Commercial Real Estate Wholesaling How To

Bob Diamond 2nd Generation Real Estate Investor, Foreclosure expert Attorney
Ed Diamond 2nd Generation Real Estate Investor, Foreclosure expert, MBA
Diamond Law Center, LLC 333 E. Lancaster Avenue, #346 Wynnewood, PA 19096
Support@DiamondLawCenter.com
The methods we use to teach you

We have found that using a combination of written materials and internet based webinars and our web site using the latest in Learning Management Systems works best for teaching you. Therefore we have put together this basic book for you to read and very comprehensive training that you will access. You will receive two modules a week for 6 weeks along with live training in most of our courses. The combination allows us to teach you in a very organized manner. You should have your login ID to our system, if you have any challenges email cws@bobdiamond.com our support number is 800-981-2846 x0 and it is manned Monday through Friday.

This should be fun and easy for you!

www.diamondlawmembers.com
www.diamondlawcenter.com
cws@bobdiamond.com
support@bobdiamond.com
800-981-2846 x0
INTRODUCTION

You are holding in your hands the key to success in wholesaling commercial real estate. Wholesaling commercial real estate is a business that can make you money without taking financial risk, without needing credit and you can make money very quickly.

As with any business your success depends upon your execution. In order to be successful you must perform all the steps in the system. Follow the steps and work consistently towards your goal and you will be successful.

The way this business works is as follows:

• Learn how commercial real estate works. Learn how commercial real estate investors analyze a deal, evaluate the numbers, and decide whether to buy.

• Learn the lingo. Learn terms such as Debt Service Coverage Ratio and CAP rate.

• Build a list of buyers and sellers. Part A is to solicit commercial real estate buyers in your investing area to find out what kind of properties they are looking for and what prices they are willing to pay. In this way you will develop a list of buyers. Part B is to solicit commercial real estate owners in your investing area to see if they want to sell their property. You can and should do both at once.

• Negotiate a purchase price that is less than your buyers are willing to pay and put the property under Option or Agreement of Sale.

• Let your buyers know about the deal.

• Assign your Option or Agreement of Sale to your Buyer for a fee.

This course is unique because you will learn both how to invest in commercial real estate and you will learn how to wholesale. There is no other course we know of that teaches wholesaling commercial real estate and there is no other course that teaches both how to invest as a principal and how to wholesale to others. We teach both investing as a principal and wholesaling to others because you need to understand both if you are going to succeed as a wholesaler.

This course is also unique because we teach you how to buy and wholesale properties with one hundred percent built in financing. This makes it possible for you to profit from properties without dealing with banks and other institutional lenders. It also allows you to wholesale off properties where your wholesale buyer need only pay your wholesaling fee. The financing to acquire the deal is built into the deal through the structure.
Our “no money down” and “built in financing” techniques include:

1. Master Lease Option;
2. Seller Take-Back financing using a first mortgage;
3. Private Money in whole or part;
4. Installment Sale;
5. Subject-to;
6. Taking the Stock in the Entity that Owns the Property;
7. Wraparound Financing; and
8. Seasoned-Refinance.

As you can see from the list up above there are plenty of ways to finance a property “no money down” and most do not need a bank with all the rules and regulations attendant to banking. Like a toolbox with lots of tools in it, there is a no money down technique to match almost any situation.

Even if you just want to wholesale, you must understand commercial real estate investing if you are going to be a successful wholesaler. You must be able to look at a deal like your wholesale buyer will. Once you understand how your wholesale buyer will evaluate a deal you can then negotiate a good deal with the seller. And with the knowledge and lingo you can present it to your buyer in a way your buyer will understand it.

Study this course and you will speak the language of commercial real estate investing and you will be able to understand and use terminology such as Debt Service Coverage Ratio, CAP Rate and Rent Roll. You must know terms such as these because then you will know how to discuss transactions with Buyers and Sellers. That is why this course comes with a course on commercial real estate investing that is more than 300 pages long. The commercial investing portion of this course is actually enough education for you to be successful investing in commercial real estate as a principal.

This book is the companion to the commercial real estate investing book, which is about acquiring properties with “no money down” and wholesaling commercial real estate. For wholesaling you will learn to use Options and Assignments. You will learn how to build a list of hungry buyers who want to pay you for the deals you find. You will also learn how to locate sellers of commercial real estate who would like to sell if approached but who do not have their property listed for sale with a broker. You will know how to analyze the deal, lock it down under legal agreements then assign those agreements to your buyers for a fee.
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Topic</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>BENEFITS OF WHOLESALING</td>
<td>11</td>
</tr>
<tr>
<td>CRITICAL ELEMENTS OF SUCCESS</td>
<td>17</td>
</tr>
<tr>
<td>FINDING DEALS</td>
<td>29</td>
</tr>
<tr>
<td>MARKETING</td>
<td>35</td>
</tr>
<tr>
<td>EVALUATING DEALS</td>
<td>43</td>
</tr>
<tr>
<td>WHOLESALING STRATEGIES</td>
<td>47</td>
</tr>
<tr>
<td>MASTER LEASE</td>
<td>49</td>
</tr>
<tr>
<td>OWNER CARRIES 2&lt;sup&gt;ND&lt;/sup&gt;</td>
<td>55</td>
</tr>
<tr>
<td>MONEY PARTNERS</td>
<td>57</td>
</tr>
<tr>
<td>INSTALLMENT AGREEMENT</td>
<td>59</td>
</tr>
<tr>
<td>SUBJECT TO</td>
<td>73</td>
</tr>
<tr>
<td>WRAP AROUND</td>
<td>77</td>
</tr>
<tr>
<td>SEASONED RE-FINANCE</td>
<td>81</td>
</tr>
</tbody>
</table>
How to Complete this Course.

- Attend the classes real time or through recordings.
- Read this Wholesaling Book and the Commercial Investing Book. It does not matter what order you read them in.
- Attend the live event.

How to Get Started in the Business.

- Set up your on-line websites.
- Pick out your marketing materials from the online materials.
- Send out marketing materials (letters and postcards) to buyers and sellers provided by the computer system. If you need more buyers and sellers get additional lists from Melissa Data, your county assessor’s office or other sources (more detail in this book and in the on-line training on the topic of marketing to find buyers and sellers)
- Network with buyers and sellers at your REIA club, Apartment owners association and anywhere you find real estate investors
- When people call or register on your website talk to them. If they are buyers explore the possibility of selling to you. If they are sellers find out that they are looking for and go find properties that match their criteria.

Simultaneous and Continuous Marketing.

It may surprise you to know that you market to find buyers and sellers simultaneously. In fact you should always be marketing for more buyers and more sellers. The more you market the more deals you will do. Your goal in your first six weeks should be to send out an initial mailing of 800 to 1,000 mail pieces to prospective buyers and 800 to 1,000 mail pieces to prospective sellers.

Unlisted Properties.

There are many sellers who think that given the current market conditions listing their property with a broker would be a waste of time. To a degree they are right – traditional brokerage practice where brokers look for traditional buyers who can put thirty percent down and get a mortgage for the balance of the purchase price does not work well. Traditional buyers are fewer and banks are strict on lending and require enormous down payments.

Yet many owners still want to sell. Most landlords get burned out after a few years of land lording. Many building owners have aged and want to sell their property and retire. Those are the owners you want to talk to. Owners of commercial properties that do not have their property listed with a broker but who would sell if approached.
How to Get Your Buyers.
As for buyers, you want to find buyers who have the desire and ability to buy today. You will find some all cash buyers and you will find buyers who need to take over the no down payment financing you have created. The most important part of your relationship with buyers is to understand what it is to understand what they want in a deal. You should work with buyers who are reasonable in their demands (meaning you can find deals with the criteria they are looking for) and have the cash to pay your wholesale fee.

Steps in a Wholesale Deal.
The concept is to gain control over a property by putting it under contract, and then assign that contract to a buyer for a fee.

Step 1: Market to sellers to get your phone ringing.

Step 2: Sift through your Sellers to find motivated sellers who want to sell and will be flexible on terms.

Step 3: Do preliminary research on the property and meet the seller to discuss the deal

Step 4: Negotiate to a price or terms that will be attractive to your wholesale buyers

Step 5: Sign the papers to put your property under risk-free contract.
Step 6: Market the deal to your buyers.

Step 7: Show the property to your buyers.

Step 8: Assign the deal to your buyer and take your fee.
Benefits of Wholesaling

Income without Cash Risk
Wholesaling techniques allow you to profit from properties without risking your cash or using your credit. The idea is to get a property under a risk-free contract. That means a contract that you are able to get out of if you cannot find a wholesale buyer and you do not want to buy the property for your own portfolio. The risk-free clauses are usually in the form of inspection contingencies. Your risk is simply your time spent analyzing the deal, speaking with the seller and looking for a buyer. If you cannot find a buyer just let the deal go and move on. Nothing lost but some time.

Speed.
Wholesaling is one of the fastest ways to make money in real estate. You just find a seller, put the property under contract then find a buyer and assign the contracts and collect your fee. No waiting for a bank to make a decision, no waiting for appraisers to finish their work. Just find, put under contract, assign and collect your fee. Your goal should be four to six weeks to complete your deal from seller contact to collection of your fee.

Freedom and Control of Your Day
You decide when you will work. Need to drop off the kids at school? Great, just make your schedule around school drop off. Want to meet a friend for lunch or take the afternoon off to golf? You are free to do so. As an entrepreneur you will work long hours, especially at first, but ultimately you control your time.

No Credit Needed
Traditional real estate where you get a bank loan requires excellent credit and these days’ liquidity and experience. Liquidity and experience are new requirements imposed by lenders after their losses in the 2007-2010 timeframe. Without excellent credit, liquid cash and experience you are not going to get traditional loans. As a wholesaler you do not need credit, liquidity or experience – you need knowledge of how to wholesale and contacts with buyers and sellers. That is perfect for the times we live in today.

