

# 7 Steps to a 7 Figure Income in Real Estate



THE  
*LeeArnold*  
SYSTEM OF REAL ESTATE INVESTING

# Table of Contents

<b>A Word From the CEO.....</b>	<b>3</b>
<b>Real Estate.....</b>	<b>4</b>
Why Real Estate?.....	4
Why Private Money?.....	4
Establish Your Goals.....	5
Avenues Toward Wealth.....	5
<b>Step One.....</b>	<b>7</b>
Create Consistent and Steady Lead Flow.....	6
But What About Rejection?.....	10
Are You Social About Your Business? .....	11
Offline Marketing.....	12
..	
<b>Step Two.....</b>	<b>13</b>
Where Are You Going to Specialize?.....	14
Rifle Approach to Marketing.....	15
Rifle Approach to Equity .....	15
How I Started Real Estate with an Equity Deal.....	17
Forget the Money! Go Find the Deal!.....	18
Rifle Approach to Short Sales.....	18
Rules of Short Sales.....	21
The Shotgun Approach with the 25/25/2 Formula.....	22
<b>Step Three.....</b>	<b>27</b>
Control Equity by Controlling the Deal.....	27
<b>Step Four.....</b>	<b>29</b>
Follow Up.....	29
The Buying Cycle.....	30
Systematize Your Follow Up.....	31
Set Up a Deliverability Service.....	32
<b>Step Five.....</b>	<b>32</b>
Always Renegotiate Price and Terms.....	33
Renegotiate Price.....	34
Renegotiate the Terms.....	34
<b>Step Six.....</b>	<b>35</b>
Apply for Funding.....	35
Where Do You Go To Do This?.....	35
<b>Step Seven.....</b>	<b>36</b>
Which Method Do You Use?.....	36
Circle of Wealth.....	37
Who Is Lee Arnold?.....	38



# Introduction

Welcome to the world of real estate!!

90% of millionaires first made their money in real estate. Is it any wonder real estate is an entrepreneur's best way to break out and make it big? Granted, we are not talking about becoming an agent or striving to create a personal brand, in order to find success. What this short book will reveal is all the little known/understood potential found through more untraditional paths, and the steps taking you from curious onlooker to a high income producing professional.

If your goal is to augment your current income, create part-time income, and/or replace your job or generate a very high degree of wealth (eventually—effortlessly), you are in the right place. We will show you how to get started on the path that's right for you and delve into the 7 steps you can take to become wealthy in real estate.

Move forward by calling us at 1-800-971-5988 to receive a free assessment on which real estate path is best for you and what you can do to start creating wealth. We would love to help you master the tools to be highly successful.

I look forward to working with you,  
Lee Arnold

# Real Estate

The type of real estate wealth we are talking about here is not that once-in-a-blue-moon, rare-bird type of wealth that comes to agents with million dollar listings. We come across people all the time who know there is money in real estate, but do not understand how to begin.

What we are here to show you is an approach for generating wealth, and turning your active wealth building into something that becomes passive. Instead of just trying to sell who you are, we will reveal the huge opportunities and pockets you can take advantage of, and give you the education and tools to become successful. Really, it comes down to being structured—having a plan and sticking to it. When you do this, you will be successful, and real estate opens up a playground of opportunity.

## Why Real Estate?

We meet highly driven people all the time. They are committed to personal and professional growth. They read the latest Malcom Gladwell books, or just returned from a Tony Robbins conference. They may work out to keep their heads straight, have a disciplined work schedule, eat healthy and/or listen to audiobooks and podcasts. They want to be the best version of themselves and attract financial success through extending their effort and putting their best foot forward. They are persistent, deeply passionate and don't often know how to generate wealth.

That's where we come in. We offer you a strategy: a step-by-step way to find success through real estate. You can apply all the principles about hard work and diligence you've learned elsewhere (although we will teach you those too), and apply them to work where the reward will correlate with the effort you put forth, and the smarts you apply.

## Why Private Money?

The private money world is an untapped haven for entrepreneurs. When you aren't dealing with banks—their bureaucracy, timetables and rules—options open up for the borrower (real estate investor), lender and broker in the world of real estate. There are no limits to the number of loans a lender gives to a single borrower. There is a subjective interpretation of the loan package, where a borrower is weighed on the deal rather than credit or money brought to the table.

Private money can be a more secure investment than the stock market, and truly diversifies an investor's portfolio (versus stocks, bonds and CDs—all affected by the same market trends). Private money gives brokers a leg up, investors the funding they need to fix and flip as many properties as desired, and affiliates the ability to have steady income from their couch (or office or poolside).

## Establish Your Goals

The first step in determining which real estate path is right for you is establishing your goals. How much do you want to make and how quickly? How much networking do you want to do? What kind of networking are you interested in? Do you see project management as one of your skillsets? Or perhaps, you are really handy around the house? Perhaps you have a partner you'd like to work with you, or maybe you're flying solo? Below are some descriptions for each segment to help you determine which real estate avenue best suits your work style, requirements and strengths.



## Avenues Toward Wealth

### *1. Become a real estate investor*

Learn to fix and flip properties. Many earn 20k or more on a single project in a short period of time. Some, a lot more (200K+). There are hundreds of opportunities in every city. Complete a project or two a year, and that's some hefty cash. Get a team together and do 10+ projects a year, and that's an even faster way to fortune.

Learn how to look for the right deals and focus on the right things. This work takes administrative type skills (hiring contractors, purchase and sales agreements, paperwork, etc.) and/or handyman proficiencies (Can you tile a bathroom? Or do basic plumbing/electrical?). This role can be handled by a single person or established as a partnership—each person focuses on their strengths (administrative or labor).

**Type of person:** Project focused, Big Picture Minded, Detail-oriented, Data/Strategic based decision making versus emotional

**Type of work interest:** Deal hunting, hands-on, negotiations, sales, marketing

## 2. Become a private money broker

Banks aren't the best options when you're trying to get a rehab loan. And, if you are trying to complete multiple properties at once. And, if you do not want to use your credit. And... you get the picture. There are hundreds of thousands of people buying properties with private money, and many of those people buy 5 or more properties every month or two (see that opportunity for recurring income?). Perform the administrative work between the borrower and lender and make a hefty commission. Many brokers balance other work. Some brokers make several hundred thousand a year through an office and employees. The sky is the limit in this undeveloped, not highly competitive market!

*Type of person:* People person, Administrative, Networking oriented, Marketing

*Type of work interest:* Administrative, Social

## 3. Become a private money scout

Looking for a job with the least amount of work and all the tools you need provided for you? Private money scouts connect borrowers and lenders, and unless they want, do not even need to get off the couch. When you become a private money scout, you get your own landing page, plus all the marketing tools/resources you need to drive private money lenders and borrowers to your page. Learn how to post ads, network online (and off), and receive a commission on every deal that closes. It's really a gig that sounds too good to be true—but it's not.



*Type of person:*

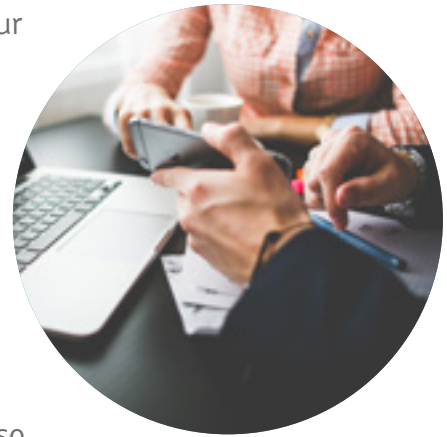
Looking for part time work, looking to work from home, looking to supplement current income

*Type of work interest:*

Administrative, networking (off or online)



More information on these opportunities is available through our courses or call us by phone (1-800-971-5988). The following information was transcribed from our CEO Fireside webinar series, where Lee gives entrepreneurial guidance and advice. It's mostly a transcription but has been edited so it reads smoothly. While each step is relevant to you regardless of your real estate area/experience level, some of the details may be less specific. We ask that you read this with an understanding that there ARE very specific ways to follow each step. Any disconnect between your goals and the stated examples, take them for what they are worth, and at minimum, gain a little bit of insight into someone else's real estate world (also highly beneficial).



Here are the 7 Steps It Takes To Generate a 7 Figure Income In Real Estate. Begin imagining the reality of your all too possible success.

