I'm the Solution presents

The 8 Secrets To Part Time RICHES

Foreword

The 8 Secrets to Part-Time Riches that you are currently holding in your hands is the culmination of years experience in the foreclosure industry. Before you delve into what this book is about, the first thing you need to consider is the motto here at I'm the Solution: **We get more of what we want** (money, fortunes, financial independence, a life of luxury) ***by helping others*** **get more of what they want** (stop foreclosure, stay in their home, avoid bankruptcy, lower their monthly payments, an increase their equity position). The sub-headings and titles in this book are the key to making money with the included tools and techniques.

The fact that you're holding these secrets in your hands says a lot about you. First, **you are a person who has a desire to take your current income to the next level**. You are a person who has identified that whatever it is that you're already getting up to go do everyday is not the kind of career that you want to be doing in the next 2 -5 or even 10 years! Finally, you are tired of living a life that you didn't necessarily choose for yourself, and you're looking for a vehicle which will get you out of your current rut.

We know that you may, or may not, be interested in the world or foreclosures, but chances are this is not the first money-making or wealth-building book you've ever read. Some of you may have already tried investing in real estate and have been to numerous seminars and workshops, yet you still continue to struggle to make ends meet. Others of you have done real estate deals in which you have accomplished little success on up to multi-million dollar deals. To you we say: **Congratulations!**

Realize and consider that 80% of the millionaires in this country made their first million in real estate investing, and even though it may not be your passion or desire, it is by far the simplest way to make a million dollars. You don't have to have any cash or credit to get started – and some of you may have filed bankruptcy a few times or been through a foreclosure. The reality is: That doesn't matter. **If you study and employ these eight simple secrets, you will find that making money this way is no more difficult than doing what you're currently doing for income.** You might have to work a few late nights and weekends, but at least you will be in the driver's seat of your financial future!

We hope that you will study these secrets because we have a feeling you're interested in making a couple million dollars – you'd be okay with that now, wouldn't you?

We look forward to working with you,

I'm the Solution, LLC

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Secret #1

Successful People Prepare to Win Both Physically and Mentally

Most people fall short of their life expectations because of the simple fact that they don't truly believe that what they want is attainable. Those who find success do so through preparing to succeed. By incorporating the following changes into your life, you can overcome the obstacles that have kept you just out of reach of not only financial success, but success in all areas of your life.

CLARIFY YOUR PERSONAL GOALS

- Articulate and write down your personal goals. Post them on your door, mirror, notebook, or anywhere else that will enable you to see them frequently. It is amazing what the mind will absorb and accept through repetition.

- Stay on target. The tasks you choose to undertake should be those that advance you toward your goals, not work in opposition to them. Putting off making productive steps to pursue more pleasurable or less taxing activities will only delay your success and cause you to lose momentum and focus. Make attainment of these goals a driving force in your life.

**Man is a goal-seeking animal.
His life only has meaning if he is reaching
out and striving for his goals.**

~Aristotle, Greek philosopher

MANAGE YOUR TIME EFFECTIVELY

- If you are not sure how to use your time effectively, then learn. Consult a counselor, attend a time management workshop, or contact your local library for additional resources through books or community programs.

- Break your goal into smaller steps. Write down each step and list what you must do to achieve that goal and progress to the next. Build gradually.

- Make a plan for yourself and put in writing. Create a schedule.

■ Establish a regular time each day to work toward your goal. If your lifestyle has been managed chaos, break out of that trap and make working toward your goal part of your new routine.

■ your environment and provide yourself with the tools you'll need to create an environment that is conducive to working.

■ If you aren't sure how to reach your goal, find a mentor or counselor. Learn from someone who has already reached the level that you are working towards.

You must never find time for anything.
If you want time, you must make it.
~ Charles Buxton, British author

CHANGE YOUR ATTITUDE

■ Do you feel…
The world is just too difficult?
You are not up to meeting its challenges?
You cannot function without the approval of others?
Frustrated with the limitations of others?

■ Do you expect nothing less than perfection from yourself and others?

These are immobilizing, self-defeating, and avoidance-producing beliefs and attitudes. Recognize them as such and replace them with positive, self-enhancing beliefs and attitudes.

■ Replace words such as ***"never"*** and ***"always"*** with ***"sometime;"*** such as "I ***never*** get it right," or "I ***always*** seem to fall short of my goals," with "I ***sometimes*** make mistakes, but I learn from them and make corrections."

■ Forgive yourself for past failures. Let go of "should have," "could have," and "would have." Analyze each error and ask yourself what you have learned from it that will aid in future successes.

■ Remind yourself of the physical and emotional consequences of procrastination. The anxiety produced by procrastination can be more stressful than the actual effort to achieve your goal. Concentrate on the benefits of not procrastinating, i.e., a sense of satisfaction and relief when the project is completed.

■ Focus on the little bits and pieces of your project. Let go of an all or nothing attitude. ***You can't swallow the elephant whole.***

■ Picture yourself as a well-organized, motivated individual. How would you plan your day? How would you think and act throughout a day? Pretend that you are this person and try it for one day.

■ Keep a journal and account for your time at the end of each day. Take this opportunity to see where you are using time productively and where you may want to eliminate tasks that are unimportant wastes of your time.

■ Recognize your patterns of avoidance.

Do you…

- ❑ Self-indulge?
- ❑ Socialize?
- ❑ Read or Watch Television?
- ❑ Daydream?

Be aware of these patterns and recognize when you are falling into one of them. Plan ahead to use productive alternatives to these avoidances.

Life is 10 percent what you make it and 90 percent how you take it.

~Irving Berlin, Russian composer

CHANGE YOUR BEHAVIOR

■ Enlist the help of your friends. Create a team for support and accountability. Set up a contract with someone to accomplish a task by a set deadline. Make an appointment to work on your goals with a friend who has no difficulty getting things done.

■ Make doing something you normally enjoy contingent upon doing the task you would normally avoid. For example, "I'll work on current deals at the coffee shop for half an hour before going to play racquetball."

■ Keep your tasks visible. Post reminders, signs, slogans, notes, and lists in places where you are sure to see them throughout the day.

■ Use your impulses. When a project comes to mind, start on it immediately. Don't just ***think*** about it – ***do it!***

■ Do something daily. Agree to start a project and stay with it for five minutes. Consider another five minutes when the first five minutes are up.

■ Establish priorities among tasks according to the degree of unpleasantness. Start with the most unpleasant task and work down the list until you get to the easier ones.

■ If you have a tough task ahead of you, rehearse it first in your mind or with someone else. Work out the bugs. Don't let anxiety make it harder than it has to be.

■ Take care of yourself. It's difficult to tackle a tough project when you're not in your best shape. Taking care of your physical health by eating right and getting exercise will do wonders for your mental state and energy level, and make it that much easier to take on new projects.

Behavior is what a man does, not what he thinks, feels or believes.

~Source Unknown

ACCEPT YOURSELF

- Allow yourself the time to make changes. Don't expect change to happen overnight.

- Expect and forgive backsliding. Don't let minor failures paralyze you.

- Give yourself <u>credit</u> for anything you do.
- Remember to <u>forgive</u> yourself – ***A LOT!!!***

- Anything worth doing is worth doing 'poorly' until you <u>learn</u> to do it right.

The wisest course of action is to simply do the unpleasant task as soon as it is practical, while you have enough time to do the job right, and get it over with. Although our agony is prolonged, we still tend to put things off.

Why?

There are many possible reasons:

a) We feel good about setting goals and declaring that we are going to change or succeed "sometime."

b) By procrastinating, we shorten the time we actually have to work on the task.

c) Much of the time we avoid the unpleasant task altogether. Research has shown that 70% of all New Year's resolutions are abandoned by February 1st.

In recent years, most psychologists have come to believe that the act of procrastinating can best be understood by identifying the emotions associated with it or the underlying behavior. Actually, procrastination is an attempt to cope with our emotional reactions.

What are these emotions?

- Fear of failure or success is the most likely emotion. This includes panic when we set impossible goals.

- Anger is another possible emotion. This includes rebellion against control.

- Dislike of the work that needs to be done is another reason.

Obviously, depression can slow us down – and failing due to procrastination can certainly depress us.

Seeking pleasure is another disruptive motive. So the task for the procrastinator is to:

1) Correctly identify your form(s) of procrastination.

2) Find a solution for your specific emotional reaction.

The minute you settle for less than you deserve, you get even less than you settled for.

~Maureen Dowd, American newspaper columnist

TYPES OF PROCRASTINATORS

It may help to think in terms of two fundamental types of procrastinators: one is tense and the other is relaxed.

The tense type often feels both an intense pressure to succeed and a fear of failure, while the relaxed type often feels negatively toward his/her work and blows it off or forgets about it by playing or socializing. This denial-based type of procrastinator avoids as much stress as possible by dismissing his/her work or disregarding more challenging tasks and concentrating on "having fun" or some other distracting activity. For the moment, they have what seems like a happy life.

The tense-afraid type of procrastinator may be described as feeling overwhelmed by pressures, unrealistic about time, uncertain about goals, dissatisfied with accomplishments, indecisive, blaming of others or circumstances for his or her failures, lacking in confidence, and, sometimes, being perfectionistic. The underlying fears are of failing, lacking ability, being imperfect, and falling short of overly demanding goals.

This type of person thinks that his or her worth is determined by what he/she does, which reflects his/her level of ability. He/she is afraid of being judged and found wanting. This kind of procrastinator will get over-stressed and over-worked until he/she escapes the pressure temporarily by trying to relax, but any enjoyment gives rise to guilt and more apprehension.

Procrastination appears to be based on fear: fear of success, and/or fear of failure.

A wise person does at once what a fool does at last.
Both do the same thing – only at different times.

~Lord Acton, British historian

Fear of Success

Fear of success may sound completely irrational, but can be very real in that the person is afraid that if they do well, then they will be expected to continue to achieve and take on more responsibilities. This is so terrifying to them that they hide their ambition, act as if they don't care, and may really want to do poorly.

Others may avoid being successful for fear they will lose friends or become a threat to others. For example, it's commonly thought that, "Men don't like women who are too smart, have more degrees than they do, are better looking than they are, or who can beat them at sports."

Others refuse to give up procrastinating and refuse to strive for success for fear of becoming a workaholic, or of becoming arrogant, demanding, competitive, or boring and socially isolated. They may feel that work is endless; that it will never be done.

A few procrastinators may fear success because they'd feel guilty, as though they didn't deserve it

**Procrastination is the fear of success.
People procrastinate because they are afraid of the success that they know will result if they move ahead now. Because success is heavy – carries a responsibility with it – it is much easier to procrastinate and live on the "someday I'll…" philosophy.**

~Denis Waitley, American author, speaker, trainer, Peak Performance expert

Fear of Failure

Of course, if we are self-critical and feel inferior, we will avoid doing many things, especially competitive activities. Not trying is a form of failure, but not as painful as actually trying and failing.

The only failure is the failure to participate.

If you have set very high or impossible goals – as a perfectionist would – you are likely to feel overwhelmed. Perhaps that is why, strange as it seems, perfectionistic procrastinators often have low confidence in their ability. By procrastinating, such a person avoids, for the moment, the dreaded expected failure (and guarantees doing poorly in the long run).

If you dread finding out just how able you are (and dread having others find out), it may seem wiser to put off putting yourself to the test than to run the risk of trying one's best and only being average. This is especially crucial if you believe a person is more worthwhile and lovable if he or she is really smart or talented. Procrastination, in this special case, may enable us to believe we are superior in ability (while another part of us fears being inferior), regardless of our performance.