Little Cash Needed
Traditional commercial real estate requires down payments of twenty-five, thirty and forty percent of the purchase price. And more! As a wholesaler you typically do not put down any large down payments. Some techniques like the seller-cancellable option allow you to make no down payment at all! In the techniques that do require a down payment that money is refundable as long as you use the contingencies as they are designed.
Part time OR Full Time Business
Most investors start off part time – or want to work part time to enjoy their life away from their business. Wholesaling does not take much time. Most deals should take ten hours or so to do. That is because what you are doing is limited to meeting and negotiating with the seller and then meeting and negotiating with a buyer. Other areas of investing take more time. Just buying a property with a traditional loan takes more than ten hours. Not to mention investing systems where you do renovations, land lording, or syndications. All of those systems take large amounts of time. We know, we have been landlords, syndicators and renovators. Wholesaling is the most time efficient system we know of.
Frequently Asked Questions

Will Wholesaling Work in My Area?
Many new investors question whether wholesaling can work in their area. They wonder if they are putting their proverbial ladder up against a viable wall. Let me put your doubts to rest. Wholesaling works everywhere. High cost areas and low cost areas. Cities, suburbs and rural areas. The same techniques apply to million dollar mansions and blue-collar houses. To high rise apartment buildings to warehouses.

Your success is going to depend upon your action. Follow the system and it will work. Build your list of buyers. Market to find sellers. Put the properties under contract then move them out to your hungry buyers.

Are there Buyers and Sellers in All Areas?
The business system and methodology is the same in all markets. What is different is that in areas with stronger real estate markets for sellers you will have less highly motivated sellers who will give you the terms that you need to wholesale. More affluent areas and stronger resale markets will require you to do more work to find sellers. Less affluent and slower selling markets will require you to expend more efforts to locate ready, willing, and able buyers. In each market where it is easier to find one party (a buyer or seller) it will be harder to find the other party. The good news is that you can successfully wholesale in all markets. Just adjust the effort to keep your buyers and sellers balanced and you will do fine.

What Types of Properties Should I Look For?
Ultimately you want to locate properties that you have buyers for. As you receive calls from buyers you will know what buyers are looking for in your area.

At first you will not have many buyers or experience so talk to any and all prospective sellers. You are not taking financial risk and the practice is good for you. As you become more experienced you will be more selective.

Where Should I Wholesale?
You should work in one market area to start with, preferably close to home. The easier and faster it is to go and see a property, accompany a buyer and meet with the seller the easier and faster your business will be. Do not go look for a “hot market” that play is overdone and unless you are going to move there, stay close to home. The “hot market” is mostly an appreciation play and we do not need to worry about appreciation.

What if the Market Falls?
As a wholesaler you are getting in and out of a property in weeks. You are also not required to buy the property because we use risk-free contracts. Downturns in real estate do not typically happen in weeks and even if they do you are not going to be hurt.
In fact in falling markets you will find it much easier to find flexible sellers ready to sign on to your wholesale deal. You will also find an adequate number of buyers in any market – especially using the no-money-down and no-credit qualifying techniques to wholesale. These buyers will typically be of two types – buyers who believe the market will not fall any farther and those who buy for cash flow and do not care about the value of the property – they care about the cash flow which will not change just because the resale price dropped. Furthermore, as we write this in 2011 we believe the majority of price declines have occurred and while some markets will see some further downward pricing this year most markets will hold steady or increase.
Critical Elements to Wholesaling Success

Marketing
Marketing for buyers and for sellers is the first and most important step to your success as a wholesaler. You must locate sellers to sell and buyers who want to buy. That is done through marketing. Market consistently and well and you can make a fortune. Fail to market and you will fail.

Marketing takes three primary forms.

- Broadcast marketing (internet, lawn signs, billboards, radio, TV, newspaper),
- Targeted marketing (direct mail, email) and
- Networking.

You must do targeted marketing and networking as much as possible. Networking involves meeting as many other investors as possible. Investors will bring you deals and they will be your buyers. Build those relationships and you will find success.

Action
- You must take action.
- Implement this system.
- Set up your websites, send out your marketing, and return your phone calls.
- Take massive action and get massive results.
- Take moderate action get moderate results.
- Take no action and you will get no results. It is all up to you in that regard.
Follow Up and Finish Up

- Here are the keys to success in this and every other business:
- Successful business people follow up.
- They return communications promptly.
- They follow through.
- They finish what they start.
- If they say they will be there at a certain time and place they make it happen.
- They get to the final result.
- They do not make excuses.
Successful Real Estate investors and Business people

Action oriented
The single most important trait of any businessperson is the ability and desire to take massive action quickly. Successful people ALWAYS have this trait, they tend to quickly move to the “money” wasting no time on business cards, stationary, web sites and “getting it perfect.” You can literally do everything in this chapter and in this book but if you do not take action you will not get anywhere.

The bottom line is that you should assume that any deal you look at has 5 other people on the deal who are very adept business people and real estate investors that are very capable of getting the deal tied up. You are using option agreements so there is NO REASON to hold back, get the deal on paper and done NOW!

You will thank me for this later.

Success Traits:

- Get 100% in and market aggressively
- Goals are set and written down
- Goals are specific and numbers are set for profit
- Fears are set aside and do not stop actions
- Decision making is immediate and sure
- NO SECOND GUESSING
- Outside opinions are sought from SUCCESSFUL people
- Risk is calculated and reward to ensure that there is more reward than risk
- Wholesale using our system involves little or no risk thus there is no reason to hedge and stall.

Please take this as it is intended, you have little to no risk and if you just stop thinking and get the deal done you will be successful.
Sales Skills
Everyone sells, your wife or husband “sold” you on his or her ability to be a good supportive mate. When you are a child, you are ALWAYS SELLING AND CLOSING, watch children, they are always selling you on why you should give them a treat of food, later bedtime, a little side trip or more time with you. They are natural closers and negotiators. This skill is invaluable and actually if you are quiet it means you are a great listener and thus have NATURAL selling ability.

Every day you sell yourself to your spouse, children, employees, your boss, literally everyone you work with. Your credibility is measured by your ability to follow-through on your commitments. Marketing generates leads, selling converts those leads into money. The more marketing you do, the more leads, the more conversations you have and relationships your form and the bigger your network, the bigger your income level, pretty simple stuff folks. The education that you have in the industry will give you the basis to have intelligent conversations about properties and give you the ability to sell better. It is critical that you invest in yourself at all times, building Real Estate Investing expertise is a lifelong pursuit that is really a lot of fun. Watch children, they LOVE learning new things and watch most adults, they LOVE teaching children. Do you really think it is any different for us? When you come to our live events, you will see the love that Bob and I have of teaching, can we make more doing other things? I do not care because I love helping people succeed, I’d rather teach someone to fish than give them a fish and its what we love to do. I personally coach soccer, tennis, and kids speed and strength training at no cost. Why? Because that is the way that I am built.

If you re-connect with your passion and love of learning you will become more successful. One more thing, negative comments and people can’t sell anything, this is the most important thing that you can learn in selling. Try a test, when someone asks you how you are spend 60 seconds and say something mildly negative and I’ll bet that they leave in 60 seconds after there eyes glaze over. Now, with the next person say ONLY positive things, repeat there name 5 times in 60 seconds and watch how they are DRAWN to you.

When you are making small talk do not ever, ever talk about politics or religion this is not the time for that. This is the biggest mistake I see people make, when they run out of things to say they drop into this discussion and you will find that it always ends badly. Politics, Religion and Business make terrible bedfellows as not everyone has the same belief as you and it’s your job to do business not to use it as the way to convert people to your beliefs.
There are wonderful books on selling by Dale Carnage, Zig Ziglar, and others, which I suggest that you read. My personal favorite is Harvey Mackay and his approach to networking and sales has really helped build my personal network and ability to sell. I find that when I stick to the simple principles on the next page my success rate is very, very high.

You can do this, its very simple!
Critical traits of ALL successful sellers

- Great listener
- Positive
- Active listener
- Smiles
- Uses the other persons name often in the conversation
- Great eye contact
- No foul language
- Speaks about the future in glowing positive terms
- No political comments
- No religious comments
- Strong work ethic
- Follows-up relentlessly
- Ethical and trustworthy
- Hi EQ (look this up its Emotional IQ and is more important than IQ)
- Knowledgeable about current events
- Organized
- Respectful of others time
Work Ethic
Ok, I have to break this to you, the 4 hour work week is a lesson on being efficient, no successful person works 4 hours a week. If you love what you do, are passionate and well read you will be efficient with your time. The key is that you work smarter not harder, my dad used to say this all the time and as an engineer with 2 very demanding boys he always found time to coach our teams, work on our projects and homework in spite of a demanding job at Boeing and owning rental property.

Real Estate can build one heck of a passive income stream if you work hard at it and work SMART. Here are the success traits you need to work on:

- Passion for what you do
- Get up early and work late when building your business
- Weekends are necessary in the beginning
- Roadblocks are inevitable and you LEAP over them, go around them, crush them, you treat them like the enemy they are and CONQUER them.
  If you do not know how to get through the issue go to your network of SMART people and get some help
- Do not hang out with slackers, lazy people are like a communicable disease, you will catch the disease.
- Network with other hard workers.

People Skills
People come in all shapes, sizes and mindsets and you need to learn to deal with all of them. Its actually very, very simple to do this, Bob is incredibly good at this actually. Here are his principles for success:

- Do not judge anyone
- Accept people as they are
- Mirror there emotions
- Mirror there speech patterns
- Smile when conversing
- You have one mouth and two ears BE QUIET AND LISTEN

Yep, it’s really this easy. Try this, the next time an angry person gets on you shift the conversation to the thing they are angry about and get angry at the PROBLEM with them. If they have a negative cash flowing property agree with them, YEAH I’M MAD TOO THAT STINKS, let them completely vent like a bad storm. When they get tired switch to, ok, I think I have some solutions to the
problem let’s talk about those. Well, since you let them rant, they are now ready to listen. Yes, always mirror and move to the POSITIVE and solutions.

Now, let’s take a happy person that says, “It’ll all work out” you jump in there and get happy with them. Yes, and it’ll be great when I sell this property for you and you can take all that time, energy and money and go do new things! Yes, always mirror and move to the POSITIVE and solutions.

**Organization**
Have systems to deal with things and finish what you start. If you have systems in place to deal with things then you will be organized and waste little time. If you pick up a copy of the e-myth this does a fantastic job out outlining the right way to organize and run things.