## **Step One:** Create Consistent and Steady Lead Flow

What are you doing to generate traffic so that people are calling you? There's two ways to approach the lead generation business. You can be the uninvited pest, or you can be the welcomed guest. The way that you get to one versus the other is through marketing. This is by doing things that get people to come to you, as opposed to you going out to them. If you're knocking on doors, without an appointment, and you're interrupting a barbecue or American Idol, you are an unwelcome pest. So, how do you become a welcome guest?

Through your marketing efforts: the list that you're mailing to, the nature of the copy, and the message that's being submitted to the homeowner. What is it that you want to do? What are you trying to accomplish with these folks? In marketing, we have a little thing called message-to-market match, which I'll cover in a moment.

But first, let's discuss some of the simple things you can do to begin generating leads with ads on Craigslist. Are you consistently running an ad on Craigslist? If not, I suggest that while you're reading and studying this homestudy course and watching the accompanying video, run an ad on Craigslist.

Now, you may be thinking to yourself, “Lee, what’s the ad going to say?” Let’s think of one here. How about this: “Investor has properties in need of repair. Call for details 555-555-5555”? At this point, you may be thinking, “Lee, what am I going to say when the phone rings?” You simply need to say, “Unfortunately, at the moment, I’m completely out of inventory.” Now, for those of you that don’t have inventory, that’s a very true statement. You’re out of inventory. After that, it’s how you steer the conversation after the initial response that truly matters. So guide the call with these types of questions:



- “What are you looking for?”
- “What kind of properties are you wanting to
- “In what area of town are you looking to buy?”
- “How much cash do you have to put down?”

buy?”

It’s the old what, where, when, why, how conversational trick. For example, this is how the conversation might go:

**You:** “Tell me, what is it that you want to buy?”

**Prospect:** “Well, you know, I’m looking for properties that I can acquire between \$75-150K.”

**You:** “Ok. Where do you want these properties to be located?”

**Prospect:** “Well, I’d like them to be in the southeast portion of the county.”

**You:** “When are you looking to buy them? How quickly are you looking to pick something up?”

**Prospect:** “Well, you know, soon within 30 days at least.”



**You:** "Ok, great. Within 30 days. What's your purpose in wanting to buy an investment property?"

**Prospect:** "Well, you know, I saw this late-night infomercial and this guy said they are a great investment opportunity."

**You:** "Clearly that's a good reason, but what's your plan? Are you buying it to hold it, are you going to fix it and flip it, or are you buying it to add to your portfolio and hold long term? Is it a hold or is it a flip?"



## Important Take Away Point:

You would ask this question because you need to know their end strategy. Properties that you're going to hold, you will tie up with different financing on the initial offer, so you can sell it differently on the back side. Conversely, if you know this property is simply going to be flipped, there's a different way that you would write the offer.

Then finally, you get to the last question, which is, "How are you going to buy the property? Do you have cash, are you pre-qualified for a mortgage, how are you going to purchase the property?"

What we are trying to get out of this caller is how much cash assets do they have, because cash equals speed. If you don't have cash, that's fine, but you need to start looking for potential buyers that do. This is the key. They need to have cash so they can come in and buy it from you quickly, or give you a wholesale assignment fee where they write you a check for \$5,000 for the deal.

What Step One is referring to here is building a buyers list. One method for our Affiliates right out of the gates is to start building a buyer's list. The thing I love about Craigslist is you can run multiple ads at multiple times. You can run three ads every 48 hours per account that you have. For an account, all you need is a phone number. If you have a home phone, a cell phone, and an office phone, you can have multiple Craigslist accounts.

### **I want you to run ads like this one:**

*"Investor has cash to close on junky real estate in next 72 hours. Call if you have properties you hate. 555-555- 5555."*

And if you don't get a response, clearly it's a horrible ad. But if you get a response, then keep running it. With this ad, you are clearly building a seller's list. Now, your goal as an investor should be to set up your marketing in such a way that you literally have leads coming to you at all times of the day. When the seller or the investor is calling you and wanting your information, that makes you the welcomed guest. You want people seeking you out.

## But What About Rejection?

To some people you'll be an unwelcomed pest, regardless, and that's fine. If the thought of somebody telling you "no" freaks you out, you need to work on getting past it and know that there is a formula for this. For every 100 no's you will get a yes. As you get better at this, you'll get a lot more yes's than you do no's, but you'll get a bunch of no's first.

This is going to tell you that the way you're approaching the seller is wrong. You may be saying things that are somewhat questionable in nature, which is making them question your integrity and your business ethics or your morals. You want to be really mindful of your word choices so that you don't say anything that's going to offend or put them off in any way.

How many no's have you gotten this week? Think about that. Have people told you, "No, I don't want to sell you the property?" Have people told you, "No, I don't want to buy your property?" Here's a test for success. If you are not receiving no's on a regular basis, you're not asking enough people buying questions or questions that will make you money. Do you have anything for sale? Do you have anything you want to buy? How much cash do you have to put money down on a deal? If you're not getting no's, you're not asking questions, period. If you're not asking questions, you're not getting paid and you're not making money.

We're going to talk in greater detail about direct mail and what I'm going to encourage you to do before you spend a dime on a stamp or a letter is to test your ads on Craigslist first to see if you get a response. Pages like BackPage, which is a competitor to Craigslist, is also a free service so make sure you post there too..



## Are You Social About Your Business?

Here's my question for you: How many of your Facebook friends or your LinkedIn associates know the business that you're in? Does everybody know that you are an aspiring real estate investor or that you are an aspiring hard money lender? Does anybody know your plans? Do people know what your goals are? Do people know what it is that you want to accomplish? If they don't know, they can't help you. You should be wearing this as a badge of honor. This is the business I'm in! This is what I do! This is what I'm really good at! This is how we can make money together! If nobody knows what you do, you're not making money.

This is especially challenging for those of you that are trying to make real estate work while maintaining a job. It's kind of a fine line, too, because most employers don't want you doing anything other than what they pay you to do. They feel like if you're out trying to make something in real estate that you are short-lived at your job, and now you lose job security, you're afraid of getting fired.

Forget all that. You have got to let people know what business you're in or aspiring to be in. Is your job your security blanket? If this whole real estate thing doesn't work out for you, do you have a

backup plan? Here's what I can assure you: If you have a backup plan, if you have created a buffer zone, I can pretty much assure you that you're probably going to fail, because if you *can* fail, you *will* fail. But, if you remove the security nets, and you have to be successful at this, you will be more motivated, have more urgency, because you **HAVE** to make money.

Please don't confuse what I'm saying. I'm not saying to quit your job. You do need to build to ultimately replace your income in your new business of real estate. In the meantime, maintain your existing income at your job. However, if your approach to real estate or lending is, "You know what, I'm going to try that out. It seems like it would be a lot of fun, so I'm just going to give it a go," you're destined to fail from the beginning. That can't be your attitude or approach. You've got to have the approach of, "This is what I'm going to do. I'm going to make money as an entrepreneur, I'm going to have my own business, and I will stop at nothing to make that happen." If you haven't had that mental conversation with yourself where there's no exit strategy, then you're probably not going to make it happen. Keep that in mind.

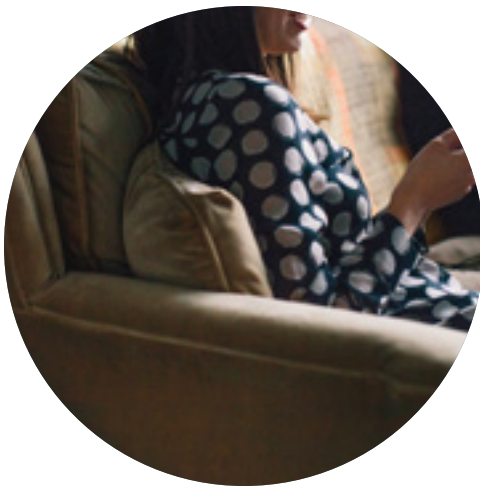
Let your Facebook friends know, let your LinkedIn friends know. Many of you reading this are affiliates of Private Money Exchange. Let me ask you this, are you running your ads on Craigslist? Are you passing out your business cards and letting people know that you are in the business of money? You may think, "Yes, I'm an affiliate, but I don't have any deals right now, so there's really no point for me to run my ads because I've got nothing to lend on." Understand that the purpose of running the ads is to generate leads.

