This groundbreaking guide will show you how to start from scratch – even with zero money and terrible credit – and begin making lucrative deals.
How To Flip Houses With Little or No Money

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Preface

Please Allow Me to Introduce Myself...

My name is Cody Sperber, and over the last 10 plus years I have flipped over 1000 properties, made millions, lost it all, and made it all back again. I started off with no money and mastered the art of “no money down” real estate investing, and quickly became one of the largest property wholesalers in the state of Arizona. Each month, I generate hundreds of motivated seller leads which my team and I work feverishly to turn into profits.

In 2010, I started a real estate investing educational company called Clever Investor (www.CleverInvestor.com) because I always wanted to be a teacher, and I loved sharing my passion for creative real estate investing. My educational company has grown in popularity because of the team of amazing people that work behind the scenes to support our growing student base. As an investor, my education, creative business and marketing strategies, willingness to take calculated risks, and local power team were the reasons for my success. As an educator I can't take the same personal credits. It's truly the Clever Investor team of mentors, business development consultants, and customer service agents that ensure our students have a world class experience and quickly witness real results.

I wrote this book for you... the real estate entrepreneur that dreams of a better tomorrow. Take great pride in yourself for taking action on your passion for making money through real estate. Anything is possible as long as you stay focused, have a relentless thirst for knowledge, and surround yourself with positive, like-minded people. While real estate investing is not easy... it can be simple as long as you implement proven strategies and systems into your business and work hard at staying positive. Being successful in this business is 20% technical and 80% mental. In fact, my mentor used to always tell me "you are more than just a moment". What he meant was my real estate career was a long-term strategy (not a get-rich-fast scheme), and I should stop getting emotional with the ups and downs of the daily grind. Don't fall in love with the houses you flip, instead fall in love with the lifestyle your profits produce!

So enjoy the book and remember that wholesaling real estate is the fastest way to produce quick cash without needing a ton of money or credit to get started. But keep in mind that you want to reinvest your wholesale profits into positive cash-flowing assets (rental properties) that produce long-term wealth. Actually owning real estate as an asset is the path to financial freedom... and wholesaling is a great way to earn fast chunks of cash to pay for your rentals and your lifestyle!
What is Real Estate Wholesaling?

This image tells you a lot about what we're going to talk about in this first chapter. The word “wholesale” brings to mind the traditional meaning of the term, such as retail operations (like Costco or Sam's Club). The wholesaler who brings products to the market has to buy their inventory at a significant discount from market value and sell the inventory at a discount so the end buyer feels they got a good deal. The "spread" between the two prices is where the wholesaler makes their profit. But with retail wholesaling, there is a very elaborate set of overhead structures and costs.

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<th>RETAIL WHOLESALING</th>
<th>RETAIL ESTATE WHOLESALING</th>
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<td>Buy in qty. from manufacturer</td>
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<td>Warehouse(s) for inventory</td>
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So How Does Real Estate Wholesaling Work?

As with retail wholesaling, when you wholesale real estate, you’re essentially the middle piece between a motivated seller and a cash buyer, making your profit from buying low and selling slightly higher. The major difference is that you’re not having to transport or store inventory, or ever spend money to even acquire your inventory! The key to wholesaling real estate is the word “control”. When you place a property “under contract” for purchase, even though you haven’t completed the transaction yet, during the closing period you essentially “control” the real estate according to the “terms” of the agreement you made with the motivated seller. And since you “control” the property, you may now legally market it in order to find a cash buyer willing to pay more than the price you agreed to pay to the motivated seller. The spread between the two prices is your profit as the wholesaler, and you will get paid the difference when the end cash buyer actually closes on the transaction.

We’re going to get into detail later about building your list of cash buyers who will purchase your available wholesale properties. These are normally either fix & flip investors (also called rehabbers) or long-term rental investors (also called landlords), who will be happy to buy from you. This allows you to earn a nice profit as long as you can deliver properties below market value.

In another chapter we’ll talk about how you locate distressed properties, motivated sellers, and houses available at deep discounts to current value. Once you have a cash buyer and a discounted property, and if the numbers work to provide a profit in the middle, you’re ready to do a wholesale deal.

Why is there a place for you in the middle? How can there be a profit available when the sellers could simply connect directly with the buyers? Actually this is done all of the time. The main reasons are because most cash buyers are lazy and either don’t want to take the time to find a seller willing to sell at a big enough discount... or they lack the understanding (education) to be able to find and negotiate good deals. As the real estate market changes (moves from a buyer’s market to a seller’s market or vice versa), finding deals on the MLS (Multiple Listing Service) may become more difficult. When this happens, cash buyers can’t rely on real estate agents for finding them deals. That’s when they turn to wholesalers for fresh investment opportunities.

Your greatest value is in your ability to locate distressed properties or distressed people and negotiate to buy at prices well below market value. You locate properties your investor customers aren’t aware of, negotiate a price to buy/control the property, then sell it to your cash buyer at a price that’s profitable for the both of you.
How Do You Know at What Price to Buy?

To know what you can pay, first you need to know what your cash buyers will pay. You work backward from the price you can sell, through your costs and desired profit, and then you know what you can pay. Your buyers are typically savvy real estate investors who know their markets, and understand what desired returns they are looking for. In other words they know what a good deal looks like, and make a quick buying decision once they find a good deal.

Whether they’re fix & flip or long term rental investors, you can be sure that they have a good handle on their costs and the profit they want from their investments. One more thing you can bet on is that they will not want to pay full value for a property. Successful investors want to buy below market value and lock in some profit from the first day of ownership. In a future chapter, we’ll take a look at how a cash buyer determines market value and what they’ll pay for a house. I will also break down a simple formula wholesalers use called the Maximum Allowable Offer Formula (MAO) so you will always know the most you can pay for a property while still making a profit!
Before we get into the “how” of real estate wholesaling, let’s get past the doubt and fear that many people have when they’re starting a new business. Real estate investing can seem complicated with financial barriers to entry.

Other fears have to do with whether you can be successful in wholesaling if you have a full time job, are in college, or you’re not the “numbers” type. What about where you live; will it work there? Even scarier to some is wondering if you’re entering the business in the wrong market, timing it wrong. This chapter is all about the when, where and who of real estate wholesaling.

When Does it Work?

We’ve all been through the real estate and mortgage crash that began in late 2006, and the decade before when it seemed like you could make money buying a house with your eyes closed. Using the period from 2000 through 2013, we can see every phase of a real estate cycle.
When, Where & Who Can Wholesale Real Estate?

Uptrend

During this 13 years, we saw a huge uptrend, with prices rising at a rapid clip going into 2005 and 2006. Real estate flipping was extremely popular because it was very profitable. Investors were buying one month and selling at a profit the next. It was an amazing time for real estate investment.

So, what about wholesaling during that period? Think about it and you’ll understand why it was a wonderful time for real estate wholesalers. There were unlimited profit opportunities, and rehabbers were eager cash buyers of just about anything you brought to them. The wholesaler simply had to locate just about any property they could get “under contract”, even if it was at just a minor discount to current market value. It didn't seem to matter if the discount was small, because the fast price appreciation at the time meant that the cash buyers were expecting a nice profit, even if they couldn't acquire their flips at a deep discount. The speed at which a rehabber could turn a house at a nice profit meant that they were constantly on the lookout for more deals. They leveraged themselves to buy, renovate, and flip as many properties as possible.

Downtrend

Then in late 2006, the market turned on a dime. Plunging values and prices left millions of homeowners owing more on their mortgages than their houses were worth and foreclosures ran rampant. This opened up a HUGE opportunity for investors.

During the downtrend, there was a flurry of buying going on. More than 30% of all house purchases being made by cash investors were from 2008 through 2012. In 2013 that number jumped up to 43% according to www.RealtyTrac.com. Wholesalers played a major part in stabilizing the market and fulfilling demand for discounted properties by coming up with creative methods to wholesale short sales, bank owned properties, foreclosures, and government-owned houses (HUD houses).

Also during this time, major institutional investors jumped into the fray, with hedge funds like Blackstone Group buying tens of thousands of house as rental property investments in major cities. And while they acquired most of their inventory from foreclosure auctions, they also purchased many houses directly from real estate wholesalers! Even today wholesalers are still the go-to source many rehabbers, landlords, and even hedge funds turn to when searching for their next investment opportunity.
Sideways Market

This type of market is represented by mostly stagnant house price growth, though there can be slow price appreciation. It’s more of an extended series of ups-and-downs without any extended movement in either direction. Many states in the Midwest, and smaller cities around the country that didn’t experience the major incline or decline of house values during the boom/bust experienced a sideways market and still do to this day. The interesting thing about sideways markets is that there is still demand for investment properties, and still many motivated sellers looking to sell quick for cash. There are many reasons why someone would want to sell quick for cash in a sideways market. Job loss, death in the family, relocation, medical conditions, legal issues, facing foreclosure, tired of being a landlord, downsizing/upsizing, house needs too many repairs, divorce, and any other reason under the sun that could cause a financial hardship.

Lastly, sideways markets are in part due to low demand and fewer buyers. When that’s the case, if they’re not buying, they must be renting.

More renters mean higher rents, and higher rents attract more cash rental property investors. More investors mean opportunities for wholesalers.

Adjusting Strategies to the Market

The trend status of the market is immaterial if you’re an educated real estate wholesaler with good business and marketing systems. Property types, price ranges, and/or neighborhoods of the properties in demand will change, but there will always be cash investors wanting to put their money into real estate to either buy-n-hold or fix-&-flip.

The strategies and techniques you employ simply need to be adjusted to fit the current market cycle. You’ll learn what you need to know in this book to do just that. Wholesaling is considered by many to be the most flexible real estate investment niche simply because it works in every market, no matter which way it’s trending.

Where Does it Work?

Probably one of the greatest reasons to wholesale real estate is the fact that it works in many locations. Big cities and small towns. As long as there are homeowners and houses... wholesaling real estate is possible. And while you may have heard the phrase “location, location, location” as the golden rule for real estate investors, there are many cash-heavy landlords and rehabbers that love owning or flipping houses in lower income areas as much as they love doing it in the best areas of town.
Another awesome reason to wholesale is the fact that it can be done both locally and remotely. In a later chapter I will discuss the importance of building out your power team (the team of professionals that will help you complete transactions). Until then, just understand that as long as you have good systems in place for generating and converting motivated seller and cash buyer leads, and a great team of local people in place to help you, you can wholesale real estate.

Who Can Be a Wholesaler?

What are the education requirements to be a successful wholesaler? What about financial requirements? Can you work full-time and still wholesale real estate? What about family commitments and maintaining a normal lifestyle while you build your business? These are all valid questions, but you can’t let any of them stop you or slow you down.

If you keep a log of your daily activities, you would easily see how much time you are spending and on what tasks. Then you could start to prioritize your time and focus in on the ones that are most important to you. When I did this, I found that I was wasting a ton of valuable time focused on “non-money making activities”, and even though I had a full-time job, there was still plenty of time each week to focus in on my passion for investing.

So, how much time will real estate wholesaling take? The answer is different for each person and it will vary depending on your current goals and resources. Some people have full-time jobs and work their investing businesses at night and on weekends. This can easily be done as long as you set up the right business and marketing systems to help you automate certain parts of the business. For instance, you can have your inbound calls answered by an answering service or go to voicemail. Then you could have a virtual assistant ($3.00 - $6.00 hr.) screen the calls and only put you in touch with truly motivated sellers or cash buyers. There are even real estate investing software systems like the Deal Automator (www.DealAutomator.com) that can auto-magically generate and follow up with your leads on autopilot. Once they get to a point where their part-time wholesaling income is more than their full-time job income, they quit and do wholesaling full-time.
Others that don’t have another job spend as much time as necessary so they can achieve their financial goals quicker. Neither one is a right or wrong choice but understand this, your happiness and success as a real estate wholesaler is going to be based on three things:

- Finding emotional support by any means necessary. This means surrounding yourself with like-minded entrepreneurs that share the same type of financial and lifestyle goals as you do. Sometimes this can be challenging, especially if your friends and family “rain” on your investing parade. When I first started, my family told me every reason “why” I should keep my “real” job. It took them seeing me start to become successful before they started being supportive. Thankfully during that hard emotional time I had an amazing mentor to help guide and support me when I needed it most.