Schedule your work, the most important thing that you can do here is have a set time for things. For example I am a morning person and am at my best so here is an example:

- 7-8 Breakfast as a family
- 8-9 writing and recording training
- 9-11 email and phone calls with employees, network, etc.
- 11-12 News review for articles
- 12-1 workout
- 1-2 Administrative review (receivables, payables, etc.)
- 2-4 Open time to handle things
- 4-5 Email and calls
- 5-6 Organize tomorrow and finish what I started
- 6-9 family time
- 9-10 Time for my wife
Risk tolerance and management
Risk management is critical in your life and you do it every day. When you get up in the morning if you eat properly, take care of your teeth, take your nutritional supplements and spend some quiet time you will live longer and be healthier. If you don’t then you are taking risks. When you drive to work/school/wherever and you take the safe route not the fastest route you lower your chances of an accident. If you are a runner and you run on the street you increase your chances of getting hit by a car or truck, if you ride a bicycle you have the chance of getting hit by a car or truck (ask most cyclists they have either been hit or almost been hit) etc.

In Real Estate investing your risk tolerance determines your strategy, wholesaling is the lowest way to invest in real estate that we know of. The risk in wholesaling is time risk; the smaller deals are, in General less risky because you can close them faster and work on more of them at the time. Larger deals take longer to put together than smaller deals and it is easier to get them funded.

Smaller deals are easier because there are more sellers and more qualified buyers. For example, do you think there are more buyers for a $500,000 MOB (Medical Office Building) or a $100,000,000 office park? Which takes more time to find, analyze and find a buyer for? Will you make more money on the $100mm deal? Yes, but it may take a year or two to put together and you have to decide if you need small wins or big ones.

You need to make a certain amount of money to live you life the way that you choose to, if you need monthly cash flow you will be working on smaller deals constantly with a big deal or two in the hopper. This is how you mitigate your risk and have big upside potential, with simultaneous deals.
Communicating effectively with people
This is closely coupled with the sales skills above, you have to start by knowing if you are a good communicator or not. A good communicator is built not born just so that we are clear here and it doesn’t matter if you have an accent, have poor vocabulary skill or stutter. Some of the most effective communicators in the world have these challenges. Lets analyze this below.

1. Is the person you are conversing with focused and listening?
Eye contact, tone of voice, body language, and line of sight can all effect how the other person hears you. Be sure you have their attention before you begin communication. If you are in a noisy distraction filled environment it will be very difficult to have a good conversation, examples are a pool, sporting event or bar, these are not good places for a good conversation unless you create the right space. For example, in a restaurant get a table that is out of the way and quiet.

2. Active listening
Eye contact, repeating key fragments of what someone says, enthusiastic facial expression, open body language, and overall interested demeanor will ensure that the other person will know that they are being heard. In order to earn someone’s trust and respect you must show them that you care about what they are saying and give them the respect of listening.

3 Clear concise specific conversations
When you converse keep things concrete and specific. You didn’t make “about $10,000 on a property, you made $9,853 on the property and be prepared to back it up. When you set a meeting you say will 1:15PM at 23 Spruce Street on Wednesday the 14th work for you? And, for goodness sakes are 10 minutes early, I cannot tell you how many relationships being late have crushed. If you tell someone that “I need to excuse myself for 5 minutes to use the rest room” be back in 5 minutes! Be clear not vague and DO NOT BE LATE.
Good Decision Making
Good decision-making is actually very simple, it comes from choosing the decision that has more upside than downside. This means that you have to make decisions based on FACTS not EMOTIONS and taking responsibility for YOUR decisions. Here is a guide for you to make fast, accurate and logical decisions:

- **Purpose Correctly** identify the decision to be made and the CORE opportunity that is in front of you.
- **Information**. Gather the relevant FACTS about the situation.
- **Solution sets**. Brainstorm about the opportunity or solutions to the opportunity or challenge.
- **Risk/reward What** are the +/- of each solution set
- **Best solution highest** return and the lowest risk. Have someone who is a very good decision maker second guess you and defend your decision with LOGIC.
- **Take action Execute** the plan quickly
- **Learn from the action In** hind site did this go as planned? Learn about your ability to make decisions and improve constantly.
FINDING DEALS

Marketing is the single most important thing in the Real Estate business and this true in Wholesale. The most effective marketers always have the most deals to work on and can easily wholesale off anything they do not want to keep. The key is to set up effective funnels to get activity moving and keeping it moving.

Your level of competence in this area will directly determine how many deals you have to work on, enable you to work on deals that are very profitable and ignore marginal deals.

The Best Marketers are the people who make the most money
The best marketers make the most money because they can work on the most profitable deals. The best marketers also attract the most attention and people WANT to be around them. Two of our students got so enthusiastic about marketing that they made up these yellow and red Alligator shirts showing Alligators eating money and event put up web sites like this. Guess, what? They have more deals than any of our other students and that is because they LIVE the marketing and have FUN with it. They wear these shirts all the time and write crazy copy that gets people excited. Get Bill Glazers book Outrageous Marketing that’s Outrageously Successful.
Marketing Can Be Learned quickly and easily

Marketing is actually very simple and all that you need to do is follow our systems. The software that we have integrated to the Commercial Wholesale course will help you get out there quickly and easily and our letters get results. This is as simple as mimicking what has worked for many other people.

Effective Marketing

The goal of this endeavor is to purchase properties significantly below their current market value. Motivated sellers that are willing to sell their properties at a wholesale price are out there, now you are sitting there saying, “Why would anyone sell below market value?” Trust me, I know you are sitting there saying this and the question is are you open minded enough to accept the FACT that owners do this all the time? Listen Negative Nellie, it happens EVERY day!

Lets look at some reasons that a motivated seller will get rid of a property for less than retail value:

- Divorce: The sellers are getting divorced, have spent their disposable income on Attorneys and are just too beleaguered to sell the property and want this over NOW.
- Moving: They have been trying to sell the property for months or years and now they can no longer wait and HAVE to get cash for this property because the family is split up and they want to move to their new city together.
- Medical: The person needs money now to handle a medical emergency.
- Legal bills: The owner has legal bills that must be paid; they may have to defend themselves against a criminal or civil proceeding.
- Pending bankruptcy: They have a pending bankruptcy and want to sell this house to pay off family members that they owe money to.
- Tax bills: They may have to pay a tax bill or have things taken from them.
- Loss of a job: Kept the rents in the property and failed to pay the mortgage
- Loss of a spouse: Can’t keep up on payments
- Failed business
- Vacant property
- Title Problems
- Job Transfer
- Retiring and just wants to move NOW!
- Hit the lottery (really, this happens and they just want to go have fun)
- Inherited property and wants cash now
- Life ending and just wants to go have fun before they leave
Where the Money is made
There is more money to be made in solving situational and financial distress of the property owners than finding fixer uppers. Financial rehabilitation is easier and takes less time than rehabbing a property, trust us, we have had to learn this lesson many times and in today’s market there are lots of FINANCIALLY distressed properties. It takes a lot less effort to stop foreclosure or negotiate a lien release than it is to rehab physically distressed properties. While fixing up houses makes great TV, it makes for lousy profits with tons of risk. Financial rehab’s make for lousy TV but great profit with surety, imagine the excitement of watching Ed (he is a Financial guy) sifting through paperwork and going back and forth with some pasty overweight loss mitigation person in a tan and beige office…yuk and terrible TV. Now some strapping young woman cutting wood, tearing out cabinets, and interacting with contractors, wow, that’s great TV! Let the TV stars stick to making good TV you and I will stick to making money.

The goal here is to create value without doing anything physically to the property other than gets rid of liens, buying second mortgages, etc. And to have an option to sell it the next day for a healthy profit if you choose to do so.

Ideal properties
First are the financially distressed properties, we go into finding these through the tax records, bankruptcy records and probate records later in this book. If you are inexplicably drawn to rehabbing, and we all get there sooner or later let me offer you my expertise. First, DON’T DO IT, Second since you are going to ignore me anyway just follow this.

• No structural repairs – no cracked foundations, no re-plumbing, no re-wiring, and no jacking up the house to fix the basement.
• No mold properties
• No Radon properties
• No crystal meth houses
• Yes carpets, counters and paint are ok
• Yes landscaping changes
Get 3 estimates for the job from your GC and after you have decided which offer you’ll accept understand that the estimate is low by 30%. I do not care what you think you know, the bill is low by 30% AT A MINIMUM.

Becoming an expert at rehabbing properties is not necessary to make big money. In this market there are literally so many properties available that are financially distressed that it is a total waste of time to chase properties to fix up. The joy in this business is from making money not in making a blighted building pretty again.

There can be opportunities to make money by changing the use of a property. For example, an abnormally large lot that can be subdivided into two parcels and one sold off or better yet one rented as a cell phone tower or billboard site can make incredible money. Zoning regulations are of great importance when you are dealing with properties that have very large lots or a lot of land attached to them. These can be the biggest moneymakers that you will ever find and understanding the process and paperwork involved is something you should take time to. This method simply requires a bit of study and investigation and your local REIA club is a treasure trove of information on this subject area. Some area’s are easy from a zoning perspective and some are very difficult, some it takes a simple bag of doughnuts and others it takes,,,,,,well you know the rest.

**Target customer**
The target customer is someone that is in a hurry to sell his or her property. There are young ones, old ones, heavy ones, thin ones, hairy ones, bald ones, beautiful ones, ugly ones, rich ones, poor ones in essence don’t over think this. You just need someone who needs to sell NOW. Let me give you an example, if you won the lottery tomorrow do you give a hoot about your $100,000 house? No, you just want FREEDOM! On a different note, if you found out you had only 1 year to live do you want to LIVE the last year of your life or mope around your house or fool around with your tenants and their issues? Nope, you want to go LIVE the last year not WORK the last year.
Seller’s motivation
When you are meeting with motivated sellers remember it’s about what THEY need/want and meeting their needs.

They need:
• Cash now
• Another place to live
• Assistance in moving
• Credit rebuilt
• Reduce debt
• To work with someone they trust
• Need to know you are listening to their concerns
How many motivated sellers are out there?
Just read the news, every foreclosure property, tax lien property, job loss, divorce situation, bankruptcy and probate property is a potential deal for you. There are millions of these opportunities.

Sources of motivated leads
- Absentee owners lists
- Bankruptcy lists
- Building code violations
- Divorce Lists
- Judgments lists
- Pre-foreclosure lists
- Probate lists
- Tax Liens
- Probate lists

Reaching prospects
Sending direct mail, email marketing, Internet marketing, web sites, reverse email marketing through Craig’s list, phone campaigns. These are all valid methods and very simple to execute.