As you can see, procrastination may strengthen a person's feelings of inferiority or superiority.

I have always felt that although someone may defeat me, and I strike out in a ball game, the pitcher on that particular day was the best player. But, I know when I see him again, I'm going to be ready for his curve ball. Failure is a part of success; there is no such thing as a bed of roses all your life, but failure will never stand in the way of success if you learn from it.

~Hank Aaron, American baseball player

THE PROCRASTINATOR'S COMMON DIVERSIONS

Action Cop-Outs

This is doing something that isn't a priority. Examples: watching TV, eating, playing, sleeping, or even cleaning. Once we are engrossed in the diversion, we block out the anxiety, self-doubts, anger, or boredom associated with the work we are putting off but should be doing.

Mental Excuses

There are three main types:

1) "I'll do it tomorrow," or "I do my best work late at night, I'll do it then." Since you have promised yourself that you will be good, you can escape work and enjoy guilt-free play.

2) "I'll go shopping now then I can study all evening," or "I'll call them as soon as I think of something clever to say." Some unimportant activity takes priority over the main, yet unpleasant or scary, event.

3) The Catch-22 situation, i.e., "I'd really love to own a BMW, but I'd never be able to afford the payments and insurance."

Emotional Diversions

Taking drugs, listening to music, reading novels, and even getting involved in friendships, love, flirtations, or religion could, at times, serve as an escape from unpleasant but important tasks. Sometimes worrying about an activity is an excuse ("I worried so much about the report, I had writer's block and couldn't think of anything to write about.").

Ask yourself if you do any of these things. If so, don't let yourself get away with it. What can the procrastinator do to remedy this condition? First of all, there must be a deep desire to change. Much like the alcoholic, the smoker, or someone with an eating disorder, just telling them they have to quit or change is much easier said than done. But for those genuinely interested in making a change that will improve their quality of life drastically, here are five "simple" steps:

1) Stop turning little inconvenient molehills (like having to do something that is unpleasant) into giant, insurmountable mountains.

2) Be on the lookout for any self-cons or cop-outs that will keep you from doing the work ***RIGHT NOW.***

3) Start to think more rationally. You don't have to watch every televised ballgame; you can become interested in researching potential sources of income.

4) Make detailed realistic plans for achieving your long-range goals.

5) Don't avoid work, ***DO IT NOW!***

He that is good for making excuses is seldom good for anything else.

~Benjamin Franklin, American scientist, publisher, diplomat

THE IMPORTANCE OF GOAL SETTING

Another key to avoiding procrastination is to constantly focus on the big picture, in doing so you will avoid worrying about the details. Successful people set goals as you should.

Follow these steps to set your goals:

1. Make your goals realistic but challenging.
2. Set goals in 90-day, 180-day, 360-day, 1-year, 3-year, and 5-year goals.
3. Use the following chart to write down your goals, and then figure out how you're going to achieve them. Chances are you'll know by Secret #8.

	I will have accomplished	What habits in time management and behavior will I change to accomplish these goals:
By day 90:		
By day 180:		
By year 1:		
By year 3:		
By year 5:		

Our goals can only be reached through a vehicle of a plan, in which we must fervently believe, and upon which we must vigorously act.

There is no other route to success.

~ Stephen A. Brennan, American basketball coach

Secret #2

Successful People Have Specialized Knowledge

If you have the knowledge and skills as an average person, you're going to earn an average wage and get average results out of your efforts. Buying property investments the average way is buying them at retail value with the aid of a realtor. This comes along with costs and fees that need to be paid by you, the purchaser. Holding onto a property for a lengthy amount of time will eventually produce growth despite the maintenance fees along the way.

If you want more than that – if you want your life to have satisfaction, and even fulfillment, then you'll want to stretch for success. In any field, you must know more than the rest to make advances. In real estate investing, specialized knowledge includes knowing how to acquire property through alternate methods… through foreclosure, pre-foreclosure, and short sale properties.

Foreclosure is the proceeding, whether in or out of court, to extinguish all rights, title, and interest of the owner of the property in order to sell the property to satisfy a debt secured by a mortgage or Deed of Trust. Foreclosure starts with the legal document being filed by the lender.

As borrowers fall behind in their payments, they can expect the lender to react in specific ways, at specific times. Most of the time, lenders do not issue the notice of legal action upon the first or second missed mortgage payment. Lenders will work with a homeowner to get them caught up on their payments, bringing their mortgage current, as often as possible.

When a lender sees that the borrower is not going to catch up on missed payments, then the lender will issue the legal document needed in order to start a foreclosure on that property. States have specific timelines for this process, and once this legal document is filed, foreclosure proceeds quickly. In some states that is as little as 21 days. The opportunity for investors regarding foreclosure is between the time the legal document is filed and the property is sold at auction.

Banks and lenders become responsible for that property once the homeowner stops paying. Not only are banks and other lenders losing that monthly payment and interest, they also incur legal fees for servicing the legal action. The timeline protects lenders from incurring excessive losses; the faster they can get delinquent properties off their books, the less money they lose.

There's always a way, if you're committed.

~Anthony Robbins, author, speaker, consultant

FORECLOSURE BARGAINS

There are many foreclosures out there, and most of those delinquent homeowners have taken advantage of zero down payment programs, or 100% equity loans, so they may owe more on the property than it is worth in today's market. We find that most investors walk away from deals with no apparent equity. They either don't know what to do with a no-equity deal or they're unwilling to put forth the effort necessary to make the deal for them as well as the homeowner.

There are no better bargains in real estate today than the purchase of distressed properties at substantially less than fair market value. The process is not complex, but success in this field requires a large amount of time to thoroughly research the property with a comparatively modest amount of money.

Success is not measured by what you accomplish, but by the opposition you have encountered, and the courage with which you have maintained the struggle against overwhelming odds.

~Orison Swett Marden, American author, founder of Success magazine

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Here is a look at the general timeline from late payment to foreclosure sale:

(Please note that this timeline is not specific to any one state and your state timeline may be drastically different. Please consult with an attorney who is knowledgeable about your state's foreclosure process and timeline before buying a foreclosure property.)

FORECLOSURE TIMELINE
DAY 1
It is the first of the month and the mortgage payment is due. The borrower misses the payment.
DAY 16-30
A late charge is assessed on the payment due. The company that processes the borrower's payments (called the mortgage servicer) starts attempting to make contact to find out what happened.
DAY 45-60
The servicer sends a ***demand*** or ***breach*** letter to the borrower pointing out that the terms of the mortgage have been violated. The borrower is given 30 days to resolve the situation by paying the delinquent amount.
DAY 90-105
The servicer or lender refers the loan to its foreclosure department and hires a local attorney or other firm to initiate foreclosure proceedings. Depending on the state where the property is located, the lender's representative may record a formal notice of foreclosure with the county recorder, publish details of the default and pending sale in the local newspaper, attend hearings on the case and make the appropriate court filing.
DAY 150-415
The property is sold at a foreclosure auction. The wide time range is due to the differing requirements for each state. Borrowers in states with judicial foreclosures, or where the lender must retake property title through the court system, may be allowed almost a year to straighten out their affairs before the sale takes place. Those in non-judicial foreclosure states may have as little as two months.
DAY 150-415+
After the sale, some states grant the borrower a ***redemption period*** in which they can still repurchase the property if they have the money. Other states require the former owner to give up possession of the property immediately following the sale.

Time and tide wait for no man.

~Geoffrey Chaucer, British poet

METHODS OF ACQUIRING FORECLOSURE PROPERTIES

In general, there are four basic ways to acquire foreclosures at discounted prices. All but one of them permits the buyer to employ the assistance of qualified sources for information on the property (such as a title and/or escrow company, and making inspections of the property's condition). Unfortunately, the most popular technique (buying properties at trustee's sale or foreclosure auction) does not allow this luxury. The purchasing process at the trustee's sale requires each buyer to make his own thorough investigation of both title and debt on the chosen property within a limited time.

Delinquent Seller

The first and simplest way to buy properties for less than their fair market value is through the delinquent (but not yet defaulted) owner. The delinquent borrower will not have made recent loan or tax payments and/or may have decreased the property value through lack of proper maintenance.

When the delinquent owner realizes that they will be unable to meet the commitments on their outstanding debts for an extended period of time, they may choose to sell the property, even at a discounted price, rather than proceed through the foreclosure process.

The wise buyer will point out to the delinquent (and potentially defaulted) owner how they will be harmed by proceeding through the foreclosure process to the trustee's sale. At that point, the owner will lose their property, lose their equity, harm their credit rating as a result of the recorded foreclosure, and may have taxable income due the I.R.S. for the amount of the debt reduction (through elimination of the mortgage interest debt) resulting from the foreclosure sale (consult your professional tax consultant when dealing with matters of the I.R.S). Selling to an interested buyer at a discounted price may well be the most convenient solution for the troubled, delinquent owner.

The only drawback to finding these delinquent homeowners is that there are no public records to search for these potential sellers. They must be drawn to you through your marketing efforts. One way to identify these defaulted homeowners is to buy lists of 30-, 60-, and 90-day mortgage lates from one of the three credit bureaus: Equifax, TransUnion, or Experian. Certain rules do apply and these lists may not be available to everyone.

Seller in Default

The property owner is considered "in default" when the trustee (depending upon state statutes and whether a deed of trust or mortgage secure the debt), at the request of the beneficiary (the lender), records a ***Notice of Default***. Following the reinstatement or redemption period that commences with the recording of the notice (three months in most states), a ***Notice of Trustee's Sale*** is published once a week for three consecutive weeks in a newspaper of general circulation, just prior to the trustee's sale.

These periods of reinstatement or redemption and publication differ from state to state. You should research the requirements of your state to determine how much time you have to search out and negotiate the purchase of property from a seller in default.

Any purchase negotiated with the homeowner in default must also be approved by the foreclosing lender. Failure to obtain approval from the foreclosing lender could result in the property proceeding to the foreclosure sale and the loss of your right to possession of the property and any funds paid to the former owner.

Most people find a disorientating mismatch between the long-term nature of their liabilities and the increasingly short-term nature of their assets.

~Howard Davies, Deputy Governor of The Bank of England

Trustee's Sale or Foreclosure Auction

Most purchasers of foreclosure properties prefer to acquire their properties at a trustee's sale or foreclosure auction. At this time, it is possible to purchase the property without being in contact with the defaulted owner or foreclosing lender. Anyone with available funds may bid on and purchase the property. A deposit in the form of certified funds is normally required at the time of the sale, with the balance of the bid due within a time limit specified by the trustee.

Again, the requirements for deposit and deadline for payment of the balance due will differ from state to state. Make it a point to become familiar with the rules for your state.

The verbal auction permits the successful bidder to purchase the property for the amount owing on the foreclosing debt, regardless of the property's fair market value. If the lender does not wish to take title to the property, the opening bid may even be significantly less than what is owed to encourage 3rd party bidding. After completion of the sale, any liens recorded after the recording date of the foreclosing lien are eliminated.

The pitfalls involved with this type of purchase are unanticipated repairs, eviction, pay-off of superior liens, possible IRS redemption, and inadequate research. Any one of these can present a formidable obstacle to the inexperienced buyer. Be sure you have a very firm grasp of buying property at a foreclosure sale. As you already know, anything that can make you fast money can also cost you fast money. Being prepared is the easiest way to avoid losing on a bad deal.