- Take small steps towards BIG goals. It’s o.k. to dream big and set high financial goals for yourself, but it is extremely important for you to focus on (and celebrate) all the “small wins” you will encounter while building out your wholesaling business. Generating your first lead, analyzing your first deal, setting your first appointment to meet with a seller, walking your first property, negotiating and making your first offer, getting your first deal under contract, adding your first buyer to your VIP Cash Buyers list, wholesaling your first deal, and yes... cashing your first check. It’s the little “wins” along the way that add fuel to your investing passion and help drive you towards your bigger goals.

- It’s all about the lifestyle you want. There is no other job that I have ever heard of where you can make $10,000, $20,000, even $50,000 or more on a single transaction. Build your wholesaling business around the lifestyle that you want for yourself. If you are simply trying to earn some extra money to pay off bills or save for retirement, then you would set-up and work your wholesaling business differently than if you were relying on your wholesaling income to survive. Spend some time reflecting on “why” you want to wholesale real estate and build your business around what you really want both emotionally and physically.

Education Factors

A college degree will not disqualify you from real estate wholesaling. OK, that was a joke. But in all seriousness, you don’t need a college degree, or even a real estate license to wholesale real estate. In fact, some of the wealthiest and most successful wholesalers I know barely graduated high school! Don’t get me wrong, you do need an education, just not the traditional type you may be used to.

Books like this and the step-by-step mentoring offered by Clever Investor (www.CleverInvestorMentoring.com) can quickly help you get your wholesaling business up, running, and profitable.
Financial Requirements

When it comes to residential real estate investing you really only have a couple of options. You can wholesale, you can fix-&-flip, or you can buy-n-hold. While fixing and flipping as well as owning rentals requires lots of cash in order to complete the transaction, wholesaling requires little to no money because you are using your back-end cash buyer’s money to fund the deal. But that doesn’t mean you don’t need any money to be a wholesaler. Having a business phone, a computer with internet access, and enough money for your earnest deposits will be required. And for those of you that don’t know what an earnest deposit is, simply think of it as a small amount of money you give the seller as a deposit to “hold” the property during the closing period. In more professional terms it’s the “consideration” a buyer gives the seller in order to confirm the contract. I have used as little as $10 as an earnest money deposit and as much as $5,000... it is whatever you and the seller agree to.

So if you think about it, a few hundred dollars for earnest money can get you into a contract, and using free marketing techniques like “driving for dollars” can uncover a motivated seller. Then a free ad on Craigslist could draw out a cash buyer looking for a good deal. There’s a lot more detail to come, just understand that your success is not dependent upon your bank balance!

Moving on now that you’re convinced:

This chapter should have convinced you that there are no high hurdles in your path to successful real estate wholesaling. Many millionaires started with wholesaling to earn quick cash then use some of the money they made to invest in rentals and fix-&-flips for bigger paydays and wealth building. Your financial goals are within your reach! Now let’s get into the “how-to” of making it happen.
I mentioned earlier that we’re going to start from the tail end of the wholesaling process... finding cash buyers. We will want to do this for two reasons. First reason is because your cash buyers will help educate you on what’s going on in the market by telling you what type of properties they are looking for and what area of town they want to purchase deals. The second reason is because finding cash buyers to add to your VIP Cash Buyers list is an activity that should start today and never end. Each day you want to network with potential buyers. That way when you do have available wholesale properties, you will know exactly which cash buyers to match your properties to.

This chapter is all about the techniques you will want to deploy in order to locate cash buyers, build relationships with them, catalog their requirements, and then use the information to match them up with available properties.

Locating Cash Buyers

The good news is that there are investors out there loaded with cash and a great desire to own real estate. There are two major categories for the investors you’ll be courting:

Fix & Flip: These investors are in the business of taking distressed, ugly, and/or problem properties, renovating and repairing them, then selling them to long-term investors or retail buyers. You’ll need to be more aggressive in locating deals well below ARV (After Repair Value), because the fix & flip investor will also need to make a profit.
Long-Term Rental Investors: These investors want to buy a property below market value in an area that’s good for rentals and at a price that will allow them to realize excellent positive cash flow over time. It may be a bit more challenging to locate ready-to-rent properties than distressed ones, but selling to this group is more direct and allows for a nice profit margin.

Now let’s get to some very effective ways in which to locate, meet, and build relationships with these cash investors. Some are free, and others may cost a few bucks, but until you have a good buyer list, you should be deploying as many of these strategies as possible!

Real Estate Investment Clubs

There are many reasons why you should consider joining a local real estate investment club. You’ll learn a lot from their library of materials and guest speakers, as well as from your fellow members.

Members include real estate agents, other investors, real estate attorneys, accountants, mortgage brokers, repair contractors, building and remodel contractors, title company personnel, house insurance agents, and property management professionals.

All of these people are valuable contacts and possible future team members for your growing real estate investment business. For this discussion however, we’re interested in meeting other investors who could be prospects for your VIP Cash Buyers list. There will be experienced investors in these clubs who are there to seek out deals and people who can bring them deals; in other words... you.

However, there will also be novice investors who are there to learn, and they may have no thoughts of wholesaling or fix & flipping. They’re people tired of 3% returns on savings accounts and certificates of deposit. They’ve been exposed to rental property investing and they want to learn more.

These novice investors offer a great opportunity to share knowledge, present yourself as a wholesaler, and to explain what you do and how you can help them to achieve their goals. It’s truly a “Win-Win’ if you can acquire a profitable property for a rental property investor new to the business. By helping them to reach their cash flow goals you’re building a relationship that can lead to multiple purchases in the future.
Lastly, you may also want to try www.MeetUp.com and search for local real estate meetups in your area! If you can’t find one... create one and host your own networking meetings.

💡 Clever Tips: Below are a few in-person networking tips I wanted to share with you before we move on to the next cash buyer strategy. Whenever you are networking in-person you should always be prepared and never “wing it”. Go and get some professional business cards made with your name, job title (Professional Wholesaler), and cell phone. Whenever you attend any professional networking events, I suggest writing down and memorizing your “30 Second Commercial” before you go. This is simply your elevator pitch of who you are and what you do. Keep it short, sweet, and to the point and remember to focus your pitch on how you “benefit” others. For instance you may say “My name is Cody and I specialize in helping real estate investors just like you uncover deeply discounted money making opportunities to either fix & flip or buy and hold. I am a great marketer so I keep running into off-market deals that you can’t find anywhere else. I would love to learn more about who you are and what you do so I can bring as much value as I can to our relationship. So... tell me about yourself... how did you get into real estate investing?”

The goal is to get the people you are networking with to do the majority of the talking. People love talking about themselves and they will enjoy networking with you if you give them a platform to show off! As a last little tip, try your hardest to remember peoples’ names. While this may be hard to do, I would suggest carrying around a little notepad or folder and a pen whenever you go to a networking event. This way, as soon as the conversation is over, you can jot down a quick note about the person, when you plan on following up with them, and how you believe you can benefit them.

The real magic happens after the networking event is over. It happens when you call the person up and ask them out for a cup of coffee or lunch and truly get to know them outside of the networking event. You never know where that relationship will lead. They may become a great cash buyer to add to your VIP Cash Buyers list, a private money lender willing to lend you cash for your fix & flip deal, or a possible tired landlord wanting to sell a problem property.
Bandit Signs

You’ve seen these small, plastic roadside signs at street intersections, around parking lots, and various other places where homeowners drive by on a regular basis. They are there because they work. In this chapter we’re not talking about homeowners, however. That’s in the next chapter. We’re going to talk about how bandit signs can attract cash buyers.

Instead of the signs saying something like “I buy houses,” or “Cash for your house”, change up the message on your sign to find buyers. You want your bandit signs to look like they were made by a homeowner desperate to sell their house, or some other seller trying to sell cheap. The idea is to attract a cash investor buyer who is motivated to buy and close quickly on a really good deal.

It’s a good bet that a call on one of these signs in a certain neighborhood means that the investor was driving that area looking for opportunities. Now you know where they have an interest in buying, so all you need are a few more details and you can start a relationship that could be very profitable well into the future.

Remember that we’re approaching our wholesaling as if we’re cash poor, so we really need a cash buyer before we locate a property and lock it up for a deal. It’s not misleading to put out these signs, even though the investor who calls may realize they weren’t for real. Once you have them on the phone, they should be willing to tell you what they want on the chance that you will deliver it.
Classified Ads (Online)

Along the same lines as the bandit signs, you’re not going to get the amount of results you want by running an ad that says “Cash investors wanted.” Instead... you need to attract them with the right bait.

Using some of the same techniques and content, you’re running ads that present an extreme value house for sale at a discount in a good neighborhood.

You can use more words than on a small bandit sign and the ad will still usually be inexpensive. You should run them consistently and in the same location in the classifieds. Investors will get used to seeing them and at some point you may get that money call.

When you get the call, you do the same, letting them know it sold, but you have others in the pipeline. Ask what they want and where, and their price criteria so you can check your properties for a match.

The key consideration here is that you really need to act once you get a lead like this. You don’t necessarily have to act overnight, but you should be back in touch soon with your progress and more questions if necessary. For this reason, before you run these ads or place those signs, you should have begun market research and have some prospective houses on your radar. You can get serious once you have a buyer in the wings. My favorite classified site is www.Craigslist.com.
Craigslist

The screen shot from Craigslist shows the direct approach to finding cash buyers, as well as helping us to illustrate the power of online search. This was a straight search in the category "real estate wanted" with the keyword "cash."

We're immediately seeing ads run by cash real estate investors aggressively seeking houses. Or, and this is also true, maybe wholesalers using ads like these to locate houses for sale at a deep discount to value. You won't know which until you contact the person who placed the ad. If it is a wholesaler, only a few minutes of your time is wasted. If it's a real buyer, you have an opportunity.

Running ads to sell a house at below appraised value is another approach, just as what we discussed for bandit signs and classified ads. Craigslist is great because it's free and you can be more descriptive without it costing you money.

Do a search in “real estate for sale” with the keywords “below appraisal”. We'll discuss this again in the chapter on locating properties, but for this chapter we are again seeing that we can run an ad to sell a house at a real value price to see if we can attract investors with cash. A helpful feature in online searches like these is the “auto-complete” function. When you start typing in a search phrase, the site will show you other searches with the word(s) you’ve typed in them. These are searches others have used. So, starting to type “must” will get you “must sell,” and possibly other suggested phrases. This can help you to come up with searches you may not have considered before, but they’re being used by buyers and sellers.

Craigslist is a great resource, as it’s very popular and free. The only downside is there are scammers, so approach making contact with anyone who responds to your ads with care.
Website or Blog

Having a website or blog adds credibility to your real estate investing business, and empowers you to generate online cash buyer leads. Years ago I would use WordPress (a blogging platform) that was free to download, but took some technical skills to set-up. I got tired of all the complicated things I would have to do in order to have a high conversion lead generating website. Things such as buying domain names, purchasing hosting, hiring a graphic designer and a web programmer, writing copy (the words on the webpage) etc.

I decided to create my own lead collection software that did two things extremely well... create multi-page websites and one-page squeeze pages with the click of a button, then funnel those leads into a marketing system that does email, text, and direct-to-voicemail voice broadcasting. I called it the Deal Automator. It allows a non-tech savvy person (like me) to instantly have a beautiful wholesaling website(s) (where I can show my available properties) that automatically builds my VIP Cash Buyers list because the site is optimized to rank high on search engines. The graphics are already done for you, the copy is already done for you, the follow up emails and texts are already done for you (the system drips out emails and texts to new leads auto-magically building a relationship with the leads for you). I even wrote a free eBook you can give away to entice potential cash buyers to join your VIP Cash Buyers list. Everything is done for you so you don’t have to think about anything... just get the system and you will be up and running within 24 hours.