Property owners that are missing in action!
The owners that are the hardest to find will result in the best deals because you will have less competition for the deals. Very few investors (thankfully) know how to find and follow-up effectively thus you will have a HUGE advantage here. Lets look at some examples

Vacant property owners – Yep they are hiding from everyone so that they don’t get find and tax bills.
Financially distressed sellers – They don’t want to hear from anyone
Bankruptcy – People in bankruptcy do not want to hear from anyone

You can use Internet sites like www.411.com www.anywho.com www.intellius.us and also hire a skip trace if you want. The Internet sites should enable you to find many of the people you are attempting to find. The skip trace method should be just about perfect.

Skip trace costs you between 25 cents and three dollars per name to find these people, and is actually a great investment, as most investors will not go this far. Great sites for this are www.maralogix.com and www.merlindata.com to skip trace the people we need to find.
MARKETING
Email Marketing

Email marketing is my favorite way to market. It’s really very simple, go get your list of people through the methods outlined above:

**Sources of motivated leads**

- Absentee owners lists
- Bankruptcy lists
- Building code violations
- Divorce Lists
- Judgments lists
- Pre-foreclosure lists
- Probate lists
- Tax Liens
- Probate lists

Now, all that you do is use [www.intelli.us](http://www.intelli.us) to find their email address and phone numbers. You can hire VA’s to do this work for about $3 per hour from the Philippines or from the Far East and they will get this done in a hurry for you. You can really save a lot of time cross referencing the owners lists for Commercial property with the tax, foreclosure and judgments lists and only market to the people/companies that have derogatory information.

You use our letters to get them to respond. You want to send an email every 7 days for a total of 4 letters in 30 days. Wait 30- days then repeat the cycle.
Direct Mail

Direct mail is very inexpensive and easy to execute using a simple data management and merge system like Microsoft word and outlook or Act, Goldmine, salesforce.com etc. The key is doing direct mail the right way.

Lets take a look at what you need to do with direct mail to make it really deliver. First, you can create and manage your own campaign, if you have children; congratulations they have a new part time job. Children’s handwriting on the outside of an envelope should be a font on a printer; it virtually guarantees your letter will be opened. If you have the budget you can hire one of the specialty firms to create your campaign, manage it and send the letters. We can tell you that we have suppliers that will do this for you for very reasonable prices.

Direct Mail success tactics

1. Focus Mailings on Specific Qualified Prospects
2. Locate Great Lists
3. Design Killer Content
4. Test Your List and Content
5. Track Responses Accurately
6. Systemize Your Campaign

Rate of Return We have found that using direct mail should get you at least a 2% response rate. You can expect to get about 2-3 responses for every 100 letters you send out. Ultimately, the number of responses you get depends on your market. And, the more letters you send out, the more responses you will get.

Track the number of responses you get per 100 letters. Also track the quality of the leads. “Quality” leads are sellers that are interested in selling at a bargain price. You need to determine how many quality leads you are getting as a percentage of your marketing materials sent.
April 20, 2011

David and Sally Bach
2384 Fountain Ave
Houston, TX 77076

Dear Mr. And Mrs. Bach:

There are hundreds of thousands of property owners suffering with negative cash flowing properties and they don’t know where to turn. These Alligator cash eating properties threaten to eat your money, time and energy, ruining your life.

There is hope and our company specializes in solving these problems for you.

We have helped lots of people just like you get out of their situation!

Here is a short list of what we can do for you:

• Buy your property today for top dollar
• 24 hour cash offer on most properties
• Close in a month on sale of many properties
• No sales commissions
• Eliminate existing debt and tax liens

I am a real estate investor who has experience in dealing with complex financial challenges and solving them to my client’s satisfaction.

Call me right now at (215) 555-1213 and we can talk about your situation or visit our web site at www.xxxxxx.com

Sincerely,
Bill Investor
Commercial Property Buyers, Inc.

We buy unwanted buildings in “as is” condition and you don’t even have to clean out the property of any unwanted junk like old tenants desks, shelves, storage cabinets, etc.!

Let us make this easy, we can address:
- It does not matter if they cash flow or not
- It does not matter if they have equity or not
- It does not matter if they have lien problems or not

Call me at 555-1212 for a free telephone consultation.

I will be glad to go over your situation and tell you how I can help you.

Call me today and make your job easy!

Sam Investor at 555-1212
Cold Calling

Telemarketing can be a very effective and easy way of contacting people who are in need of your services. The lead source is the same list you developed earlier by pulling Commercial Property owners lists and mailing to them via direct mail, email and you pulled their data using www.intellius.com the critical part is that this list will now be “warm” because you sent them mail or email.

Personal contact with these owners is more effective than any other form of marketing because you build rapport and communicate more effectively using a phone than through mail or email. Sellers are much more likely to go with a buyer who they have spoken with over the phone.

Sitting around waiting for things to happen is really a bad idea; you will find that calling people and connecting with them to be one of the best uses of your time you can have. Warm calling (calling to a list you have mailed or emailed to) will feel like you are wasting a lot of time with people who are not motivated, but when you can recognize motivational levels quickly then it can be a very effective marketing method.

This, more than any other method will deliver very high returns on your efforts.

Network Marketing

Networking is the most important path to success that you can build in business. The book by Harvey Mackay “dig your well before you are thirsty” is the best business-networking book ever written. Get it, read it, live it. I’ll have you the overview in the context of our business.

1. Serve – Always seek to understand how to help others first then they will reciprocate.
2. Interests – People with aligned interests easily network. This is why REIA clubs, DIG groups and others are natural “hunting” grounds and you should have your 45 second “who am I an how I can help you elevator pitch ready at all times.
3. Goal of networking – To have people get to know, like and respect you this is what will make them do business with you. Face to face contact is the best way to achieve this goal.
4. Opportunities – Limited only by your imagination. REIA’s, DIG’s, Property management associations, etc. see our online training on this subject and really focus on it. People do business with people and never forget that.
5. Mindset – You have a subject that fascinates everyone, the one goal of just about every American is the goal of property ownership. In these times, anyone with
half a brain understands that it’s the time to be investing in Real Estate as we are near the bottom of this market.

Who You Should Network With

- Mortgage Brokers
- Probate Attorneys
- Bankruptcy Attorneys
- Real Estate Attorneys
- Commercial Real Estate Brokers
- REO Real Estate Brokers
- Business Brokers
- Hard Money Lenders
- City Officials
- Building Department Officials
- Tax Lien Buyers
- Anyone with Serious MONEY to Lend!!!!!!!!!!
EVALUATING DEALS

Deal Evaluation from your desk
Quickly and accurately evaluating a deal is a critical path item to avoid wasting time and establishing credibility with owners, they will “try you on” to see if you know what you are doing and by using our method you’ll earn their respect. With a great marketing plan in place, generating a ton of leads, you’ll be able to filter through the deals. The goal of this section is to figure out if there is a profit left and has exit strategies.

Six Initial Essentials for Deal Evaluation
By mastering this technique it should take 15 to 30 minutes to evaluate a deal.

One: Why is the owner selling the property? You will find most motivated sellers will readily divulge this information, and those who question why you need this information typically have no motivation to sell. If the seller says that they are looking to sell quickly to meet some need they have you have a motivated seller, if they say they are just testing the market or seeing if there is a market you need to push further in your questions? If they tell you that they are just “testing the market” or seeing if they can get their price then reveal that you are an investor and its not workable if they have a retail expectation and politely tell them that there is probably no deal opportunity as they are willing to wait or hold. Many times they will immediately retract from their statement and try to stop you from getting off the phone, this be called “the take away”. Remember, there is no negotiation if you are not willing and able to walk away.

Two: How much do they NEED for the property? When they hit you with their price remind them that you are an investor and need to know what they really need. Notice that I clearly did not say what they WANT for the property and that is a very important distinction.

Three: How much is owed on the property, this includes all mortgages, liens, second’s, utility bills in arrears, the whole load. This is an important piece of the overall equation and you should begin determining this in your initial phone call with the seller based on the lead interview sheet. Now that you know what they need for the property and what they owe you can figure out whether they think they have equity or not.

Four: What repairs does the property need? Now, I know this will shock you but a part of this game is the seller forgetting to tell you about the bad furnace, bad roof, etc. and you can pretty much be assured they are leaving things out. I like to be very direct, when they tell you it needs nothing go through the checklist with them right then and there or tell them that one of your contingencies in the contract will be an inspection and if material problems are found that the seller pays for the inspection. They will usually open up like a flood gate " ... or you might ask, "How are the mechanicals, the HVAC, water heating, sprinkler system, lighting and the electrical system" ...or, "Do you know the last time the roof was replaced?"
And…. "Are there outstanding code or compliance items for the building for the ADA or other things?" By being very direct but not rude the seller will realize that you are a pro and that you may have been born at night, but not last night.

**Five:** Figuring out the as-is value is very important; the way that you really figure this out is by looking at the NOI (Net Operating income) of the property. Be sure to review our training on valuing the property.

**Six:** Figuring out the after repair value is equally important, the way that you really figure this out is by taking the NOI (Net Operating income) of the property, figuring out the repair costs and entering these values into our analyzer. Be sure to review our training on valuing the property.

**Deal Evaluation Process**

By obtaining the information above, using the deal analyzer and putting all of the data into the spreadsheet you’ll be able to see what the right value for the property is to make a fair return. Notice that this has nothing to do with the value on some Internet tool or opinions, this value is derived by financials and it is the correct way to value a property. Properties in today’s market should yield a 10% return to make any sense on today’s NOI; no one is buying these buildings based upon anything else. The financeable LTV is 75% in today’s market thus you have to be getting this property below that figure to make money. If you have an option on a property at 68% there is profit left in assigning that contract as long as the building is desirable.

Below is an outline of your lead initial in-office evaluation process:

1. Commercial Flipper spreadsheet AKA deal analyzer - Obtain all necessary information from the seller to fill this in
2. Property Cards – Most of the property cards have now been moved online and
3. Comparable Properties - Also known as comps, these properties will give you a more accurate indication of the property’s probable value.
4. [SiteXdata.com](https://www.sitestxdata.com) - Confirm debt figures and check past transfers of the subject property.
5. 
6. [Zillow.com](https://www.zillow.com) - A very rudimentary means to check a property’s value.
Wholesaling Strategies

The Strategies that we use in Wholesaling are set into our advanced training that is delivered through our Web site at www.diamondlawmembers.com and it is behind our firewall. Just use your login ID and pull the latest data down.