One of my clients, Mary, in South Carolina, actually had a lead come through her Private Money Exchange affiliate landing page this week, and it turns out to be some guy that she went to high school with. Forty years later, here they are communicating with one another and potentially now doing deals with each other. Where did that lead come from? It came from running her Private Money ads on Craigslist. If you guys are not doing that, you need to get back into it.

Some of you are thinking, “Lee, I ran ads for a couple of months, and I got a lot of leads, but I never got a check.”

Did you call the leads back? Did you actually pick up the phone and say, “Hey, you just visited my website. I understand you have a great deal and you’re looking to borrow money. Why don’t you tell me about the deal that you have? Tell me what it is. Tell me where it is. Tell me when you want to close on it. Tell me why you’re buying it. Tell me how you intend to close.” Every lead that comes through your squeeze page is your potential next paycheck. These ads are the most professional looking ads you can possibly have, without hiring your own coder or developing your own back end CRM. This is the easiest way for you to start building these lists of buyers and sellers. When somebody clicks on your website and says, “I have money to lend on real estate,” why aren’t you calling them and having them lend their money to you? Just because you’re using **Private Money Exchange** ads does not mean that we’re the only ones that can do business with those leads. Those are your leads. These are people that want to buy real estate. These are people who have money they want to lend on real estate. Why not get involved in the deal with them? Why not have them lend their money to you?

## Offline Marketing



Now we get into off-line marketing. The direct mail, the phone calls that you’re making, the newspaper ads that you’re running, as well as going to real estate investment meetings and networking meetings. I have a bone to pick with many of you. I am shocked at the way you choose to present your- self when you are going to a networking function or a real estate investor’s club. If I see another per- son show up at a seminar wearing flip flops and sweat pants, I’m going to have them removed be- cause they are not wearing the attire of success. Can you imagine Donald Trump showing up for an interview on Ellen wearing flip flops and sweat pants? You guys are thinking, “Well Lee, that’s different.” No, you’ve got to understand that you need to dress for success. You need to look successful. Be mindful of what you’re wearing and how

## Step Two: Get Your Message to Market

We talked about some of the elements of marketing; now let's talk about the style through which you are marketing. There are two styles here that you can apply to your business. There's the shotgun approach, which is marketing to a lot of people all at once. Then there's the rifle approach, where we're going to get more heavily into message-to-market match.

In the shotgun approach, you're broadcasting emails, building fan pages within Facebook, punching out a message in LinkedIn or Twitter that says, "Hey everybody, I'm a real estate investor. I've got some great deals." That's shotgun messaging. You're just casting the net and you have no idea what you're going to reel in.

It's like the show, *Deadliest Catch*. They put the net out there and they haul it all in. If they're out there looking for crabs, inevitably they catch a lobster or fish in the cage, and they have to sift through the catch and throw out all the "chaps" as they call it. It's the stuff that's not their target. In real estate, if your specialized and chosen niche is residential and you're doing the shotgun approach to marketing, eventually you're going to get multifamily, commercial, mixed use, and dirt. Once you have a mixed bag of all these different things, you've got to choose. Does this fit into my niche? If it does, keep it. If it doesn't, get rid of it. This will help you focus in, and as the marketing great, Dan Kennedy says, "there are riches in niches". Specialize in a category and get rid of every-thing else. Otherwise, you're going to be pulled in 29 different directions and you will never effectively succeed at any one thing. You might make money by dabbling in this thing and that, but you're never going to really make the true, big dollars.



## Where Are You Going to Specialize?

If you've never invested in real estate, I would encourage you to begin with a single family residence. There are more of them than anything else, they are trashy, junky, and you can pick them up for peanuts right now.

If you've never done a deal in real estate, why are you pursuing 300 unit apartment buildings? I get this a lot when we pick up new clients. **The conversation usually goes something like this:**

**Me:** *"What is your chosen niche in real estate?"*

**Client:** *"I think I want to specialize in multi-unit commercial apartment complexes."*

**Me:** *"Ok, great. How many have you purchased up to this point?"*

**Client:** *"Oh, I haven't purchased any."*

**Me:** *"Ok. How many pieces of property have you successfully bought, managed, and sold?"*

**Client:** *"Well none. I'm just getting started."*

**Me:** *"Ok, then why are you going after 300 unit apartment buildings?"*

**Client:** *"Well, I went to this seminar, or I watched this webinar, or I got this email notification that said that you can be a 300 unit apartment building guru."*

Forget all that. If you haven't bought a single property, buy a single family home. The first piece of property I ever bought was a \$35,000 yellow, piece of junk house that we literally spent six months fixing up. We hauled out over fifteen tons of garbage, debris, and human excrement. It was gross. It was the most disgusting thing I've ever seen. I literally gagged 8 times as we were cleaning out the basement. We started there, and now it has sprung into all types of different real estate. Please start somewhere, but specialize. Choose your niche and grow. And above all, start small. It's easier. Also, you can join the board of Realtors, or the Association of Realtors, and communicate or co-mingle with like-minded people. You are the sum total of the five people you spend the most time with. If you want to be a real estate investor, are you spending the bulk of your time with other real estate investors, or are you spending the bulk of your time with people who have no interest in real estate? Be mindful of who you're associating with.

## Rifle Approach to Marketing

In our rifle approach to real estate, we are identifying a specific group, or subset of individuals, that we are now going to literally target with a direct message. To do this, you go after specific verticals, like pre-foreclosures, short sales, equity deals, sheriff sales, lispendens, which is probate or estate sales, tax auction, and my favorite which is out-of-state free-and-clear owners, or those who have acquired their property before 1995.

## Rifle Approach to Equity

I'm going to go through the benefits of each. Let's start with equity deals. Why do we like equity deals? They require minimal cash, they're not as competitive, you do not need good credit to do equity deals, you do not need a job, and in some cases, financing is available.

The cons of an equity deal is that you must work with a homeowner who either wants to stay in their property, or has already moved out, which means we've now got to track them down. If the property is vacant, it requires debt service, rehab, or money to fill it and rent it.

First, let's begin with what is an equity deal? An equity deal is a property that has a value of \$100,000 with an undefined lien that is going to be foreclosed for \$40,000. The equitable spread between the two numbers is essentially \$60,000. There are several types of equity deals that you can target. Deals that are in the process of foreclosure or deals that are free-and-clear with out of state owners. You can acquire these leads from local title companies or by contacting a title agent. There are also two list brokers that I want you to be aware of: Listsource.com or email Caryn Collingwood at [listandmarketing@gmail.com](mailto:listandmarketing@gmail.com).

You can ask them for very specific, strategic lists. I like the free-and-clear list best because there's no mortgage to deal with. The challenge with free-and-clear is the owner is not highly motivated sell. They are not going to let you have their property for a steal? If these folks aren't motivated, they're not going to give up a \$60,000 marginal spread.





First you need to understand what their level of motivation is. How much time, energy, and effort are you spending to cultivate that motivation? Why do they want to sell? Put it into perspective. If this is your house, and you bought it 17 years ago, and now you owe \$40,000 on it and the house is worth \$100,000, think through some things that would cause you to be motivated to get rid of it.

Your spouse has passed away, you moved out of state, you're now venturing into another career path; you don't want the hassle of the property anymore. Think of all the reasons and only pursue the deals that are experiencing a hardship or challenge that fall into these categories. This is one of the reasons why we tend to focus in on foreclosure. If they're going to lose the house, and they have equity, they probably need some help.

There are a few things you need to do here when pursuing this kind of the deal. In a foreclosure setting, we have what's called a foreclosure timeline. In the foreclosure timeline, if the notice of default or the lis pendens filing happens on this day, we have a timeline where the auction will be held. Do you know the timeline in your market from where a property gets itself in trouble and where it actually goes to auction? If you are in a notice of default state, this period is usually about 90 days. There will be a three week advertising period after which the auction will be held. If you are in a lis pendens state, you usually have about six months to go through the writ of execution before the foreclosure auction is actually held. The sweet spot here is this period known as the advertising period. This is the 3-4 days right before the property goes to sale.