And the coolest part is, that any leads you collect using the Deal Automator, automatically funnel into an email marketer, and a text message marketer. It even funnels into some cool new technology that allows you to send a voicemail message to anyone on your list that bypasses their phone ringing and gets deposited directly into their voicemail inbox! So whenever you get a wholesale property under contract, you can simply log into your Deal Automator and blast out the property to all your cash buyers via email, text, and/or voice broadcast. The cash buyers look at the deal and call you up to buy it. It really can be that simple IF you have the right technology in your business!
Having website software where you don’t have to even think about hosting, graphic design, writing copy, creating eBooks or videos is a HUGE timesaver for the average, non-tech savvy real estate investor. With the Deal Automator... everything is done-for-you! Here is what one of the “done-for-you” VIP Cash Buyers squeeze pages looks like:

You can learn more about the Deal Automator by visiting www.DealAutomator.com. There are no contracts and you can cancel at any time.

Social Sites

Social media can be a time wasting activity unless you get focused and deploy a specific strategy like generating cash buyers. The main social network that seems to work the best for finding cash buyers is www.LinkedIn.com.

www.LinkedIn.com is a professional social network where you can easily find real estate investing interest groups as well as other groups focused around a specific small business owner or profession. I suggest joining groups for “Doctors”, “Accountants”, and “Dentists”. These working professionals typically earn great money and may need a way to invest it!

The key to success on LinkedIn is to take your time and be engaging. Unlike networking in person, online networking takes a while longer for people to feel comfortable with you. Spend the time necessary to build rapport with the members of your groups, and once you have done so then start introducing them to your wholesaling business.
Leverage Your Power Team Members

Your investor-friendly real estate agent, closing agent, property manager, and real estate attorney probably know a lot of local cash investors. Leverage their network by asking them to introduce you to their best clients and let them know that you will use them if any real estate deals are created because of the relationship!

Your Own Seminars

This one is for those of us who are more outgoing and like to help others with our expertise. However, if you’re going to be giving beginning real estate investment seminars to people interested in buying rental properties, you’re going to be generating your own leads and profiting from your help.

Think about a simple show-and-tell type of presentation in a hotel conference room, with a slide show of the benefits and higher return on investment from rental properties. A notebook computer and projector the hotel provides are all you need, and you do a PowerPoint presentation and just tell it like it is.

Who attends? You would market the FREE “Higher ROI from Rental House Investment” seminar at retirement homes, with investment advisors, in classified ads, on your website and anywhere else where a soon-to-be retired or retired person may be exposed. You’re going to show them that they can do far better than the 3% returns on savings accounts and certificates of deposit.

Do a Little Bit of Everything

Every strategy in this chapter works to add cash investor buyers to your VIP Cash Buyers list. As you generate these leads make sure you take the time to get to know each cash buyer’s buying criteria and the ones that you feel are super serious buyers I suggest taking them to lunch or coffee. The more you get to know them, the higher your chances of selling them a deal!
Now that we have a good understanding of finding cash buyers, let’s talk about finding motivated sellers. Just by the nature of our goals as a wholesaler, we know that we must be able to buy at a deep enough discount to sell to our investor customers, so both parties can make a profit. Because of this we need a significant discount from retail so we are looking for either distressed sellers, or distressed properties. A distressed seller is anyone experiencing severe financial or emotional pain at the moment, and getting cash into their pocket is the solution to their problem. A distressed property is any property that needs extensive repairs... in other words “ugly houses”.

Below are just some of the reasons a seller may want to sell quick for cash:

- Pending bankruptcy
- Foreclosure or default notice
- Behind in mortgage payments
- Divorce
- Lost their job or salary cuts
- Delinquent property taxes
- Death in the family
- Medical bills

- Property is in probate/inherited an unwanted house
- House is in need of extensive repairs
- Upside down in their mortgage
- Some unexpected deadline for selling
- Tired of being a landlord
- Legal troubles
- Title or deed issues
- Fire/water damage
So right now you might be asking yourself, "Why doesn’t the seller just list their property with a real estate agent"?

Well the answer is simple... selling traditionally takes time and selling to an "all cash" buyer is fast and easy. In many States, the average time it takes to sell a house via the MLS is 60-100+ days. Also, when selling traditionally the seller must find a real estate agent, pay commissions, hold open houses, pay for the property to be maintained while the real estate agent is marketing it, pay closing costs, and even after all of that, the buyer will typically get an inspection and use the needed repairs to negotiate down the price. Many sellers value speed and simplicity over selling traditionally... and that’s why wholesalers are around. We create a "Win-Win" value proposition to our sellers. We get a good deal and they get fast cash in their pocket, without all the typical hassles of selling traditionally.

In the rest of this chapter we will discuss a number of marketing strategies and techniques for finding motivated sellers that are working for wholesalers around the country. Some or all of them may work for you, but you’ll need to adapt and evaluate them in the context of your local market area and the investor competitive environment.

Remember your value as a wholesaler is solving homeowner’s financial situations and providing investors with good deals. At the end of the day, two skills contribute directly to your bottom line:

- Your ability to locate properties you can acquire at deep discounts to current market value.
- Your negotiation skills on the buying and selling sides of the process. (Scripts coming up in a later chapter)

Free Methods for Finding Sellers

Let’s start off with some of my favorite free methods for finding motivated sellers. These will include driving for dollars, placing ads on online classified sites, in-person networking, online social networking, making offers on MLS properties, your website/blog (SEO), and co-wholesaling other wholesaler’s inventory.
Driving for Dollars

As long as there have been cars, there have been real estate investors driving around looking for possible deals. The key to successfully “driving for dollars” is understanding what to look for as you drive around. Boarded up windows, overgrown landscaping, mail/phone books/door hangers piled up on the front door, foreclosure notices posted on the garage or front of the property, fire damage, piled up trash on the property, or anything that may indicate that the property is abandoned or in distress.

Once you find a property that may be a candidate, snap a quick photo of the front of the property and write down the address. If you are an outgoing person and feel comfortable, get out of your car and go knock on the door to see if anyone is home. If they are, then let them know that you are a local investor looking to buy a house in the neighborhood for cash and you were out talking to all the neighbors to see if they knew anyone interested in selling. If it is vacant, then go knock on the neighbors door and see if you can get any information about the subject property such as who owned it, how long has it been vacant, do they have the owners contact info etc.

Once you get back to your home or office, look up the address of the property in the county tax records. There is a website that you should be able to use to find your State’s tax assessors website and it is called www.NETRonline.com. Click on “Public Records Online” then click on your State then choose your County. It should give you all the information for any public offices, including your local tax assessor’s website and phone number.

The goal is to look up who the “owner of record” is in the tax record database and find what their “taxable mailing address” is. This is the address where the owner of the property receives their mail. Remember this may be different than the physical property address, which is the address that you wrote down when driving for dollars. Now you have their address and name so you can do a quick search on www.WhitePages.com to see if you can dig up their phone number. Also, you can send them a letter (mailed to their taxable mailing address) explaining you want to pay cash for their abandoned property! The reason I wanted you to snap a quick photo of the front of the property is because I recommend sending a flyer that looks like this:
As you can see this little flyer automatically grabs the seller’s attention, and they can tell you actually drove by the property and are serious about making an offer. Take a different route each day when running errands, going to work, or simply go drive around for 30 minutes each day in your target areas!

Online Classified Ads

When a homeowner is trying to sell their house “For Sale By Owner” (FSBO), often times they look towards online classified sites like www.Craigslist.com or a posting site like www.ForSaleByOwner.com to market their properties.

For instance on www.Craigslist.com, you can click on “real estate for sale” under the “housing” section. Then at the top of the page click on the little “owner” link to choose listings by owners only. Then click the drop down menu and change “any housing type” to “houses” or whatever property type you are searching for. The goal is to filter out any listing that isn’t a true FSBO.

Then you can contact the owner through the contact information on the listing and see if they would be interested in receiving an all cash offer on their property! You can also do this same technique with “For Rent By Owner” (FRBO’s) on these same websites and Section 8 landlords found on www.SocialServe.com. Section 8 vouchers are given to low income households to use as a rental housing allowance and private landlords advertise their available properties on the above mentioned website.

You can call them and ask them if they “like” being a landlord, or if they would rather cash out and do something else with their money. If they have an interest in selling, you can then make them an all cash offer. This same process can be done with any online classified or posting site where landlords or sellers post their properties.
Clever Tip: You can also ask the landlords you find on www.SocialServe.com if they have any interest in having you serve up significantly discounted wholesale deals to them so they can add more properties in their portfolio. Many times these landlords will make great cash buyers you can add to your VIP Cash Buyers list!

In-Person Networking

Real estate has been and always will be a “relationship” business. Your wealth will be a direct result of the number and quality of relationships you have, so become great at networking in-person. Start with ordering some professional business cards (different than your cards used for cash buyers) that have your name, title, and contact information on them. I suggest using a free Google Voice phone number (www.Google.com/Voice) and registering a professional email address to put on your cards. I also suggest using a P.O. Box that doesn’t sound like a P.O. Box, like the ones you can rent at the local UPS store. They give you a suite # so it sounds more official! USPS now offers 'street addressing' for P.O. Box holders. At the end of the day, just try and avoid using your personal contact information and NEVER use a goofy email address like hotmamma77@yahoo.com!

Now that you have some business cards, start networking by telling everyone you know (your co-workers, family members, friends at church, people you meet while pumping gas, etc.) about your interest in buying properties for cash. Let them know that you have a simple program that allows a homeowner a fast, no-hassle sale with no fees. Explain that they can avoid making any repairs or paying any closing costs or sales commissions. If they have a property for sale, they simply need to call you and within hours you can have a solid all-cash offer in their hands and close on a date of their choosing.

The goal with in-person networking is to focus your pitch of the “benefits” you bring to the table. Focus on finding out “why” the seller wants/needs to sell and what they plan on doing with the money once they get it. This will give you some insight into their reasons for selling and allow you to take the seller’s “temperature”. If they are truly motivated, you can easily create a “Win-Win” offer that allows you to buy at a big enough discount, while helping to solve the homeowner’s problems.

Online Social Networking

In the previous chapter, we discussed building your VIP Cash Buyers list by networking through the online social website, www.LinkedIn.com. When it comes to finding motivated sellers, www.Facebook.com seems to work the best. The main reason is you can easily spread the word about your “cash for houses” business by posting on your timeline, changing your banner graphic to explain what you do and how a seller can get a hold of you, and by joining local groups and getting involved in the conversations.
The key is spreading the word to as many people as you can so they come to you if they have a property they are looking to sell quick for cash. And remember to let everyone know that if they send you a deal, you can pay them a “finder’s fee” of $500 or $1000. So they are motivated to send potential leads your way!

💡 Clever Tip: If you want to get a cool banner graphic made, I suggest hiring someone off of www.Fiverr.com. It is a website where you can hire talented people to do things for $5 bucks. Go on the site, create a free account, and hire a graphic designer to create you a killer “cash for houses” graphic you can use for your Facebook banner!

Making Offers on MLS Properties

This method for finding deals requires you networking with an investor-friendly real estate agent and having them make “lowball” offers on deals found on the MLS. You will need a Proof of Funds (POF) to go along with your offer if you want to be taken seriously, but that is really your only hurdle. Have your agent make offers on foreclosures, short sales, bank-owned properties, and government owned houses (HUD houses). Also have them make offers on properties with high “days on market”, as well as “goofy” properties that are unusual for the neighborhood. For example, houses that are 2 bedroom 1 baths in a neighborhood full of 3 bedroom 2 bath houses. Basically any ugly or unusual house a rehabber could add value to by bringing it up to current market standards or by adding square footage!

💡 Clever Tip: In a future chapter we will discuss how to structure your wholesale offers, but since we are talking about buying houses off the MLS this is a good spot to talk about funding requirements. Many times when buying from a bank (REO’s and Short Sales), they will require you to actually close on the deal prior to being able to flip it. In other words, they won’t allow you to “assign” or “double close” your contract. Because of this many investors use “Transactional Funding” to take down the property then immediately flip it to their back-end cash buyer. You can google “transactional funding for real estate” and learn more about it, but it is essentially 100% short term funding for investors that want to quick-flip a property and already have the back-end cash buyer lined up.

I suggest using a transactional lender that is recommended from another investor that has used them in the past, or try checking out crowd-funding websites like www.PatchofLand.com or my favorite. www.Lendinghome.com to see if they will fund your deals.