Why? There are many reasons:

1. You want the latest tactics and most up to date materials. That is not possible in a book. The web site allows us to instantly make changes to the materials and keep you abreast of the latest trends.

2. Materials are more difficult to copy from a website, there, I said it and we all know what the thinking here is “gee I’ll just make a copy for my friend Gerry” not thinking that we spent over 2000 hours building this course, have employees, offices, computers, insurance costs, etc. to pay for. It is not a low overhead business that we have here and providing content is very costly.

3. Because these techniques and tactics are not something, that frankly, we really want floating around un-secured in a book for our competitors to use.

4. Forms and analytical tools will change and grow as our students work with us and we encounter new deal structures. By having this on the web site this enables us to update constantly. Most of our courses are updated monthly to ensure we give you the best materials possible.

5. Cost of sending out updates is prohibitive and by running our business this way we ensure that we can deliver our updates in a very cost effective manner.
Master Lease Option (No banks required):
Copies of the forms on www.diamondlawmembers.com

Master lease agreements have been around for centuries. Think of a master lease as the “lease with an option to buy” principle over a property. The lease option term is usually slated for single-family homes, but for commercial property it is typically referred to as a master lease agreement.

In simple terms, you will buy the seller’s property by giving him a small (or none) down payment in exchange for all rights and privileges of owning and operating the property without legal title changing hands. At close, you get equitable title, not legal title. You are entitled to the property’s cash flow, tax benefits, and day-to-day management. Because your price and terms are set, all of the upside is yours to keep. The more efficient you are, the more you make. As you increase the NOI, the property’s increase in value becomes yours. All the seller gets is a monthly payment from you on the interest of the difference between the lease agreement price and what he owes. Once you sell the property, every dollar over the lease agreement price is your profit.

Statement of Benefits:

The Seller Gets:

- Easy sale of the property.
- Lease payments on the equity of the property paid every month.
- Freedom from involvement in the operation of the property.

The Buyer Gets:

- A purchase involving no banks or lenders or appraisal.
- All cash flow above the lease payment.
- An option to buy within a set period of time.
- All profits above the master lease agreement price.

Master lease advantages:

- No banks required. (You)
- You and seller can get as creative as you want on the deal terms.
- Quick closing, low closing costs, closing as quickly as 7 days.
- Buyer can create a good amount of cash flow and equity build-up.
Master lease disadvantages:

- Foreclosure by seller is easy if buyer does not perform per lease agreement.
- Seller may not perform his end of the agreement.

Master lease must haves:
Have an attorney create the master lease agreement. Real estate law and contract law differ by state. Do not use master lease agreements purchased online or from office supply stores. Perform a title search to make sure the title is clear and there are no liens, or understand what liens do exist.

- Engage the services of a holding company to retain possession of an executed deed and the original documents.
- Record the master lease agreement against the property.
- Get an appraisal.
- To ensure that the mortgage and taxes are paid on time, have a third party pay them (e.g. title company or another type of disbursement company).
- Include both seller and buyer names on the existing insurance policy.
Real-Life Master Lease Deal – the Kate Wiggins Story
Vacant A-class 8,600 sq ft, former ReMax real estate office complex went out of business. The deal was found on Loop net and was built in 2005.

- Owner was 3 months behind on her mortgage, sunk her life-savings into the building and business and wants to avoid bankruptcy and foreclosure.
- Kate’s idea is to turn the space into office suites after studying the area’s needs.
- $1.3M purchase price, $75K down payment (5.8% of purchase price), taking over mortgage payments.
- The $75K down payment was used to catch up with late payments, pay off liens, and pay broker commissions.
- Kate borrowed the down payment from her mother and sister at 8% interest paid annually plus 25% of the profits when she sells.
- Kate completed the purchase with a Master Lease Agreement that balloons in 7 years. Once it is 80% leased, the property will be worth $2.3M at the current cap rate.
- The seller will not be getting monthly payments, only a payout at the end. Instead, her reward was avoiding losing her life savings, foreclosure, and bankruptcy.
Seller Take-Back financing using a first mortgage:

Copies of the forms on www.diamondlawmembers.com

If a seller has no debt on the property, he can act as the bank for your financing needs of the purchase. Simply put, he holds the mortgage for you. For example, if the purchase price is $500,000 and you put down $50,000, then you would make monthly payments on the remaining $450,000 balance (the owner carry) at the agreed upon loan terms you and the seller finalize.

But the question is, “why would he do this for me when he could simply get another investor to cash him out completely?”

Here are 5 possible answers:

1. Tax liability for seller: The seller may not want to pay taxes on the sale. The seller can avoid capital gains taxes at the sale and spread out his tax consequences over a period of time if he wants to. In the meantime, he’ll get a down payment and monthly payments for as long as agreed. Eventually, he’ll get paid the entire principal, depending on when the owner carry amount (the $450,000) comes due. For tax consequences, the seller will only report as income the money you pay him (down payment plus monthly payments) for the taxable year.

2. Distressed Property: the property is well-below market vacancy and in poor physical condition. This means that a bank will not lend on the property until it can show a profit and have its physical condition remedied. This is what is commonly called a “non-performing” or “distressed” property. There are plenty of these available!

3. Bank terms unreasonable: in general, the seller and you may want to avoid banks altogether. It may be that the bank’s current lending terms may not work for either of you. For example, bank interest rates may be too high. For example a seller may want to retire and travel, their real estate holdings may be holding them back from this goal and banks are demanding too much yield.

4. Poor Record Keeping: The property may be in good condition, but the seller kept poor financial documentation (such as bookkeeping or taxes) and banks have refused to lend on such properties.
5. *Divorce, illness, relocation, etc. Motivates Seller:* the seller may need a very quick sale because of personal circumstances such as illness, death, relocation, divorce, or a need for quick cash.

Answers 1, 2, 3, 4, and 5 are, by the way, *seller motivations* for you to watch for. Pay attention to every word you read in listings or when you’re speaking to an agent or seller. *The deal is in the details!*

To complete an owner carry first, you’ll need to begin with coming to terms with the seller. Next, write up a sales contract and get it signed. From there, you’ll need to write up and record a mortgage and note for what the balance is after your down payment. Get the advice and help of an attorney. Just like a normal transaction, use a title company (or closing attorney) to escrow monies, research the title, and close the transaction.
Owner carries second mortgage

Owner carry second mortgages have been quite popular since the origination of mortgages. Let’s say the buyer does not have quite enough saved for a down payment – he only has 15% of the purchase price and the lender requirement is 20%. The seller can help the buyer buy holding a second mortgage for the remaining 5% needed, thereby satisfying the lender’s 20% equity requirement.

For example, the purchase price of a 10-unit apartment building is $500,000. The down payment the lender requires is 20% of the purchase price or $100,000. But the buyer only has $75,000, which is only 15% of the purchase price. In order to satisfy the down payment requirement of the lender, the seller agrees to hold a second mortgage against the property for the remaining $25,000 or 5%. Now, everyone is happy – the seller gets to sell his property, the buyer gets to purchase the property, and lastly, the lender’s equity requirement is satisfied.

Not every lender allows sellers to carry second mortgages against the property. See the next page for a real-life owner carry deal.

Real-Life owner Carry Deal

- 24-unit apartment deal found on Loop net.
- Asking price: $800,000.
- Ron initially backed out during negotiations because of the increasing vacancies of the apartments that were occurring.
- But Ron negotiated with the seller to cover him for 6 months of possible vacancies through a rent credit applied at closing.
- The seller accepted Ron’s offer: $700,000 with $50,000 down. Owner to carry $150,000 second mortgage for 5 years. Ron negotiated a repair credit of $10,000 at closing. Vacancy credit of $13,500 at closing.
- Security deposit of $4,100 at closing. Total down payment comes out to be 3.2% after adding up the credits.

Ron’s exit strategy is to:

- Hold for 3 years and then refinance or sell into a larger property. Property will be worth $900,000 by increasing the NOI. At 10% vacancy, the property will cash flow $1,000 per month.
- Keys to Ron’s success and lowering the down payment: negotiate again and again, repair allowance, and close on the 3rd of the month.
Money Partners and Private Money

“Money follows excitement” is a term that I’ve heard before many times. And money partners are people who get together because they are excited about money. Combine all three – partners, money, excitement, and you potentially have something very lucrative if set up correctly and thoughtfully.

*Why use money partners?* The number one reason is more access to money. Two, you’ll have more fun working together. Three, you’ll expand your area of expertise and have more access to different skills that add value to your deal overall. Four, it’ll broaden your network of contacts (remember that investing is a relationship business), and five, money partners allow you to get more done in less amount of time.

*What are money partners?* Money partners come in three ways. They are:

Credit Partners Equity Partners Debt Partners

*Credit Partners* – It’s always good to have these types of partners no matter whom or where you are in your investing life. Credit partners are people who partner their creditworthiness with you. If you are new to investing or need more financial firepower to get your deals financed, then I encourage you to get credit partners. A good credit partner is one who has a high credit score, liquid assets, access to collateral or credit lines, and good character. By bringing all of this to the table on your behalf, it’ll make you that much stronger in the eyes of the lender and the seller. In exchange for their partnering with you, possible means of compensation could be a certain percent ownership, cash flows, future profits, or perhaps all of the above.

*Equity Partners* – A credit partner can be a type of equity partner. Or, let’s say that someone has lots of experience in a type of deal you are putting together and you need their skill to make sure you’re successful. What is their skill and experience worth to you? Is it worth making them a partner by giving them a 10% ownership (equity) stake? If so, consider them an equity partner. Another good example would be giving your property manager an ownership stake in the property on the premise of him helping you reach certain performance goals on the property. In other words, they become a partner in your success, but only if they are successful. There’s an old saying, “no one cares more about a project’s success than those who have a personal stake in it.” When you first start out, you may have to give away a good portion of the equity just to do the deal. Would you rather have 50% of a deal or 0% of no deal?

If you have limited funds to close on your deal and someone comes along and has access to the money you need to close the deal, it makes sense to offer that person an equity share of the deal in exchange for the money. Who knows – that person may be your money source for the next deal, too! And the next, and the next...!

