evidence or notice of this agreement. I also understand that this transaction may not involve title insurance or any title guarantees normally associated with a transaction.

_________ 19. English is my native language and I have the ability to read and understand this agreement.

_________ 20. I am not under the influence of alcohol, drugs or any other ailment at this time that would affect my ability to read this document and make an intelligent decision as to the consequences of signing it.

_________ 21. I understand that Buyer is not an attorney or legal advisor. I understand that Buyer will not and cannot represent me in any court proceedings. **I MUST SEEK MY OWN LEGAL COUNSEL IF I INTEND ON DEFENDING A FORECLOSURE ACTION. BUYER WILL NOT DEFEND ME IN A FORECLOSURE ACTION.** Buyer has not made any representations that Buyer is able to stop, stay or defend any foreclosure or other bank collection processes.

_________ 22. I understand that Buyer HAS MADE NO ASSURANCES OR GUARANTEE THAT IT WILL MAKE ANY PAYMENTS ON THE PROPERTY MORTGAGE PRIOR TO THE PROPERTY’S RESALE. I ACKNOWLEDGE THAT, IF BUYER IS UNABLE TO CLOSE FOR WHATEVER REASON ON THE SALE OF THE PROPERTY IN A TIMELY FASHION, THE PROPERTY MAY GO INTO FORECLOSURE. I AGREE TO HOLD BUYER HARMLESS SHOULD THE PROPERTY NOT BE RESOLD IN TIME TO AVOID FORECLOSURE.

__________ 23. The owner agrees to hold the Buyer, its heirs, assigns, employees, agents, officers, members, shareholders, corporation and Buyer’s assignees or any future acceptor of this conveyance, harmless and fully indemnifies same (including but not limited to attorney’s fees, whether or not litigation ensues, costs and all other litigation expenses).

__________ 24. The Buyer and/or its successors, assigns, agents, employees and trustees are not a debt relief agency and do not help people file for bankruptcy relief under the Bankruptcy code. The Buyer does not provide bankruptcy information, advice, counseling, document preparation, bankruptcy filing, or legal representation related to an existing or prospective bankruptcy. If you want bankruptcy advice please consult an attorney. Any written or oral statements we may give to you about bankruptcy are our opinions only. We are not lawyers, do not help people with bankruptcy filings and cannot give competent legal advice about bankruptcy.

ADDITIONAL DISCLOSURES:

I HAVE COMPLETELY READ THIS AFFIDAVIT BEFORE SIGNING IT AND I AGREE TO THE FACTS AND CONDITIONS CONTAINED HEREIN.

__________________________________ SELLER SIGNATURE

__________________________________ SELLER SIGNATURE

__________________________________ WITNESS

STATE OF ________________

COUNTY OF ______________

Before me personally appeared ________________________________ known to me to be the persons described herein and who executed the foregoing instrument, and acknowledged to and before me that they executed said instrument for the purposes expressed.

WITNESS my hand and official seal in the State and County aforesaid, on _________________.

____________________________(SEAL) Notary Public

My Commission Expires: ________________

Contract for Sale and Purchase

The SELLER and the BUYER (named below) hereby enter into this Contract for Sale and Purchase of real estate described below. BUYER agrees to buy and SELLER agrees to sell the real estate described below subject to the terms and conditions herein:

1. DESCRIPTION OF PROPERTY BEING SOLD:

STREET ADDRESS CITY/STATE/ZIP: ___________________________________

Parcel#:

____

2. DESCRIPTION OF PARTIES

SELLER 1: ________________________ BUYER: _________________________

SELLER 2: ________________________

ADDRESS: ADDRESS:

PHONE: PHONE:

3. PURCHASE PRICE

A. The Purchase Price is $ _______________ or the total purchase price will be the negotiated balances of all liens, mortgages and all title, escrow and other closing costs, less seller concession of ___________.

B. SELLER understands that this transaction is a "short sale" and is contingent upon acceptance of short pay offers that are satisfactory to the buyer as payment in full by all current lienholders and that the SELLER will receive NO funds at closing. The contract period shall be reasonably extended for the purpose of obtaining said satisfactory approval(s) but for not more than an additional 180 days. If said satisfactory short pay offers cannot be obtained then BUYER may cancel the contract and forfeit the deposit set forth below.