Last tip is to make sure that there are no “deed restrictions” when buying an REO or short sale. A deed restriction will limit your ability to quickly re-sell the property to your back-end cash buyer. Ask your agent to ensure that there are no deed restrictions prior to you closing on the deal!
Website or Blog

Having credibility is important when working with motivated sellers so having a website/blog where they can learn about your expertise as well as who you are and how you can help them is a great idea. A simple 4-5 page website/blog will do the trick and I would not spend a ton of money or time trying to make it too fancy. I suggest starting off with the following pages (Home, About Us, Cash For Houses, Blog, and Contact Us). My Deal Automator technology (www.DealAutomator.com) will do the trick, but if you want to go at it alone, I recommend a website built on WordPress.

The key to successfully generating motivated seller leads through your website or blog is to consistently post fresh, relevant, and localized content to it on a regular basis. Focus each page around 1 or 2 localized keyword phrases. By doing this you are “optimizing” your page for search engines (SEO). Some examples of highly optimized keyword phrases would be “Cash for Arizona houses”, or “I buy ugly Chandler, Arizona houses for cash”. By writing articles around a particular topic and placing your highly optimized keyword phrases throughout the article search engines are more likely to show your website as a result when someone types in that particular phrase.

Here are some other suggestions for page/blog post content:

- What to do when you get a notice of default in [Your State].
- What are the steps in [Your State’s] foreclosure process?.
- How to sell your [State] house fast for cash.
- The realities of the [State] Short Sale process.
- 5 Tips for avoiding foreclosure in [State].
- Why selling to a real estate investor is a great choice.
- How to get top dollar for your house within 3 days.

You’ll think of more, especially when you’re asked questions from homeowners. Nearly every question a homeowner asks is a good topic for an article or blog post! At the end of the day, make sure you collect the seller’s name, email and phone number from them using an “opt-in form” placed on the right hand side of your website or blog. This form (and your phone number) should be on every page giving the seller the highest amount of opportunities to connect with you.
Clever Tip: Optimizing your Meta and Title Tags on each page to coincide with your optimized keyword phrases is a great idea. Meta Tags are read by search engines so they understand what each page is about so they can index them properly. Each page can have its own set of Meta and Title Tags, so match them up with your optimized keyword phrases to get better results!

Co-Wholesaling Other Wholesalers Inventory

One of the reasons I chose to start off having you focus on finding cash buyers first is so you can easily start co-wholesaling other wholesaler’s inventory to them. This is a completely free way to make some quick cash without having to spend any money on marketing to find deals. Simply network with other local wholesalers and market their deals to your cash buyers.

The key to legally being able to do this without having to have a real estate license is getting the wholesaler to sign an “option” contract with you, giving you the option to buy the property at a certain price. Once you have your “option” agreement executed, you can now legally remarket the property to your cash buyers because you are now a “principal” in the transaction.

I teach this strategy in detail (and give you an awesome Co-Wholesaling agreement) in both my Fast Track Profit System course and my Quick Flips For BIG Profits courses. You can learn more by checking out my free Fast Track Profit System web class I put on by visiting www.CleverInvestor.com or my Quick Flips For BIG Profits video at www.CleverInvestor.com).

Clever Tip: The best places to find other wholesalers is by searching “cash for houses” companies online (Google/Yahoo), and by searching in www.Craigslist.com for ads from “cash for houses” companies. Call them up and ask them what they do with the houses once they have them under contract and see if they work with local investors to buy/sell their deals. You can also ask your closing agent, real estate agent, or even local hard money lenders, and see if they have any local wholesalers they could connect you with!
Paid Methods for Finding Sellers

Now that we covered some of the best “free” ways for finding sellers, let’s talk about how you could add some rocket fuel to your business and generate a ton more motivated seller leads. These methods include Direct Mail, Bandit Signs, and Pay Per Click (PPC). While they may cost money, you have to think of it as an investment into your business and not an expense. If done the right way, these three methods will generate more motivated seller leads than you can handle. This is how me and all my wealthy buddies ramped up our wholesaling businesses and dominated our local markets.

Direct Mail

By far the best “paid” marketing method for generating motivated seller leads is direct mail... also known as direct response marketing. The concept works like this. You create (or buy) a highly targeted mailing list (probate, inherited properties, foreclosure, high equity) and mail the owner of record a highly optimized postcard, letter, or yellow letter.

The key is not winging it. Only proven mail pieces to proven mailing lists. If done correctly you should expect between a 2-5% response rate depending on the list and mail piece.

My favorite mailing list is the “high equity non-owner occupied” list pulled from www.Listability.com. These are essentially landlords that have properties with tons of equity in them and for one reason or another (sick of tenants, property got trashed and tenant moved out, landlord wants to retire) they now want to sell.

Then I mail out a simple 4.25 by 6 inch yellow and black postcard I call the “Magic Bullet”. Below is my magic bullet postcard and the text inside the top pink dashed line is the headline, the text inside the blue dashed line is the body, and the text inside the bottom pink dashed line is the P.S. section.

Magic Bullet Postcard Example: (Front and Back)

These sections are the most important ingredients to any direct mail piece. Your headline should be attention grabbing, your body should explain how you can benefit the seller along with your contact information, and the P.S. section should create scarcity and remind the seller to keep the mail piece in case they want to sell at a later date.
And as you can see, the card is simple in design but don’t let that fool you. I have tested every aspect of this card and mailed out over 800,000 of them just in the last 2 years. It’s cheap (around $.30-.35 per card) and typically converts around 3-5%. I have designed and tested dozens of mail pieces over the years just like this one, and on average, bring in around 500-1000 motivated seller leads a month from direct mail. If you contact Listability and tell them you know Cody Sperber from www.CleverInvestor.com they will help you pull the list and give you a little discount!

Below are a couple of suggestions to pull other highly targeted mailing lists:

- Inherited Properties – www.USLeadsList.com
- Foreclosure/Pre-Foreclosure – www.Realtytrac.com
- High Equity/Owner Occupied – www.Listability.com
- Probates – www.USProbateLeads.com or pulled for free down at your local courthouse.

So now that you have your list and your first postcard, you might be asking yourself, “How do I send out postcards or letters on a mass scale? I have never done anything like this before”. Well, most investors use a system called www.Click2Mail.com. And I use to as well, but I found that the process for sending mail is complicated and takes a long time. Sometimes it would take me 30 minutes to get my mailing piece formatted correctly only to have the system “time out” and I would have to start all over. So a few years ago I decided to build my own customized mailing portal that housed all my highly optimized direct mailing pieces. My direct mail portal makes sending postcards, letters, and yellow letters super easy and lightning fast. Within 1-3 minutes you could mail out as many mail pieces as you wanted without having to be good with technology!

Unfortunately (or fortunately, depending how you look at it) I only give my high-end mentoring students access to the portal. I do this because it is a HUGE competitive advantage to having access to an arsenal of proven mail pieces and highly targeted mailing lists. I’m not kidding, once you crack the direct mail code, it’s like adding rocket fuel to your wholesaling business!

SPECIAL INVITE - To learn more about joining my real estate investing mentoring program please take a second and visit www.CleverInvestorMentoring.com and watch the short video. Honestly it’s not for everyone, but it may be the perfect fit for you. I am looking for positive, motivated people that have a passion for making money and having fun. If you are someone that has a strong “why” and a drive that compels you to change your life, then I want to talk with you. Trust me when I say this, having mentors and consultants in your business is how you will move from one level to the next. When I first started in this business, I winged it, and let’s just say I didn’t get too far. Once my mentor showed me the blueprint, I was able to get my business up and off the ground and started making some serious money. Over the years I have spent a small fortune hiring mentors and consultants and each time my business has grown considerably and so has my bank account. Smart people understand how to leverage other peoples’ skills and knowledge, and that is exactly what you will be doing when you become a mentoring student with me and my team.
Bandit Signs

Just like using bandit signs to market for cash buyers, these little roadside signs are a great way to generate motivated seller leads. By simply changing the message on the signs and placing them in high visibility areas, you can easily generate tons of high quality leads for around $1.00 per sign. Below are some example bandit signs I have used in the past.

The key to successfully generating motivated seller leads with bandit signs is realizing you only have 2-3 seconds to grab a driver’s attention, so make your headline and phone number the most prominent feature of your signs. White signs with black or red font works great and if you are in an area with a lot of snow, I suggest using yellow signs with black font. Lastly, I like using the 12 x 18 inch signs because they are cheaper and tend to stay up longer than the standard 18 x 24 inch ones. You can buy your signs online from companies like www.DirtCheapSigns.com.

💡 Clever Tip: These signs work best in lower income/working class neighborhoods, and I suggest placing your signs out late afternoon on a Friday and pick them back up Sunday night. The reason you want to do this is to avoid getting a ticket from code enforcement or harassed by anyone for placing the signs.
Pay Per Click (PPC)

Many stressed homeowners choose to research their options online by searching common localized search phrases like “cash for Arizona houses”, or “sell my Arizona house for cash”. A simple way to get your lead generating website to show up at the top of the search results is to pay Google or Yahoo to display your website in their paid results section. Typically costing between $1-5 per click depending on how competitive your local market is, PPC is the fastest way to get noticed online, even if you just launched your website and have no organic web presence. Below is a list of commonly searched phrases to give you some inspiration when setting up your PPC campaign:

- We Buy Ugly Houses City
- State Cash For State Houses
- Sell House Fast State
- For Sale By Owner In City, State
- Sell My City House For Cash
- Stop Foreclosure In State
- Short Sale Help City, State
- Sell House Quick City, State
- We Buy Houses Companies In City, State
- Fast Cash For State Houses

To advertise using PPC, I suggest starting with Google first. Visit www.Google.com/Adwords and watch their tutorial, set up an account, and create a small text ad budget of around $10 a day. Run your ads for 5-7 days and track the results. PPC leads are a little expensive, but highly qualified leads that convert well. Just one deal could pay for an entire years’ worth of PPC campaigns!!!

That’s Both Ends? Now the Middle

We’ve covered how to build a VIP Cash Buyers list full of eager cash investors, and we’ve seen how we can locate the product we’ll be delivering to them. Now let’s go through the information collection process so we can best serve the seller.
Now that you have leads pouring into your business, it’s time to discuss the proper way to collect information from motivated sellers so you can do your due diligence and negotiate a good purchase price. This is probably the most important chapter in this book because it took me sitting down with over 1000 homeowners to develop my techniques. If you master the art of negotiating you will become an unstoppable money making machine, and I am excited to share some of my best kept secrets with you.

The basic information you need to collect from a seller is:

- **Property Characteristics** (address, beds, baths, parking, pool, stories, Sq. Ft., lot size, year built, and estimated repairs)

- **Seller Characteristics** (name, phone, email, what the seller thinks the property is worth, what they want for the property, what they owe, and if there are other people that will be involved in the decision making process).

- **Seller(s) Motivation** (why, what, how fast)
Now some of this information will be collected directly from the seller during your first phone call with them. However, many times the seller forgets or guesses some of the information, so the next step in verifying the information (or filling in the blanks) is using the local tax records. You can find your local county’s tax assessor’s office by visiting www.NetrOnline.com or by Googling “[State or City] Assessor’s Office”.

When you are on the tax assessor’s website, verify that the seller you were speaking with is actually the seller of Record and that EVERY seller on title is on board and present during your conversations. Then verify the property information; square feet of the house (Sq. Ft.), bedrooms, baths, pool or no pool, and write down the Assessor’s Parcel Number (APN) for your records. You will use this later when you write up your offer.

Below are some questions I typically ask the seller during my first phone conversation with them other than the typical “so tell me about the property” stuff:

> ‘Tell me Mr. Seller, what’s happening in your life to make you want to sell me this property here today?’
(This tells me the sellers “why”)

> ‘So let me ask you this... what do you plan on doing with the money once I make you an offer you can’t refuse?’ (This will tell me “what” they need the money for)

> ‘And if I were to make you an all-cash offer on your property here today... are you able to wait the traditional 30 days to receive your cash, or would you like it in your pocket as fast as 10 days?” (This tells me their “level” of motivation)

The key to successfully negotiating a good deal with a motivated seller is to build rapport with them and understand how to construct an offer that “benefits” them. At the end of the day people do business with people they “feel” like they know and trust. Spend as much time as needed asking questions and being a good listener. Reply every once in a while using the sellers name to show them that you are present and focused on the conversation. If the seller likes you, you understand their “why” and come up with a creative solution to solving their housing problems, then you probably will get the deal!
Quick Sniff Test (3 Easy Steps)

This is Step #1 By the end of the first conversation with the seller you should have all the information you need to start doing your “due diligence”. Due diligence is defined as the investigation or audit of a potential investment opportunity. It starts with going to the tax records as suggested above.