*Debt partners* – Quite simply, this is someone who lends (a debt) you money for your deal in
exchange for a return on their investment. For example, your relative lends you $25,000 for
your deal. In exchange, you will pay him 10% interest annually for however long he lends
you the money. Your relative gets no “ownership” or equity. Their investment with you is
secured through a promissory note and/or mortgage. Another example of a debt partner is in
the case of “owner carry seconds” which we discussed a few pages earlier.

Note: As you can see, it is possible to have one money partner who is a credit, equity, and
debt partner with you. Since every deal that you do will be different, feel free to be creative
with your money partners as well. And it is also possible to have multiple money partners in
any one single deal. Step out the box and do whatever it takes to secure your money partners.

MONEY PARTNER QUESTIONS

Question: When do I start looking for money partners?
Answer: Right now is the time. You never know what deal may require which type of money
partner. Therefore, always search; always be on the lookout for credit, equity, and debt
partners. Keep your “money partner-finding hat” on at all times.

Question: What should I say if I were to run into someone who’s a possible money partner?
Answer: Simple, just say the following. “Hey Bob, do you know of anyone who may be
interested in this great real estate deal I have?” That’s how it all starts. You’re not selling or
pushing anything to Bob. You’re asking for his help and people generally like to help other
people. Bob may answer you by telling you that he is interested personally, or he may know
of someone who is.

Question: What do I say if they ask me how much they could make on my deal?
Answer: By law, you cannot promise them a certain amount or range or percentage. All you
can tell them is that it appears to be a great deal, but every deal has risks. Get their contact
info at this point and follow up with them the next day with the deal details and specifics.

Question: What is THE ONE most important thing in finding money partners?
Answer: ASK. You have to ask! This is a universal principle. It’s quite natural to be nervous,
cautious, and even intimidated in asking. All I can say to that is, “You have not because you
ask not.” Later in this chapter, we’ll discuss how to prepare you to ask.

The two types of Partnerships

The first type of partner is one with whom you partner as a “working” partner. You’ll
typically split up roles, complement each other’s strengths, and work toward common goals.
The meaning of true partnership applies here. Let’s call this type a working partnership.

The second type of partner is your investor. This is a person who does not work with you on
a day-to-day basis and is passive. They have partnered with you by investing their money
into your deal. You give them periodic updates and pay them an agreed upon return on their
money invested. This type is an investor-partnership.
How to start With Working Partnerships

Here are 7 definitely critical “dos” when selecting working partners:

1. Make sure you share, create together, and come into agreement with the company values, vision, and mission.

2. Is there synergy? Do you have complementary personalities and skills? Are your morals and ethics aligned?

3. Make sure you put out on the table each partner’s needs and expectations. For example, do you need cash up front or can you postpone profits?

4. Identify the strengths of each partner and figure out ways of using them.

5. Define job roles for each partner and how you plan on keeping each other accountable.

6. The final part of the framework is trust. If there is a lack of trust, then one of you will always hold back, never quite achieving what you are capable of.

7. Create an operating agreement addressing questions such as what each partner will contribute in terms of time and money, how and when profits will be disbursed, and what happens when there is a disagreement or disaster. See the note below on the 5 “D”s.

Note: Even though you shouldn’t focus on this, you should always prepare for the worst. Be prepared for the 5 “Ds” in the partnership. They are Death, Divorce, Disability, Disagreement, and Debt. When writing up the operating agreement, it is advisable to hire an attorney.
How to start with investor Partnerships:

In simple terms, what are you actually doing is raising capital for your deal. You’ll learn how to go out and find investors willing to put their hard-earned money into your deals in exchange for a nice payback or return.

Raising capital comes down to one thing when it’s all said and done, and that is “credibility.” When you approach your potential investor or have a captive audience of potential investors, the question of the day is, “are you credible”? “Can I really trust you to do what you say you are going to do (with my money)?”

The obvious concern going through your mind is, “how can I be credible if I am just a beginner at this?” This is, in fact, just a mental roadblock, not an actual one. Let me ask you this: how many ultra-successful sales people do you know that started with nothing and are now number one in their organization? I know quite a few myself. And they all started with nothing but product information – no previous sales or product experience. So, from this perspective, it can be done. Lack of experience can be overcome. “How bad do you want it?” I ask you.

To overcome “beginneritis”, attain credibility, and get people to invest with you, here’s what you must do:

1. Start with the very thought of “preservation of investor capital.” This is your top priority. If you are new, the potential investor will automatically think that it is risky to invest with you. Whatever you are presenting, writing, or speaking, protecting their capital is number one. And make sure you are also convinced yourself that their capital is well protected against loss. Disclaimer: of course, there is no such thing as a “for sure” investment, just make sure you cover all the bases as best you can.

2. Do your homework and research. One way of overcoming the lack of credibility is to know everything about the deal from the inside out. That will impress your potential investors and show them that you’re smart, have good intentions, pay attention to details, and have thought the deal through from beginning to end. Have the following ready to discuss as best you can:
3. How the partnership is going to be structured. It’s best to get the advice of real estate attorney and CPA first.

- What the exit strategies are.

- How much money you need to raise and when you can pay it back.

- Who’s on your team, such as other experienced partners who bring valuable skills to the table, a property manager, etc.

- The market, why you chose it, and why it’s good.

- The type of property you chose and why.

3. Come up with a short business plan.

- At this point, this is more for yourself and your investor right now. Writing up a brief business plan will force you to have clarity on the major elements of the investment such as vision, market analysis, strategy, operation, financial review, and exit strategy. This brief business plan is nothing different than others you have seen anywhere else.

- The clarity that this brief business plan gives you will allow you to “talk the talk” even when you don’t have experience.

4. Come up with an Executive Summary – 2 pages only, please!

- After thinking through on your brief business plan, it will be easy to come up with an Executive Summary. An Executive Summary is a short document that you present to the investor that explains the nature of your investment – what it is, when it is, who it is, and how it is.

- The most important part here is to write this summary so that your investors will read it! Make it two pages at the most. They will not read something that’s 5 or 10 pages long, no matter how good of an investment you think it is. It will go into the waste paper basket.

- To get started writing up your very own Executive Summary, get an example of a good one first, and then copy the structure of it.

- A well-written and concise Executive Summary will definitely bring you credibility in the eyes and minds of potential investors.

Now, put yourself in your investor’s shoes. Two persons approach you with an investment opportunity. One has done all four-preparation steps above. The other has not and is just “all talk.” Which person would you rather invest with? Which person has more likely just built credibility with you?
Finding investors to Partner With
Copies of the forms on www.diamondlawmembers.com

Let me start off by saying that the number one rule with finding investors is:

**DO NOT ADVERTISE!!**

If you advertise, you will be breaking the law. The Securities Exchange Commission (SEC) is the arm of the US Government that oversees all PUBLIC money-raising activities. If you advertise to the public, you must answer to the SEC and to its very strict rules and regulations. In fact, advertising and soliciting the public for investment money is against the law (in fact, it’s a felony) and is punishable by fine and jail time.

Secondly, before you start raising capital, seek the help of an advisor, coach, mentor and/or attorney. Discuss the how-tos with someone who’s done this before. You will soon discover the many options and money-raising methods people use successfully.

Lastly, consider investing only with accredited investors. Accredited investors are persons with high income and net worth levels as determined by certain standards. They are least likely to be investing with you their last penny or their life savings. If you lose it all, it won’t completely wipe them out. Also, if they sue you, the judge will put an emphasis on their accredited investor status and that they should have known better (to put it plainly).

**Getting started – locating investors via family ‘n friends**

The easiest way to get started looking for money for your next investment is with people you already know. Let’s call them *Family and Friends.* Usually your family knows your character and integrity. They know your history. And there’s no place to hide! Raising money from family and friends is used a lot, and there is a good way to do this and a bad way. The bad way is to take their money and do not do any paperwork such as recording a note for them. The good way is to make them a member of an LLC that controls the investment, write up an operating agreement, pay them on time, and give them quarterly updates on the performance of the investment.

Oh, by the way, here’s how you approach your Uncle Steve and ask him to invest in your deal. Let’s say you’re at a family function. This script will sound familiar.

- **You:** “Hey Uncle Steve, how are you doing?”
- **Uncle:** “Doing great. I just returned from vacation with everyone.”
- **You:** “Cool. Yeah, I’m planning on taking some time off next month. Headed to Utah for some snowboarding and investment opportunities.”
•  *Uncle:* “That sounds like fun. I snowboarded on the weekend. What are you investing in?”

•  *You:* “I’m working on a great cash-flow deal in Salt Lake City. Hey Uncle, do you know of anyone who would be interested in investing with me on this one? When I close on it, I’ll have a ton of equity plus cash-flow. And I’m willing to split it 50-50 with the right person. And they won’t have to do any work on it; I’ll do it all.”

•  *Uncle:* “I may be interested myself. Tell me more about it.” Here’s where your research and homework comes into play. This is why you prepare: for opportunities like this.

After you are done talking with Uncle Steve, go search for your next family member or friend.

At family functions, it is good to talk with more than one family member at a time. Once people see a crowd, they will tend to want to listen and join in. Another suggestion is to talk louder than average at these functions because even though someone is not a part of your conversation, but is sitting at your table, they are listening. They are potential investors as well. You may have to approach them or introduce yourself so they won’t give the impression they were eavesdropping.

**Ways to find investors**

Instead of trying to initially create ways of finding investors, the most efficient way is to start with your own sphere of influence. Your sphere of influence could be your workplace, social clubs, or your place of worship. Go through all of your personal contacts in your database, phone list, and e-mails.

*Here are a few other ways to find investors:*

•  Join the country club.
•  Take up or play golf.
•  Hang out with wealthy folks and their acquaintances.
•  Get referrals from your CPA, attorney, doctors, etc.
•  Network with other real estate investors, i.e., real estate clubs, conferences, or seminars.
•  Target certain groups with money such as: people with oil interests, older people, stock market refugees, business owners, high income executives, successful entrepreneurs.
Money-Raising Tips During the Process:
1. Be prepared to discuss your deal on the spot.
2. Have business cards ready to hand out.
3. Get potential investors’ business cards or take down their contact info.
4. Do what you say and say what you do: if you say you are going to follow up with a potential investor the next day, make sure you do it.
5. Follow up with a phone call and e-mail – not an e-mail only.
6. Once you get a lot of interest, consider having an evening teleconference to explain the whole deal and answer any questions. This does two things for you: one, it allows you to get the investment opportunity in front of a lot of people at one time; two, it builds excitement and anticipation to the ones who are still “on the fence” about whether to invest or not. Hearing all the other people investing with you may get them to finally commit.

