the art
of Creating a Good Deal

by Sonia BOOKER

4 Ways To Create A Good Deal

"Good deals are often created, not located. You should always be looking for a good investment deal. Opportunity is all around you!"

I have been investing in real estate for over a decade and my success formula for some of the largest profits I've made is when the seller didn't actually know that their property was for sale. Your biggest success factor when investing in real estate is the power of creating your own deals.

OPPORTUNITY IS ALL AROUND YOU, SO BE ON THE LOOK OUT!

There are several ways of locating properties. In this Ebook I will discus s3 effective ways of implementing strategies that will bring you good deals. The ultimate idea of property location is to have the property find you. Bird dogs, contract assignments, pre- foreclosures, foreclosures, farming, are all examples of effective ways to locate properties.

Talking with other investors, and from my own experience, I have found that a combination of methods is most effective. My motto has always been "nothing happens until you locate a good deal." I believe this to be the single most important phase of the investing process. Locating the property is an art, and every deal is completely different.

I refer to the process as an art, because you should approach each deal creatively. The art is to create ways that you can purchase a property with as little out-of-pocket as possible. Using a lot of your own money out of necessity is okay, but it can slow you down because you are only able to buy so much.

TIP

When you are using your own money, always have a clear picture of how and when to expect it back.

The Art of the Deal

The true art is to make a deal work for both you and the seller. Don't take this part of the learning process for granted; understanding various structuring techniques will save you a lot of money. Locating properties and creating good deals is all in the structuring. As long as you have a motivated seller, the sky's the limit. When talking with any seller it is important to identify their needs. Find a solution that will satisfy your goals, as well as the needs of the seller, and everyone will be happy. Yes, it is just that simple!

Most sellers only understand traditional means of selling their property. It is your responsibility to educate and show them that there are other profitable methods, especially at times when the market is slow. There can be considerable advantages for the seller in not selling by traditional means. Outright sells can come with major tax implications and cash flow concerns. When you educate them, you win as well.

Once you get started, you will find other methods and enhance different systems to fit your market and the type of properties that you are looking for. Real estate investors are all different; each has a target market and strategy. Just remember: don't re-create the wheel!
With any system, you must have discipline and dedication. Whatever your strategy, remain consistent and remember that most systems take time to get up and running.

1. Bird-dogs

A method with which I have been very successful is a process known as using bird-dogs. I have noticed that they have renamed themselves as Property Consultants. With this method you pay for leads only if you purchase the property. Put your feelers out and let people know what type of properties and areas you are looking for. I am surprised when a day goes by and I do not receive at least one lead on a potential deal.

Check with a real estate attorney in your area about the legalities involved with paying bird-dogs. In some states it is tricky because you are only able to pay licensed real estate agents for locating property. So check it out and figure out how to make it work legally. The seller pays this fee from his/her sales proceeds; it doesn't come directly from you. Bird-dogs can be as involved or uninvolved as you would like for them to be. Because this is the person who establishes the groundwork and makes the first contact, it is not a bad idea to allow them to handle the transaction under your direction. Or if you prefer, at the point when the price and terms are being agreed upon, you can take over the transaction then.

I personally prefer to keep bird-dogs in the field, where they are most productive; I usually become involved in the process fairly early. Remember, bird-dogs are not paid until you actually close on the property, so you can't have too many.

Some bird-dogs advertise in local newspapers to get telephone calls from distressed sellers. Understand that good bird-dogs can make a full-time job out of just locating properties for investors. This is a quick way of earning cash with very little overhead or start-up cost. This process requires no credit or cash! The biggest challenge is to have qualified investors who are ready to purchase.

2. Pre-Foreclosures

Just like all the other methods, it has become increasingly competitive. Pre-foreclosure information is usually public record: anyone is privileged to it. This information must be posted in a local newspaper and ran for a certain number of days, by law in most states. The key to this strategy is to be creative in your approach. The owner should feel something from you, some sense of desire, loyalty, and sincerity. At this stage, owners are still very emotional about the potential loss of their property; they are looking for a buyer who they feel will take care of the property. There is definitely no magical method however, when I am dealing with pre-foreclosure sellers, my approach is to provide fast and realistic options. I am very honest and forthcoming about what I can and can't do. I educate them about their options and their lack of time, and then I back off. My callback rate is pretty high with this helpful approach.

TIP

A Combination of door hangers and mailings, as well as face-to-face interaction works well.

Financing considerations when working with pre-foreclosures

Consider your cash flow and your means of obtaining quick financing. There are basically two ways to stop a foreclosure. One, you can pay the arrears to the foreclosing attorney. Two, you can purchase the property outright from the owner for the mortgage balance, plus any additional fees and, of course, interest.