C. The parties acknowledge that the purchase price has been initially based on an estimated negotiated debt at closing. During negotiations, there may be several different preliminary offers/contracts with different estimated purchase prices submitted by Buyer to the lender(s) until a final discounted figure is accepted by the lender(s).

D. Accordingly, Seller agrees to authorize Buyer to prepare various negotiating offers with various prices without obtaining Seller's signature or approval of each and every negotiating offer.

4. TIME FRAME: The SELLER, in consideration of the respective agreements set forth in this Contract and the receipt of $________ and other substantial and significant consideration (the "Deposit") from the BUYER, gives to the BUYER an exclusive option to purchase the property described above (the "Property"). In the event that the BUYER completes this contract, the Deposit shall be applied towards the purchase price of the Property. The Deposit is non-refundable and will be forfeited in the event that BUYER fails to complete this contract unless otherwise so stated. The BUYER shall have the right to complete this contract during a period of time beginning at 9:00 am. on _____________ 200__, and lasting until 5:30 p.m. on ______,20___, or such later date as per paragraph 3B.

Subject to the BUYER exercising this option, the SELLER and the BUYER hereby agree that the SELLER shall sell and the BUYER shall buy the Property described above upon the following terms and conditions. SELLER fully agrees and acknowledges that the above described consideration given by the BUYER constitutes legal, adequate, and valuable consideration for the purposes of this Contract.

5. COMMENCEMENT DATE AND NOTICE: The "Commencement Date" shall be the date that the last of the parties to this Contract signs and executes below. The obligations of the Parties under this Contract begin on the Commencement Date. The BUYER shall exercise this option by giving written notice to the SELLER at the address indicated above. The notice must be delivered to SELLER during the option period indicated above. It is understood and agreed that time is of essence as to the payment of the purchase price and all performance under this contract.

6. FINANCING AND INSPECTION PERIOD: The Property is being sold "As Is" with regard to the physical condition of the Property and any improvements. SELLER is giving no warranties to the BUYER as to the physical condition of the real property or any improvements. BUYER shall have ____ days or the term of the contract period (the "Financing and Inspection Period") following the Commencement Date to inspect and evaluate the Property. SELLER shall grant to the BUYER reasonable access to the Property for purposes of inspection and evaluation (such as environmental testing, home inspection, and BPO or appraisals, etc.). If prior to the end of the Financing and Inspection Period, BUYER gives notice to SELLER that BUYER elects to cancel this Contract (the "Cancellation Notice"), this Contract shall terminate. If BUYER does not deliver the Cancellation Notice the Contract shall continue.

______ This transaction is contingent upon buyer obtaining acceptable financing;

OR

______ This is a cash transaction.

7. REPRESENTATIONS AND WARRANTIES: To induce the BUYER to enter into this Agreement, the SELLER makes the following representations, warranties, and covenants.

A. The property is being sold “As Is” with regard to the physical condition of any improvements. Seller is giving no warranties to the BUYER.

B. SELLER has good and marketable fee simple title to the Property, free and clear of all liens, property taxes, encumbrances, and restrictions, except for those restrictions appearing of record, taxes for the year of closing, and encumbrances that will be cleared prior to or at the Closing, usually out of the SELLER’S proceeds from the Purchase Price.

C. There are no condemnations or similar proceedings affecting any part of the Property and no such proceeding shall be pending on the Closing Date. To the best of the SELLER’S knowledge, no such condemnations or other proceedings are threatened or planned.

D. There are no service contracts or agreements relating to the operation, maintenance, or security of the property under which the SELLER is bound and which will survive the closing.

E. The SELLER is not subject to any commitment, obligation, or agreement, including but not limited to, any right of first refusal or option to purchase, granted to a third party, which would or could prevent the SELLER from completing the sale of the Property to the Buyer as contemplated by this Agreement.

F. SELLER does _____ /does not _____ have sole and exclusive possession of the Property and will ____ /will not _____ be able to deliver possession of the Property free of all leases on the Closing Date.

G. SELLER understands that this transaction is a short sale and is contingent upon acceptance of short pay offers from some or all of the current lienholders that MUST be satisfactory to the buyer and that the SELLER will receive NO funds at closing.

H. SELLER hereby grants the Buyer and/or their representatives all of the necessary rights to list for sale, market, negotiate and enter into a contract to sell or lease the property to a third party. It is the intention of the buyer to procure a third party purchaser at a price greater than this purchase price as a condition precedent to exercising this option since Buyer intends to promptly resell the property for a profit.