Lender's REO Department

When a foreclosure auction is held with no other bidders present, the property is said to be sold, or revert back, to the foreclosing lender. These properties are often referred to as ***REOs (Real Estate Owned)***. The lender's REO department will usually sell the property rather than retain it as part of the lender's non-performing assets. Finding the lender who will sell the property, newly acquired from the foreclosure sale, is not easy, although it is possible through a careful selection of lender sources for REO properties.

Property is an intellectual production; the game requires coolness, right reasoning, promptness, and patience in the players.

~Ralph Waldo Emerson, American poet, essayist

COMMON QUESTIONS ABOUT FORECLOSURES

Question: ***Are foreclosures an option?***

Answer: A foreclosure property is a home that has been repossessed by the lender because the owners failed to make their mortgage payments. Thousands of homes end up in foreclosure every year. Economic conditions affect the number of foreclosures. Many people lose their homes due to job loss, divorce, credit problems, or unexpected expenses. It's wise to be cautious when considering a foreclosure. <u>Many experts advise inexperienced buyers to hire an expert to take them through the process</u>. It's important to have the title thoroughly checked to be sure that any liens, undisclosed mortgages, or court judgments are cleared or at least disclosed. If buying from a lender's REO department, be sure you also order a thorough inspection of the property, and get estimates for repair and renovation. You can't make such inspections before the foreclosure sale, but when buying from the bank it is a different story. The bank will permit inspections.

Question: ***What are the differences in the types of foreclosure?***

Answer: ***Judicial foreclosure*** action is a proceeding where the lien holder on a property requests a court-supervised sale of the property to recover the unpaid balance of a delinquent debt. Statutes may allow the lender to sue the former owner for any deficiency if the proceeds of the sale do not cover the total amount due the lender. The borrower may also be entitled to an additional redemption period after the foreclosure sale takes place, preventing the purchaser from acquiring title to the property until the redemption period has expired.

Non-judicial foreclosure is the process of selling the property under the power of sale clause in a mortgage or deed of trust that is in default. In such a foreclosure, however, the lender is unable to obtain a deficiency judgment. Title is normally transferred to the purchaser by means of a Trustee's Deed, issued upon payment in full of the bid amount.

Question: ***Where can I find foreclosures?***

Answer: In most states, a foreclosure notice must be published in the legal notices section of a local newspaper in the county or parish where the property is located. Also, the foreclosure notice may be posted on the property itself, and in certain locations within the community, such as the local courthouse or county building.

Normally, when the homeowner is late on at least three payments, the lender will record the required legal notice against the property. Copies of these recorded notices can be obtained through the county recorder's office, or local courthouse.

"How do you know so much about everything?" was asked of a very wise and intelligent man; and the answer was, "By never being afraid or ashamed to ask questions as to anything of which I was ignorant."

~John Abbot, American actor

Question: ***How do you locate government-repossessed homes?***

Answer: The U.S. Department of Housing and Urban Development acquires properties from lenders who foreclose on mortgages insured by HUD. These properties are available for sale to both homeowner-occupants and investors.

You can only purchase HUD-owned properties through a licensed real estate brokerage. HUD will pay the broker's commission up to 5 percent of the sales price. Down payments vary, depending on whether the property is eligible for FHA insurance. If not, down payments will depend on the new buyers' credit score, assets, and income.

One word of caution: HUD homes are sold "as is", meaning limited repairs may have been made but no structural or mechanical warranties are implied.

Question: ***What happens at a trustee sale?***

Answer: Foreclosure sales, also referred to as trustee sales or sheriff sales, are advertised in advance, normally once a week for three consecutive weeks, prior to the sale date, and require an all-cash bid. The sale is usually conducted by a sheriff, constable, or lawyer acting as trustee.

This type of sale, which usually attracts savvy investors, is not for the novice. Experienced investors know that researching the title and condition of the property is essential to the bid process. Seasoned auction buyers have learned that they can scare off the inexperienced bidder by just referring to federal tax liens or other senior liens (which may or may not exist). If you've done your homework, these tactics will not work on you.

In a trustee's sale, the foreclosing lender, or beneficiary, starts the bidding at the amount owing on the loan, which normally includes accrued interest and foreclosure costs. Title to the property is transferred to the successful bidder by means of a Trustee's Deed.

I find that a great part of the information I have was acquired by looking up something and finding something else on the way.

~Franklin P. Adams, American journalist, humorist

Question: ***What are the potential problems with buying foreclosures?***

Answer: Buying directly at a foreclosure auction can be risky. It's strictly ***caveat emptor*** (let the buyer beware).

The process when done correctly can be very, very lucrative. However, to the buyer who is uneducated it has many disadvantages:

■ Financing is difficult and can be costly. If you have your own cash (and lots of it), you have an advantage over most bidders. If not, you must have a pre-existing relationship with a hard money lender. This type of loan is considered high risk to the lender, so their costs will be quite a bit more than conventional financing. They must also have the ability to process the loan and deliver funds to the trustee at the time of sale or within 24 hours of the sale – depending on your state's foreclosure laws.

■ The title needs to be thoroughly checked beforehand to insure the buyer is not purchasing a property with serious title issues, or "clouds on title."

■ The property's condition may not be apparent and an interior inspection may not be possible before the sale.

■ Property is purchased in "as is" condition and any needed repairs become the responsibility of the purchaser.

■ Buying at auction will eliminate any junior liens, but does not remove delinquent property taxes. If any federal tax liens exist, the buyer may have to wait 120 days while the IRS determines whether or not to pursue their right of redemption.

When buying at a foreclosure auction, you'd better be sure that you know what you're buying; is it a 1st, 2nd or 3rd trust deed or mortgage? Then there's always the chance the owner will file bankruptcy on the day of the auction, causing a waste of your day down at the courthouse and the research you've invested in this property.

Somehow I can't believe that there are any heights that can't be scaled by a man who knows the secrets of making dreams come true. This special secret, it seems to me, can be summarized in four Cs. They are curiosity, confidence, courage, and constancy, and the greatest of all is confidence. When you believe in a thing, believe in it all the way, implicitly and unquestionably.

~Walt Disney, American artist, film producer

Secret #3

Successful People Don't Accept the Norm; They Know that Real Wealth is Created Outside of the Box

The "norm": Getting up, going to work at the job you accepted for yourself, work all day, squeeze in as much as you can do into the end of your day, start over again the next day. Why? To get your bills paid. This is what the majority of people know and do most of their lives.

Those that decide they want more become entrepreneurs; people who create their own way to produce income. They don't follow what others tell them to do, they tell themselves what's best for them to do. They possess courage to follow their minds to a fruitful end. In real estate investing, the ways have already been paved, yet a creative, curious, confident, courageous mind is still required to take advantage of this great opportunity.

The foreclosure auction, also known as a trustee or sheriff's sale, takes place when a borrower has failed to meet the terms of the obligation as spelled out in the original mortgage or deed of trust. It is a legal proceeding in which the property is sold at public auction to satisfy the outstanding debt. The procedure requires the publication of a notice of the impending sale several times prior to the actual sale.

There are several steps involved when executing a foreclosure. With a judicial or non-judicial foreclosure, the concept is the same. Judicial versus non-judicial is determined by the form of security instrument used and the statutes of your state. Judicial foreclosures are handled through the courts and non-judicial foreclosures are handled through a third party (trustee), normally appointed by the lender. It is important to understand the steps in foreclosure to be able to acquire real estate at a below-market price.

The first step in foreclosure is the filing of a notice. Depending on the state where the property is located, and whether it is a judicial or non-judicial foreclosure, this can vary from a Notice of Default, summons, complaint, Notice of Sale, etc. The homeowner is then given a reinstatement period – a time during which the default can be cured and the loan reinstated. The homeowner is free to sell or refinance the property during this period.

The next step is the publication of the notice of sale. Again, the regulations of the state where the property is located will determine the requirements for publication. Most states require publication of the notice in a newspaper of general circulation for three consecutive weeks.

The final step is the auction itself. The auction is held when the reinstatement period has expired and the publication requirements have been met. Depending on the type of mortgage, Deed of Trust, or lien being foreclosed, the auction will be conducted by a sheriff, a judge, an independent trustee, or a court referee.

As a man is said to have a right to his property, he may be equally said to have a property in his rights.

~ James Madison, American statesman, president

SALE LOCATION

The time and location varies with each state. Most states hold their sales at the courthouse in the jurisdiction where the property is located. Dates and times will vary depending on the laws and practices of your state. This makes it vital to research your state laws before you plan to buy. The specific sale date, time, and location will be stated in the sale notice.

KNOW YOUR SALE

Before attending the auction, do your homework. Contact the office of the auctioneer, trustee, sheriff, etc., to find out exactly who will be conducting the sale and when and where it will be held. Often, there will be more than one auction at the same time in the same courthouse. It can be confusing if this is your first foreclosure auction.

FUNDS

The property will be sold to the highest bidder. Depending on your state, the cash required at auction can range from a small down payment to the maximum amount you are willing to pay. The funds required will vary, but you can usually expect to be required to have a cashier's check in hand.

Some states require a down payment in the form of certified funds at the auction, with the balance of your bid due by the following business day. Other states will require the entire bid amount be paid in full at the time of the sale. If a deposit is paid and the balance of funds is not presented as promised, the property is forfeited and rescheduled for a future sale.

TYPES OF BIDS

A minimum, or opening bid, is normally set by the lender and presented on the lender's behalf by the person conducting the auction. This bid may be one of the following:

Full Debt Bid

This figure will include the principal balance due, interest accrued from the date the last payment was made until the date of the sale, plus any fees or expenses incurred by the lender in connection with the foreclosure proceedings. A full debt bid may be set at an amount that is quite a bit more than the property is worth.

For example: a property worth $100,000 has a mortgage of $98,000, which is six months behind in payments. Interest has been accruing during that time at a rate of 7.25%. In addition, the lender has advanced $550 for hazard insurance and has incurred $5,000 in foreclosure fees to the trustee. The full-debt opening bid will start at $107,102.50.

Specified Bid

A specified bid is used when the lender is willing to take less than is owed. The lender will usually have an independent appraiser do a ***drive-by appraisal***, or obtain a ***BPO (Brokers Price Opinion)*** from an independent real estate agent, before determining a specified bid. The lender may use a specified bid when they wish to encourage bidding from third party sources. Using the example above, the lender may be entitled to $107,102.50, but is willing to accept $90,000 and opens the bidding at $75,000 – hoping to encourage third party bidders to show up and bid.

Tiered Bid

A lender may set a minimum bid, but state that they are willing to bid up to a specified limit. All other bidders would be required to bid in excess of the upper limit to acquire the property. This bid type may be used by a lender who holds both the first and second lien on the property, or in a case where the starting amount may be the current principal balance and the upper limit is the total debt as in the example above. If there were no bidders, the property would revert back to the lender at the lower bid amount. Lenders may use this type of bid if the property was insured through the FHA, VA or HUD.

Carelessness is worse than a thief.

~Gaelic proverb

DETERMINING YOUR BID

A question investors ***must*** ask themselves prior to the auction is, “What do I plan to do with this property if I am the successful bidder?” Knowing your exit strategy is vital in determining what you are willing to pay for the property.

How do I set my maximum bid?

If you are planning to purchase real estate for immediate resale, expect to pay no more than 60% – 65% LTV (Loan-To-Value).

For example: If the home value is $100,000, expect to pay no more than $60,000 to $65,000.

If your plan is to lease the property, determine what the market condition is for rentals in your area. Research current rental rates for similar properties in the area where the property is located. If leasing the property is your exit strategy, expect to bid no more than 70% – 75% LTV.