Then Step #2 is going to Google Maps to do some online scouting of the subject property and neighborhood to see if there is anything that might affect the value of the property. Industrial areas, main roads/freeways, and power lines are all examples of stuff to watch out for. Sometimes I even just Google the address of the subject property to see what comes up!

Then Step #3 is visiting www.Zillow.com and pulling up the “Zestimate™” of the property to get a gut check on what houses are selling for in the area. Even though a “Zestimate™” isn’t always accurate, it is still a great starting point!

Between what the seller said they wanted for the property, what they said they owed on the property, and what your preliminary research shows, you should start to paint a picture of whether or not there is a potential deal here. Remember... we are looking for motivation and equity. If this quick sniff test leads you to believe there is, then it is time to do a more comprehensive analysis of the property.

The CMA, Comparative Market Analysis

By far, the most useful tool you’ll have for property valuation is the one used by real estate agents and appraisers around the country, and it’s the Comparative Market Analysis (or CMA for short).

It’s not an exact science because value is subjective!!!

Whether an appraiser or a real estate agent, the valuation process and the CMA will not be a hard number that everyone will agree upon. Each person doing the valuation has their choice of “comps” the comparable properties they want to use in the calculation. These choices will change the end result. There can be valid reasons for ruling out one property or choosing another.
Even when two real estate agents use the same comps, they often come up with different values. This is due to their adjustments to the comps selling prices. We’ll look at how adjustments are done to bring comps with different features into line with the subject property. It’s not always possible to find three or more recently sold houses all with the same number of bedrooms, baths, square footage and other variables.

Here are the basic process steps before we do an example CMA:

- Note the features and specifications of the subject property you’re seeking to value.

- Choose recently sold comparable properties in the same or nearby neighborhood, with features as similar to the subject property as possible.

- Try and find comparable properties that have sold within the last 3 months, within the same subdivision or 1/2 mile, +/- 400 Sq. Ft. in size, and +/- 5 years of age, with the same characteristics as the subject property (pool, garage size, story, etc.)

- If you can’t find “good” comps move further out before you move back in time!

- Adjust the comp sold prices for differences.

- Use the average of those prices to value the subject property.

In most cases you will rely on your investor friendly real estate agent with access to the MLS to help you complete a CMA, but if you don’t have one yet, you can “buy” your way into a system that provides similar data from sites like www.RealQuest.com. The end goal is to have access to recently sold data so you can come up with a realistic current market value. Then, we can be assured that we’re going to buy at a nice discount to that value. Let’s look at an example:
The Subject Property

We’re seeking to determine the current market value of a house with these major features and characteristics:

- 3 Bedrooms
- 2 Baths
- Normal lot size for neighborhood/subdivision
- 1900 Sq. Ft.

- 2 Car Enclosed and Attached Garage
- No Pool
- Built in 1998

In this example, we want to wholesale the house to one of our cash rental property investors, and we know that they will want to buy at no more than 85% of current market value (said another way, a 15% investor discount). We’re negotiating with a distressed owner, and the house is in ready-to-rent condition, so there’s no need for repair considerations.

Selecting the Comparable Properties

There have been multiple sales in the same neighborhood and one subdivision over, and it’s very similar, so we’re going to have a good choice of comps. However, some adjustments must be made. The first major factor is when they were sold. We definitely want to use comps sold as recently in the past as possible, definitely no more than 3 months or so in the past.

We work with our investor friendly real estate agent who is happy to share sold data with us from the Multiple Listing Service (MLS), as this is going to be more current and accurate than some of the big real estate sites like www.Zillow.com.
Comp #1

This house is just a street or two away from our subject property:

- 3 Bedrooms
- 2 Baths
- 2 Car Garage
- 2000 Sq. Ft.
- Built in 1999
- Sold for $176,000 three weeks ago
- No Pool

We’re really close with house characteristics, close enough that we could just work with this comp as it stands. However, since we want to be as accurate as possible, we want to adjust the sold price for the difference in size.

\[
\frac{176,000}{2000 \text{ Sq. Ft.}} = \frac{88}{\text{Sq. Ft.}}
\]

\[
88 \times 100 = 8,800
\]

This is our first adjustment. Because this house is larger, we’re assuming that it sold for approximately $8,800 more than it would have if it were 1900 Sq. Ft., like our subject property. So, we want to subtract that $8,800 from the actual sold price to bring it down to what it would have been if the house were smaller.

\[
176,000 - 8,800 = 167,200
\]

This is the approach you take with any adjustment. You’re adjusting the sold price of the property to more accurately reflect what it would have sold for if it were almost exactly comparable in characteristics to our subject property.
Comp #2

This house is in the nearby subdivision, but it's very similar and no adjustment needs to be made for location:

- 3 Bedrooms
- 2 Baths
- 2 Car Garage
- 1700 Sq. Ft.
- Built in 1997
- Sold 45 days ago for $154,000

We’re really close with house characteristics, close enough that we could just work with this comp as it stands. However, since we want to be as accurate as possible, we want to adjust the sold price for the difference in size.

\[
\frac{176,000}{2000 \text{ Sq. Ft.}} = 88 / \text{Sq. Ft.}
\]

\[
88 \times 100 = 8,800
\]

This is our first adjustment. Because this house is larger, we’re assuming that it sold for approximately $8,800 more than it would have if it were 1900 Sq. Ft., like our subject property. So, we want to subtract that $8,800 from the actual sold price to bring it down to what it would have been if the house were smaller.

\[
176,000 - 8,800 = 167,200
\]

This is the approach you take with any adjustment. You’re adjusting the sold price of the property to more accurately reflect what it would have sold for if it were almost exactly comparable in characteristics to our subject property.
Comp #3

This house is in the nearby subdivision, but it’s very similar and no adjustment needs to be made for location:

- 2 Bedrooms
- 2 Baths
- 2 Car Garage

1700 Sq. Ft.
Built in 1997
Sold 45 days ago for $154,000

Now we need to make an adjustment for the fewer bedrooms. We would assume that this house would sell for less, approximately by the value of a bedroom. We’re not working with the cost to do a remodel addition, but the lesser cost that would have been the case when the house was built. Don’t get too analytical here, as it’s all just “estimations.” However, you could consult with a local appraiser and ask them to give you the values they use for bedrooms, baths, and garage spaces. Or, if they’re really good and experienced, a real estate agent could help you. In this example, let’s say that you decide that an additional bedroom would have raised the value of this house by around $11,000 if it had been built-in originally.

$154,000 + $11,000 = $165,000

We’re assuming that the house would have sold for around $165,000 if it had that extra bedroom. However, we have another adjustment to make as well, the square footage. You have two possible approaches. You can assume that this would be accounted for with the bedroom adjustment, and just ignore it. Or, you can make another adjustment for the 200 Sq. Ft. difference. One approach would be to split the difference, as a bedroom would not normally be 200 Sq. Ft. in size, more like 12 x 12, or 144 Sq. Ft. The 56 square foot difference is how we’ll approach it:

$154,000 (original sold price) / 1700 Sq. Ft. = $91 / Sq. Ft.
$91 X 56 = $5,096

$165,000 (adjusted value) + $5,096 = $170,096

As you can see, we had choices in whether to do a size adjustment and the number of Sq. Ft. we would use. You can see that this isn’t a hard numbers game, but more of an estimation process guided by experience you’ll gain over time. Getting help from an investor-friendly real estate agent is always a good thing in the beginning!
Since we’ve seen how we make adjustments, we’ll use a house with all of the same basic characteristics as our subject property. It sold in the same neighborhood two months before for $179,000 and is roughly comparable in square footage as well. So, we’re using $179,000 for our comp sold price.

The Calculation Wrap-up

Since we’ve adjusted our sold prices for square footage, we’re using the subject property’s 1900 Sq. Ft. size to apply to an average of the three adjusted sold property prices of the comps:

\[
\frac{167,200 + 170,096 + 179,000}{3} = \frac{516,296}{3} = 172,099
\]

\[
\frac{172,099}{1900} = 91 \text{ / Sq. Ft.}
\]

Since we’ve already adjusted for the square footage to approximate our subject house, we really don’t need that last calculation, as our average is $172,099. This is the approximate value of our subject property in the current market.

We could have taken a different approach and not done square footage adjustments for each comp. Then we would simply have gotten the average of our adjusted prices (adjusted only for characteristics other than size) and divided by the average of their true square foot sizes. The result would be very close, and many agents prefer that approach for simplicity.

We know that our investor will only pay up to 85% of value, so we will be selling to them for approximately $146,000. Now we simply decide what our costs will be to get the deal done and subtract out what we want for our wholesale profit. Then we will know the most we’ll pay for the property.
Estimating Repairs

One of the best parts of being a real estate wholesaler is that you don’t need to become an expert in estimating repairs. In fact, when I first started I knew nothing about construction. I had never rehabbed a house, and god forbid I had to fix anything around the house. What I realized very early on, is a solid estimate will do. Below are some basic renovation numbers to help you get a feel for construction costs:

- Kitchen with new cabinets, granite countertops and stainless steel appliances: $6,000 - $9000
- Bathroom with new vanity, toilet, and shower/tub: $2,000 - $4,000
- New Roof (1000 Sq. Ft. House): $3,000 - $5,000
- Interior paint (1000 Sq. Ft. House): $1,000 - $1,500
- Exterior paint (1000 Sq. Ft. House): $1,000 - $1,500
- Flooring (1000 Sq. Ft. House): $3,000 - $6,000
- New A/C unit: $3,000-$4,000
- Plumbing: $1,000 - $2,500
- Electrical: $5,000 - $2,500
- General demolition: $1,000 - $1,500
- Pulling permits: $500 - $1,000

At the end of the day a 1000 - 1500 Sq. Ft. house would cost around $25,000 - $40,000 to completely remodel depending on what you did. Most of my rehabs on smaller houses came in around $30,000, so if I walk into a small house that needs new flooring, kitchen, bath(s), general landscaping, and paint inside and out, I typically use that number.
A Quick Formula to Use When In a Hurry...

Many times as wholesalers we use what is called the Maximum Allowable Offer formula to quickly come up with a max offer price. The formula looks like this:

\[
MAO = ((ARV \times Investor\ Discount) - Est.\ Repairs - Estimate\ Closing\ Costs - Your\ Wholesaler\ Fee)
\]

So let’s just say you believe that after doing your online research, houses that are fully fixed up and up-to-date are selling for approximately $150,000. But the subject property you are looking at needs around $20,000 in repairs to get to “fully fixed up status – the ARV”. You call your closing agent and ask them what expected closing costs on a $150,000 cash sale would be and they tell you $1400. You also believe that after talking with most of your cash buyers, they want at least a 20% discount from retail before they will even look at a deal. In addition, you want to make at least $10,000 for your wholesale fee. Let’s plug these estimates into our formula...

\[
MAO = (\left(\$150,000 \times .80\right) - \$20,000 - \$1,400 - \$10,000)
MAO = \$88,680
\]

** Notice how I used the reciprocal of the 20% discount (I used .80 or 80%) just to cut down on the extra step of subtracting out the discount from the first half of the equation.

As a reminder, this is NOT a hard number, but instead a quick estimate of the highest you should pay IF you want to make $10,000 and be able to sell it quickly to a typical cash buyer. I have went over my MAO time and time again and still made a profit because at the end of the day my perception of value is different than everyone else. Maybe a local rehabber believes they can do the repairs for less, or that the property is really worth $160,000 ARV. Since you are in the business of controlling and not owning, I suggest you get the property under contract at the best price you can negotiate. If you can’t find a back-end cash buyer because you are into the property for too much money, just renegotiate or walk- away.
Time to Go See the Property

Hopefully by now you have a good understanding of what the property is worth, you have a general idea of what you want to offer, and you have spent enough time on the phone speaking with the seller and building rapport. Now it is time to go and see the property in person. Your goal is to verify all your research you found online about the deal and hopefully meet with the seller in-person and make your offer. Print out all the comps you used when valuing the property and go drive them prior to viewing the subject property. Confirm what you see on paper is what you see in person and make any adjustments necessary if the comp is worse or better than your subject property.