The arrears can be anywhere from $2,000 to $20,000, depending on the situation and the amount of the monthly mortgage payments. Once you have paid the arrears, the loan is brought current, and you then begin making the regular monthly payments to the mortgage company under a land contract with the owner and take possession of the property. This process is also referred to as a "subject-to" contract; the rights can also be transferred using a quit-claim deed. (Consult with your real estate attorney regarding the best method).

2. Pre-Foreclosures (cont'd)

Basically you are taking over the existing lien and terms. This transfer of property rights is done by using a warranty deed or a quit-claim deed. In this day of real estate investing, I would advise that once you secure the property by way of deed; quickly move into finding a financing option to secure the property. This way you avoid some major issues with the loan remaining in the seller's name and the lender calling the loan due, which could put you in a bind if you are not financial prepared. More importantly, it puts your cash investment at risk. This transfer of title should be handled through an attorney's office to ensure that it does not come back to bite you.

Keep in mind that had they sold the property earlier on the retail market, they would have probably made something from the sale. Point being, you want to be fair but remember you are not there to save their lives but there to save their property.

Caution:

Prior to proceeding with the transaction to purchase the pre-foreclosed property, be sure to have a title search done. This is done to determine what liens or other encroachments exist that may hinder you in being able to gain clear title to the property. There is a fee for this service; you can also go to the courthouse yourself to locate information about the title. (Some counties are behind in updating their records, so you could possibly miss something that a professional title examiner will be able to locate). In addition, titles that are searched through a professional examiner are warranted and guaranteed.

This process may seem very cumbersome, especially when you are trying to move quickly on a property, but they can save you a lot of money and grief later on!

When making back-payments, it is important to have a quit-claim deed signed and notarized for the specified amount prior to making the back-payments. Having the deed to the property signed protects you from the owner attempting to sell the property from under you. Your recording will show up on the title. Once again, consult with a real estate attorney on whether or not to file it immediately, depending on how you are planning to handle the financing. In most counties you can pay extra to have a rush filing done, which will show up on title a lot faster.

Caution:

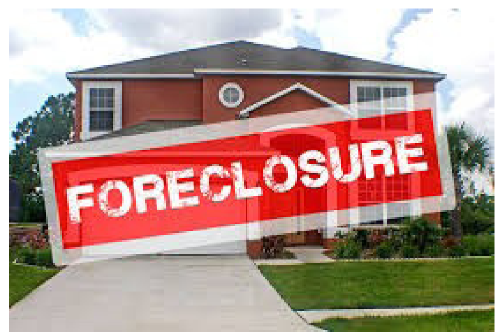
With so many people getting into real estate investing now, the title search becomes an absolute must to ensure that the person you are contracting with is the person who has the right to sell the property. Believe it or not, there are many contracts and earnest deposits paid to sellers who have no rights to a property.

They will take several contracts and deposits on one property without actually being able sell it to anyone. Needless to say, it is impossible to locate them once you have paid and later find out that they cannot actually sell the property. Unfortunately, they are counting on you not performing a title search.

3. Foreclosures

I have only gone to the courthouse steps once in my investing career. I am not a big advocate of purchasing from the courthouse steps and it is somewhat now reserved for what I consider the major players. They are purchasing 10-20 properties at a time, which makes it hard for an individual investor to leverage this process. If you are the type of investor looking for a few properties a year or may one or two in your lifetime, there are more viable options out there for you. The other issue for a small investor is that you purchase from the courthouse steps, you are purchasing site unseen. Which means that you are inherited a property that you have no idea of the condition of the inside. Yes, this could spell disaster. Believe it or not I have heard and seen situations where owners trash houses due to being upset about the loss of the property.

The foreclosure process varies from state to state or county to county.



It is important to learn how the process works in your area and determine whether it will be a viable option for you. For instance, in some states the foreclosure process is daily instead of monthly, which means that at any given time you can walk up to the courthouse and get a good deal. In other states there is a wonderful foreclosure process, which makes it easy and hassle free to purchase because the old title is wiped completely clean at the time of the new purchase.

Drawbacks/The unknowns…

- The title may not be clear and you can't purchase title insurance, therefore risking a lot of unknown.
- You are purchasing sight unseen. I have seen property owners literally destroy the house because they are losing it. You are probably familiar with the area, but when you have not seen the interior you have no idea what repairs, and so on, might be needed.
- This is a serious game and I have seen many investors lose their shirts at it.

You must have immediate availability to certified funds to purchase from the courthouse steps.
Keep in mind, when handling these types of transactions, that time is of the essence: the faster you move, the better. If you do choose this method, "partnering" would not be a bad idea. Locate an investor who has experience in this type of investing to show you the ropes.