What is my Money-Raising goal?
Your main money-raising goal is to produce leads. Leads are people whom you have good reason to believe fit the profile of the type of investor you want. Leads lead to prospects. And prospects lead to candidates. And candidates lead to actual investors. Therefore, the more leads you can generate, the more actual investors you’ll have, and finally, the more money you’ll raise. Pretty simple math. In the previous pages, we discussed how to find those leads. Here is a formula that I personally agree with.

25 leads will produce an average of 7 prospects. 7 prospects will produce an average of 4 candidates. 4 candidates will produce an average of 2 actual investors. Therefore, on average to get 2 investors for your deal, you need to generate 25 leads. This is for the average new investor. Once you are experienced and have a few deals under your belt, you will not need to generate this many leads because your current investors will keep investing with you. Eventually, with hard work and good results, you may be able to close off your investments to new people and only pick and choose the investors you want involved in your deals.

Caution: Never stop prospecting. Keep your pipeline full and flowing at all times during the life of the deal. You’ll never know when one of your investors may back out before closing. Often times you’ll find that people have lots of money until it comes time to write the check. Never stop prospecting.

The types of money to Go After
It is a good idea to know the various ways money exists. Once you have this knowledge, you can focus on the types of money to go after or target.

1. Estate Money: this may be money that was set aside to be given to kids as an inheritance. Or it may be money that is in an estate that needs to be invested for the beneficiary.
2. **Patient Money**: this is money that can wait for an extended period of time to be used. This may belong to a person who is many years away from retirement.

3. **Retirement Money**: this may be money that is or was set-aside for a person’s retirement. Stock market refugees or people who lost some of their retirement funds in the stock market may be candidates here.

4. **IRA Money**: this is money that is currently in an IRA. There are many companies that will help convert a person’s IRA money into liquid funds for your deal without causing taxes to be paid by the IRA holder. Pensco, Equity Trust Encana, are two companies that do self-directed IRAs.

5. **College Education Money**: obviously, this money is intended to grow over time and won’t be needed for years down the road.

6. **Money-Finder Services**: Companies exist those “broker-dealer” relationships where they work with individuals and companies who are licensed by the SEC as official money-raisers.

**Selling Your Deal to investors – getting them to Write the Check!**

You’re at the point now, where you have enough information on the deal and you have a few prospects. What’s next is getting your investors to write the check.

**The Trust Factor**

Again, it all goes back to the trust issue. Do the investors trust you with their money? Let’s look at trust for a second. Do you trust someone yourself? Maybe a spouse, a parent, or a best friend? Why do you trust them? I bet it’s because you know them well and they know you well. The intentions of both sides are for good, right? Well, how did you get to this point in the relationship?

You’ve done several things. You spent quality time together even in the short amount of time you may have known each other. One of you or both of you are probably good listeners. There is also mutual respect for one another.

Well, to get investors to invest with you, you must establish the same rapport and trust in each other.
Selling versus Counseling
Since you probably don’t have years to develop this with all the potential investors you have in mind, you’ll need to act and develop quickly. Here’s how: don’t sell to them. Counsel them instead. Recall the old saying, “People don’t care what you know until they know that you care.” Every successful money-raiser is a practicing counselor.

How do you react when someone attempts to sell you something before they know if you need what they’re selling? You put up an automatic guard, right? To overcome this, if they asked you a few questions first, they probably would have been a little more successful. Take a counselor’s approach instead.

5 tips to becoming a Better Money-Raiser Counselor

1. Build Rapport First And Foremost. See the F.O.R.D. formula below.

2. Investor Needs. Ask questions such as do they need monthly or quarterly payouts or can they wait until the investment is at the end?

3. Investment Objectives. Ask questions about why they want to invest. Is it for their kid’s college fund? For retirement? To establish a trust fund for charity or the poor?

4. Risk Tolerances and Return Expectations. Ask questions pertaining to their previous investments, such as stock or other real estate. Ask how risky it was to them. Next, ask what their expectations are for returns on the investment. Are they expecting a 5%, 8%, 10%, or 50% return on the investment? Get a feel for this. And don’t forget to relay to them that you’re number one priority is to protect and preserve their investment with you.

5. Life Goals with Investments. Ask what their ultimate goal in life is. Is it to retire and move to Hawaii? Become a missionary in Africa and live there for the next 20 years? Is it building a school for at-risk kids in poor neighborhoods?
F.O.R.D. – A Rapport-Building Formula
The best money-raisers know the value of counseling. A good counselor makes a concerted effort to “know” their client. They begin by building rapport. So must you. Here’s a great and practical formula that you can use in any situation for your potential investors. These acronyms are talking points.

F O R D
Family Occupation Recreation Dreams
Ask them about their family make-up and history Ask them about what they do for a living, or about their former career Ask them what they like to do for fun or to relax Ask them about their ultimate dream and their plans for reaching it.

Commercial Wholesaling
What Happens After Counseling? After you have your talk (your counseling session) with your potential investor, it’s time to
Ask yourself two questions:

1. Are they a good fit for my investment opportunity – both financially and mentally? If not, kindly thank them and tell them that maybe the next investment opportunity you have may be a better fit.

2. If they are a good fit, you need to ask them the question of the day: “Are you interested in investing and, if you are, how much can I count on you for?” Don’t wait too long to ask this question because they may say “no” now, but later say “yes.” Give yourself time to follow-up with these investors and get them back on track. For the ones that say “yes”, congratulations! Only 24 more prospects to go!

Final thoughts on private lending
Here are a few things for you to think about on your journey:

• The fewer the partners or investors, the better. It will simplify your life and business. One bad apple can spoil the bunch.
• Partnerships are like marriages. Avoid the high-maintenance partners and investors. If you spend all your time holding their hands, you’re not doing your job.
• Send out mass e-mails periodically and consistently on how the investment is performing. The report should contain a short, but detailed narrative as well as financial reports.
• Deliver bad news to partners and investors quickly. Don’t wait for it to get better.
• Success breeds success!
Installment Sale

Copies of the forms on www.diamondlawmembers.com

Instructions and Background for “Installment Sale Agreement”, also known as a “Contract for Deed” or “Land Contract”

This is one of our “creative financing” techniques where you typically do not make a down payment and you do not have to deal with a bank to get a loan to purchase the property. You are dealing with a private seller and as long as you develop a good relationship you have a good chance to put together a “no credit no down payment” deal!

An Installment Sale Agreement is commonly used by a Seller of property who is interested in acting as a lender to the purchaser of their property. Through an Installment Sale Agreement, the Seller also acts like a mortgage company. This option has pros and cons for both Buyer and Seller.

The pro for you as a buyer is that you get built in financing typically with no credit check and a small or no down payment. It is also quick and easy compared to a commercial lender.

The Seller does not receive the total sales price for the property at the time of executing the installment sale agreement, but rather receives payments of principal plus interest. The Seller does retain ownership of the property until the Contract terms are met. Since the Seller receives periodic payments, the Seller can view these payments as steady income. Since the Seller is the lender, the Seller receives the total purchase price plus interest and makes a lot more money. You can see how much more by running an amortization or using the seller financing analysis, which is on the Rentals spreadsheet on the forms disk.

Often the buyer gets the deed to the property once he has completed part of the payments – maybe as little as twenty percent of the payments. That part of the deal is negotiable. One important note is that the buyer can resell the property at any time and take a profit – meaning the difference between what he still owes on the purchase and what he is able to sell the property for. The seller would give him a deed at settlement and the property would immediately be resold to the new buyer. This is a “double close” and is the way these transactions are done if the buyer resells the property before getting the deed.

An Installment Sale Agreement assists a buyer with inadequate credit to obtain financing to purchase the property. By not using the traditional financing method of a bank or mortgage company, the Buyer can acquire a property without going through the traditional hoops involved with commercial lenders.
The Buyer must be cautious when entering into an Installment Sale Agreement to ensure that the Seller is the actual owner of the property and has authority to sell the property. The Buyer should order a title search to verify ownership and liens against the property. You should pay any underlying lenders (such as existing mortgage companies) directly if possible and you should record a memorandum of installment sale agreement in the county records. This will prevent the property from being sold out from under you. The form is in the forms set.

This installment sale agreement is meant to protect you as the buyer. It allows you plenty of due diligence (same items and terms as in the regular agreement of sale) and limits your liability to money paid under the agreement. Same as the regular agreement of sale.

The IRS allows the seller to defer gains on sales of property through an installment sale agreement. This arrangement permits sellers to declare a prorated portion of their profits over several years, as long as the proper paperwork is completed during the year of the sale. See IRS publication 537. This is beneficial to the seller because he does not have to pay all the taxes at once.

How the Installment Sale Method Works (tax wise)

Declaring gains under an installment sale is theoretically simple. The taxation of installment sales has a prorated portion of each payment is considered a return of principal. The only stipulations are that the property being sold cannot be a publicly traded security of any kind, and the taxpayer (seller) cannot be a dealer of the sold property in any sense.

Reporting Installment Sale Income

Installment sale income can be broken down into three separate categories: gain, principal and interest. Each of these categories is treated separately.
Capital Gain

Seller must declare the gain each year as being either long or short term depending upon whether the gain was long or short term in the year of the sale. Long-term gains are taxed at a lower rate, while short-term gains are taxed as ordinary income. The gain from an installment sale is reported on IRS Form 6252 and then carried to the Schedule D on Form 1040.

Interest

Taxpayers with installment sale income must also charge interest to the buyer at a rate that is the lower of the applicable federal rate (or 9% compounded semiannually). The buyer will pay interest on the unpaid installments until the balance has been remanded. The interest is reported separately as ordinary interest income on Schedule B. (Note: If the interest is not reported separately, then the IRS will consider part of the sale proceeds to be interest.)

Principal

Part of each installment sale is considered by the IRS to be a tax-free return of principal. This amount can be determined by calculating the exclusion ratio. Divide the amount of actual gain by the sale price that gives you the exclusion ratio. Simply multiply this ratio by the amount of the installment: This is the amount that is to be excluded from tax because it is designated as principal.

Mortgages and Contract Price

If the buyer of the property assumes a mortgage or some other promissory note with the purchase, the cost basis of the property must be reduced by the amount of the mortgage/note.