If You Can Meet With the Seller

Meeting with the seller in-person (because they live in or near the subject property) is the best possible option since it gives you the ability to see the property, build rapport face-to-face, and continue negotiating down the price. I suggest bringing a Purchase and Sale Agreement, two pens (one black and one red), a yellow legal note pad, business cards and all your online research with you to the appointment. I would dress professionally and remember to smile and give a firm handshake when you first meet with the seller.

Below is the typical process I follow when meeting with a motivated seller:

I spend the first 10-15 minutes building more rapport and trying to connect emotionally with the seller. I typically look around the house for visual clues of things I can chit chat about with the seller. For example... if they have a pet or children I would talk about my kids and my bulldog Sully. I have pre-loaded pictures of the kids and my dog on my smart phone, which I show them at this time. Also I spend time repeating their “why” and continue helping them visualize what they are going to be doing with the money once they get it. Lastly I also try and tell a joke or two just to keep the mood light.

Then I go on a property tour taking notes on my yellow legal pad with a red pen. I ask the seller to point out anything that may need repaired or updated. I take pictures along the way using my smart phone.
Then I ask the seller to sit down with me to review our options. This is where I transition into making my initial all-cash offer. I try and sit next to the seller and I always mirror their positioning and body language. Here is an example of how I transition into making my offer: “Well Bob after seeing the property in person I am confident we can come to an agreement here today that we both will feel good about. And even though the property needs more work than I anticipated like the carpet and tile needing to be totally replaced and roof needing repaired, I believe I can get my partner on board with us as well. Now I know on the phone we discussed us making you an offer around $______, but after seeing the property in person and driving all the comparable sales and available properties I am comfortable paying up to $______ for the property here today. Should I put this down on paper and go over the contract with you?”

The key is to start your offer low and work your way up. After you make the initial offer immediately stop talking, reach out your hand, and stare at the seller’s eyes. If they say YES, then shake their hand and say congratulations and don’t say anything else. Immediately proceed into filling out your contract, reviewing it with them, and getting them to sign it.

If they say NO (and you should expect this response) then put your hand back down and ask them what is preventing them from signing the contract with you right now. Use active listening and focus on overcoming their objections. Some common objections are:

Objection – “I really need $______ to make this work for me”. My Response – “Hmmm. (PAUSE) Jeez (first name) I completely understand why you would want $______ for the property, and I would never want to lose a deal over a few thousand dollars... but the fact of the matter is I can (or have) show(n) you proof what houses like yours are selling for and I don’t think my partner will overpay for this property. Now I am willing to be flexible if you will as well. Why don’t I step outside and call my business partner and see if I can get him/her to come up in price. Sound fair? Then go outside and call your partner (wife, husband, friend, or dog) and when you go back inside say “Well (first name) I have great news. After reviewing your situation and property with my partner I got him/her up. Now it is not at your number, but at least they are being flexible and I have authority to write this up here today. I can offer you $______ and of course I will be covering all traditional closing costs so this will be a “net” number to you minus any loans you have on the property. Do we have a deal?”

Objection – “I have other investors that are interested in the property that I want to speak with before I accept your offer”. My Response – “Well (first name), it’s obvious that you are a savvy seller and it’s smart to shop around, but the fact of the matter is I am here with you right now willing to work out a “Win-Win” deal. At the end of the day I only want to do business with people I know and trust... and I feel comfortable putting $______ in your pocket with the property in its current condition. But if I leave here today I am going to move on to another deal. So let’s take a step back and see what we can work out. Sound fair?”
Objection – “I am not in a hurry and would like to think about your offer.” My Response – “Ah (first name) so what you are telling me is that IF you could get enough money to (their why) and maybe have a little extra cash in your pocket afterwards that you would feel more comfortable signing with me here today. So why don’t you just throw out a number that would tip you over the edge and get you to sign my contract here today”. Notice how I always position myself in a partnership. That’s because in order to be an effective negotiator you need to have a “higher authority” to refer to. In most cases my higher authority is my wife, but it can be a business partner, a friend, or even your dog. The point is you HAVE to have one, or you risk pinning yourself into a corner. Never say things like “this is my best and final offer”. Instead say “my partner said this is our best and final offer”. That way you can always come back later and explain how you pleaded with your partner and got them to come up.

💡 Clever Tip: A great way to compromise in a negotiation is a little tactic I call “let’s meet in the middle”. It works like this. If you have gone back in forth and you are close but not quite there say something like: “Well (first name) it’s looking like we are not going to be able to come to an agreement here today. Let me step outside and call my partner real quick to tell them where things are landing. I will be right back. Then step outside and make the call. When you come back in say: ‘Great news (first name), I have a final offer. I am sure you will accept. I know you wanted $______ for the property and we originally wanted to pay $______. Well after talking with my partner we feel that the fairest way to make us both feel comfortable with the deal is to meet in the middle at $______. It’s not exactly what you wanted to hear, but it is fair to the both of us at $______. Do we have a deal?’

If You Can’t Meet With the Seller

If you can’t meet with the seller because they live out-of-state, then you will have to do the same process we discussed above, but over the phone. The only real difference is that it becomes harder to “read” body language, so stay aware of the seller’s tone and pitch. Mirror the way they sound and don’t dive into an offer too quickly. Remember that the longer you talk with the seller building rapport, and showing the benefits of working with you, the higher your chances are of paying the price you want for the property. When you do come to an agreement use a digital signature service like Adobe Sign (www.acrobat.adobe.com/us/en/sign.html) to get the contract signed. Adobe Sign is a digital signing platform where you can easily upload your Purchase and Sale Agreement, email it to the seller(s), and they can digitally sign it on their computer or smart phone. They offer a free trial and the service costs around $15 a month.
Final Thoughts

In this chapter we covered doing your due diligence, estimating value, estimating repairs, the wholesaler’s MAO formula, and some negotiation tactics to help you get more deals under contract. The key when first starting is being able to rely on your power team members (Real Estate Agent, Contractor, and Closing Agent) to help you come up with estimates and values until you learn how to do it yourself. Eventually you will realize that you should never over-think a wholesale deal because at the end of the day you are only controlling the real estate not owning it. In the next chapter, I want to cover the two different deal structures wholesalers use to finance their deals using their back-end cash buyer’s money. One is called the “Assignment of Contract” method, and the other is called the “Double Close” method. Both are very easy to structure because the only difference between the two of them is how you write up your Purchase and Sale Agreement.
Up to this point, I've covered a lot of material. If you have done everything right, you'll be ready to put a property under contract so you can wholesale it to someone on your VIP Cash Buyers list. Now let’s review the two main deal structures wholesalers use... the "Assignment", and the "Double Close".

The Assignment of Contract Method

Probably the most common wholesale funding method is called an “Assignment”. The word “assignment” means that you'll be passing along your right to buy the property to someone else for a fee (called an assignment fee). You’ll be extricating yourself from the deal by signing over your rights AND your obligations to your back-end cash buyer. In an Assignment, your cash buyer takes over your responsibilities, which means they know and understand all the terms within the Purchase and Sale Agreement you have with the motivated seller. They step in and finish out the transaction while you sit around and wait for the deal to close so you can get paid.
Those are the magic words within your Purchase and Sale Agreement that you will need to have in order to assign your rights to someone else. By writing “and/or assignee” after the name of the buying entity, you’re letting the motivated seller know that it is possible/likely/certain that someone else will be jumping in as the buyer in the future.

Let’s Take a Small Step Backwards

Below are the typical terms you will be negotiating when completing a Purchase and Sale Agreement with a seller:

- Purchase Price
- Earnest Deposit
- Close of Escrow Date
- Where The Closing Will Occur (Escrow/Closing Agent)
- Who Pays Closing Costs
- Inspection Period

If you did your job negotiating you will have positioned your offer to “lean” in the following direction:

- Lowest purchase price possible
- Least amount of earnest deposit possible (fully refundable during your inspection period)
- Close with your investor-friendly closing agent
- Buyer pays closing costs (Yes... that’s you)
- Longest inspection period possible
So let’s say you offered to pay a seller $105,000 for their property because you felt it had an ARV of $215,000 after a $40,000 rehab. You would pay all the closing costs, close within 20 days, and put up a fully-refundable earnest deposit of $100 to secure the contract. Lastly, your closing agent from ABC Title Company will handle all the paperwork and you negotiate a 10 business day inspection period to allow you and your team time to better analyze the property. You and the seller agree to all the terms, then spend 15 minutes filling out the Purchase and Sale Agreement together. Before you leave the property you take many great pictures and a video of the property. If it is vacant, you ask the seller for a key and permission to slap a contractor’s lockbox on the side of the house (www.homedepot.com/p/Kidde-Portable-3-Key-Box-with-Pushbutton-Combination-Lock-Clay-001404/100653157) so you and your team can come back and complete the inspection and begin planning for the rehab. If the property is occupied, you let the seller know that you and some of your team members may need to come back a few times during the 10 business day inspection period.

As soon as you have entered into a contract to buy the property from the seller you can now start shopping that deal around to find a cash buyer. You will want to do this immediately because your 10 business day inspection period started as soon as the contract was signed by all parties and this is your major “escape” clause that allows you to back out of the deal and get your $100 earnest deposit back!

Let’s say in this example you want to make a quick $10,000 assignment fee so you will be marketing this deal at $115,000. So you put up some bandit signs around the subject property that say:

Next you create a property flyer using your Deal Automator and post on your Facebook page. Then you post an ad on www.Craigslist.com. Then you go to your investor friendly Closing Agent and open up escrow by giving the agent your completed Purchase and Sale Agreement as well as your $100 earnest deposit. While you’re there you ask your Closing Agent if they know any cash investors that may want another deeply discounted property.

Lastly, if you had cash buyers already on your VIP Cash Buyers list you would email, text, or direct-to-voicemail voice broadcast them using your Deal Automator system.
As potential cash buyers call you to learn more about the deal, you field their questions and “sell them the dream” of what the property could be. Explain to them that this deal will go quickly, and if they are interested they need to do their due diligence as fast as possible. Send them the pictures and video of the property. If they are still interested after a thorough online review, you can schedule a time to get them into the property for an inspection. Try your best to weed out “tire kickers” and people that don’t have enough cash, and if you can get them to do a “drive by” prior to you spending any of your time showing them the property, do so.

Below are the standard terms you want to have when selling to a cash buyer using an Assignment:

- **Assignment fee** (In this case it’s $10,000)
- **Non-refundable earnest deposit** ($1000 - $2,500)
- **Closing date** (Few days before your original closing date)
- **Using your closing agent** (Because escrow is already opened)

Once a serious cash buyer steps forward and wants the deal you simply need to fill out a one page “Assignment of Contract” form which assigns your interest in the deal over to them. Here is what a typical Assignment Form looks like.

As you can see it’s a simple one page document that only takes a few minutes to fill out that passes all of your rights and obligations under the purchase agreement to that buyer. That means your cash buyer has to review the original Purchase and Sale Agreement and agree to everything. Once they love the deal and agree to the terms, the cash buyer simply needs to fill out the assignment and take it plus their non-refundable earnest deposit over to your closing agent and turn it in. Once this happens you are officially out of the deal and just need to kick back and wait for the deal to close so you can get paid your $10,000 assignment fee.
Benefits of an Assignment:

- Cheap - Remember how you agreed to pay for all closing costs with the original seller. Well now that you assigned your contract, your back-end cash buyer steps into your shoes and pays those costs. Your assignment fee is a “net” number to you so it is easy to calculate your profit as a wholesaler.

- Fast - Filling out a one page document only takes a few minutes.

- Easy - Explaining to your cash buyer that you hunted down a smoking hot deal at a 50% discount from retail and served it up on a silver platter for only $10,000 is a pretty easy sell to a serious rehabber. All they care about is that you left plenty of “meat on the bone” for them to still make a huge profit!