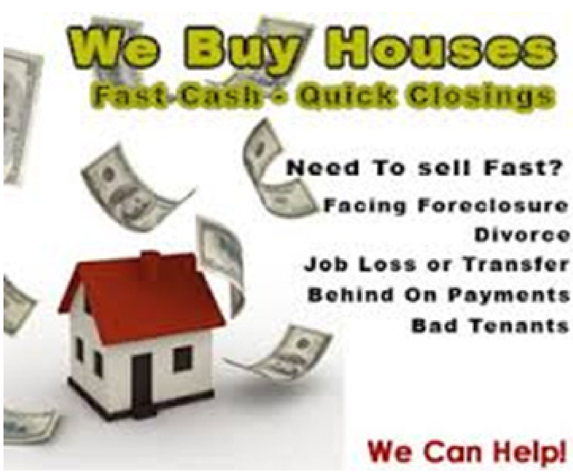
4. Farming

Farming can be very effective, but time and follow-up are absolutely critical! If time is something you don't have, I definitely don't recommend this process. Basically, farming involves launching a mailing campaign, targeting your niche-investment area. Postcards and street signs work well and are not very expensive.

If you don't have much money when starting out, but you are willing to devote your time, this is an excellent method. You only need paper, postage and a car to begin farming. A 24-hour voice recording is good to have, but not a necessity. When you are farming, the idea is that you are looking for a motivated seller. Make sure that you are targeting the seller of the property, and not a tenant. There are several ways of finding out who owns the property; the most effective is through the use of tax records.

The concept of farming supports "niche-investing." It can also be carried out in conjunction with other methods of locating property.

You should already have identified an area of opportunity through your market research. There are several ways of obtaining street addresses; however, the best way, when starting out, is to go for a drive and jot down the sequence of the streets, then mail 4-5 streets a week and follow up by telephone with as many owners as you can. This exercise will familiarize you with the area even further.



Other ways of obtaining street addresses, as well as owner names, are:

- Obtaining tax records from the courthouse. Many counties make this information available on-line. Real estate agent from your team can also able to provide this information.
- Now with the use of Google maps and other online map services, you can easily obtain all sorts of information.

Remember that repetition is important. You want the person to receive mail from you at least once a month, and perhaps in the sixth month, you will catch them at a time when they are ready to sell. Yes, it can happen, but being systematic will increase your chances.

Contract Assignments

Once you get the hang of various types of transactions, you can go out negotiate and assign contracts to other investors. This process can be involved and tricky, so be sure you know what you are doing. When you have obtained the rights to assign a contract, it should be written in your name and, legally, you must have some means of purchasing the property if you are not successful with assigning it. Be sure to add specific language to the contract, stating the time frame, assignment clause and amount of the fee to be paid. This fee is usually paid from the seller's proceeds to you for locating a buyer.

I have seen assignment fees of anywhere from $500-$5,000, depending on the property and the equity margin. You have done most of the legwork as an assignor, but once you pass the property to another investor, the majority of the responsibility is theirs, so don't get greedy! An average fee is around $1,000-$2,500, depending on the time involved. The fee is usually less than an agent's listing fee and it is considered a finder's fee, since you are not licensed.

Another key to making this process work smoothly is to have qualified investors who are able to purchase fast. When I am assigning a contract I always know to whom I am going to assign a contract at the time of negotiations.

This contract with the owner should be structured with maximum protection, as well as "a get-out clause" in case you have trouble assigning it. Don't string the contract out: if you are unable to assign it within 72 hours or less, drop it; you are now holding up the property for no good reason. In addition, it is not fair to the owner!

In most states it is perfectly fine to add this fee to the closing statement, and you are paid directly by the attorney at the time of closing. Most contract assignments are done by investors, unlike bird-dogs. Contract assignments become popular when your system of locating good deals allows you to find more than you can purchase yourself. By using contract assignments for the overflow, it keeps your process in place and when you reach your monthly goal, assign the rest of the contracts

For additional strategies for locating properties, purchase your copy of Real Estate & Wealth: Investing in the American Dream.

Available at www.SoniaBooker.com and Amazon.

The term "Wealth Builder" has become synonymous with Sonia Booker; an "uber" entrepreneur and real estate guru. Sonia is among the nation's top 'Go To' thought-leaders on wealth creation and real estate investing. She is also one of most sought-after speakers and real estate coaches.

Sonia's passion to equip everyday people with the blueprint to build wealth, "one dollar at a time," is her unique and distinct brand. It has resonated with the public and inspired a wealth building movement centered not just on building a better life, but a building a lasting legacy.