I. SELLER grants Buyer the additional following rights, but not obligations, as to access or maintenance of the subject property: ____
____
____
____

8. CONDITIONS PRECEDENT: The obligations of the BUYER to close this transaction are subject to a) acceptance of short pay offers that are satisfactory to the Buyer as payment in full by all current lienholders; and b) the BUYER having given Notice to Purchase to the Seller and b) that all representations and warranties of the SELLER shall be true and correct as of the Closing Date as such representations and warranties were the date they were being made. In the event that any of said conditions are not fulfilled on or as of the Closing Date, and notwithstanding anything to the contrary in this Agreement, the BUYER shall have the right to terminate this Agreement whereupon all parties shall be relieved of any further obligations hereunder.

9. CLEAR TITLE:

A. SELLER shall convey a marketable title, subject only to liens, encumbrances, exceptions, or qualifications set forth in this Contract and those which shall be discharged by SELLER at or before closing. Marketable title shall be determined according to applicable Title Standards adopted by authority of the State Bar and in accordance with State Law.

B. If the BUYER discovers that the title is defective, the BUYER shall notify the SELLER in writing specifying the defect(s). If said defect(s) render the title unmarketable or uninsurable the SELLER will have 21 days from receipt of notice within which to remove said defect(s). The option period shall also be extended up to an additional 21 days to allow for said removal. If SELLER is unsuccessful in removing them within said time, the BUYER shall have the option of either accepting the title as it then is or terminating this Agreement and thereupon the SELLER shall return any deposits that might have been made to the BUYER and both parties shall be released as to one another of all further obligations under this Agreement. All expenses to clear title defects shall come from Seller's gross sale proceeds.

10. CLOSING:

A. This transaction shall be closed and the deed and other closing papers delivered on or before the Option Period expiration unless extended by other provisions of this contract or by the mutual written consent of both parties. Closing to take place at and title and escrow to be handled by

____.

B. At closing the BUYER shall pay the cash portion of the purchase price by bank cashier's or certified check (which shall be issued by and drawn on a local institution), or by bank wire. The SELLER shall furnish the deed, an absence of lien affidavit, non-foreign status affidavit, and any corrective instruments that may be required in connection with perfecting the title. BUYER shall furnish the closing statement(s) which SELLER agrees to sign.

C. All standard and customary title, escrow, recording and closing fees and costs including: the cost of recording any corrective instruments (if needed), transfer tax, deed preparation, document preparation and Court's fees are to be paid from the Seller's gross sale proceeds.

11. CONVEYANCE: SELLER shall convey title to the Property by Statutory Warranty, Trustee, Personal Representative, or Guardian deed, as appropriate to the status of the SELLER, subject only to matters contained in the following and those otherwise accepted by BUYER.

12. RESTRICTIONS; EASEMENTS; LIMITATIONS: The BUYER shall take title subject to: zoning, restrictions, prohibitions of record, and other requirements imposed by governmental authority; restrictions of record and matters appearing on the plat or otherwise common to the subdivision; public utility easements of record; taxes for year of closing and subsequent years; assumed mortgages and purchase money mortgages, if any, and any City or County health and safety code violations.

13. SURVEY: BUYER, at BUYER's expense at any time within the Option Period may have the Property surveyed and certified by a registered State surveyor. If the survey shows any encroachment on the Property or that improvements intended to be located on the Property in fact encroach on setback lines, easements, lands of others, or violate any restrictions, Contract covenants, or applicable governmental regulations, the same shall be treated as a title defect.

14. LIENS: SELLER shall furnish to BUYER at time of closing an affidavit attesting to the absence, unless otherwise provided for herein, of any financing statements, claims of lien or potential liens known to seller and further attesting that there have been no improvements or repairs to the Property for 60 days immediately preceding the date of closing in a form satisfactory to the BUYER. If the Property has been improved, or repaired within said time, SELLER shall deliver releases or waivers of mechanic's liens, executed by all general contractors, subcontractors, suppliers, and materialmen, in addition to seller's lien affidavit setting forth the names of all such general contractors, subcontractors, suppliers, and materialmen and further reciting that in fact all bills for work to the Property or Personally which could serve as a basis for a mechanic's lien or a claim for damages have been paid or will be paid at closing.