Downside of an Assignment:

- Visibility - Everyone in the transaction will see what you made as a wholesaler. In other words, your profit is fully disclosed and if you are making too much money both the seller and buyer may get irritated or angry at the fact that you barely did any work and are making so much money off of them. This can easily screw up your deal so ONLY use the assignment method if you are making $10,000 or less and have a good relationship with your cash buyer.

As your wholesale business grows, you’ll be building strong relationships with your cash buyers. They will grow to trust your decisions and value the properties you bring to them. So much so that assignments will only become easier and easier over time as you train your cash buyers on doing business with you.

The Double Close Method

Now that you understand the simplicity of using an Assignment, let’s talk about a slightly more complicated funding process called the Double Close (sometimes known as a Simultaneous or Back-to-Back close). In a Double Close you are actually using your back-end cash buyer’s funds to fund the purchase from the seller with the “overages” being paid out to you the wholesaler. Think of it as an A-B, B-C transaction where the:

- Motivated Seller = A
- Wholesaler = B
- Cash Buyer = C
Funding Your Wholesale Deals

So here it how it works and let’s use the same numbers from the Assignment example.

So let’s say you negotiate to buy a property from a motivated seller for $105,000 because you felt it had an ARV of $215,000 after a $40,000 rehab. And just like before, you agree to put up a $100 earnest deposit to secure the contract and use your title company where you will pay all the traditional closing costs. You have a 10 business day inspection period to better analyze the deal before your earnest deposit goes hard, and you will close within 30 days.

In this example let’s say that instead of wanting to make just $10,000 (like the Assignment example), you want to make $20,000 so you market the property for $125,000, using some of the marketing techniques I showed you in this book. Here is how the deal would play out:

First, you put the property under contract with the seller for $105,000 with the following terms:

- Purchase price: $105,000
- Earnest deposit: $100 (Fully refundable during inspection period)
- Close of escrow: 30 days out
- Closing location: Your closing agent’s office
- Inspection period: 10 business days
- Closing costs: Wholesaler will pay

Let’s call this the A-B side of the transaction where you (the wholesaler) are buying the property from the motivated seller and as soon as you got the contract signed you went and opened escrow with your closing agent. Now you have equitable interest in the property so you need to start marketing it to find a cash buyer willing to pay $125,000.

Second let’s say you find a cash buyer willing to pay $125,000 so you tell them that you will be sending them over a Purchase and Sale Agreement to sign that has the following terms:

- Purchase price: $125,000
- Earnest deposit: $2,500 (Non-refundable unless you cannot pass clear title)
- Close of escrow: 20 days or less
- Closing location: Once again at your closing agent’s office
- Inspection period: 0 days. (They need to do their due diligence prior to contracting the property)
- Closing costs: Cash buyer will pay
So you create the paperwork (once again “leaning” the terms in your favor) and send it over to the cash buyer to get signed. As soon as they agree to the terms and sign the contract, you have them go to your closing agent’s office and open up escrow by giving your closing agent the signed Purchase and Sale Agreement as well as their non-refundable earnest deposit. You now have the cash buyer “locked” into the deal and we will call this the B-C side of the transaction.

So up to this point we have two escrows opened. One where you are buying the property and one where you are selling the property. Once the cash buyer is ready to close, they will deposit their $125,000 into escrow and your closing agent will allow $105,000 to flow from the B-C escrow over to the A-B escrow and fund your purchase.

Once the A-B escrow is closed out, your closing agent will then complete the transaction by closing out the B-C escrow and disperse the remaining $20,000 (minus closing costs) to you, the wholesaler. So the motivated seller is happy because they got their asking price of $105,000. The cash buyer is happy because they have a deeply discounted property they will either rehab or keep. And you are happy because you wholesaled a great deal and made a hefty $20,000 profit using none of your own money or credit.

Benefit of a Double Close:

Visibility - Because you separated the purchaser from the sale you are able to screen your huge profits from both the buyer and the seller.
Downsides of a Double Close:

Cost - Because there are two escrows, there will be two separate set of closing costs. It’s pretty easy to get your back-end cash buyer to pay for the B-C set of closing costs, but typically the wholesaler has to pay for the A-B set of closing costs, which can be as low as $1,000 and as much as $5,000, depending on your State’s property transfer fees.

Complicated- Prior to the market crashing in 2006 - 2007 simultaneous closings were pretty common, and many closing agents understood and allowed them to occur. However, after the crash many of those closing agents left the business. Plus there were a few new regulations introduced that changed the way closing agents do business. While in theory double closes are still legal, many new closing agents either don’t understand them or don’t allow them to occur at their company. This can be a small hurdle for new wholesalers because they can easily get misinformation that double closes are “illegal” or not allowed. So if you run into a situation where a closing agent is telling you that double closes are not allowed in your state politely tell them thank you and keep on looking for an investor friendly closing agent that will allow them… trust me, you will eventually find one!

All of the Pieces are Falling in Place...

You now know how to locate properties, build a VIP Cash Buyers list, calculate value and costs, negotiate like a pro, and how to fund your wholesale deals using OPM — Other People’s Money. In the next chapter, let’s review a couple of real life case studies to illustrate the two closing methods and pull all this education together into a step-by-step action plan.
In this chapter, I want to break down two different wholesale deals (one assignment and one double close) that happened to come into my life on the very same day using completely different marketing techniques. The first one is a property off of 5th. Street in Tempe, Arizona that came in from a postcard mailer. The other is off of Alameda Dr. in Tempe, Arizona, that came in from my “driving for dollars” strategy. Both leads were generated the same day, but each deal took on a life of its own. Let’s start with the assignment deal...

Background Story - On August 7th I got a call off of one of my “Absentee Owner” postcards. The seller’s name was HA and he was a 60-something year old man with a property he had owned since 1998 that he wanted to sell. The property was a little house built in 1925 that was located right next to Arizona State University. One of my acquisition agents, Josiah, answered the phone and talked with HA for about 10 minutes.

Josiah asked HA, “What was happening in his life to make him want to sell his property to us today?” This question was designed to uncover HA’s real motivation for wanting to sell. HA told him that he was getting old and didn’t want to deal with a property that was so distressed and needed major repairs all the time. Throughout the conversation, Josiah completed my “ Seller Intake Form” which gathers all the necessary information I will need to eventually analyze the deal. After he jumped off the phone with HA, Josiah began his online research and when he was done he notified me we had a new lead and that it was ready for my review.
I processed all the information and decided the property was worth around $110,000 in its current condition, but if it was completely remodeled it could be worth up to $200,000. I sent Josiah over to the property to do a “drive by” and take some pictures. When he got back I had all the information I needed to call HA. So I made the phone call to introduce myself. We talked for a while and I eventually made a verbal offer of $45,000 just to see what HA would do. He told me that he needed to speak to his wife and that he would call me back the next day. The next day he did call back and he told me the offer was too low and that I need to raise it. I asked him what the lowest he would accept is and he would not answer. He told me to think about what the most I would offer him was and to get back to him. So the next day I called HA back and told him I could only pay $55,000 because the property needed a full remodel. Once again he told me that he needed to talk with his wife and get back to me. The next day I followed up with him and he told me the offer was too low and that I needed to rethink my offer and raise it. Frustrated, I once again asked him what number he would accept and he told me “to raise my offer and get back to him”.

💡 Clever Tip: Sometimes a motivated seller will not provide you the information you need to quickly get a deal done. When this happens you have to stay calm and stick to your game plan. Do not rush the deal or bid against yourself. Realize that professional negotiators focus on building rapport, agitating the seller’s pain points, providing solutions, and telling the sellers HOW they can do business with them.

O.K., back to my story. The next day I called HA and told him the absolute most I could pay was $65,000. He asked if I could meet him near the property at a local Starbucks. I agreed and the next day we met. HA was a very nice man and informed me that he and his wife would accept an offer of $70,000. Even though this was more than I wanted to pay, I knew I could sell the property to a rehabber or landlord because it was so close to ASU. So I agreed with two conditions. Condition #1 was that HA pay all closing costs. Condition #2 was that I have a 30 day close with a 15 day inspection period. HA called his wife, then agreed, and since I came to the meeting prepared, we filled out the Purchase and Sale Agreement right there in Starbucks.
I NOW CONTROLLED HA’S PROPERTY!

As soon as I got back to the office, Josiah uploaded HA’s property to my wholesaling website (www.ArizonaPropertySuperstore.com) and sent all the acquisition paperwork to our investor friendly closing agent to open escrow. We then sent out a mass email and text blast to my VIP Cash Buyers list (about 4250 local cash investors) using my Deal Automator software. We advertised the property for sale for $92,500 cash or hard money only.

Within minutes I received a response to my text blast from a local investor that immediately went and drove the property. He called me when he was out in front of the house and told me he would take it for $80,000 cash and close within 10 days. I told him I would let him know by the end of the day and since no one else made me an offer I accepted and sent over my one page Assignment Form, which he immediately signed and sent to escrow along with a $2,500 non-refundable earnest deposit.

BOOM...I was 10 days away from making $10,000 as a real estate wholesaler and I barely worked 2-3 hours on the deal!

On August 20th we closed the deal, and I was cut a $10,320 check ($320 was my earnest money refund), HA sold his unwanted problem property, and my end cash-investor was able to pick up a discounted property that he will remodel and rent out as student housing.

Here is a copy of my assignment check:

As you can see wholesaling using the assignment method is extremely simple, fun, and profitable if done using the right systems and processes. In the next case study I want to break down a deal where I used the Double Close method because I was trying to make a much bigger spread than $10,000. Let’s look at a deal I completed on Alameda Drive.
Background Story

Also on August 7th while driving to my office, I decided to take a new route that I have never driven before. I did this to see if I could run across any run down, or unusual properties that might be vacant or uncared for. About two blocks away from my office I spotted a house that had a crew of people throwing all the furniture and belongings away in a giant dumpster. I pulled over, snapped a quick photo, and wrote down the address.

Once I got into the office I checked the tax records to see if the taxable mailing address was different than the physical property address. This is a great indicator that the property is owned by someone that does not live in the property. I could also tell that the property was not owned by a bank... but by an individual (actually it was owned by the Dorothea B. ********* Revocable Trust).

At this point I mail merged the picture of the front of the property to a simple flyer I use that grabs the owners attention by asking "IS THIS YOUR PROPERTY because I want to pay cash for it"? I then mailed out the flyer and waited for the call.

Anyway... back to my story. Turns out that the daughter-in-law received my flyer and gave me a call informing me that the property is owned by her husband’s mother who has Stage 3 Alzheimer’s, and just moved into a long term care facility. She also let me know that the mom was a hoarder and had 10 cats. The daughter-in-law and her husband lived over 3 hours away and did not want to deal with this problem property.

They owned the property “free and clear” and had a Power Of Attorney over the mother’s estate. I asked her what they wanted to sell the house for if I made her an all cash offer, and she said she wanted around $100,000 cash. She also told me that the property needed a full remodel.

I spent a couple of minutes gathering some more information then let her know that I would call her right back after I comped her property and did some online research.

My research indicated that the property was worth around $200,000, if it was fully remodeled. Since it was right around the corner I drove over to the property to do a quick visual inspection. The house was a mess... there was junk everywhere, and it smelled horrible (like dead cats). I believed a full remodel on a 1700+ Sq. Ft. house would cost around $30,000 so I started creating an offer in my head then called to say the most I could pay was $85,500 and that we would have to split the closing costs. She countered and said that the lowest they could take was $90,000. I told them I would be willing to pay $89,000 and cover all the closing costs... they agreed.
I NOW CONTROLLED THE PROPERTY!

I immediately emailed them a Purchase and Sale Agreement which they signed and sent right back.

Real World Advice From The Clever Investor - In every real estate transaction that I get into, I ALWAYS make sure that the seller benefits in the transaction. In this case, the daughter-in-law and son were extremely happy to get rid of this problem property and focus on helping his mother adjust to moving into the long term care facility. Because they sold to an investor, and not through traditional channels, they enjoyed a hassle-free sale and received the cash they needed to afford caring for their ill family member.

I let her know that I planned on doing a double close because I was going to be making a lot of money on this one, and I did not want everyone involved in my transaction to know what I was making.