Obviously the seller will need to get his accountant involved to do the taxes but bottom line is that the seller gets a lot more money by doing an installment sale than he does selling outright. This is because the seller collects interest in addition to the principal.

Be aware that Texas has some odd rules for installment sale agreements and options. In Texas and all states make sure you have an attorney working with you on putting your deals together legally and safely.
Subject-to

Copies of forms and agreements www.diamondlawmembers.com

Some other situations that occur in real estate include buying a property “subject to” an existing mortgage, a short sale, or a court authorization to sell.

Subject to is not illegal, unethical, immoral and does not cause the due on sale clause to be tripped.

Buying a Property “Subject to” and Existing Mortgage “Subject To” means is that you are taking control (note I did NOT say ownership) of a property with its existing mortgage or mortgages, and that you’re going to start making payments on those mortgages so you can keep the property if you WANT to. This is a very important distinction in our system; you do not have to keep the property you can always walk away in the way that we structure our agreements. This would have saved many investors in the crash of real estate values which happened in 1981, 1985, 1991, 2007 do you see the pattern here? In every one of these crashes real estate would “never” come back yet it comes back stronger EVERY time.

That’s it.

And the procedure for subject-to is covered extensively in our on line training. This is a rapidly evolving area of Real Estate investing and needs to be handled very carefully and in a legally compliant manner. This can be done very easily and in a compliant manner and we teach you that in the online training and have the latest compliant option and master lease agreements to cover this with you.

The benefits of subject to are that it’s simple and it’s quick. You don’t have to qualify for a loan on your own, and you don’t have to put in a credit application or anything else— you just start making the payments. If you have poor credit, this can be a great solution for you.

The other fear that people have in taking a property subject to is there is a clause in pretty much every mortgage document that’s called the “due on sale” clause. What this means is that a mortgage company can call the loan “due” if there has been any transfer of ownership of the property, which is what you’re doing. If this happens, you have to either pay off the mortgage or refinance it.

First, the way that we perform subject to deals will not trip this clause, we teach you how to do this in the online course and our method is absolutely not going to trip this clause!

Next, the reality is that the banks don’t have the resources to scrutinize and review all these accounts to make sure that ownership of the property has not changed. Typically, they only notice something when payments are being missed.

This process is also a helpful way to negotiate a deal quickly, because it allows you to take over the property in a few days without having to obtain financing on your own.
Taking the Stock in the Entity that Owns the Property:

If the entity (LLC, Corporation) already is incorporated there will be shares. By taking shares in the entity that owns the property you can become an owner. I have placed a brief article below that outlines the different types of structures for you. Here is Ed Diamond’s secret to ensuring you have all of the upside and NONE of the downside in ownership. Use an option, share or stock options that are exercisable by YOU and immediately vest IF YOU CHOOSE on a change in control or ownership has a few very important benefits. First, you get paid when the property gets sold and you get a say in change of management if you want to, you do not have to participate. Why is this important? The benefit to you is that you are not obligated to participate on cash calls and can ALWAYS walk away and if a large liability happens you can……. Walk away!

This can be the most important thing that we teach you, the ability to always walk away. The use of an option agreement is possibly the smartest thing you can ever do in business because you keep all of the upside while taking none of the downside.

Working with one or more partners on a real estate deal is frequently a wise decision, if not a necessity. For beginning investors, taking a partner helps offset the risk of even a small investment. More experienced real estate investors may want to take on partners for the same reason, since, as the deals get bigger, the risk becomes greater. Furthermore, individual investors can often benefit from the wisdom, experience, and diverse perspectives that partners can bring to the table.

But of course, there are pitfalls to the concept of partnership. Many friendships and even familial relations are ruined due to misunderstanding, negligence, incompetence, or just plain bad luck associated with doing business - not to mention the financial impact of partnerships gone wrong. To avoid these dire consequences, you should always have a formal partnership agreement drafted by an attorney, and you should always establish your partnership as an official, legal business entity.

General Partnership - Just Say No!
A general partnership is established by the simple act of doing business. It does not have to be registered with any governmental body, although it can be formalized with a written agreement. Legally, there is protection for you from the liabilities your partnership creates, which means that your personal assets could come under attack by litigants against your business. Furthermore, your business assets could be seized for actions related to the misdeeds of your partners. In other words, do not operate as a general partnership if you engage in a continuing business relationship with any partners.

To Incorporate or not to Incorporate?
A vastly superior business entity, easily the most popular, is the corporation. By incorporating, you and your partners establish a legally distinct business entity with its own equivalent of a social security number (called an EIN, or "employer identification number"). In fact, a corporation is technically considered a "fictitious person." Thus, unlike a general partnership, a corporation is legally separate from any and all "partners" - or to be more accurate, "shareholders."

There are many advantages to incorporating. Chiefly among them, corporations provide limited liability. Since they are legally distinct, shareholders cannot be held accountable for the actions of the corporation. In other words, if a corporation of which you're a shareholder is sued, your personal assets are safe. Think about it - if you own stock in Wal-Mart, can you lose your house if the company is sued? Of course not. Your losses are limited to your investment. There are some cases in which a shareholder can be held liable in a small corporation, but in many cases you will be protected from liabilities of the business, and, more important, the misdeeds of your business partners and employees.

**Limited Liability Company**

The real danger of owning real estate in a corporation is that if one of the shareholders is personally sued for reasons unrelated to the corporation, the creditor may take possession of the debtor's stock certificates. A shareholder's shares are his or her personal property, and thus are at risk. This is why many real estate investors prefer to operate as a limited liability company or "LLC"

An LLC is like partnership in that the business is less formal than a corporation, but it provides liability protection for the owners of the company ("members"). An LLC also provides creditor protection, in that a judgment against one of the LLC owners will not allow a creditor to seize the LLC's asset and potentially ruin an ongoing business.

An LLC does have a federal tax ID number, but it files as a partnership for federal income taxes purposes. For some real estate investors, the partnership taxation model is better than the corporation because of the ability to deduct losses from rental real estate activity. For others, the corporation is better to avoid self-employment taxes on "earned" income from dealer activity, such as flips.

Each investor should consult with a professional tax advisor to determine which is better for his or her own real estate business.
Wraparound Financing:

There is a type of loan that is sometimes called a "wrap around" mortgage or an "all inclusive" deed of trust. This loan provides an effective way of circumventing the due on sale clause.

Here's how it works...

1) Get all the pertinent information on the loan you would like to assume i.e. payments, loan balance, due date, interest rate, etc.

2) You then execute a wrap around mortgage in favor of the seller at exactly the same terms of the loan that you are "wrapping" (assuming).

3) You then handle the rest of the transaction as if you had simply assumed the original loan.

Any escrow company can create the wrap around document for you or you can get a pre-printed form that makes it so simple, that you can basically just fill in the blanks.

What the wrap around mortgage accomplishes, is that you now make the loan payments directly to the seller not the existing lender. The seller then makes the payments to the lender. If the lender received a payment from you, he might be tipped off that the property had been sold and the loan might be called due. In actuality, if the lender discovered that the property had been sold and that you were the new owner, if the payments had been made in a timely manner, the chances are small that the lender would call the loan due.

Another problem with a wrap around mortgage or all-inclusive deed of trust is "How do you know that the seller is actually making the payments, and not just pocketing your money"? If that were to happen, the lender would foreclose and you would lose your property. The way to avoid this is to have a bank account set up in the seller's name, which requires both seller's and buyer's signatures to withdraw funds, and stipulates that any money deposited into the account is automatically paid by the bank to the lender. You make the payment to the bank, the bank makes the payment to the lender, and you have eliminated the problem and "assumed" the loan.
As a result of full disclosure laws, in some states, escrow companies will no longer handle transactions with wrap around mortgages. These disclosure laws require escrow companies to disclose to all parties that have any interest in any transaction in which they are handling the escrow, any information that may be pertinent to that interest. What this means is that if your reason for the wrap around were to assume a loan without informing the lender, the escrow company would be required, by law, to make the lender aware of that fact. That, of course, defeats the whole purpose of your "wrapping" the loan.

The main reason for using the title and escrow company is to be certain that when you buy that property, you know without doubt that it has no undisclosed liens, bonds, or assessments, and to be certain that the seller actually owns it. Why not just go ahead and open the escrow and have the preliminary title report issued? At this point there is usually no charge, since normally title and escrow fees are charged only if the escrow closes.

You now have the title report in your hands. You have all the information you need regarding existing liens and confirmation of legal ownership. So, what now? Cancel the escrow. You probably do not need title insurance since the title report gives you all the pertinent title information and with a few phone calls, you can find Real Estate Agent or Paralegal or have your Attorney handle the escrow details, including the wrap and Grant Deed for a fee less than what the escrow would have charged.
Instructions on Seasoned Refinance – No Down Payment Financing

This is a great strategy to use when you buy a property and make the payments for 6 months and are then eligible to re-finance. The methods for this are changing right now as are the FHA, SBA and other options that are available thus we will be teaching this live in our modules and making this available to you online.

The seasoned refinance is a creative financing method that eliminates the need for a down payment. It does require you to have credit.

When a borrower applies to a bank to replace an existing loan and does not wish to take “cash” out but instead to just replace the current loan it is called a “rate and terms” refinance. It is easier for a bank to approve a “rate and terms” refinance than a “cash out” refinance where the borrower is walking away from the settlement table with cash.

The bank normally wants to see six months in rental history to approve a refinance loan.

The strategy is this:

Get the owner to provide you with short-term owner financing – typically with a term of twelve to eighteen months. The longer the term the better it is for you. After you own the property for at least six months and have been collecting rents a regular commercial lender can evaluate you for a “rate and terms” refinance. You being the owner means that a deed in your name or your companies name is of record in the county real estate records for six months.

The lender will order an appraisal and look at your credit qualifications but as long as the equity in the property is there (usually 25% or more equity) then they can offer you a new loan without your having to make a down payment.

This is in contrast to an acquisition loan where the lender would require you to make a 25% or greater down payment regardless of whether the appraisal shows you are buying the property with at least 25% equity. The bank would lend you the lesser of 75% of the appraised value or 75% of the purchase price, whichever is less.
Thus the seasoned refinance saves you from having to put out a down payment. The tricks to this method are that: (a) you need a property with at least 25% equity; (b) you need the owner to agree to short-term owner financing; (c) you need to credit qualify with the bank.