Why is this 3-4 days the sweet spot in an equity deal scenario? Simple. When you've got equity in a piece of property you have options. Think of all the options this person has. They've got a \$100,000 property, they owe \$40,000, they could refinance. If they are \$6,000 in arrears there's a pretty good chance they can get a friend or family member to lend them \$6,000, which would cure the arrears and allow them to be current again. They could refinance and get a new first mortgage for \$46,000, which would pay off the underlying and the arrears, which would bring them current. They could fire sell the property for \$60,000 and pay off the \$40,000 plus the \$6,000 in arrears, and end up closing with about \$14,000 in cash.



As you guys can see, there's a whole bunch of strategies that a homeowner in foreclosure has leading up to D-day or the foreclosure day. However, if they are still going to auction, within 3 or 4 days of the sale, it means that they don't have any options left. Their only option at that point is you and this is why this is such a profitable strategy. You can now track down the homeowner and present them with their remaining options. You can come up with the \$6,000, take over the underlying mortgage for \$40,000, and you now own the house.

You can set up an equity share with the homeowner where you say, "Here's what we're going to do. I will come in with \$6,000, cure the arrears, and stop the foreclosure, and I'll give you \$5,000 to move out in 90 days." That gives them 90 days to get a new property.

Or you could say to them, "Tell you what, I'll give you \$15,000 to move and I'll give you 30 days." If you want them out quickly, you can tell them, "Once you are out, I'll give you \$25,000 if you can be out in 3 days."

You see, when there's motivation, there's tremendous options that are available to you as the investor that can be presented to the seller. Many of you at home are thinking, "Lee, I don't have \$6,000. I surely don't have \$15,000 or \$25,000 in cash." That's where you've got to stop and realize that in real estate, it doesn't matter if you have any money, when you have a deal. Please write this down: In real estate you have to have a deal. If you have this deal under contract, you can go find people to give you the money.

## How I Started Real Estate with an Equity Deal

When I got involved in real estate, I was working at a grocery store. I was earning \$3.90 an hour, which meant I didn't have any money. My credit cards were maxed out because I was using them to put myself through community college. I had nothing. So, how did I get involved in real estate? I kind of stumbled upon this concept that having a deal, meant I could secure the cash. So, I literally went around to all the perimeter departments at the grocery store where I worked. I went to the bakery, produce, dairy, and meat departments. I came around to the general merchandise department and finally I landed at the pharmacy. I asked all the department heads, "Hey, will you guys invest in real estate with me? Will you provide the funding?" They all said no. What I didn't realize at the time is that the reason they all told me no is that they were looking at me as the investment opportunity and I was a horrible investment. If you want to remove yourself from the equation, you've got to have a good deal.

When I got around to the pharmacy, I said, "Brent, I'm going to be a real estate millionaire do you want to get involved with me?"

He said, “Lee, you’re a horrible investment. “Thank you Brent, I love you, too.” He said, “I’ll tell you what I’ll do, Lee. You go find a good deal, I’ll provide the funding to do the deal with you.”

That’s what I did. I found this little junky house and bought for \$35,000. We used Brent’s credit to buy it and his credit card to fix it up. We spent \$15,000 in the fix-up and then we sold the house for \$79,000. So if you’re into it for \$50,000 and sell it for \$79,000, you take \$29,000. What’s \$29,000 divided by 2? That’s \$14,500. When you’re an 18 year old kid who’s making \$3.90 an hour, \$14,000 is a pretty good deal!

## Forget the Money! Go Find the Deal!

If you haven’t realized this yet, we have a company called Cogo Capital, which is the largest and fastest-growing private money lender in the country. If you have a deal, we can get you the funding, but you’ve got to have a deal first. I’m telling you this because if you want to get access to millions, and millions, and millions of dollars in funding for real estate, you must have a deal.

Part of the reason I have always focused on this particular aspect of the business is because everybody we talk to is motivated. They are going to lose their home and probably have some equity. If you can come in and create a positive solution, where they can either avoid losing the property to foreclosure, or in some cases just allow them to stay in their home for an elongated period of time--30 days or even 90 days--you can give them ample time to get moved out. When you create positive solutions for the homeowner, you’re probably going to make money.

People often ask me the question, “Lee, what can I do to make money really fast?” If you want to make money really fast in real estate, the best place you can look is for deals in pre-foreclosure, equity stage.



## Rifle Approach to Short Sales

With short sales you are going to pursue the deal at a much different time in the foreclosure process. As I mentioned here, the foreclosure process begins on the day that the notice of default or lis pendens is filed.

In short sales, we actually pursue them the day that the notice is filed. The success comes in the speed of getting in front of the homeowner. However, with short sales, it really is beneficial for you to be a licensed agent because there's a lot of short sales that you'll get yourself involved in, that you don't really want to buy. I'll give you an example.

One of my clients lives in Phoenix. She found a homeowner who owed \$275,000 on a property that we were willing to pay \$110,000 for it. The bank counters back and says, "No we're not going to take \$110,000, but we will take \$165,000."

She came back to me and said, "Lee, the bank wants \$165,000, will you pay \$165,000?"

I said, "No, absolutely not."

She said, "Well, what do I do?"

I said, "Put it back on as an active listing for \$164,900 with remarks that read 'Short sale. Already negotiated. No offers less than list will be considered.'"

Within 3 days, she had 8 offers, all for higher than list price.

Now you may be thinking, "Well, Lee, \$200,000 to \$165,000 provides a \$35,000 marginal spread. You should buy it."

No, you shouldn't. Here's the problem with short sales. Short sales do not have any creative entry strategies other than cash or financing. If you don't have cash, and you don't have a private money lender or somebody that's willing to get involved with you on those deals, there's nothing you can do.

Now here's the challenge. The Property is worth \$200,000. This is after repaired value. The purchase price is \$165,000. If you buy this property for \$165,000, you're going to have closing costs. Let's say those are \$3,000. I know that's low, but let's just say it. Now we're at \$168,000. The property needs about \$20,000 worth of fix-up and repair. Now we're into this thing for \$188,000.

"Well, Lee, there's still \$12,000 in there."

No, because you're going to have to pay to list it and sell it. You pay a 3% listing fee with the listing agent. You pay 3% fee to the buyer's agent. Now, if you're an agent, you can eliminate this fee, but many of you are not agents, so you're going to incur costs for selling. 7 ½% on a \$200,000 property is \$15,000. We're now in this at \$203,000. I haven't even talked about the private money financing or hard money fees yet. This is not something you'd want to buy.

If you can run this deal strictly as an investor, and you want to buy it, fix it, and resell it, \$165,000 won't work. But, if you're a licensed agent, and you can sell it for \$165,000, you get 3% of the sales price so you still walk away with \$4,950. Could you do this deal as a non-agent and get paid? Potentially. This is a tough strategy to do because there's not a lot of margin in the process.



I have another client in California. His name is Jerry. Jerry found a property in a residential neighborhood, but it's being utilized as commercial. Basically, what they did is they took a house and they converted it into five offices, which is spitting out about \$2,980 a month, and this is net. As a residential dwelling, it's worth about \$700,000, but as a commercial, it's worth about \$500,000.

What's the difference? It's not spitting out enough income to make it attractive. They want \$560,000 for the house. It's a residential property, so there's a \$150,000 spread, but you've got to convert it from a commercial back to a residential house which is going to run you about \$100,000, which means you've now eaten up all potential profits. If Jerry approaches this deal as just an investor, he's already invested time in marketing, in mailing, in follow up, and he can't get paid on it. There's no marginal spread.

I said, "Jerry, go back to the people selling it and offer to list it for them at \$559,900 and at least earn 3%." If Jerry just approaches them as the listing agent and sells it, he could potentially earn about \$16,770.

Now again, I'm not trying to sell you on getting your license. I'm simply saying that you've got a lot more options with it, than without it.

In foreclosure scenarios, where they owe more than the property is worth, you're going to be able to buy every 2 out of 10. What I'm saying here is if you go out and actively pursue 10 short sales, and you get them all listed (short sales have to be listed with the bank before they'll even consider selling you the property), you will buy 2 of them. You're going to get paid on 2 out of 10. As an agent, you're going to get paid on 8 out of 10. What do you want to do?