Within minutes of sending out the property via text message I got a call from a guy named Jeremy that said he would take the deal if we would sell it to him for $118,800. I agreed and I sent him over the Sales Contract to sign. I informed him that he needed to take the signed agreement to my investor friendly closing agent along with his earnest deposit and open escrow (this is the B-C side of the transaction).

At this point I just sat back and waited for the deal to close. A couple of days later a mobile notary showed up at a beach house I was renting in Coronado, California to sign the closing documents.

A few days later we closed both escrows (part of the funds from the B-C escrow floated over to fund the A-B escrow and the remaining balance in the B-C escrow was paid out to me as my profit) and I was paid my wholesale profit of $29,492.41.

Here is a copy of my "double escrow" check
So as a quick review by doing a “double close” instead of an assignment:

- Had to open two escrows with the same closing agent (escrow #1 was the A-B escrow where I purchased the property from the motivated seller) and (escrow #2 was the B-C escrow where I flipped the property to my cash back-end investor).

- Had 2 sets of closing costs that I had to deal with (I paid for all of the closing costs when I purchased from the motivated seller, but through negotiations my cash back-end investor paid for all of the closing costs for the second escrow).

- Was able to keep everyone in the transaction from seeing what I was making (actually now-a-days when doing a double escrow the back-end cash buyer has to sign some “Supplemental Escrow Instructions” that disclose that a double close is taking place).

Here Is The Actual Wording In The “Supplemental Escrow Instructions”:

‘The closing of this escrow is subject to and contingent upon the concurrent closing wherein seller is acquiring the property that seller is currently selling to buyer. Buyer is aware that all or a portion of the proceeds from this transaction are the source of all or a portion of the purchase price in the escrow wherein seller is acquiring the property. Escrow agent is authorized and instructed to transfer funds from seller’s proceeds in this escrow to the escrow wherein seller is purchasing the property in an amount sufficient to allow seller to close escrow and purchase the property. With full knowledge of the existence of this double escrow, seller and buyer authorize and instruct escrow agent to proceed with the closing of this escrow as instructed. Seller and buyer further agree that escrow agent will have no liability for and will be held harmless from any matter resulting from escrow agent’s compliance with these instructions’.

Hopefully, by going through these two case studies, everything is starting to get pulled together, and you are beginning to visualize yourself wholesaling real estate using both closing techniques. As you can see, each closing strategy has its own unique benefits and both are simple to implement.
One of the greatest advantages of real estate investment is the tax advantage treatment of your investments. It varies by type and duration of investment, but generally there are some awesome tax advantages in real estate.

However, the tax code wants to benefit those who invest in real estate more as a pastime than as a business. So, there is this “dealer status” thing. The major drawback to being considered a dealer is that your income is subject to the full self-employment tax withholding of 15.3%.
A Final Business Tip
Avoiding ’Dealer’ Status... or Minimizing its Impact

Other downsides to being classified as a dealer include:

Holding rental properties in the same business entity in which you wholesale, you’ll lose the ability to take depreciation on the rental units.

You can’t take advantage of the 1031 Exchange if you’re classified as a dealer. If you use creative seller financing to sell property, you can’t defer income on your installment sale. The entire tax hit would have to be taken immediately.

First, if you plan on investing in rental property, definitely separate that business from your wholesaling. Set up a different business entity for the rental properties in order to take advantage of the 1031 Exchange and the depreciation deduction on your rental units.

For your wholesaling business, consider setting up a corporation, either an LLC as an S-Corp, a straight S-Corp, or a C-Corporation.

Of course, we’re not giving tax or legal advice. Meet with a good accountant to plan your business formation with long term tax advantages considered.
When I first started investing in real estate over a decade ago, all my friends and family thought I was crazy. Now they are all begging me to help them learn how to invest. In my humble opinion there is no better way to achieve your financial goals and create wealth than through real estate investing. Sure if you had a ton of money, you would have a lot more options, but the reality is, you don’t need to have a boat load of cash (or credit, or experience) to make a ton of money very quickly in this business. Making that decision to get “back in the game” was the best decision of my life (next to marrying my best friend!) I can’t imagine what my life would look like if I still worked for someone else making them rich.

As you decide whether or not to take the next step(s) in your real estate career, keep this thought in mind — indecision is still a decision. Five years from now where will you be? What will your life look like if you decide to focus on becoming a successful real estate investor? How will it feel to achieve your financial goals? Five years from now is going to come whether you want it to or not, what are you going to do today to shape your future?
It is my hope for you that you think BIG, set “focused” goals, and see them through. Create systems in your business to help save you stress, time, energy, and money. My mentor used to always tell me “hope is not a strategy”. Don’t fly by the seat of your pants or “wing it”. Be smart and replicate what other successful investors have done before you. While I didn’t invent wholesaling or any of the “No Money Down” investing strategies we discussed in this REI Guide, I have perfected systems for marketing, negotiating, and deal structuring that have made me and my students millions of dollars. If you’re serious about making real estate a career, then you will want to pay close attention to what I am about to say.

What’s My Next Step?

A lot of people get this wrong. And that’s ok. It took me over 2 years of trying in real estate before I figured it out. As you’ve probably learned by now reading this book... I’ve made some big mistakes in this business. It’s been almost 15 years now since I started trying to make money in real estate and to say it’s been a great adventure would be an understatement.

I’ve been broke, I’ve been scammed for $30k, I’ve just lost money because of lack of knowledge, I have been through it all.

I’ve also had great moments — the moment I first made $40,000 in less than 2 weeks without risking any of my own cash. Or the moment I quit my bookkeeping job I hated and my wife and kids and I took off on a long vacation to Mexico just to celebrate and spend quality family time. Being able to grow a 7-figure a year business and employ my Dad who had been laid off and was having trouble finding work. Finally getting to reward everyone in my life who was 100% with me in the good times and the bad.

Wait a second. That wasn’t the case.

The thing is, I’d love to tell you that my parents and my wife have always supported me and my dream to become a successful real estate investor. But that wasn’t the case. In fact, it was pretty much the opposite. And it’s the scariest, most mentally taxing thing you can imagine.

But, I don’t blame them. It sounds crazy. I’m not sure if I even believed myself when one day I boldly proclaimed to my family that I was “quitting my job as a bookkeeper and going full time into real estate investing.” Terrifying. I literally lost count of all the people, including my wife and Dad... and friends, who told me I was quote “making a mistake”
Well...

If you can’t make mistakes, you can never learn. And that’s the #1 reason most people fail with anything. Because they are afraid of ‘failure’. But what is ‘failure’, really? Failure is really just a word that shouldn’t exist. Because failure really only means that you did something and it didn’t work out… YET! In our world it’s “normal” to bring people down or laugh at them for trying something and not succeeding right away. We’ve all experienced that.

You tried to flirt with someone and got stood up and all your friends were laughing at you... You tried to start a business, but your Dad said: “Maybe you should get a real job with good benefits that will be safer.” You bought another real estate course online and your spouse said: “I can’t believe you would spend more money on that garbage you’re never going to do anything with. We can’t afford for you to throw money away!”

Right?!

I’ve been there too… Listen, it doesn’t get easier. When I built my real estate business to $10,000 per month and I explained to people what I did, they would tell me: “that’s not a real business.” When I would be genuinely thankful for being able to buy a house and providing for my family and share that online, people would say: “You’re a show off, you’re making people jealous by doing stuff like that.” That’s what happened to me. You build something and people will always try to bring you down…

Well, the only way people can bring you down, is if you’re above them. Right? Think of this when people trying to kick you again. It’s really just THEIR fears and anxieties. That’s it. Fear of losing you, because you’re growing too fast. Fear of making too much money and thinking that’s a bad thing. Fear of having to change their own lives because of your success.

And to this day I’m embarrassed by this fact, as strong willed and determined as I was to make real estate work for me, just 2 years after starting out – I quit. All the negativity was just too much to handle, I started to believe the lies that people in my life told me. I gave up on my dream. And it wasn’t until about a year later, when I discovered this one thing…that everything changed for me. I’ll explain what I mean but before I do if you only remember this please, please know there’s another way to live your life. A life of freedom. A life of financial freedom. A life where YOU don’t have to worry about mortgage or bills or paying your kids college.

A life where you can go to bed at night PEACEFULLY, because your bank statement looks like your zip code. A life where YOU choose who you work with, because you have the luxury to do so. Spending time with only the most interesting people that inspire you and GIVE you energy, instead of taking your energy away. If you’ve been FAILING trying to make it as an investor or having trouble getting consistent deals think about this: What if your mom and dad would’ve told you to just stop trying to walk when you were a kid?
"Just stop it, you suck at this." "Don’t even try, you won’t be able to do this." Absurd right? No, they told you to get up, held your hand and soon enough you were walking... baby step by baby step. And you know? It didn’t take long before you were running! Running like the wind! Remember how much energy you had as a child? Just always running everywhere and bumping into things! All because your parents told you to keep going. There was no such thing as “failure”. There was only falling and getting back up! Falling and getting back up, until you were running! Remember how much energy you had as a child? Just always running everywhere and bumping into things! All because your parents told you to keep going. There was no such thing as “failure”. There was only falling and getting back up! Parents, usually, are the best mentors you’ll ever have. And you know also in this business everybody needs a mentor. You need someone that keeps you accountable and tells you: “I believe in you.” “Keep your legs like this, then you won’t fall.” “Here, let me show you how to do that.”

Lyle taught me how to be a good mentor. He was everything you would ever want in a teacher. Because, as I’m sure you’re well aware of there’s a lot of bad teachers out there who want nothing more than to take your money. Lots of bad companies that prey on us trusting and naive people. And for 10 years I had such a bad taste in my mouth from these seminar companies — that I just kept my head down and grew my business and focused on me and my family. I didn’t think I’d ever start a real estate education company. The idea someone call me a “real estate guru” made my skin crawl, you know?

I had always loved teaching, in fact I wanted to be a high school history teacher, but I just kept putting my head down and growing my business because in real estate “if you can’t do, you teach” right? Then a few years ago, I realized “what’s stopping me from doing both”. It was the same thing! I gave up on my dream of teaching because of, essentially, other people’s opinions. I was insecure about what people would think of me. And also selfishly I thought that if I gave everything I knew away and started to teach my business would suffer. Mind you I was making millions per year — I didn’t want that to end.

So even though it scared me half to death, I decided to change things. Giving away training after training where I share everything. Not holding anything back. Just giving, so others will benefit. And you know what? Since I started doing that, my business grew even more. It’s a beautiful thing. The key though, has been Clever Investor has grown with integrity. You will never see us “touring” city to city trying to peddle our education to the masses. No, I vowed we would do things differently. We don’t accept everyone, because not everyone is a good fit for our mentoring program and I can’t physically help hundreds of students at once. It’s not fair to me, it’s not fair to you. You deserve to get personal attention on this. Something that is the exact thing that you need for this exact industry and for you to do exactly what you want to do.

So that’s why I created a mentoring program that is the real deal, not some BS life coaching program. What would you do if you and I could personally work together, how valuable would that be to your business? What would you be able to accomplish if you worked with somebody who’s made millions and millions doing exactly what you want to do. Someone that would advise you, someone that would guide you. I think we both know that’s the piece you’ve been missing. So if you’re ready to turn everything around and start having massive breakthroughs, just go to this link to apply: CleverInvestorMentoring.com

I know you probably have a ton of questions and that’s ok, remember this is just the first step in the process. We both need to make sure this is a perfect fit. Choosing the right mentor is a big decision for you, and for me choosing the right student is crucial.
The End & The Beginning
You Know It – Now Use It

So just like Lyle told me a long time ago every successful man or woman will listen to an opportunity in its entirety ask good questions and then make a well-educated decision.

So do yourself a favor and fill out the application on the link above and my team will get in touch with you to answer any questions you might have and go through all the details. And at that point if we feel it’s a "Win-Win" situation we can start working together.

Just to recap what I said earlier I can’t work with everyone, and I don’t want to. I want to work with people that inspire me people that have that whatever it takes mentality.

Now when you fill out the application remember to be open and honest I’ve mentored investors with all kinds of different starting points some brand new some have been investing for decades so don’t feel the need to spruce anything up just shoot it to me straight because if we are going to be family, that’s how I view my students, that starts with trust!

Sound fair? If so, go here now: CleverInvestorMentoring.com

Wishing you much success in all that you do!
—Cody