

## Subject Line – Part 1 – Grumpy Old Investor Got Dinked

The moral of this story is best said to be “No good deed goes unpunished”. A new investor called me and said she had a deal with a potential \$30K profit. As a realtor she had worked her way through a short sale and found a cash buyer for a property in a distressed area. The original loan amount was \$149,000 and it had been shorted to \$55,000. She had two hard-money lenders who would finance the deal and since she had a cash buyer there wouldn't be any seasoning or markup issues. The closing agent for the seller's lender wouldn't allow a double closing so she had to borrow hard-money to close the deal because her buyer couldn't close until two days after the buy side had closed, so hard-money for a short time was the best answer.

She even had a backup buyer for \$5K less so the deal was seemingly cast in stone. Remember the word “seemingly” because the trouble started just before the first closing when both hard-money lenders decided they wanted to be transactional funders only. This meant that the end-buyer's money had to be in the account before they would close. Frankly, it seemed cruel that these hard-money lenders had decided to change the rules. No longer did they want 14% and three points, now both wanted 50% of the profit. The realtor/investor was panicked and called me crying, and couldn't stop crying. She had sacrificed everything including selling her car to get to this point. So, I made an emotional decision and simply said “I'll close it for you.” I have to admit I definitely felt special that I could help this person. Yeah, wait for the rest of the story!

I went to work doing my due diligence on the deal and noted that the investor had only a \$1,000 deposit and I had never heard of the closing agent but he was an attorney (later found out he wasn't licensed in Florida). I asked for the HUD-1 to review it before the closing and didn't get a comfortable feeling about why I couldn't get a copy. Undaunted, I went to see the property on the way to the closing and found out the rehabber who did work on the property and had lived in it, did a really, really bad job. Not to go into details but there I stood in this rag-tag 30% finished property and said, “I need to speak to the buyer”. I called and spoke with her and asked how many times she had seen the property. She said three times and that she had someone to do all the work needed. Her grandmother had the money for her and had to cash in a CD that was due in a couple of days.

I kept moving forward to the closing and next realized that the address of the closing was a title company. However, the closing agent (unlicensed attorney) just comes in to use their conference room. When I finally got to see the HUD-1 I noticed that the broker for the deal was getting a 6% commission and the realtor/investor works for him. That bothered me but I sat and saw the realtor/investor sobbing when I started resisting about closing. I kept getting re-assured the buyer was closing in two days and suddenly she made me a “partner in the deal” for a 50% interest. So I proceeded to close, but I decided not to lend any hard-money, but rather buy the property and after it was sold to just take “my” part of the profit. That way I wouldn't have to foreclose if something happened. Note – this was the only clear vision I had in this entire deal. It was probably a change in my blood pressure meds that had me previously brain-fogged.

Needless to say, the first and second buyers disappeared, no forfeited deposit ever came to me and I was busy doing deals so time flew by. The realtor/investor was sending “buyers” to the property until one day she called and said “There are bees in the house!” Bees are beautiful creatures of nature but not in a house you are trying to sell. The first bee removal cost about \$150 and she paid for it. The second removal cost \$595 and I paid for it because by this time she was not sending prospects by and now I realized that I really, really owned the property. Unfortunately, a few of you know this dilemma - I could rehab the property and sell it for about \$25K more than I paid for it or I could pay someone to do it for me, risk a worker getting injured and financial ruin, but either way I would lose money on the deal. I opted to sell, take a loss and put it behind me.

I hadn't tried this very specific method of selling a property in probably five years. You'll read about it in Part 2 of this article. In Part 2 you'll see another “life lesson” that you can use in your everyday business to create a flurry of buying activity.

To your limitless success,

Dave Dinkel

## Subject Line – Revenge of the Grumpy Old Investor – Part 2

In Part 1 you got a glimpse at my buying a property with all good intentions but getting stuck with it, holding in a slowing declining real estate market and not taking immediate and appropriate action.

I had purchased the property in one of my corporations and I decided to try an experiment so with the help of a broker and good friend, I had her list it as “Corporate Owned”. If you aren’t aware of it, REO’s (Real Estate Owned Properties) are often called Corporate Owned. Nothing misleading here as my property was corporate owned. In the listing I explained Handyman Special and how much work it needed so there was no question that the property was a fixer upper.

So she listed it on the MLS® and seemingly within a couple of minutes contracts started coming in over her fax and by email! She called me extremely excited and simply said “I sold it!” and I said “Send me the contracts to look at.”

Even as I looked at the initial contracts, more contracts kept coming in but I knew it was impossible for any of these initial perspective buyers to have seen this palatial estate so I knew it was investors throwing stuff on the wall to see what stuck. I forgot and left my “Corporate Owned” sign in the yard so many of the people who actually went to see the property called me. A couple of realtors called to complain that the condition of the property was “ugly and terrible” and it may even have had health hazards – he was talking about the electric panel. I had told them all that in the description of the property on the MLS® so what was their problem? Oh, they forgot to look at the listing info because they were blinded by their greed to get to the property, or was it just too much to read?

The calls, offers and contacts keep coming including one that was \$20,000 OVER the asking price! On the highest offer I personally knew the wholesaler who was bidding on it and I asked the broker to call him and ask if he was serious. This was simply because I wanted to close and not tie it up under contract to be flipped, or turned back if he couldn’t sell it. She called and he said through his assistant that he was only going to flip it. The range of the offering prices was from \$15,000 below asking to, as I mentioned previously, \$20,000 over my asking price. I reviewed the other contracts and knew all but one of the perspective buyers to be local wholesalers who had no intent of closing. Despite what you might think, the real estate industry is like a small town where everyone knows everyone – so protect your reputation.