15. SPECIAL ASSESSMENT LIENS: Certified, confirmed, and ratified special assessment liens as of the date of closing are to be paid by the SELLER. Pending liens as of the date of closing shall be assumed by BUYER, provided, however, that if the improvement has been substantially completed as of closing, such pending lien shall be considered as certified, confirmed, and ratified and SELLER shall, at closing, be charged an amount equal to the last estimate by the public body of assessment for the improvement.

16. PRORATIONS: Taxes and assessments (if any) shall be prorated through the day to the closing. Cash at closing shall be increased or decreased as may be required by said prorations. All prorations will be made through the day prior to occupancy if occupancy occurs before closing. Taxes shall be prorated based on the current year's tax with due allowance made for maximum allowable discount and homestead or other exemptions if allowed for said year. If closing occurs at a date when the current years millage is not fixed, and current year's assessment is available, taxes will be prorated based upon such assessment and the prior years millage. If the current year's assessment is not available, then taxes will be prorated on the prior years tax; provided, however, if there are completed improvements on the Property by January 1st of the prior year, then taxes shall be prorated bases upon the prior years millage and at an equitable assessment to be agreed upon between the parties, failing which, request will be made to the County Property Appraiser for an informal assessment taking into consideration homestead exemption, if any. However, any tax prorations based on an estimate may at the request of either the BUYER or the SELLER be subsequently readjusted upon receipt of tax bill on condition that a statement to that effect is set forth in the closing statement.

17. PERSONS BOUND; NOTICE: This Contract shall bind and inure to the benefit of the parties hereto and their successors in interest and heirs at law. Whenever the context permits, singular shall include plural and one gender shall include all. Notice given by or to the attorney for any party shall be as effective as if given by or to said party.

18. OCCUPANCY: Other than occupancy by the SELLER, the property shall be unoccupied at the time of closing. The BUYER, at its option, may choose to take the property to subject to one or more residential leases in which case the SELLER shall, not less than 15 days prior to closing, furnish to BUYER copies of any and all written leases or letters from each tenant specifying the nature and duration of the tenants occupancy, rental rates, advanced rent, and security deposits paid by tenant.

In the event SELLER is unable to obtain such letter from each tenant, the same information shall be furnished by SELLER to BUYER within said time period in the form of a SELLER'S affidavit, and BUYER may thereafter contact tenants to confirm such information. SELLER shall, at closing, deliver and assign all original leases to the BUYER.

19. PROCEEDS OF SALE; CLOSING PROCEDURE: The deed shall be recorded upon clearance of funds and evidence of title continued at BUYER's expense, to show title in BUYER, without any encumbrances or change which would render SELLER's title unmarketable from the date of the last evidence, and the proceeds of the sale shall be held in escrow by the escrow agent for a period of not longer than five (5) days from and after closing date.

If SELLER's title is rendered unmarketable, BUYER shall within said five (5) day period, notify SELLER in writing of the defect and the SELLER shall have 30 days from the date of receipt of such notification to cure said defect. In the event that SELLER fails to timely cure said defect, all monies paid hereunder shall, upon written demand therefor and within five (5) days thereafter, be returned to BUYER and, simultaneously with such repayment, BUYER shall vacate the Property and reconvey the same to the SELLER by special warranty deed and return the Personalty.

In the event that the BUYER fails to make timely demand for a refund, BUYER shall take title as is, waiving all rights against the SELLER as to such intervening defect except as may be available to BUYER by virtue of warranties, if any, contained in the deed.

In the event a portion of the purchase price is to be derived from institutional financing or refinancing, the requirements of the lending institution as to place, time of day, and procedures for closing, and for disbursement of mortgage proceeds shall control, anything in this contract to the contrary notwithstanding. Provided, however, that the SELLER shall have the right to require from such lending institution at closing a commitment that it will not withhold disbursement of mortgage proceeds as a result of any title defect attributable to the BUYER-mortgagor.

20. ESCROW: Any escrow agent receiving funds or equivalent is authorized and agrees by acceptance thereof to deposit promptly and to hold same in escrow and subject to clearance thereof to disburse the same in accordance with the terms and conditions of this Contact. Failure of clearance of funds shall not excuse performance by the BUYER. In the event of doubt as to the escrow agent's duties or liabilities under the provisions of this Contract, the escrow agent may in the agent's sole discretion, continue to hold the subject matter of this escrow until the parties mutually agree to the disbursement thereof, or until a judgment of a Court of competent jurisdiction shall determine the rights of the parties thereto, or the escrow agent may deposit the same with the clerk of a Court having jurisdiction of the dispute, and upon notifying all parties concerned of such action, all liability on the part of the escrow agent shall fully terminate, except to the extent of accounting for any items theretofore delivered out of escrow.