Example: If the property has a market value of $100,000, you should pay no more than $70,000 to $75,000.

If you plan to purchase a property for your own residence, you can pay more than you would for an investment property. However, try to keep the LTV (loan to value) at 80% - 85%.

Using the example above with a property value of $100,000, you should pay no more than $80,000 to $85,000. Of course, you will need to factor in any additional fees and expenses, such as hard money loan fees and/or refinance costs, if any, and any needed repairs.

Important: ALWAYS set your high bid limit before bidding at the foreclosure sale. This will keep you from getting "caught up" in the moment and bidding too much.

The salesman knows nothing of what he is selling save that he is charging a great deal too much for it.

~Oscar Wilde, British author

BIDDING STRATEGY

There are several different strategies for bidding on a foreclosure auction property. The purpose of these strategies is to eliminate your competition.

Set the Tone Bid

Example: Bidding starts at $100,000. You bid up to $150,000 (assuming there is that much equity), setting the tone for the other investors. ***This works when numerous investors are bidding. It shows them how determined you really are.***

Step Bidding

This is a technique that works one on one. The goal is to eventually drive the competition away. What you are doing is taking the bidding up only by small increments. The competition has no idea at what point you will stop increasing by this amount.

Example: Bid starts at $100,000, a competing bidder offers $101,000, we say $101,100, competition says $101,200, we say $101,300, and so on. This is called step bidding.

Spiking the Bid

This technique will eliminate a lot of your competition if done correctly. For instance, if the bidding were progressing in small increments, i.e., $100,000, $100,100, $100,200, $100,300 and so on, eventually you would want to spike the bid.

Example: In the example given above, when the bidding reached $100,300, you would raise it to $110,000. You just raised the bid by almost $10,000. This sudden jump in price will quite often frighten off other bidders.

Chilling the Bid

This method will help slow down the bidding when you start to get close to your maximum bid. Remember, you must know before the sale what you can bid up to on every single property you're interested in.

Example: The bidding is progressing in $1,000 increments, say, $101,000, $102,000, $103,000, etc. and your predetermined maximum bid amount is

$110,000, you would up the bid by only $100 each time. This may keep you from being outbid by others caught up in a bidding frenzy.

If you're the only bidder, learn the minimum bid amount that will be accepted. In most cases it will be only a dollar over the opening bid.

TIP: You should be aware that if you are the successful bidder at the foreclosure auction, you are buying the property subject to any existing senior liens, i.e., trust deeds, mortgages, or other liens that were recorded prior to the foreclosing lien. For instance, if you purchase by bidding on a foreclosing second mortgage, you need to be aware of the lien that exists ahead of your second.

On the flip side, a great advantage of buying at a foreclosure sale is that any junior lien(s) that exist will be wiped out if the first lien holder is foreclosing.

Strategy without tactics is the slowest route to victory.
Tactics without strategy is the noise before defeat.

~Sun Tzu, Chinese military strategist, author

LAST MINUTE FOLLOW-UP:

It's important that you verify the status of the property. For example, check for last minute opening bids, postponements or cancellations. Your contact for this information depends upon who is conducting the sale.

This would include:

- ❑ Trustee
- ❑ Sheriff
- ❑ Attorney for the Beneficiary

If you are the successful bidder, congratulations! You now want to make it official by obtaining and recording the document proving your ownership. In the case of a non-judicial trustee's sale, it is a ***Trustee's Deed;*** in a judicial state the document is known as a ***Sheriff's Deed***. The type of sale held, and your state's requirements, will determine the specific document used to transfer title. You will be asked how you would like the title vested, or how you would like to take title. This simply means what name would you like to show on the deed, which can be your own personal name, or the name of a corporation, LLC, or other entity. You may want to consult with a real estate attorney or tax professional to determine the benefits of each form of taking title.

If there are no bidders at the foreclosure sale, the property reverts back to the beneficiary (lender) and the foreclosing lien holder takes possession of the property.

VERIFICATION OF FUNDS

If another bidder successfully acquires the property, always verify their funds with the trustee, or the person conducting the sale, ***immediately*** after the sale takes place. If that bidder is not able to perform as promised, the trustee may accept the second highest bid. If yours was the second highest bid, be sure to register with the trustee in case the high bidder is not able to produce the funds as required.

RECORDING

In the case of a trustee's sale, when you have determined how title is to be taken, the trustee will prepare a trustee's deed, which will need to be recorded to officially establish your claim on the property. The actual type of conveyance document will depend on the state where the property is located and the type of security document being foreclosed. In addition to a trustee's deed, there is also a sheriff's deed, certificate of sale, or other certificate or receipt. Educate yourself on your state law and practice.

POSSESSION PERIOD

Be aware of your state's possession laws. Don't assume that because you are the successful bidder you can immediately kick out the homeowner and take possession. In some states, you must wait for a redemption period to expire. For instance, in the state of Washington, a third party bidder must wait 20 days before they can take any action against the homeowner. In judicial foreclosure states, the successful bidder may have to wait as long as a year, depending on state law.

There is the happiness which comes from creative effort. The joy of dreaming, creating, building – whether in painting a picture, writing an epic, singing a song, composing a symphony, devising new invention, creating a vast industry.

~Henry Miller, American author

EQUITY DEALS

There is an amazing potential for profit in purchasing at foreclosure sales. The purpose of buying at auction is to come out with an equity position – hopefully, a large equity position. Equity is the difference between what you paid for the property and its current market value.

Let's review how that works.

Example: A house worth $350,000 went to auction. The opening bid on the foreclosing first trust deed came in at $186,000. If you are the successful bidder at $265,000. You just paid $265,000 for a house worth $350,000, giving you $85,000 of equity.

In a situation where the second mortgage is foreclosing, the concept is the same. The only difference is that you have a first lien in front of you, which you must be aware of. When you purchase the second trust deed (or mortgage), you become responsible for the first.

Example: A second mortgage on a house worth $300,000 goes to auction. The winning bid was $46,000. The amount due on the first was $140,000 (which you would know from doing research and pulling title.) As a result, you would own a house valued at about $300,000 for only $46,000, plus the $140,000 first, for a total of $186,000. In a case like this, consider refinancing the first and second into one loan, which allows you to pull out cash. In this particular case, after your refinance was completed, you would come out with over $100,000 in *cash and equity*!

As you can see from these examples, there is terrific profit potential in purchasing at foreclosure auctions.

If you are unable to buy at the auction, it doesn't mean you can't still get a great deal. That brings us to the other ***Alternative Technique – REOs.***

REOs (BANK OWNED REAL ESTATE)

As mentioned above, if no one bids on the property at auction, ownership of the property transfers to the foreclosing lien holder. When the opening bid is a total debt bid and the principal owing, interest accrued, foreclosure fees, and other expenses total more than the value of the property, there is no equity to attract third party bidders, so the property reverts back to the lender for the opening bid amount. This property is now referred to as an ***REO, or Real Estate Owned***.

The bank now owns the property. The mortgage that was in default no longer exists.

In most cases, the bank will handle the eviction of the homeowner or any tenants occupying the property. The bank may also take care of some needed repairs. Otherwise, the property is sold in "as is" condition. The upside to buying a bank-owned property is that you will be able to view the property inside and out and make full inspections to determine the cost of fix-up, if needed, in order to sell at full market value. When you buy at the foreclosure auction you can't make those inspections until you take possession.

LOCATING REOs

The obvious way to find these properties is to simply pick up the phone and call the bank. Another option is to contact a local real estate agent with whom you're comfortable working, and who preferably has experience with bank-owned properties. They can supply you with a list of primary lenders. You can contact the REO or Asset Management department of the bank or mortgage company for information on available properties.

The Internet is also a great resource for this sort of information. Simply using a common search engine, such as www.google.com(add TM here), in the search bar you would enter something along the lines of "foreclosures," or "bank owned properties," along with the name of your target state. This is an excellent way to locate these types of properties.

Another method is to track the property from the day the first notice is filed. In some cases, it may be better to forego picking up the property through a pre-foreclosure deal or at the foreclosure auction and purchase the property from the lender after the foreclosure sale. One benefit is if the foreclosing lender is the first lien holder, any junior liens or title issues will be cleared and the bank may be willing to sell an REO property for less than their total debt. After the foreclosure sale is completed, you can contact the individual conducting the sale to follow up on the status of the property.

Diligence is the mother of good fortune; and idleness, its opposite, never brought a man to the goal of any of his best wishes.

~Miguel de Cervantes, Spanish novelist, dramatist, poet

CLEAR TITLE

As the purchaser of an REO property, you will receive a title insurance policy and the opportunity to inspect the property. In virtually all cases, when you negotiate for an REO property, you're buying a lien-free, debt-free property. This is a great advantage, since you won't have that ability with the typical foreclosure property.

HOW BANKS WHOLESALE REOs

Each bank will have its own procedures for disposing of their REOs, but they all have the same goal. They don't want the properties – they want their money. Banks normally have an entire department that handles their foreclosed properties and manages the REO inventory. When contacting the bank to get a list of REO properties, be sure to ask for the asset or REO department or the asset manager.

PROPERTY CONDITION

Some of the major factors would be the condition of the roof, foundation, plumbing, and termite problems, if any. All these issues will be factored in when making an offer to the bank. You see, it isn't just the cost of buying the property – it's also the cost of renovating it to make it marketable, whether you sell, rent, or lease-option the property.

The mold of a man's fortune in is his own hands.

~Francis Bacon, British philosopher, essayist, statesman

MAKING THE OFFER

Once you make an offer to the bank, chances are they will counter your offer. Don't fret! A lot of banks do this just to show their shareholders or auditors that they are doing their part to get the best price possible. All you need to do is counter back. This process could take several days, even weeks. Be patient. Remember, they want their money, not the house.

Your offer should include an inspection contingency time frame that allows you to cancel the offer if your inspections uncover unacceptable damages.

When making your offer to the bank, include a pre-approval letter from your lender. This makes your offer even more attractive.

You must understand that patience is required when purchasing bank-owned properties. In some cases, the offer must first be submitted to the asset manager, and then possibly to the bank's loan committee or directors, for their approval. Depending upon the regularly scheduled meetings of these groups, you may not receive an answer back for several weeks.

BE PATIENT and BEST OF LUCK!

Seeing is believing, and if an American success is to count for anything in the world, it must be clothed in the raiment of property. As often as not – it isn't the money itself that means anything – it is the use of money as the currency of the soul.

~Lewis H. Lapham, American essayist, editor

Secret #4

Successful People Have More of What They Want Because They Help Others Get More of What They Want

A homeowner has already made the sacrifices they are cable of in order to get into a house. Their sacrifices may be working a job or two that they don't like, but do so anyway in order to afford their home. Or perhaps they sacrificed a shorter commute in order to provide a safer, cleaner neighborhood for their family. Once a homeowner has made all the necessary sacrifices to get into it, they continue to do all they can to stay there.

Unfortunately, life throws many curve balls, causing personal and financial changes that limit ability to maintain such large financial commitments. Outside influences such as job loss, health care costs, and divorce often changes the whole picture. This is where you can come in with the knowledge to help homeowners stay in their homes despite difficult circumstances that have risen.

One of the most creative and profitable real estate investment strategies today is the short sale. The reason for this can be found by studying the mortgage industry over the last couple of years. It's the simple fact that lenders have been giving loans to people who don't have any money to put down. If they aren't bringing money to the table, then they are getting 100% financing. When people borrow 100% of a property's value there is no wiggle room for them in the event of a default. This is why short sales have become such a profitable sector of real estate investing.