Here's my philosophy on investing in real estate on short sales: If we have 10 listings, as an investor we will buy 2 and make \$20,000 per property. As an agent, you will sell 6 and make roughly about \$4,500 per house. Let's add it up. As an investor we make \$40,000 on short sale business. Not too shabby, right? As an agent, we're going to add \$4,500 for each one, we're going to add another \$27,000 in revenue. Do you want the extra \$27,000? Yes or no? If you do, go get your license. If you don't, then just be happy with \$40,000.

## Rules of Short Sales

So what are the advantages of short sales. There's been a lot of negative press about short sales because yes, they have certainly changed their guidelines and short sales have become a lot more cumbersome from the standpoint of buying and investing in them. Here's some of my rules for short sales.

### **Number 1:** It cannot be listed.

Do not come to me with a listed short sale. Here's why. If you are a homeowner who's losing your house and you owe \$250,000 on it and the fair market value on it is \$200,000, clearly you are \$50,000 under water on the deal. An unknowing, uneducated, unskilled, and untrained agent is going to do what they learned to do in real estate school, which is list it for the fair market value. So they're going to price it at \$199,900. This is wrong.

As you know, the foreclosure timeline is 90 days. If you list a property at full market value in a market that has a 120 day marketing time, it's going to take you 4 months to find somebody willing to pay \$199,900. When you are dealing with a listed property where the agent has come in and listed it at fair market value, you have essentially killed any chance of negotiating with the homeowner for a lower price. It has been anchored too high. When you now submit an offer on this deal for \$100,000 and the bank receives your offer, they go, "Ok, it's listed for \$199,000 and you're offering us \$100,000? That's fifty cents on the dollar. No way." Banks don't understand or appreciate real estate investors, and the last thing they want you doing as an investor is making any money off of them.

You need to control the listing, and you need to find an agent willing to creatively work with a real estate investor.

### **Number 2:** Always list low.

There is a theory in business, as well as in negotiation, called "anchoring." Where you anchor a price dictates the mental state of the person receiving the offer. Where you anchor the price subconsciously locks in the expectation of the seller via the corresponding offer. Let me tell you what I mean by this. If we take the same house that has a fair market value of \$200,000 and list it for \$99,900 and attach a corresponding offer for \$99,900 cash, close 3 days. Now the bank is looking at the amount that's owed, which is \$250,000, they're looking at the fair market value of \$200,000, they're looking at the list price of \$99,900, and they're looking at a full price cash offer also for \$99,900. In this scenario, we have offered the bank 100% of asking price. If you're a bank, what sounds better to you? Do you want 50% of your asking price, like in the first scenario, or do you want 100% of your asking price like in the second scenario?

“Well, Lee, all you did was reduce the list price so the full price offer looked like the 100% financing.”

I know. Brilliant, right? But if it's already listed, you can't do that. If you come to an agent who listed this property for \$199,900, you can't ask them to come down on the listing to \$99,900, because there's a thing in the MLS called “listing history.” Any agent, any appraiser, any investor who knows what they're doing, is always going to go in and check the listing history of the property. If I see that yesterday there was a \$100,000 price reduction in the listing, it looks fraudulent, and it's going to flag the deal every time.

If you have ever wondered, “Why won't they fund listed property?” It's for this very reason. When an agent lists a property, they anchor the price too high so we can't get the bank to accept less. Also, if you buy a listing that was listed high and you get it for \$140,000, that listing still exists. However, if you do it my way, they are going to see that it was listed for \$99,900 and you bought it for \$99,900. Now, when you go to turn it around and sell it for more, it shows that you paid full retail value, you've now fixed and cleaned it up, and now you're selling it for closer to that \$200,000 price point. It just simplifies the process.

If you went to the seminar that said, “Go find yourself a good agent and write offers on a bunch of REO's, listed short sale and bank owned property,” you went to the wrong seminar. If you are looking for leveraged financing, where you have a partner or a company like ours, come in and fund the deal for you, you can't be going after already listed properties. You must be pursuing properties that we call “off-line.”

So in light of all this, why do short sales? The pros for a short sale is that you can inspect the interior. Oftentimes they need no rehab because people already live there. You can get bank financing. In an auction play, if you're going to go down to the courthouse and buy it, you have to have cash. You can't get financing for that. You can charge higher than market rent if people want to stay in the property. The tenant pays all the mortgage so you can acquire wealth without money out of pocket to service the debt.

## The Shotgun Approach with the 25/25/2 Formula to Success

Here's how it works. I want every single one of you here committed to sending out 25 pieces of mail a week, making 25 phone calls a week, and writing 2 offers per week on real estate deals. This is the mathematical formula for success. If you do 25 letters a week, by the end of the year, you would have sent out 1300 pieces of mail. If you make 25 phone calls a week, by the end of the year, you would have made 1300 phone calls, and if you make 2 offers a week, you have made 104 offers by the end of the year.

Look at how this breaks down. If you've identified a mailing list, but you don't have a preexisting relationship with them and your letter is relatively generic, a 1% response rate is considered good. 1300 pieces at 1% means you're going to get 13 contacts. Now my question for you is, do you know what the value of these 13 leads are?

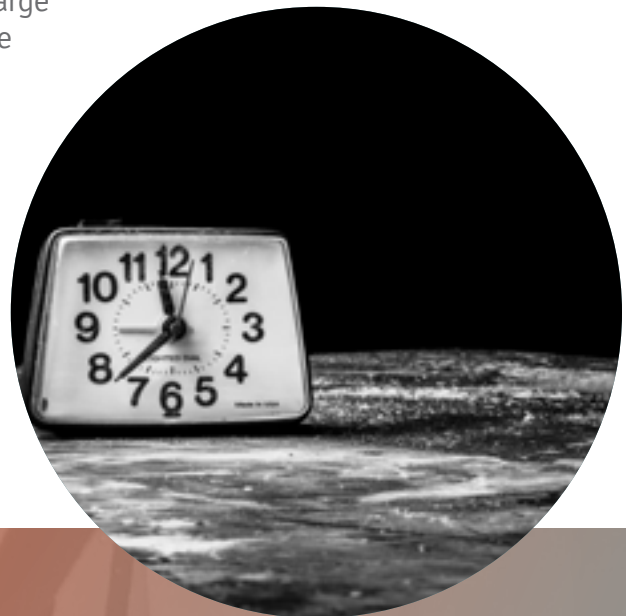
This is how you would figure that out. If I invest \$100 to produce a quality lead that I know will generate \$300 in revenue, what's my rate of return on investment for that single lead? That's a 300% return. Do you know what your return on investment is on the leads that you are generating for your business? If you don't, you better because this is how you can make your projections moving forward.

If I know I can drop 1300 pieces of mail at \$1.00 a piece and generate \$10,000 in revenue, am I making a profit? Can I invest more? The answer is, of course, yes. But, what if it cost me \$15 to produce leads to drop 1300 pieces? \$15 times 1300 is \$19,500. If I spend \$19,500 to get \$10,000, I've now lost \$9,500. I see this a lot in beginning business owners and would-be entrepreneurs, they never stop to calculate the cost of their lead generation. This is why I like Craigslist. It's free. This is why I like the Private Money Exchange Craigslist ads. This is relatively free marketing except for the investment of your time.

As you become more seasoned as an entrepreneur and as a business person, your time becomes exponentially more valuable. At this point you have to make sure your return on investment of your time is substantially higher.

Now if you want to spend 3 days with me, I charge \$150,000 for 3 days. If you would have called me 6 years ago, I would have charged you \$20,000 for 3 days. Why is it so much more now? I've gotten smarter. As I get smarter, I can make more money in shorter increments of time. Therefore, the value of my time has gone up.

What is the value of your time? If you're doing menial functions that you could be paying an assistant to do, you are probably wasting your time.



Please understand I am sensitive to the beginning, budding entrepreneur. There was a time that I did everything. Now I have a customer service team to make my outbound calls, send my direct mail, and schedule my appointments, because the highest and best use of my time is to be here talking with you or in my conference room closing deals. Anything that I can do to maximize my core competency is going to increase my income.

For you my question would be this: What is your core competency? What are you really good at? I have yet to meet anybody that's really good at everything. If you were to come to my business back in 2002 and 2003, when I was still doing all the accounting myself, you would know that accounting is not my core competency. There are things that I know I'm naturally not good at, so I make it a point not to do those things. Are you that sensitive in your own business regarding the value and investment of your time? If you're not, you need to get there through specialization and choosing and identifying what it is you're going to be good at, or your niche. Identifying your core competencies in relation to that niche will allow your income to explode.