In the event of any suit between BUYER and SELLER wherein the escrow agent is made a party by virtue of acting as an escrow agent hereunder, or in the event of any suit wherein the escrow agent interpleads the subject matter of this escrow, the agent shall be entitled to recover reasonable attorney's fee and costs incurred, said fees and cost to be charged and assessed as court costs in favor of the prevailing party. All parties agree that the escrow agent shall not be liable to any party or person whomsoever for misdelivery to BUYER or SELLER of items subject to this escrow, unless such misdelivery shall be due to willful breach of this Contract or gross negligence on the part of the agent.

21. OTHER AGREEMENTS: No prior or present agreements or representations shall be binding upon BUYER or SELLER unless included in this Contract. No modifications or changes in this Contract shall be valid or binding upon the parties unless in writing and executed by the party or parties to be bound thereby.

22. RADON: Radon is a naturally occurring radioactive gas that, when it has accumulated in
sufficient quantities, may present health risks to persons who are exposed to it over time. Levels of Radon that exceed federal and state guidelines have been found in buildings. Additional information regarding radon and radon testing may be obtained from your county public health unit.

23. FAILURE OF PERFORMANCE: If the BUYER fails to perform this Contract within
the time specified, the deposit(s) paid by the BUYER may be retained by or for the account of the SELLER as full settlement of any claims; whereupon BUYER shall be relieved of all obligations under the Contract.

If, for any reason other that failure of SELLER to make SELLER'S title marketable after diligent effort, SELLER fails, neglects or refuses to perform this Contract, the BUYER may seek specific performance or elect to receive the return of BUYER'S deposit(s) without thereby waiving any action or damages resulting from SELLER'S breach.

24. RISK OF LOSS: If there are improvements on the Property, and such improvements are damaged, by fire or other casualty prior to closing, and the costs of restoring the same do not exceed 3% of the purchase price of the improvements so damaged, the cost of restoration shall be an obligation of the SELLER and closing shall proceed pursuant to the terms of the Contract with cost thereof escrowed at closing. In the event that the cost of repair or restoration exceeds 3% of the purchase price of the property and improvements, the BUYER shall have the option of either taking the Property as is, together with either the said 3% or any insurance proceeds payable by virtue of such loss or damage, or of canceling the Contract.

25. TYPEWRITTEN OR HANDWRITTEN PROVISIONS: Typewritten or handwritten provisions inserted herein or attached hereto as addenda shall control all printed provisions of this contract in conflict therewith.

26. PROPERTY TAX DISCLOSURE SUMMARY; BUYER SHOULD NOT RELY ON THE SELLER'S CURRENT PROPERTY TAXES AS THE AMOUNT OF PROPERTY TAXES THAT THE BUYER MAY BE OBLIGATED TO PAY IN TAX YEAR SUBSEQUENT TO PURCHASE. A CHANGE OF OWNERSHIP OR PROPERTY IMPROVEMENTS TRIGGERS REASSESSMENTS OF THE PROPERTY THAT COULD RESULT IN HIGHER PROPERTY TAXES. IF YOU HAVE ANY QUESTIONS CONCERNING VALUATION, CONTACT THE COUNTY PROPERTY APPRAISER'S OFFICE FOR INFORMATION.

27. **ADDITIONAL TERMS:** The parties agree that the following additional terms shall prevail – use an addendum if needed:

____
____
____
____
____

28. **GOVERNING LAW:** In the event of any dispute, the laws of the State of ____________ and the County of ____________________ shall apply.

THIS IS INTENDED TO BE A LEGALLY BINDING CONTRACT. DO NOT SIGN IF THERE ARE BLANK SPACES NOT FILLED IN. IF NOT FULLY UNDERSTOOD, SEEK THE ADVICE OF AN ATTORNEY PRIOR TO SIGNING.

ACCEPTANCE SELLER accepts the above offer and irrevocably instructs the escrow agent to pay from SELLER's escrow funds a commission of ______________ percent (_____%) of the purchase price to ____ (Broker) at ____ (Address) and ____________________ percent (______%) of the purchase price to ____ (Broker) at ____ as the sole procuring agents in this transaction.