WHAT IS A SHORT SALE?

When a bank accepts a discounted or a lower payoff amount than the total amount owed on an existing mortgage, getting the bank to accept less than what is owed as payment in full, this is a short sale. Many investors are making huge profits buying pre-foreclosures with this method.

For example: A homeowner facing foreclosure currently owes $75,000 on an $80,000 mortgage and is three months in arrears. The property is worth $95,000. You, as an investor, offer the bank $50,000 as the new payoff amount. The bank accepts your offer, allowing you to purchase the property for $50,000, instantly creating $45,000 in equity.

In most cases, banks will be willing to work with you instead of foreclosing on the property. Believe it or not, lenders don't want to own property – they want their money! They're in the lending money business, not the real estate business. Every dollar they have tied up in property is not only money that can't be used to make new loans; it's also money that's not earning the interest upon which their profits depend.

Thousands of homeowners in your area would rather work with real estate investors than lose their home through foreclosure. Foreclosure causes additional damage to their credit rating and eliminates the possibility of being able to buy another home in the near future.

Short sales are pre-foreclosures. They have not yet gone to the foreclosure auction. When a property goes to auction, you're competing against many other bidders and you can't be sure of what you're buying because you have no opportunity to see the inside of the house prior to the sale, or to bring in your inspectors.

I have found that being honest is the best technique I can use. Right up front, tell people what you're trying to accomplish and what you're willing to sacrifice to accomplish it.

~Lee Iacocca, American businessman, former CEO of Chrysler

STEPS TO SUCCESSFUL SHORT SALES

There are several steps that will ensure your success when working a short sale. First and foremost, you must have the homeowner's cooperation.

Note: Many investors are under the misconception that they can buy the property directly from the bank while it is in the foreclosure process. Not true! The bank doesn't own the property until the sale is completed at the courthouse, no third party bids were entered, and a trustee's deed is recorded transferring title to the lender. You can buy the mortgage and finish the foreclosure process, but you cannot buy the property itself. You have to work hand-in-hand with the homeowner if you plan to pursue a short sale.

Here's how it works:

You, the investor, make contact with the homeowner. The homeowner tells you that he or she is in foreclosure. There is $95,000 owed on the existing loan; the property is worth $100,000 and is now eight months in arrears. The homeowner wants to get on with his or her life, but can't sell the house because more is owed on the property than it's worth.

Here's where you come to the homeowner's rescue:

You meet with the homeowner and have them sign an Authorization to Release form (this gives the bank permission to speak with you about the account). Also, have the homeowner sign a sales contract for the amount you are willing to pay for the property. In this scenario, we are going to offer $50,000.

Next:

You call the bank and ask for the Loss Mitigation or Workout Department. This is the department that handles properties in foreclosure. Tell the person handling the account that you're trying to help the homeowner with his/her foreclosure and you are willing to buy the property from him/her – however, due to its poor condition, you are only willing to pay $50,000 for the property.

Fax the sales contract for $50,000; comps in the area; an extensive list of repairs needed to bring the property up to marketable condition; a net sheet; and some photos of the property.

Then:

The bank will review the information and make a decision. Let's say they counter at $65,000; you counter again at $55,000; they accept! It's that simple!

The truth of the matter is that there's nothing you can't accomplish if:
1. You clearly decide what it is that you're absolutely committed to achieving,
2. You're willing to take massive action,
3. You notice what's working or not, and
4. You continue to change your approach until you achieve what you want, using whatever life gives you along the way.

~Anthony Robbins, American author, speaker, consultant

DETERMINING YOUR SHORT SALE OFFER

Although that just covered the basics of a short sale, each property is different and it will take time and experience to be able to accurately determine the value of a foreclosing property. When banks determine renovation and fix-up values, they can hire a professional to provide needed estimates. Or they can order a broker's price opinion (BPO) in which a broker often sends a new real estate agent to go to the property and assess costs. In this case, estimates for repairs come to the bank much lower than the actual costs – only because that agent isn't experienced in costs of repairs, or even what repairs are needed.

As in investor, learn what full professional repair costs are compared to what it costs to do them yourself. That way, justify your low bid/offer to the lender, and know how much savings you actually have in the deal if doing repairs yourself.

Knowing professional repair costs also helps in obtaining the confidence needed to offer low bids on properties in foreclosure. Start practicing now asking for what you want in life and in specific situations. If you don't ask, you won't get it. If you want a $200,000 property with repairs valued at $40,000 you need to be able to ask and offer $150,000-$160,000 for it – with confidence!

Remembering that banks don't want to own property and knowing their costs and losses for maintaining it will also add to an investor's confidence. Banks are not in the business of owning properties. They would rather short sale a mortgage than go to the trouble and expense of going to auction and incurring even more expenses if they have to take ownership of the property.

Short sales are not only a great way to get a property at a terrific price, but you're able to make the inspections needed to know what you're buying! If you buy a property through a short sale, you not only see inside of the property and have the opportunity to make inspections, but you also have access to more information about the property than anyone else because you are dealing directly with the homeowner—and you don't have to go down to the auction and compete with other bids!

Construct your determination with sustained effort, controlled attention, and concentrated energy. Opportunities never come to those who wait – they are captured by those who dare to attack.
~Paul J. Meyer, American businessman, author, motivator

SHORT SALE FOCUS

When you short sale a mortgage, not only are you helping yourself, you are helping a very distressed homeowner and giving them the chance to start over. When you help a homeowner who is going to lose their home, you are the one that helps them avoid foreclosure, avoid bankruptcy, and save their credit.

There is a second option or step to take in focusing on the homeowner. Short sales provide the optimal conditions for renting and creating a cash flow for yourself while helping the resident of your newly acquired property.

Once the bank or lender agrees to the short sale and all forms are signed, you can now offer to rent the home back to the homeowner. This enables the now-resident to stay in their home, stay in their neighborhood and established community while resolving the financial problem that caused the duress in the first place.

Be aware that some states are passing new legislation that discourages investors from renting the property back to the homeowner. Be sure to consult with a local real estate attorney prior to doing this.

Many responsible homeowners become unable to pay their mortgages and other bills due to job loss, medical bills, divorce and other financial strains. With this situation, you can discuss the time they think is needed for them to regain employment, stabilize health issues, catch up on medical bills, or even get a housemate to help with rent.

It usually takes a resident 12-24 months to regain their financial resources and repair any damaged credit from missing mortgage payments in the first place.

If the short sale from the bank was done right, the mortgage payment will be considerably lower than what current rent rates for the area can bring in from that resident. This brings in a cash flow for you, the investor, every month in addition to gaining a property with instant equity.

With this plan in place you, the new property owner, now have the best kind of tenant: one who loves the property, wants to stay long term, and will be taking excellent care of its condition while they live there.

Few things are impossible to diligence and skill; great works are performed not by strength but by perseverance.

~Samuel Johnson, British author

FRIENDLY JUNIOR NOTE

Here's another creative way to do a short sale:

This is another way to buy a property in pre-foreclosure, with less competition than purchasing at the trustee's sale. If the holder of a loan junior to the foreclosing loan agrees to sell his promissory note and trust deed at a substantial discount, the purchaser of the junior loan may cure the overlying senior loans and then foreclose himself on the newly acquired junior loan. (He or she just has to be sure they can cure the first lien!) The sale of the property through the junior loan can bring immediate return on the face value of the junior loan, with considerable equity.

This is just the beginning. There are so many ways to work short sales; it would take volumes to cover them all!

Unless you have prepared yourself to profit by your chance, the opportunity will only make you ridiculous. A great occasion is valuable to you just in the proportion as you have educated yourself to make use of it.

~Orison Swett Marden, American author, founder of Success Magazine

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EQUITY DEALS VERSUS SHORT SALES

Sometimes when a homeowner is in foreclosure, they will have enough equity in their homes that they don't need or can't use help with a short sale. In this case, the bank will not accept a short sale because there is enough equity in the property that the bank can regain the arrears and make money by selling that property at the foreclosure auction.

The obvious question one would ask in this situation is: Why didn't the homeowners put the property up for sale and keep the equity? This is because the homeowners don't want to lose their house and move away; they are trying and hoping to work their finances out before the foreclosure auction. By the time the homeowner realizes there isn't enough time to sell their home, it's too late to do so. Either that, or they put their home up for sale, but because of their financial strains, they haven't had the time or money to fix needed repairs or maintain the yard and therefore cannot get a buyer at full market value.

Also, when homeowners with equity have missed mortgage payments, it is highly unlikely that any lender will help them refinance their mortgage because their risk has sky-rocketed.

The most common way to find equity deals is through title research on posted Notice of Default properties. Title needs to be researched on all these properties anyway before going to auction to bid on them, so as soon as you find that a property has a substantial amount of equity in it, forget all the other marketing strategies and just go to that property and knock on their door. Time is very short once a property is in foreclosure. Equity deals, at a minimum, need the time to close escrow which is usually 30 days or longer.

When talking with a homeowner with equity, point out that there is likely not enough time to find a buyer who wants the property and can close on the property before it goes to auction. Also tell them that if their home does go to auction, they will receive any remaining equity after all arrears and fees are paid. Learn what that amount would be and include that portion in your offer to the homeowners.

Focus on helping the homeowners and do not steal the equity they would've received at auction! It is also a good idea to offer the homeowners money to move out to show your concern in helping them in their situation. At the same time, know your costs and be able to show them to the homeowners in order to justify your offer.

Very important to know: Banks and lenders need no involvement with equity deals.

Each time you are honest and conduct yourself with honesty, a success force will drive you toward greater success. Each time you lie, even a little white lie, there are strong forces pushing you toward failure.

~Joseph Sugarman, American businessman

Benefits of Short Sales:

- You can go see and inspect the inside of the property.
- You're working with the homeowner, who knows more about the history and condition of the property than anyone else!
- You avoid the headache of going to auction and having to bid against other investors!
- You get to help homeowners stay in their property.
- You get to help people – PERIOD!

Yes, it is possible to buy homes and make huge profits without much risk or money out of your pocket. A short sale is the most creative and effective way to purchase properties in pre-foreclosure. You need a plan and a system to follow. You've found that system here – now start following it!

Don't waste any more time – begin immediately!

The acorn becomes an oak by means of automatic growth; no commitment is necessary. The kitten similarly becomes a cat on the basis of instinct. Nature and being are identical in creatures like them. But a man or a woman becomes fully human only by his or her choices and his or her commitment to them. People attain worth and dignity by the multitude of decisions they make from day by day. These decisions require courage.

~Rollo May, American psychologist

Secret #5

Successful People Make Others Come to Them Through Expert Marketing Knowledge and Strategies

Success comes to you through other people – hopefully with their cooperation and knowledge. Whatever service or product you choose to promote, you need others on the receiving side (purchasing and requesting it) to enable your success. You must first learn what your potential clients are looking for – their wants and their needs. Then you find the best way to communicate how you can service them.

Communication is key when working with others. Remember, listening is the biggest part of communication; once you understand your prospect and potential client, only then can you communicate back how your service or product can meets their needs. You're learning these things in these shared secrets. Now, learn how to get your message out to those who need your service!

Marketing is essential to *every* business. It is the method by which a business introduces itself to potential customers, lets them know that they exist, and tells them about the services or products they offer. Advertisements are everywhere you look. Some may be blatant while others are more subtle. Either way, they're intended to make you remember something.