When you are doing a very targeted message to market match where you're sending 1300 mailers to out of state owners with a message that says, "Dear homeowner, I'm writing you because you live out of state. You own your property at free and clear. I would like to pay you cash fast."

This is a very specific message to market match and our response rate on the piece is going to be exponentially higher.

A good rate of return on a shotgun piece is 1%, in a strong message to market match, a good rate of return is 10%. If I got 13 leads from 1300 pieces on my last mailing, and on this mailing I get 130 leads with a very strong message to market match, my dollar per lead is going to be dramatically higher because the message to market match is more specific. This is what I'm talking about when I say "rifling your leads."

In marketing, again, if you use the shotgun approach, you use 150 bullets and you might get one. In the message to market match you've got to be very specific and very strategic to the game that you're hunting and the bullet that you're going to use.







In this scenario, I used a very specific message to market match with out of state owners. I get a lot more leads, which is going to give me a higher, what we call “DPL,” or dollar per lead. Ultimately, that’s what I want to maximize. For those of you who are out actively looking for real estate to invest in, one of the things I see broken more often than not is that you have a bunch of worthless leads.

If you’re not sure if your leads are worthless here’s the litmus test for you. Of the leads that you have coming in from the multiple websites that you are paying monthly to have access to, how many properties have you bought and how much money have you made? Think about this.

Of all the money that you’ve invested, of all the worthless websites that you’ve got that look really pretty and they’re fun to play with, how many of the leads coming in have you actually made money with? I will tell you that the bulk of clients that I see that I work with privately or one of my mentors works with, we see so much wasted time on leads that are worthless.

I will go even further to say, of the leads that you have coming in, how many of those are you actually calling? How many are you sequentially following up with? You make the call. You write the letter. You send them some chocolates. You send them an offer. You follow up with that. Are you going through a sequential process? Are you closing the deal? If you are, that’s great. You represent a very small minority. The large majority is wasting time playing on the Internet and looking at leads that you will never get paid from.

Please don’t confuse time to success. If you are investing three hours a day looking at emails, writing letters and offers, and you still haven’t gotten paid, are you following up as strategically and as specifically as you should be? If you’ve got leads of people who’ve responded to your message and you are a welcome guest in their world because they received your mail piece and they reached out to you, why aren’t you closing more deals? Why aren’t you buying more property? Why aren’t you lending more money? Why aren’t you borrowing more money? Think about that.

When you sit down to work on your business and in your business, what is the outcome of each day? Are you producing revenue as a result of that work? If you’re not, don’t think that you’re a real estate investor. You are a real estate investor wanna-be. The only difference between wanna-be and success is taking strategic targeted leads and converting them into dollars. How do you do it? By doing the very things that scare you the most: picking up the phone, talking to people, and asking tough questions like, “How much do you want?” or “How did you come up with that asking price?” Or writing low offers and letting any negative reaction roll off your back. If you are not getting bombarded daily with no’s, you’re not asking enough questions or writing enough offers.

Look at the math. If I get paid for every 10 offers I write and out of this 1300 mail piece I get 130 leads, how many offers do you think I should write on 130 leads? Let's do the math. Let's say that conservatively, 25% of these leads are worth writing offers on. We're going to write offers on 32 pieces of property. Out of the 32 pieces of property, I'm going to get paid on every 10, which means we will buy 3 deals. Here's my math. If I'm going to wholesale and assign a deal, I want \$5,000. If I'm going to partner on a deal, I want \$15,000. If I'm going to do the deal all by myself, I want \$25,000.



What this means is that I'm going to make \$45,000. It's important that you guys get the numbers in your business down to this format. Only once you know the metrics of the cost of your marketing, the number of leads that you get, and the dollar return on the investment in marketing, can you then ramp up to do more.

My goal here today is to help you guys understand that investing in real estate is an incredibly lucrative business if it's treated like one and runs like one.

Once you understand the formulas of marketing it's actually a lot more fun because the metrics are based more on income and on strategy. If you know the strategy and the formula and you follow the path, then you can pretty much dictate your outcome as to when you get paid.

So, we made \$45,000 on our 1300 piece mailing. We've invested 100 hours into making calls, writing offers, and strategic follow up. Let's say we spent \$3,500 on the mail. We've got \$3,500 on

1300 pieces and we invested 100 hours. If we invested \$3,500 in mail, we netted \$41,500. If we take the \$41,500 divided by 100 hours, we get \$415 per hour. Are you currently making \$415 an hour? If you're not, you're probably not following the formula on your screen which is 25 letters mailed each week, 25 calls made each week, and 2 offers written each week. If you follow that formula, stick to the formula, and do it consistently, you should be making no less than \$415 per hour. Now you choose how many hours a week do I want to work? If you work 10 hours per week, you make an extra \$4,150 per week. If you work 20 hours in a month, you make \$8,300 per month. If you want to work full time in this business, you'll take that times 2 which makes \$16,600. If you do that for 12 months, you make \$199,200.

Here's what I know: There's not a single person here that doesn't like that number. Perhaps, there are a select few of you who look at that number and say, "Lee, that's too small."

Ok. Then with \$199,200, can you hire 3 employees and pay them \$40,000 each per year. That's \$120,000 which means you're netting out \$89,000 annually. But, can your 3 employees do the work of you? You now take your \$199,200 times 4, because it's you and 3 employees, and guess what now you're grossing \$796,800!

There are really two things you need to get really good at. Marketing and sales, not real estate. Real estate is the byproduct of the business. If there are no new leads, if the phone is not ringing, and you don't have customers, it doesn't matter what your product is. It could be real estate, it could be widgets, it could be swimming pools, it could be candy, but if you don't have customers, you don't have a leg to stand on.

You must focus in first on the marketing. It is truly the lifeblood of your business.

## Step Three: Control Equity by Controlling the Deal

No offer, no deal. Let's talk strategies for short sales, equity deals, probates, estate sales, for sale by owners, and listed properties. Here's what you've got to know. Regardless of the type of property or the vertical that you are using to get access to the property, the system that I show you never changes. It is always:

- **Google it and see what information you can find quickly online.**
- **Go to Zillow to determine value, square footage, bedrooms, and bathrooms.**
- **Go to Agent First or some other title abstract technology or software that allows you to look at the title and determine what the underlying liens are.**

Then find out "Why are they selling?" You need to know their "why." It tells you everything about their motivation. If they're selling just to see what their market will bear, you're already paying too much for the property. I don't need to know the price. I don't need to know the comps. If you tell me their reason for selling and it doesn't suggest motivation, you're paying too much. Next ask, "What do they owe?"

**Finally, do you have it under contract?** If you don't, stop wasting time; go put an offer in on it. If you don't have it under contract, there is no reason to be doing all the other due diligence and securing the funds. While you are going over all the strategies somebody else is writing an offer and we're losing the deal.

Those of you who have worked with me know I will not even talk to you if you don't have the deal under contract. It's a pointless, useless waste of time and conversation. Now that you all understand that the value of your time should be at minimum \$415 an hour, do you really want to waste each other's time talking about something that is probably getting snaked out from under you?



Secondly, why are they selling? We've got to go through the emotions. I've got to know what trigger points we are touching on here to get the best deal.

Finally, what do they owe? I need to know the underlying debt so I can determine if there are alternative strategies for writing the offer. Is an all-cash offer really the best offer? Maybe. Can we structure a seller-financed offer? I don't know. Is there any equity?

If we don't know what they owe, all of our conversations about strategy, structuring the deal, and how to take title will just be supposition. We can't even discuss those things if we don't know what the underlying liens are. This is real estate 101, but nobody really teaches this.

On that note, if you're wondering why I'm teaching you this, it's so that you send us more deals. We want to lend you money to buy more real estate. My hope and prayer is if I can teach you how to find it, negotiate it, and bind it correctly, we can fund more deals for you. That's my whole purpose for being here. I want to lend you more money. The only way we can do that is if you structure deals properly.