Late the second day a contract came in that is really poorly written or very cleverly written and I am having trouble figuring it out. For example, the contract stipulates “Cash with no contingencies for financing” but also has checked “Seller Financing”. This is called an “ambiguity” and if you go to court with these problems in your contract the court usually rules in favor of the seller (homeowner). I also notice the selling price is equal to the “Cash at Closing” line so what happened to the deposit? There is a single buyer designated on the “Buyer” line but two signatures on the signature lines.

The realtor is mentioned and a clause has been added that the buyer must pay the realtor a \$395 (junk) fee. It appears that the buyer is represented by the agent and the agent has signed the contract along with another unknown signatory. The buyer has stipulated that he wants the deal but I have to close before the following Friday – less than a week away. There now is an issue of a lien search coming back in time, but I suggest we escrow the closing documents and keep focused on the goal – my taking a tax loss and getting away from this toxic dump.

At this point I don't care about the price, but the broker negotiates it higher anyway. That's what great realtors should be all about. Next I ask for a \$5,000 deposit, I request a "zero" inspection period and we use my closing agent – which the buyer agrees to! The buyer gets the deposit check to my broker and it's a personal check and I immediately realize the buyer is the agent. Even that's Ok despite my paying him a 3% commission which effectively is a price reduction. I am undaunted and my broker goes ahead and asks for a cashier's check. The buyer states he will wire the funds for the full amount if I can get him a HUD-1 Closing Statement. I don't know if you know this but to produce a HUD-1 for a cash buyer takes minutes and my closing agent is up to the challenge, so off it went for the Friday closing! I no longer care about winning the Lotto since I have found someone who is in love with this property and needs it to survive.

I hold the original personal check deposit contemplating having the Attorney General's Office prosecute for a bad check charge, but suddenly the wired funds arrive. This is like winning the Mega Ball five weeks in a row. But as it starts to look like it is cast in stone, the buyer has an emergency and requests to close on the following Monday. The funds have already been wired so why should it matter to me? Don't know, don't care, I just agree, postpone the closing and move closer to cashing my new winning Lotto ticket.

Just days ago on this past Monday I get a call from the closing agent and she says "Where are you?" and I responded "Is the buyer there already?" I ask this because he's an hour early. So I go next door to sign and get my proceeds wired to me. The closing literally takes 10 minutes but while the closing agent is copying the closing docs I asked him some questions, like "are you buying this to live in?" His answer is "yes" but later I ask the same question in a different format and he answers that he is going to have his Mom and Dad live there. I ask more questions and get more fuzzy answers but frankly I didn't care. I wished him the best and said good bye and that was that.

In summary, I guess I got "Dinked" for allowing my heart to do my thinking when I bought the property – always have been a sucker for a crying woman (or man) and injured animals. To many newbie investors this transaction would have been fatal. To an experienced and "old grumpy investor" it was just something that happened and it was my fault and no one else's. If I ever let it happen again call me stupid and slap me on the back of my head – actually Nancy will do that for you. She did tell me not to do the original purchase, but my everlasting faith in human nature was misplaced momentarily. So for the readers who endured this whole two-part article – if you are at a cross roads, been knocked down but aren't out - get back up, get moving forward,

forget blaming anyone but yourself and go on to the next one. Life is way to short to wallow in “stuff”.

To your limitless success,

Dave Dinkel

Realtors Beware – Seven Ways Lenders Are Dumping REO's

Subject Line – Part 2 - Here is a Neat Trick to Disorient Investors and Realtors

Banks are Circumventing Your REO Sales -

It's happening - lenders have had it with all the stuff they have to get through to do REOs. There are targeting realtors in a number of ways – first they are in the process of starting their own brokerage firms which is what they did to the stock brokerage industry despite it being illegal for the lenders at the time. All they did was lobby with tons of cash and got the rules changed. So now they own what is left of some of the largest stock brokerage firms in the country.

Realtors blame investors for the problems they have selling REOs. Even with 10 – 20 offers on each REO as it pops up on the MLS®, there are only actually a few real buyers in that bidding frenzy. Instead of embracing investors as the salvation to buy these properties that no one else wants, realtors blame investors for their shortcomings. The main one being that they cannot get FMV for a derelict property.

Realtors seem to take it personally when investors offer low prices. If investors didn't make absurd offers they would be buying at retail and owning a losing asset. If they are such great deals, why aren't the realtors buying them all up? Simple, realtors focus on getting the highest possible price for a property for their client and for a higher commission. Diametrically opposed are investors who have to get the lowest possible price to sell and make a profit – an American Tradition. If no profits, no more purchases and a viable economic recovery tool is taken out of the market – what is left is our tax dollars which realtors also have to pay as they make more and more money.

So it is both the fault of the investors and the realtors that the REO market is such a paranoid place. The players, realtors, investors, lenders, appraisers, closing agents, etc., are all making money, so what is the problem. I see the squirming and squealing coming from a few people who don't want to have to do the work necessary to close a

deal. These same people are making one investor put up more of a deposit ten times higher than another and have zero inspection period. The person being hurt here is the Asset Manager who is not seeing higher offers because of the goofy nature of the requirements. If you don't get it, the more the Asset manager (lender) loses, the more our guarantee covers them and the more taxes we will pay in the future.

Online auctions – don't need realtors at all.

More subtle changes are in the short sale arena and the foreclosure auctions.

Short sales –

Sale at the auction -