Let's say it's your mother's birthday, and once again you've forgotten. You rush to the department store in search of a gift. At the perfume counter, you see hundreds of choices. You have no idea of their individual fragrances or their cost, and have never heard of most of them. More likely than not, you'll walk out of the store with the one that you've heard of. That's the effect of marketing.

Likewise, you chose the supermarket where you shop, the brand of gas you use, and even the credit card you use to purchase these things because of their marketing.

Effective marketing can grow a small business into a multi-million dollar corporation. Many large companies started out as small one- or two-person enterprises. Through many types of marketing, their companies grew. The amount of money spent annually on marketing is phenomenal.

The use of effective marketing can take a lot of work off your shoulders. With any business, the right advertising will get people to come to you.

The only way around is through.

~Robert Frost, American poet

Questions:

- ❑ How do you know which marketing method to use?
- ❑ How do you determine what's affordable?
- ❑ How do you know what will work?
- ❑ How do you maximize your return on investment (ROI)?

DETERMINING YOUR MARKET

Cost is an important factor in marketing. It affects the type of marketing you can do, as well as the quality and quantity of marketing. Most small businesses cannot afford to hire an advertising firm. Instead, they must rely on themselves and stay within their budget as they build their client base.

Some marketing methods can be very costly, and their results are ***not*** guaranteed! They can be risky, but when they work the payoff can be ***huge!*** When you begin, you probably won't have the budget for such marketing. You have a limited budget, so you want to consider less expensive, proven, marketing techniques.

Some marketing is even free! And free advertising is one of the most effective forms for starting and building a business. On of the most effective forms of free advertising is word of mouth. Of course, you have to get someone to start talking about you before word-of-mouth can take off, so you must start with basic marketing.

To decide which type of marketing to use, first determine your ***target market***. Then lay out the costs of each type of marketing (in time as well as money), and the time each will take to produce results. Before starting ***any*** marketing, think seriously about your target market. If you don't know who you're trying to reach and where to reach them, how can you market to them? How can you imagine what they'll respond to?

If you're going to place an ad in the paper advertising your services to people in foreclosure, what section would you put it in? Wouldn't you put it in the rental section? If someone is about to lose their home, what's their priority? Finding a new place to live! (What else?) If they can't afford their current home, they most likely can't afford to buy another one, nor will they be able to get financing for a new home. Their only alternative is to rent—so they'll be looking at the rental listings!

The key to successful marketing is to ***THINK!!!***

It's not about how much money you have or how well you can craft a letter; it's about putting your advertisement in the right place, in front of the right people and getting them to look at it. ***The point is to get them to remember you***.

Every chance taken is another chance to win.

~source unknown

TESTING THE MARKET

One thing every wise advertising company and business does is ***test the market.***

Every marketing trial includes actual marketing. The more marketing you've done, the more you learn about the market. Advertising executives, for example, have a great deal of knowledge of what works in their target market and what doesn't. The results of past attempts have created their expertise.

> For example: Marketers know that the colors red and yellow stimulate hunger. Pay attention to restaurant commercials and count how many of them use red and yellow versus how many don't. Like, McDonald's is famous for its golden arches – and of course red is used with that bright yellow!

Rather than limiting yourself to one method, try (test) different ideas. Do red envelopes generate a better response than white? Are hand-addressed envelopes better than using printed labels? Does using a script font in a computer-printed address work better than standard type?

Only rarely does a first marketing attempt take off. You may get some response, but not the volume nor the clientele you were searching for. Some first endeavors do turn out to be fantastically successful, but if you're betting on that you could be disappointed.

The only way to determine what works best is to test. Send out the same number of red envelopes as you do white, with ***NO OTHER DIFFERENCES!*** If you use handwritten addresses on the red envelopes, hand-address the white envelopes as well. If you use American flag stamps on white envelopes, use them on the red envelopes, too. That way you know that no other factors may have caused a difference in your response rates.

This applies to much more than just the color of the envelope. It applies to your entire marketing strategy. For instance, when you approach the door of someone in foreclosure (yes, how you present yourself is considered marketing), you could dress business-like or casually. You may go alone, or have a partner with you. You may carry a briefcase or be empty-handed (except for your business cards, of course). All these little details could make a difference in how you and your marketing are received.

The difference between a successful person and others is not a lack of strength, not a lack of knowledge, but rather in a lack of will.

~Vince Lombardi, American football coach

TYPES OF MARKETING

There are many varieties of marketing. Don't be trapped into thinking you can only do letters, follow-up calls, and knocking on doors. While these are the basics of any good business endeavor, there are many more opportunities to explore.

Letters, Envelopes, and Follow-Up Calls

Letters, envelopes, and follow-up calls are essential because they're ***direct marketing***. By mailing and calling only people who can benefit directly from your services, you're narrowing your market, cutting out the waste. You don't want to send a letter to everyone in the world because most of them are ***not*** in foreclosure. It's a waste of your time, energy, and money. However, by getting a letter in front of a person in foreclosure, who needs your help, and calling them so they don't have to make an effort to call you, you are more likely to get them to respond and use your services than if you just wished they knew about you. (For some strange reason wishful marketing doesn't work.)

In your letter, be brief. The purpose of the letter is to get potential clients to call you. By telling them exactly what you do and how you do it, you're educating them, but that won't necessarily get them intrigued. It's a bit like a teaser. Let them know what you can do for them, and then ask them to call you. State your points clearly and concisely. Bold or bullet-point (or both) the reasons why you can help them.

Signing the letter adds a personal touch, and putting their name at the top so they can see that it is clearly meant for them is also a good idea. If you were in foreclosure and opened an envelope to find a letter, which opened with, "Dear Mr. and Mrs. Jones," wouldn't you be more likely to respond than if it said, "Dear Person in Foreclosure," or "Dear Homeowner?"

The envelope, as we've already discussed, is the first introduction. It is their first impression of you and we all know how important first impressions can be. It is important that it be designed to encourage them to open the letter. Many different things will work and some things have more success in different areas. This is something you will have to determine through your market tests. Different colors of envelopes, different stamps (perhaps a flag works better than a heart or flowers), computer printed or typed envelopes vs. handwritten, return address or no return address, your company name or your personal name, all can have an effect on whether or not your letter is opened and read – or tossed in the wastebasket unopened.

A follow-up call does two important things. The first is that it gives you direct contact with the people you're trying to reach. The second is that it lets you know whether your marketing is working. So, you ***must do a follow-up call!***

However, because people in foreclosure are being hassled by others trying to collect their money, many of these marketing attempts may go ignored. That's where these other marketing strategies come into play. When people are looking for something, they're open to it, so the key to success is to get your marketing in front of them when they're looking for what you're offering.

My goal in sailing isn't to be brilliant or flashy in individual races, just to be consistent over the long run.

~Dennis Conner, American yachtsman

Business Cards

These are vital to your business. While people may throw away letters, they're less likely to throw away business cards. You can hand them out to people you encounter, do business with, or market to. Including a business card in a letter gives it an added thickness, which triggers their curiosity and helps in getting your letter opened. The simple presence of a business card with the letter may make you appear more professional, more real, and more able to help.

Business cards can be plain and simple or they can be ornate. They should reflect your personality and your business. If you're going for a personable, helpful business image, you may consider adding something to your business card that stands out, perhaps a picture of yourself. If you're trying to get people to think about money, a green business card, or a picture of money on the card might do the trick. If you're straightforward with no frills, a simple black and white business card with your contact information will suffice. It's up to you, but business cards are a necessary item for any business.

Newspaper Ads

The first thing you have to decide is what you want to say in your ad. This can be affected by your budget, the price per line, or the publication you choose to use. Your

ad can range from a quick three-liner (usually the minimum for most ads) to a quarter page ad. Most newspapers give you a few options on how your ad will be displayed. You can pay for a larger ad space, or you can purchase a small ad in the classified section.

An ad that reads, "In Foreclosure? Don't Lose Your Home! Call (555) 123-4567" could be all that is needed to get the appropriate people to contact you.

If you want to get a little bit more elaborate, you could add the points you think make your business stand out. The ad could look like this:

IN FORECLOSURE?

Stay in Your Home
Lower Your Payments
Increase Your Equity
Avoid Bankruptcy
Preserve Your Credit

CALL
SECOND CHANCE INVESTMENTS
TODAY!

(555) 123-4567

(Sample Newspaper Ad)

The second thing to consider is where you're going to place these ads. Which newspapers, and which sections? As I've discussed before, the rental section is a good place to start. Thinking like someone in foreclosure is an excellent way to figure out where to place these ads.

Maybe the person in foreclosure would check out current prices on homes in their area to see whether they could sell their home quickly. As they scan these ads, they see an ad stating that you can help them save their home. Maybe they'd look through the mortgage section to see if anyone has easy qualifications for a refinance. Perhaps they're looking for an attorney. Try these in addition to a rental section ad.

Do you want to use the larger publications or a smaller local paper? People tend to respond to people they feel they can relate to, and smaller papers tend to give a community feel to those who read them. That may be your best bet – and they're cheaper. Using both is best, if you have the budget.

Hint: Placing an ad, making copies of your ad, and mailing the copies to your direct contact list ensure that those people see your newspaper ad. Attaching a note, maybe a sticky note, saying, "Thought this might be helpful. – John" could make them feel as if it's from a friend. I'm sure everyone knows someone named John. Just make sure you don't include a return address on those mailings. The ad itself provides contact information.

If you don't care, your customer never will.

~Marlene Blaszczyk

Postcards

Some people won't bother to open their mail or answer their phone. A postcard is a quick way to grab their attention, effortlessly. They have to look at the postcard before throwing it away, so if you have a message that grabs their interest, they may not throw it away, and will call you instead. If they haven't responded to your first mailing, or your phone calls, and they didn't answer their door, why not send a follow-up postcard, just in case they haven't seen what you can do for them. It should be similar to your letter, but condensed. The important items should be in bold print. If possible, your postcard should be yellow in order to get noticed.

TIP: Make sure your post card is very vague in nature as most people in foreclosure don't want the mailperson, friends, or neighbors to know what's going on.

Flyers

I'm sure you have seen flyers and/or signs posted around your neighborhood. Which ones catch your attention? Big yellow signs with black print draw the most attention. Placing signs on lampposts or street signs (make sure your city allows this), and flyers in every place you can think of can also help to make sure people know about you. Grocery stores, post offices, and community bulletin boards are great places for your flyers. **The more you put out the better, so don't be shy – put them everywhere!!**

Be sure you ask permission of each business where you will place your materials. Don't rule out other more direct places, such as the offices or waiting rooms for attorneys, credit counselors, banks, mortgage companies, or even the courthouse, if they allow it.

Great things are not done by impulse, but by a series of small things brought together.

~Vincent Van Gogh

Bankruptcy Attorneys

Usually, attorneys do not fall into the referral fee category, but in this instance, they might. By referring business your way, they may be losing some billable hours in their bankruptcy business. You may want to compensate them for this loss by providing a

referral fee. They know that getting cash for a referral that takes only a minute is better than working for hours and billing someone who is about to clear their debts.

Other types of attorneys may be helpful as well, including probate and divorce attorneys. Many cases of foreclosure may be triggered by one of the events that make

these attorneys' law practices profitable.

Credit Counselors

Once in foreclosure, many people are turned down for obtaining financing to pay off their debts. Many times they are struggling to pay off other debts, as well. Credit counselors are sought out in the hopes that they can help restructure some payments, whether to the bank, which owns the mortgage in default, or credit card companies, etc. If the counselors can help them, it's often not to the level where they can save their home—and that is where you come in.