This is the stuff that I teach my \$150,000 coaching clients. This is what people who are paying \$25,000 or \$50,000 to our mentors learn. I'm here giving it to you. Why? So I can lend you money. That's what I want to do. I want to lend you a million dollars in the next 30 days. Will you let me? That would be awesome. **Putting the house under contract is an easy enough 4 step process:**

- 1. Prospect and review potential properties.**
- 2. Write offers.**
- 3. Get the offer accepted by the seller.**
- 4. Put earnest money in escrow to complete the contract.**

Once these four steps are completed, you have a fully executed purchase and sale agreement, the property is under contract, and you are half way there. Do you have it under contract? If you do not, conversation ended. Go put it under contract. If you do have it under contract, we can proceed.

## Step Four: Follow up... a lot!

Just because you've written a contract does not mean the conversation. I like to minimize contracts. People see contracts and get all freaked out, "Ewe, a contract! I don't want to sign anything." First of all, we don't call it a "contract;" we call it an "agreement" when we are talking to the seller. "Contract" is a scary word. Read the difference:

"Why don't we just put our thoughts down here in this agreement?"

"Let's lay out terms of the contract."

Thoughts on an agreement is much softer, less intimidating language.

## Follow Up

Once you've signed the agreement, you must be annoying, you must be a pest, and you must be a constant reminder that if they accept the offer as you've written it, you could potentially bring relief in the form of a closing or a cash-out in getting rid of this nightmare of a property. Why do I say it's a nightmare of a property? If they didn't think so, they wouldn't be willing to sell it and you shouldn't be buying it. If they're not motivated to sell, why are you so motivated to buy it? You're paying too much.

When you get right down to the root of the meaning of the word "succeed," you find that it simply means to follow through."

- F.W. Nichol, IBM Vice President and General Manager

Through this process, I know many of you are mailing, calling, you're getting leads, and you're writing offers but you're not calling them back. I had a client who had written a lot of offers and not called a single seller. You've got to call continuously, all the time.

If it's a realtor, you've got to call twice as much because realtors are scattered. Now, I say that as a licensed broker. I had an office. I had sixty five agents that worked for me, so I have all rights to call agents scattered. They don't return calls. They're unorganized. Now, I'm not speaking of all agents. I'm sure the agents that are reading this are brilliant. But for the rest of them, you've got to follow up constantly.

## The Buying Cycle

If you have properties right now, as we are coming into the spring, you should be closing faster so you can get possession of the property, get it fixed up, cleaned up, and then get it marketed as we come into the May through September months. These are prime selling months. If I'm sitting in November or December, I'm going to negotiate 90 day contracts so I don't have to take possession until February or March of the following year. The time of the year dictates how quickly you should buy or how slowly you should buy so that you are bulking up on inventory in January, February, and March which means you'll have inventory to sell through April, May, June, July, and August. You sell through your inventory and you start stocking up again. People want to buy everything whenever they feel like it. It's the wrong strategy. You've got to time your market presence. If you know that you've got 60,000 people coming into your store, you're going to bulk up. If you know you're not going to have anybody, then you need to limit the amount of inventory because inventory costs you money. In the real estate business, inventory is a vacant property with no tenant living in it. You have no one paying, so you're paying the debt service. Every month you're paying for the thing because it's sitting vacant. In real estate if you're sitting on too much inventory, you will go bankrupt. Your houses will become foreclosure properties, and inevitably you'll be calling me to buy them from you. Buy the cycle. Know when you should be buying in the buying cycle and then negotiate your closing, inspection, and settlement periods accordingly so that you don't have too much inventory in a period of the year that you can't sell.



When you are negotiating a short sale, oftentimes the bank gives you the final payoff stipulation letter that says the bank will take X and you need to close by this date, and if you don't close by this date, you have to pay about \$30 a day for interest.

Here's what the smart investor does. If I have a \$200,000 property that I am buying as a short sale that is worth \$350,000 and it's December, if I have to borrow \$200,000 at 15%, I'm paying \$2,500 per month every month that this sits vacant. If it's in December, I'm going to clean it up but there's a pretty good chance that I'm going to sell it before April or May. I'm going to cover four months of debt service which is \$10,000. The bank says, "Lee, you need to close by December 15th and if you don't close by December 15th it's \$38 per day but you cannot exceed 60 days." Do the math: \$38 a day times 30 days is \$1,140 per month. Twice is \$2,280 for 60 days. By delaying the closing, instead of paying \$2,500 per month, I'm only paying \$1,140 per month. Where it would have cost me \$5,000 to close in February, it cost me \$2,280 to close by the 15th of February.

"But Lee, if you delay the closing you can't get access to do the fix up and repair, so I want to close in December so I can fix it."

No! The goal here is not to own real estate. The goal is to control real estate at the cheapest possible price to carry the inventory until we get to a period of the year that we can sell it for the highest dollar value, which is April through September. So in short sales especially, always negotiate the daily rate for the cost of interest so that you're not carrying these big mortgage balances to own the real estate.

Worst case scenario, you could say you don't want the deal because in two months value drops. Ok, so you're out \$1,140 and you can just walk away from the deal. You can do this on short sales. You can do this on equity deals. You can do this with for sale by owners. You can do this with listed properties where an agent is representing. Just ask for a longer close. Look at the calendar and schedule the close accordingly, and then negotiate the cost of money to the seller on a daily interest rate fee. It's much smarter, and oftentimes cheaper to do it this way.

## Systematize Your Follow Up

We must set up a customer relationship management system, or a CRM. Our new PME Blackbook has a CRM system in it. You've got to have a CRM or a customer relationship management system where you capture a lead and then it goes through a sequence that you have predetermined and pre-built. The short sale leads that you can't close, send them an email, send them another email and a coupon to get a free cookie. You build these sequences and every time you put in a new lead, the process is automatic so you never have to look at it again. That lead goes through a 30 or 60 or 90 drip sequence where you're communicating with the seller, but you don't have to sit down and physically think through the process. You did it once, you created the system, and now it just handles and does it for you.

## Set Up a Deliverability Service

You need a website, a blog, a system to send out newsletters, reports, and webinar invitations. If you are not doing your own webinars and structuring your own presentations, where you are the expert and walking people through the process, you're going to have a harder time fulfilling the trust factors like specialization, familiarity, and expertise. If people see you on a webinar doing a presentation, you establish your level of expertise faster than anything else.

Eight years ago, I had no knowledge of about 95% of this content. I didn't know rifle or shotgun marketing, message to market match, specialization, or the concept riches in niches. You also may be sitting there feeling like you're drinking out of a fire hydrant, and that it's too much information, too fast. Here's what you need to know. Eight years ago I was combing the want ads, calling home owners, doing this research, writing offers, and buying real estate. That's all I knew, and I made a lot of money doing it.

What I'm sharing with you now is all the stuff you need to do to rocket you on your business. If you will incorporate all of these elements: marketing, sequential follow up, and systems that do things for you, your income will go through the stratosphere. If your goal is to make \$100,000 this year, if you incorporate what we're giving you here today, you could make a million dollars this year.

I believe it's possible, so should you. Don't be overwhelmed by the data, be aware of it, and then work to implement it as quickly as you can. Everything I'm sharing was literally built over 8 years. Prior to that, I was a fix and flip it guy. I got it, fixed it, sold it, got paid and went and did it again. I'm giving you a smarter, more profitable, faster, easier system. If you do it my way you're going to make a lot more money in a shorter period of time.

## Step Five: Renegotiate... Everything!

You must be fully prepared to lose a good deal in order to make a great deal.

The worst thing you can do in real estate or business is to be a motivated buyer. If you're a motivated buyer, it comes through your pores and they can smell you a mile away. You must be willing to walk away at any point throughout the transaction. If they are refusing to negotiate or will not bend, then leave. Walk away. Don't do a deal just to do a deal.

I see a lot of beginner investors, even my own clients, that are so anxious to do that first deal that they're willing to push a bad angle just to say they did a deal. Why would you want to do a deal where there's a potential to make very little money, or even worse, lose money? Be patient, grass-hopper. The deal will come, just follow the steps and you'll get one eventually. Don't be a motivated buyer; it's the worst thing you can do.



## Always Renegotiate Price and Terms

Going back to our 60 day window, the reason that we are negotiating the longest possible time to look at a property is we are going to find things to use as leverage. I'll give you an example. Last week, I wrote an offer on a duplex. My sister, who is a licensed agent in Washington, calls me with this place in Liberty Lake. It's a beautiful place, it looks over the water, has beach access, and has great potential. The asking price of the duplex was \$141,900. My offer was \$141,900 with 90 days due diligence.