SELLER(s):

By: _________________________________ ____________________

SIGNATURE DATE

____

PRINTED NAME

_________________________________ ____________________

SIGNATURE DATE

____

PRINTED NAME

BUYER(s):

By: ______________________________ __________________
SIGNATURE DATE

____
PRINTED NAME

____
TITLE

Appendix D: Lead Disclosure

Disclosure of Information on Lead-Based Paint and/or Lead-Based Paint Hazards

Lead Warning Statement

Every purchaser of any interest in residential real property on which a residential dwelling was built prior to 1978 is notified that such property may present exposure to lead from lead-based paint that may place young children at risk of developing lead poisoning. Lead poisoning in young children may produce permanent neurological damage, including learning disabilities, reduced intelligence quotient. behavioral problems and impaired memory. Lead poisoning also poses a particular risk to pregnant women. The seller of any interest in residential real property is required to provide the buyer with any information on lead-based paint hazards from risk assessments or inspections in the seller's possession and notify the buyer of any known lead -based paint hazards. A risk assessment or inspection for possible lead-based paint hazards is recommended prior to purchase.

Seller's Disclosure

(a) Presence of lead-based paint and/or lead-based paint hazards (check (i) or (ii) below):
- (i) _____ Known lead-based paint and/or lead-based paint hazards are present in the housing (explain).
- (ii) _____ Seller has no knowledge of lead-based paint and/or lead-based paint hazards in the housing.

(b) Records and reports available to the seller (check (i) or (ii) below):
- (i) _____ Seller has provided the purchaser with all available records and reports pertaining to lead-based paint and/or lead-based paint hazards In the housing (list documents below).
- (ii)_____ Seller has no reports or records pertaining to lead-based paint and/or lead-based paint hazards in the housing.

Purchaser's Acknowledgment (initial)

(c) _________ Purchaser has received copies of all information listed above.
(d) _________ Purchaser has received the pamphlet Protect Your Family from Lead in Your Home.
(e) Purchaser has (check (i) or (ii) below):
- (i) _____ received a 10-day opportunity (or mutually agreed upon period) to conduct a risk assessment or inspection for the presence of lead-based paint and/or lead-based paint hazards; or
- (ii) _____ waived the opportunity to conduct a risk assessment or inspection for the presence of lead-based paint and/or lead-based paint hazards.

Agent's Acknowledgment (initial)

(f) __________ Agent has informed the seller of the seller's obligations under 42 U.S.C. 4852(d) and is aware of his/her responsibility to ensure compliance.

Certification of Accuracy

The following parties have reviewed the Information above and certify, to the best of their knowledge, that the information they have provided is true and accurate.

Seller	Date	Seller	Date
Purchaser	Date	Purchaser	Date
Agent	Date	Agent	Date

ADDENDUM TO CONTRACT FOR SALE AND PURCHASE

The contract for Sale and Purchase dated _____________ between _____________________________ (Sellers), and ________________________________ (Buyer), regarding the property legally described in Exhibit A and physically known as _____________________________________ shall be amended as follows:

1 Parties acknowledge that the purchase price has been initially based on an estimated negotiated debt at closing. During negotiations, there may be several different preliminary contracts with different estimated purchase prices submitted by Buyer to the lender(s) until a final discounted figure is accepted.

2 Parties acknowledge their acceptance of the original contract and of the subsequent negotiating contracts with the different figures and acknowledge that the original contract supersedes all negotiating contracts. Accordingly, Seller agrees to authorize Buyer to prepare various negotiating offers with various prices without obtaining Seller's signature or approval of each and every negotiating offer.

3 Parties acknowledge that Seller may be asked by Buyer to sign a new or corrective contract for the resale of the property.

4 Seller agrees to sign such contract should such signature be needed and requested by Buyer so long as such signature will not result in any financial gain for Seller and that such addition is for the purpose of demonstrating additional evidence as to the dissolution of all Seller's rights and interests in the property and/or to permit any MLS Listing.

5 All other terms and provisions of the contract shall stay in full force and effect.

BUYERS:

____________________________________ Date: ______________________

SELLERS:

____________________________________ Date: ______________________

Appendix F: Sample Settlement Statement

A. SETTLEMENT STATEMENT U. S. Department of Housing and Urban Development

B. Type of Loan **1.** [ ] FHA **2.** [ ] FmHA **3.** [) Conv. Unins. **4.** [ ] VA **5.** [ ] Conv. Ins. **6.** [ ] AFD	**7. File Number**	**8. Loan Number**	**9.Mortgage Insurance Case #**

C. Note: This form is furnished to give you a statement of actual settlement costs. Amounts paid to and by settlement agent are shown. Items marked "(p.o.c.)" were paid outside the closing; they are shown here for information purposes and are not included in the totals.