Credit counselors look like heroes if they can help with credit problems. You will look like a hero as well because you can do what credit counselors can't do.

Banks, Bankers, and Mortgage Companies

Quite often, banks and mortgage companies are approached by people in foreclosure, hoping to obtain a loan to pay off their debts. More often than not, the banks are forced to turn them down. By having a good relationship with bankers and mortgage lenders, perhaps even providing a referral fee, these people can be given another opportunity instead of just being turned down. The bank looks good because they're no longer saying "No" …they're saying, "Call these people; they can do things for you that we cannot."

You look good because you can do what banks can't. If clients have contacted banks in hopes of saving their home, you already know they are taking active steps to get out of their situation rather than hoping it will all go away. Having the bank refer them to you is effective because they can continue in their efforts to stay in their home, and they probably will if they have already tried the banks. Referrals from these sources are great leads.

Radio Ads

Radio reaches a large audience. Even though many of the listeners are not in foreclosure, it's possible that they have a relative, a friend, or a neighbor who is. Placing a quick ad on the radio is a good way of getting the message out there and a great way of creating name recognition. And, it's cheaper than TV ads.

I suggest that you try a community-based station, not one of the major network stations. Community-based radio, by definition, is focused on the community, and they're always happy to have services that help people.

Another possibility, which could be free, is a radio interview. Getting your voice on the radio, talking about how you want to help people, is one of the best ways to get someone to listen to your message.

The pros and cons of a radio ad versus a radio interview are numerous. While an ad costs money, it is played numerous times. A radio interview may only air once, but it is usually free and, like an ad, it usually includes a reference about how to contact you. Many people tune out commercials or change the station, but for an interview, they tend to stay tuned and listen.

Another idea for an interview is to have the radio station record it for you. Take the CD and burn multiple copies. Then send the radio interview to all the people losing their house to foreclosure. Not only will this give you instant credibility, but it will allow you time to explain what you do and how you can help them!

If you want to be successful, you must either have a chance or take one.

~source unknown

Creating a Foreclosure Support Group

People in foreclosure may want to speak with others in foreclosure to find out what they're doing and how they're handling it, as well as all the reasons they got there in the first place. Providing a forum for this type of discussion could bring people to you.

Foreclosing homeowners can talk with one another, and you can provide them with an option to get out of their dilemma. They will be open to your suggestions, open to each other, ***and,*** if one person signs up to let you help them, other people will follow suit. It's a good idea to have a speaker of some sort, perhaps someone who has been through foreclosure (maybe a previous client which you helped) and use a group discussion format. Or, you can be the support group yourself. By using the term "support" people will respond with curiosity instead of skepticism, as they might with other forms of marketing.

Referrals

Referrals are one of the best marketing tools, but when should you pay for them? There is a simple rule for this. If the person who refers someone to you is already getting paid for doing the work of that referral, there is no need to pay him, or her, a referral fee. In many instances, it can actually constitute a conflict of interest. For instance, an attorney will probably bill the time he spent with you, or the time he spent with his client regarding the referral. He is getting paid for ***that*** time, so that would be an area where you wouldn't want to offer a referral fee.

If a person is not getting paid for that referral, perhaps a mortgage broker who has to turn someone down for a re-finance, then you'd want to offer him, or her, a referral fee if the deal closes. Referral fees may appear to cut into your profit, but you wouldn't have any profit at all without those referrals.

Be larger than your task.

~Orison Swett Marden,

American author, founder of Success magazine

THE BEAUTY OF MARKETING

Marketing can bring you all the business you can handle, rather than you chasing it down. It can bring you from non-existent to flourishing. The best form of marketing is word-of-mouth. Anything you can do to get that engine running is well worth the effort. Treating your clients well and with respect, doing a good job, developing relationships with professionals who will encounter your desired clientele – all of these are exceptional ways of getting your name out there.

Of course, indirect marketing has an equally positive effect. When people are looking for solutions, you want to have them see you. Flyers, networking, newspaper ads, etc. are good ways to invite clients to call you. The more you can get the clients to come to you, the more time you will have to negotiate with the banks and streamline your system.

Last, but definitely not least, direct marketing can be your key to success. Having the right letter and the right format can increase your business tenfold! Spending time on marketing, and keeping your marketing engine running, are valuable tools that ***must not*** be ignored.

People who come up with "It may not work." or "What are we going to do if it fails?" do not have the credentials to be businessmen.
If there is only a one percent chance of success a true businessperson sees that one percent as the spark to light a fire.

~Kim Woo-Choong, business executive

Secret #6

Successful People Treat Everyone with Respect

You can't climb to the top by crushing everyone you step on to get there; the people you step on won't hold you up. Think of the people you respect and would do anything for – why would you make a needed sacrifice for that person? How have those people treated you or what have they done for you that you would get up in the middle of the night at their beckon call? Are you willing to treat those you meet with the same amount of care and selflessness? Are you willing to go to the lengths for your clients that those whom you respect have gone for you?

Get into the right frame of mind for serving those you come in contact with. You need more than knowledge to win their confidence – you also need to be able to express a depth of respect. This will bring you guaranteed results every time.

It's vitally important to meet the homeowner with confidence, and with a clear goal in mind. Your goal is to get the paperwork signed! Without the proper paperwork, you can't worry about any further steps – because there's no way you can take them! Always remain courteous and professional to the homeowners. Remember that they have investors, creditors, and everyone else you can think of knocking on their door.

Dos of Working with Homeowners in Trouble

- Do speak to the homeowner with a great deal of confidence.
- Do smile and be courteous.
- Do let them know that you will do everything you can to help them.
- Do be compassionate, sympathetic and understanding to their situation.
- Do explain that foreclosure is inevitable and if they don't take action now, they will lose their home at auction.

Do Nots of Working with Homeowners in Trouble

- Do not present yourself as a money-hungry investor.
- Do not be rude or disrespectful (it's only by the grace of God you're not in their same situation).

- Do not *ever* threaten them or say things that would upset them.

- Do not appear to be a novice investor (practice with a friend or spouse before you try to explain foreclosure to a homeowner in trouble).

- Do not force the issue. If they're not ready, you didn't explain things very well. Leave and try again later.

- Do not explain your services over the phone! Tell them that you'll discuss and explain everything when you meet. Explain that the reason for this is that there's too much to cover on the phone. Also, you can't get any paperwork signed by telephone.

When contacting the homeowner in trouble, you ***must*** be aware of the situation you are about to enter. The homeowners may be emotional, desperate, and most of all, in denial. You must go into this situation with total confidence that you can and will help them.

Never think that you hold the upper hand in this situation or that you're doing them a favor. This is a win-win situation; a win for them is a win for you.

They're likely to want to tell you their "sad story," which you should listen to, carefully—it will tell you a lot about who they are, how they think, and what the problem is—but don't lose track of what you came to help them do: Save their house!!!

THE APPOINTMENT

When you contact the homeowners, or they contact you, the next step is to schedule an appointment to discuss how you can help, determine their needs, and get the paperwork signed. If you're talking with them on the phone, stress how important it is to meet and discuss their options.

What should you wear? Don't under-dress or overdress. Nice casual seems best. You want to be relaxed and have them feel relaxed around you. Don't drive an expensive luxury car to the appointment. You don't want seem like a money-hungry investor. On the other hand, don't drive an old junker, which might make them question your ability to help them.

They expect a professional presentation,
so they expect to see a "professional."
Dress appropriately for the occasion,
but don't be one of the crowd.

~ Wess Roberts, American author

THE PAPERWORK

Once you make the initial contact with the homeowner, you must get them to sign the proper documentation in order to begin working with and for them. You need to understand that each state, and/or lender, may require different documentation before you begin working on a short sale. Be sure you know what's used and what's needed, and that you have all the documents ready to fill out. Also, be sure **you** understand what each document says and what it's for. If you can't answer simple questions about your own paperwork, they will question your ability. Let's review what each one is and why you need to get it signed.

Authorization Letter

The first piece of documentation to use is an Authorization Letter. This is the letter the lender requires before they'll begin to work with an investor. Explain to the homeowner that this letter is vital to begin working with them, because you can't talk to the lender without it. Because of regulations concerning a borrower's right to privacy, the lender requires an authorization letter specifying to whom they may release any information about the loan.

Purchase and Sale Agreement

This agreement creates the ***ability*** to purchase the property, but only if and when the bank accepts the offer. This agreement is used to allow you to be the sole investor with whom the homeowner and bank can do business. This form is only valid when the lender agrees to the purchase price, or if you are offering more than the homeowner owes.

These forms are beneficial to the borrower because they aren't signing their life away. Be sure they understand that. It will make them more comfortable with the whole process. Explain that the purpose of the forms is to allow you to work with the lender. These forms get the ball rolling and make you the point of contact representative for the homeowner.

The lender may require other forms before they'll consider whether or not they'll accept your offer for the property. You may be asked to present a pre-approval letter from a mortgage broker or banker to prove you can buy the property. This will show the lender that the investor is serious about the purchase.

Depending upon how you marketed to the homeowner, you need to either get them into your office to sign or have them sign in their home. Wherever you meet, the purpose is to get the forms filled out and signed.

If you don't invest very much,
then defeat doesn't hurt very much
and winning is not very exciting.

~Dick Vermeil, American football coach, sportscaster

Pros of Signing in a Professional Office Setting

- You have and maintain control.
- You convey the importance of them coming to you.
- You set the standard that you are a professional.
- It gives the homeowner peace of mind

Cons of Signing in Their Home

- You convey to them that you are available on their schedule.
- They are more likely to want to "think" about it because they didn't have to physically do anything or go anywhere to have this meeting.
- When they do decide to do business with you, they will expect you to come back.

The best job goes to the person who can get it done without passing the buck or coming back with excuses.

~Napoleon Hill, American speaker,
motivational writer of Think and Grow Rich

DIALOGUE

Here is an example of a dialogue to use when you are contacting the homeowner over the phone. If you're knocking on their door for the initial contact, the changes are minor—you can see what they'd be. I'm providing several examples of the homeowner's response, ranging from negative to positive.

You call, the phone rings, and someone answers...

Homeowner: Hello.

Investor: Good afternoon, may I please speak with Joseph?

Homeowner: This is Joseph.

Investor: Hi Joseph, my name is ____________________. I'm following up on a letter I sent you.

Homeowner: What letter?

Investor: The letter in regards to the pending legal action against your home.

Homeowner: Yeah, well we've taken care of it.
No, we're not interested. (Or any other excuse you might hear.)

Investor: You're not interested in staying in your home, lowering your monthly payments, avoiding foreclosure and/or bankruptcy, and owing less on your house than what you bought it for?

Homeowner: No, not right now. (OR) How can you do that?

Investor: At least give me the opportunity to help. Your lender will even pay ***me*** to do this. Now do you want to stay in your home, or possibly get some cash and relocate, and make the foreclosure go away?

Homeowner: Stay in my home!

I'm not sure.
I could use some cash.

Investor: Great – because I (or we) specialize in keeping people in their homes! If staying in your home is what you want, we'll make that happen. If you just want some cash to relocate and leave all this behind, we can do that, too!

Homeowner: How do you make money off this?

Investor: Like I said before, your lender will pay me to do this.

Homeowner: How does this all work?

Investor: Let's schedule a meeting so I can explain everything and tell you how we will be able to help you.

Nothing will ever be attempted if all possible objections must first be overcome.