My sister was shocked at my offer. She said, "Lee, you have never paid retail for real estate."

I said, "I know. I have no intentions of paying retail on this piece either."

She asked, "Then why are we writing it for full price?"

I said, "To take it off the market."

If I offer him full price and I get it under contract, I now have 90 days to look at it and no one else can. So I'm offering full price to get it off the market. Now I can take my time doing my due diligence and no one else has a crack at it.

My wife drives by and calls me and says, "Lee, it's in really rough shape. Are you sure we should be paying \$141,900?"

My reply, "We're not. Just because we offer \$141,900 doesn't mean we're going to pay \$141,900. We're simply getting it off the market."

My sister calls me back and says, "Lee, you need to be aware of something. There's no foundation. Do you want to back out?"

I said, "No." If there's no foundation, what that means is they cannot sell it to an FHA qualified buyer. It has an earth-to-wood issue, and you cannot get FHA financing or any of your earnest money back, which means no bank is going to lend to you on the investment. Banks want to sell the loan; they don't want to hold it without monthly payments. The seller either needs a cash buyer or he needs to carry the financing.

Knowing that there was no foundation, I went back to him and said, “I will give you \$60,000 cash, or I’ll give you \$20,000 and have you carry the balance at \$80,000 on a 30 year at 4% interest only.” This counter went out yesterday. I cannot tell you the outcome of this transaction, other than to say why I offered full price right out of the gate. I needed to get it off the market.



The due diligence time is to strategically negotiate for a lower price or a better deal where the seller will carry the financing. The more sellers you can get to carry the paper on your behalf, the more properties you can buy. If you’re buying property and getting bank loans, you’re limited. Fanny and Freddie are only going to let you do four conventional loans at a time, and only 10 pieces of real estate on your personal credit report. However, if you can do deals where sellers carry, there’s no limit to the number of properties you can buy and that’s beneficial.

## Renegotiate Price

Always be the last person to name the price. The first person always loses. Be fact driven, highly qualified, and ready to walk away at any time. Treat the initial offer as an opportunity to gather information about the seller’s motivation for selling. Are the sellers retiring, would they like to downsize?

Does the seller need to make a quick move due to a sudden job change? Let their price and their reaction to your counters set the tone. Always be firm and realistic on your price. Be creative with your offer.

If the owner is stuck on price, ask for certain concessions such as repairs, contributions to closing costs, or seller carry back financing.

## Renegotiate the Terms



Subject to third party approval for buyers partner clause means that a partner (business partner, spouse, private money lender, or friend) needs to approve the purchase. One of the things that I tell my clients when they write offers is to make it subject to a third party’s approval. If everything about the deal works, they like it, the numbers make sense, and they get cold feet or want to back out, they simply go back to the seller and say, “Hey, my partner doesn’t approve.”

Then there's the refundable clause. Put in an exploratory or investigative period of 10-30 days to perform inspections and appraisals to determine if you would like to move forward. In this case, if you don't like something (cracked foundation, water damage, mold, termites, etc.) then you can back out and get a full refund of your earnest money or you can go back and renegotiate for an even lower price.

## Step Six: Apply for Funding

Private money is capital lent by private citizens or companies throughout the United States. It could be a close relative, like your Uncle Bob, or a complete stranger outside of your state. Regardless of who it is, Private Money is an absolute necessity in being successful in any real estate market.

Private Money usually has shorter terms and a clearly defined repayment schedule. Terms for these types of loans will vary from lender to lender and will depend upon the experience level of an investor, as well as the length of an investor's relationship with a particular lender. Therefore, there are really no hard and fast rules to Private Money.

## Where Do You Go To Do This?

As the risk of sounding "salesy" (which I just taught you to do) you need to go to **Cogo Capital**. We provide exceptional service, a great product, and a great deal of help when it comes to due diligence. It is our goal to lend you as much money as you need, as often as you need it.

If you're new to us, then you may not know that **Cogo Capital** was designed by real estate entrepreneurs and lending experts to give investors a surefire place for funding on non-owner occupied investment properties. The principals of the company have over 75 years of combined industry and loan experience including mortgage brokering, lending, private equity transactions, business development, and real estate sales. The company's principals have been responsible for the management of assets valued at over \$6 billion.

Which means we know what we're doing. Our success is built on your success, which means we are extremely motivated to help you buy and sell properties that will make you the most money.

I would encourage you to visit our site, learn more about us and our incredibly successful process. Go to [www.cogocapital.com](http://www.cogocapital.com) and submit a deal today so we can help you get started on making that \$415 an hour income that you have the potential to make. I have given you all the lead up information you need to make this possible, now you just need to get the deal, get the money, and close.

## Step Seven: Which Method Do You Use?



When you should use a slow closing or a fast closing as well as what time of the month should you close?

Now we already talked about when you should buy based on your exit strategy. If your exit strategy is to fix it and sell it, then buy it in January so it's ready to sell in April. If you're buying apartments, close on the 3rd. Sell on the 29th. When buying apartments, buy early and sell late in the month. Here's why. Let's say that \$10,000 is collected in rent on the first of each month. \$10,000 divided by 30 gives you \$333.33 per day which means if you close on the 3rd, the seller gets to retain \$999.99 of rent because he owned it during the first 3 days of the month. You then as the buyer are buying 27 days of the rental income. You just got \$8,999.91. This rental income is given to you as a credit on the HUDs. When you are selling the property, you want to retain as much of the rental income as you can which is why you close on the 29th. The new buyer is credited for one day of the rental income and then they are responsible to collect all the rent for the following month.

These are just some strategies that will maximize the outlay of the cash that you have to bring to the closing table or maximize the money you get as a result of selling the property.

After years of teaching and mentoring around the nation, I found that education doesn't mean a lick, if the person being taught doesn't have the capital to put their knowledge into genuine action.

So, I took the challenge and created a place, Private Money Exchange, where real estate investors could go for unlimited funds for their non-owner occupied investments.

While the progression seemed natural, we were missing one, very large and essential piece of the pie. The marketplace was teeming with people who had the funds, who aspired to make higher returns on their invested dollar, but lacked the desire to get involved in real estate at the ground level.

In light of this opportunity, we created Secured Investment Corp, which gave people a medium to lend on first trust deeds (real estate), and make higher returns than they were currently seeing in their stock market, bank CDs, or bond investments.

As we combined all these facets—training, funding, and the means to lend on real property—we began to notice a progressing trend of growth and success with the clients involved.

## CIRCLE OF WEALTH



Through this model, what we call “The Circle of Wealth,” we also noticed that people who entered in at the training level and borrowed funds for their real estate investments, eventually became lenders in their own right. They then helped others obtain the capital needed to grow their real estate portfolios.

This allowed everyone, on every side, to win!

It is our goal that everyone can enjoy some level of success in The Circle of Wealth, and inevitably lap it several times over!

## We Hope You're One of Them!

## Who Is Lee Arnold?



Like most self-made millionaires, I began at the bottom of the financial food-chain. My humble beginnings started as a bag boy at a local grocery chain in Spokane, Washington working for \$3.90 per hour. My first “aha moment” happened while I was aspiring to a management role at the store and was reading the life-changing book, “Rich Dad, Poor Dad” by Robert Kiyosaki. Suddenly my management aspirations looked very small, but my future possibilities became extremely big.

My second “aha moment” happened while I was sitting in a philosophy 101 course in college. My attention span was divided between the slow ticking of the clock and my professor’s long-winded discussion on the economy. While the minutes ticked by, he let it slip that he was making only \$45k a year. That information and the knowledge I gained from Kiyosaki’s book, made me realize I was on the wrong path to success and needed to make some very important changes fast. So, from those experiences and an influential nudge from an incredibly persuasive late-night infomercial, I went into real estate.

I began the way many people do—in the educational and training space. Like many, I went to real estate seminar after seminar and bought course after course. Through long years of trial and error, I built up a very profitable, million-dollar real estate business from the ground up. I’m proof-positive that the training system can and does work! Because of this, I decided to help others by teaching them how to translate workbook education and real estate theory into the real world of real estate investment.



Corporate Office  
1121 E. Mullan Ave.  
Coeur d’Alene, ID 83814