D. Name and Address of Borrower	**E. Name and Address of Seller**	**F. Name and Address of Lender**
Johnny Investor 213 Main Street City, State, Zip	Sam Seller 123 State Anytown USA 54321	Awesome Private Lending, Inc.

G. Property Location	**H. Settlement Agent**	
123 Main Street Anytown USA 54321	Awesome Title	
	Place of Settlement Anytown, USA	**I.Settlement Date** 03/31/2013

J. Summary of Borrower's Transaction		**K. Summary of Seller's Transaction**	
100. Gross Amount Due From Borrower		**400. Gross Amount Due To Seller**	
101. Contract sales price	100,000.00	401. Contract sales price	100,000.00
102. Personal property	0.00	402. Personal property	0.00
103. Settlement charges to borrower (line 1400)	8,350.00	403. Agreement for Deed - Points	
104.Settlement to the add'l basis 26USC121	12,345.67	404.	
Adjustments for Items paid by seller In advance		**Adjustments for Items paid by seller In advance**	
106. City/town taxes to		406. City/town taxes to	
107. County taxes to		407. County taxes to	
108. Assessments to		408. Assessments to	
109.		409.	
110.		410.	
120. Gross Amount Due From Borrower	120,695.67	**420. Gross Amount Due To Seller**	100,000.00
200. Amounts Paid By Or In Behalf Of Borrower		**600. Reductions In Amount Due To Seller**	
201. Deposit or earnest money	0.00	501. Excess deposit (see instructions)	0.00
202. Principal amount of new loan(s)		502. Settlement charges to seller (line 1400)	8,760.00
203. Existing loan(s) taken subject to		503. Existing loan(s) taken subject to	
204. Payoff of first mortgage loan to Countrywide		504. Payoff of first mortgage loan to Countrywide	82,283.57
205. Payoff to 2nd mortgage to Option One		505. Payoff of second mortgage loan to Option One	1,000.00
206. Payoff 3rd mortgage		506. Payoff 3rd mortgage	
207.		507.	
Adjustments for Items unpaid by seller		**Adjustments for Items unpaid by seller**	
210. City/town taxes to	0.00	510. City/town taxes to	
211. County taxes 1/1/12 to 6/30/12	1,956.43	511. County taxes 1/1/12 to 6/30/12	1,956.43
212. Assessments to		512. Assessments to	
213. Seller Concession	6,000.00	513. Seller Concession	6,000.00
220. Total Paid By/For Borrower	7,956.43	**520. Total Reduction Amount Due Seller**	100,000.00
300. Cash At Settlement From/To Borrower		600. Cash At Settlement To/From Seller	
301. Gross Amount due from Borrower (line 120)	120,695.67	601. Gross amount due to Seller (line 420)	100,000.00
302. Less amounts Paid by/for Borrower (line 220)	7,956.43	602. Less reductions in amount due Seller (line 520)	100,000.00
303. Cash [X] From [ ] To Borrower	112,739.24	**603. Cash [X] From [ ] To Seller**	0.00

Borrower: **Seller:**

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L. Settlement Charges

		Paid From Borrowers' Funds at Settlement	Paid From Sellers' Funds at Settlement
700.	**Total Sales/Broker's Commission based on price: $ 100,000 @ 6%**		
	Division of Commission (line 700) as follows:		
701.	$ 3000 to Awesome Realty (sellers agent)		
702.	$ 3000 to Awesome Realty (buyers agent)		
703.			
704.	Commission to be paid to @ 6%		6,000.00
800.	**Items Payable In Connection With Loan**		
801.	Loan Origination Fee 5% to Awesome Lending	2,000.00	
802.	Loan Discount %		
803.	Appraisal Fee to Awsome Appraisals	300.00	
804.	Credit Report to		
805.	Inspection Fee to Awsome Inspections	400.00	
806.	Mortgage Insurance Application Fee to		
807.			
808.			
809.	Financing Fee to HVA		
900.	**Items Required By Lender To Be Paid In Advance**		
901.	Interest from to @$ / days		
902.	Mortgage Insurance Premium for months to		
903.	Hazard Insurance Premium for 1 years to	1,100.00	
904.	Flood Insurance Premium for years to		
905.			
1000.	**Reserves Deposited With Lender**		
1001.	Hazard insurance months @ $ per month		
1002.	Mortgage insurance months @ $ per month		
1003.	City property taxes months @ $ per month		
1004.	County property taxes months @ $ per month		
1005.	Annual assessments months @ $ per month		
1006.	Flood Insurance months @ $ per month		
1100.	**Title Charges**		
1101.	Settlement or closing fee to Awsome Title	250.00	250.00
1102.	Abstract or title search to Awesome Title	100.00	100.00
1103.	Title examination to Awsome Title	100.00	100.00
1104.	Title insurance binder to		
1105.	Document preparation to	0.00	0.00
1106.	Notary fees to		
1107.	Attorney's fees to		
	(includes above items numbers:		
1108.	Title insurance to Awesome Title	0.00	575.00
	(includes above items numbers:		
1109	Lender's coverage $		
1110.	Owner's coverage $		
1111.	Short Sale Processin Fee to Awsome Loss Mitigation	0.00	1,000.00
1112.	Courier Fee	50.00	
1113.	Wire Fees	50.00	
1200.	**Government Recording and Transfer**	0.00	
1201.	Recording fees: Deed $35.00 ; Mortgage $ 0.00 ; Releases $		35.00
1202.	City/county tax/stamps: Deed $ 700 Mortgage $		700.00
1203.	State tax/stamps:	0.00	0.00
1300.	**Additional Settlement Charges**		0.00
1301.	Survey to McSteen & Associates 0.00 to	0.00	
1302.	Pest inspection 0.00 to	0.00	0.00
1303.	Option One Proceeds	4,000.00	
1304.			
1400.	**Total Settlement Charges (enter on lines 103, Section J and 502, Section K)**	8,350.00	8,760.00

Appendix G: Example Sales Contract

SALES CONTRACT

Seller's Name, ____ as seller,

Of (address), ____

Phone #, ____________________________Fax # ___________________

And **(Buyer's Name),** __________________________________ as buyer,

Of (Buyer's Address), ____

Phone #, ___________________________ Cell #, ____________________

Fax #, ____________________________Other Contact #, ______________

hereby agree that the Seller shall sell and the buyer shall buy the following described property upon THE TERMS AND CONDITIONS HEREINAFTER SET FORTH, within this contract.

Property Address: ____

Upon the Conditions and Terms as Follows:

1. **<u>Full Purchase Price:</u>** $__________, payable in cash, of which the deposit

   $____________ shall apply as part. The remaining balance of

   $____________ will be paid at closing.

2. **<u>Title Insurance:</u>** Buyer is not obligated to purchase the property unless seller can convey good and marketable title.

3. **<u>Survey:</u>** Buyer may obtain a survey of the property. If the property reveals any encroachments or any other matters that adversely affect the property, seller has an additional 30 days to resolve the issues.

4. **<u>Default:</u>** In the event of Seller's default, the buyer shall be entitled to his earnest money returned. In the event of Buyer's default, the buyer's earnest money deposit is **non-refundable.**

5. **<u>Closing Costs:</u>** Seller will net. Buyer will pay for both seller's and buyer's closing costs. Seller understands property taxes will be prorated.

6. **<u>Buyer may not assign contract.</u>**

7. **<u>Conditions for Closing:</u>**

   A. Clear & Marketable Title

   B. Satisfactory survey of the property, free from any encroachments, (If purchased by Buyer.)

8. **<u>Closing:</u>** This contract shall close on or before ________ days following the execution of the agreement. Closing will be held at _____________ Title Company.

9. **<u>Expiration of Offer:</u>** If the offer made in this contract is not accepted and executed within 3 business days of date indicated below next to Buyer's signature, said offer is withdrawn and shall expire.

Special Clauses: <u>This is a CASH DEAL. Buyer will purchase in "AS IS" Condition. Earnest money is NON-REFUNDABLE!!! Except in the event of Seller default.</u>

____

____

____

____

____

This is intended to be a legally binding contract. If not fully understood, seek the advice of an attorney prior to signing.

Accepted by all parties on the date(s) signed below.

Date: ____________ Buyer's Signature(s): ______________________

____

Print Name(s): ______________________

____

Date: ____________ Seller's Signature(s): ______________________

____

Print Name(s): ______________________

____

Witness: ______________________

____