~Samuel Johnson, British author

The purpose of this meeting is:

- ➢ To introduce yourself.
- ➢ To listen to their story and find out their needs.
- ➢ To educate them on what you do and how you do it.
- ➢ ***TO GET THE PAPERWORK SIGNED.***

Other questions to ask before you let them leave:

- ➢ What kind of condition is the house in?
- ➢ Is there anything else I should know about the property?
- ➢ Do you have any contact information for your lender?
- ➢ Are there any other questions I can answer before you leave?

The mode in which the inevitable comes to pass is through effort.

~Oliver Wendell Holmes, American author, poet

AT YOUR OFFICE

When you schedule a meeting at your office, you need to stress how important it is for them to sign so you can get the ball rolling. Be courteous and professional. Listen to their story; let me say it again: **Listen and hear their story**. Explain what you will be doing for them.

The most important thing to do when you meet them is get them to sign the paperwork. They may be very hesitant, but you ***must*** get them to sign in order to begin the lengthy process. If you allow them to take the paperwork home, chances are you'll never hear from them again. Remember that much of the time the borrower may not be the most motivated person. It's your job to explain to them why they should and will be motivated to get this resolved.

If they want to run the paperwork by their attorney, let them know that the process is lengthy and that the more time they waste, the less time that leaves you to try to resolve this situation. As an investor, you're doing them a favor. If they want to run something by their attorney, be sure to have them sign everything first; they can talk to their attorney second.

Look at a day when you are supremely satisfied at the end. It's not a day when you lounge around doing nothing; it's when you've had everything to do, and you've done it.

~Margaret Thatcher, British stateswoman, prime minister

Secret #7

Successful People Learn to be Expert Closers; Good Sales People Aren't Born, They're Trained

The ability to sell is an art form that many people think one is "born with." However, very few doctors have ever handed proud new parents their newborn child and stated, "Congratulations, you had a salesperson!" Although this example is ridiculous, it proves one very basic point: Good sales people aren't born – they're trained.

You, the reader may be thinking, "That's great for some, but I can't sell, nor do I have the desire to sell." Interestingly enough, the two reasons you just stated are the very reasons you can't; you don't think you can sell, and you have no desire to sell. These statements are very limiting and should be removed from your vocabulary and mental thinking immediately.

The fact is sales people are the third-highest paid professionals on the planet, directly behind doctors and then lawyers. Consider how much time both doctors and lawyers spend in school getting their degrees to do their profession. Imagine if at the beginning of law school the would-be attorney decided that rather than take all these ridiculous classes, they would just forgo law school altogether and start their law practice. How many of you would want to get legal advice from such a person?

The same is true in sales. If you want to be truly great at anything, you must develop and LEARN the skills necessary to make you the best. The highest paid people in the world practice their skill on a regular daily basis. For you, the reader, you are closer to creating great wealth for you and your family than you could possibly know. The real questions is: Will you practice and learn the skills necessary to truly be GREAT?

After marketing and getting in contact with a potential client or, even better, having them contact you, you need to ***get the seller to sign***. It's imperative that you get them in to sign the paperwork.

If possible, it's recommended that you arrange to have them meet with you in your office. If they're willing to meet on your turf, it shows that they're motivated to find a solution for their situation. It also gives you the ***home court advantage***. You're taking them out of their area of comfort and bringing them into your comfort zone. It's easier for a person to argue their point when they're in their own comfort zone. When they come to you, you have the upper hand.

Never let the seller take the paperwork home to look it over. When faced with the question, "Can I take this home and think about it?" or, "I need to think about this. Can I call you tomorrow?" the answer should be, "No."

If they're allowed to take the paperwork home without signing, you're almost guaranteed to never see them again. Usually, the seller will ask a real estate friend, family member, bankruptcy attorney, or any other person from whom they seek guidance. These people are not going to promote you getting involved simply because they don't understand the process.

Most real estate agents are not educated in areas involving foreclosure. Their objective is to sell the house and make their commission.

Most bankruptcy attorneys aren't educated in matters concerning foreclosures, either. Their job is to file the necessary paperwork for a bankruptcy to take place. They're not in the business of saving people's homes – but *we* are!

The point is we're trying to do something that most people don't understand, unless they're in this business. Therefore, they'll be suspicious of our motives and will not encourage the homeowner to deal with us.

Worry about being better; bigger will take care of itself. Think one customer at a time and take care of each one the best way you can.

~Gary Comer, American businessman, founder of Land's End

SELLING POINTS

There are many selling points for what you're trying to achieve for the homeowner and for your family. The main selling point to the seller is that ***there is no risk for them***. We're trying to save their house and their credit!!!

They're not going to suffer a huge dent in their credit, and they can easily fix their financial problems with our method. I always make a point of letting the seller know that they can take any other viable option that comes their way while I am working with the bank. You should always let the seller know their rights.

LEGAL RIGHTS OF THE SELLER

It's important to stress the seller's legal rights, and make sure the seller understands those rights, when you're talking with them. You want them to know that they will always remain in control. They have the right to tear up the paperwork they have signed with you at any time. Making sure the sellers understand this will ease their minds. They need to understand that they're not getting locked into an agreement they can't get out of. Rather, they are taking positive, active steps necessary to get out of this terrible situation.

Remember, the seller can tear up the paperwork at any time. It's one of the biggest selling points of signing with you. This should put the sellers mind at east to let you help them.

Once you've negotiated with the bank and have come to an agreement on what you can truly offer the seller, the seller can also just not show up at the closing table if they don't like the offer you're making to them. This is something else you want the seller to be aware of when you're trying to close the deal. This line can truly be a deal closer and a win-win winner!!

My father said: You must never try to make all the money that's in a deal. Let the other fellow make some money, too, because if you have a reputation for always making all the money, you won't have many deals.

~J.Paul Getty, American oil tycoon, billionaire

Of course, your goal is not to put a lot of hard work into negotiating a deal with the bank and arranging a closing on the property only to have the seller not show up at closing. However, allowing the seller to know they have this option is a huge selling point.

Because the seller must sign the paperwork in order for you to even try to help them, you need to stress the positive points in favor of the seller. They also need to understand their rights. You need to stress that in order for you to even begin the process to help them, they need to sign the necessary paperwork that you're placing before them.

You should explain to the seller that they have two options when they're working with you. They need to start thinking about whether or not they really want to stay in the property. The options are to take a lump sum of cash at the closing table and vacate the property, or to sign a rental agreement that allows the seller to stay in their property. This document will be explained in The eighth secret of Part-Time Riches.

PREPARATION AND DOCUMENTS

You want to be fully prepared when the seller comes to meet with you. This means having the paperwork they need to sign filled out and ready for their signature(s). You should have a complete and thorough understanding of this paperwork, since most sellers will have questions. These questions vary from seller to seller. You should be prepared to go through each document, line by line. Remember to practice in front of a mirror or with a partner before you meet with the homeowner. All the "greats" practice. But remember, practice does not make perfect – only perfect practice makes perfect. So make sure you are doing it right!

This is the list of documents you will need to have the seller sign.

✓ **Authorization Form**

✓ **Purchase and Sale Agreement** or **Deed Transfer** (depending on the state)

✓ **Financial Statements**

✓ **Hardship Letter** (a letter stating the reason or hardship that caused them to be in this situation)

✓ **Any forms or information that the lender requires**

Some say opportunity knocks only once – that is not true. Opportunity knocks all the time, but you have to be ready for it. If the chance comes, you must have the equipment to take advantage of it.

~Louis L'Amour, American western author

Let me explain each document from the list above.

AUTHORIZATION FORM

This form authorizes you, the investor, to work with the bank or other lending agency. Without this form, the lender will not speak to you regarding this loan. This is a vital part of the paperwork.

AUTHORIZATION FORM

I, ____________________________________ hereby authorize ____________________________,
Homeowner Investor
to discuss my request for a Short Payoff with the lender who is currently foreclosing on my loan. I understand that I will be fully responsible for reviewing any information that is sent by the lender. This Authorization will remain in effect until I specifically notify my lender in writing that this Authorization is no longer valid and in effect.

1st Trust Deed

Loan # __________________________________

Lender __________________________________ Lenders Phone No. ______________________

2nd Trust Deed

Loan # __________________________________

Lender __________________________________ Lenders Phone No. ______________________

____

Homeowner Date Phone

Homeowner's Social Security # ______ - _____ - ______

____

Co-Homeowner Date Phone

Co-Homeowner's Social Security # ______ - _____ - ______

PURCHASE AND SALE AGREEMENT

The next document you need to have signed by the sellers, as well as by yourself, is the ***Purchase and Sale Agreement***. You'll find a sample of this document on the following page.

The purchase price is going to be 65 percent of the value of the property, or the amount owed, whichever is less. This gives you a starting point with the bank. If the homeowner owes $200,000 and the house is worth $175,000 should you offer $130,000 or $113,750? The answer is $113,750 because it's the lower of the two numbers.

Please let me know what page this is on in the FIF document.

PURCHASE OPTION AGREEMENT

For and in consideration of the sum of $__________________, receipt of which is hereby acknowledged, ____ (hereafter "Seller") grants to ____ (hereafter "Buyer") the right to purchase the property with a legal description as set forth below and commonly referred to as ______________________________________(the "Property"):

Legal Description:____

____

____

____

The Option Price is $______________________________

The Buyer may exercise the option at any time prior to ___________________________ and or thirty (30) days upon bank's acceptance by giving Seller written notice of Buyer's intent to exercise the option. The terms of the purchase shall include the standard Real Estate Purchase Contract provisions with respect to title insurance, disclosures and other pertinent matters. Seller shall cooperate with Buyer in all inquiries and negotiations related to the property.

The Buyer may only exercise the option if _______________________________________ gives written confirmation that it will accept the Option Price (net of commissions, closing and other costs associated with the transaction) as a full payoff of its loan to the Seller.

The Buyer may assign this option to any person without the Seller's approval.

Dated:________________________________ ____________________________________
Seller

Dated:________________________________ ____________________________________
Seller

Dated:________________________________ ____________________________________
Buyer

THE HARDSHIP LETTER

You need to have the homeowner write a financial hardship letter. There are two ways of doing this. You can have the seller write their hardship letter, which can take them a very long time, as they may find it difficult to put it all into words. It's painful for them to stop and think about all the things that are going wrong for them. But, it's the best option so the lender can get a better idea of who the homeowner is.

FINANCIAL STATEMENTS

They will need to provide the following:

- ✓ 2 years of W-2 forms
- ✓ 2 months of pay stubs
- ✓ 2 months of bank statements
- ✓ Their last 2 years' income tax returns
- ✓ Hardship letter
- ✓ Payoff amount
- ✓ Copy of the last letter they received from the lender.
- ✓ See the example on the next page.

(Insert "Required Information to Process your short sale" page and form from FiF, page 64, remove footers)

Look through your customer's eyes.
Are you the solution provider or part of the problem?

~Marlene Blaszczyk

BANKRUPTCY

This is an option that most people facing foreclosure view as a viable alternative. You'll find that a lot of people will try to use this as an option instead of allowing you to help them. It's important for you to have a basic understanding of this, so you can explain the problems a bankruptcy can cause, so they can think about whether they really want to go that route. First, their credit will be damaged – severely. What you're offering is a way to ***not*** have their credit damaged.

Bankruptcy ***doesn't*** necessarily get them off the hook for their mortgage. It simply delays the foreclosure sale for approximately three months.

Two of the most common forms of bankruptcy are:

Chapter 13

This is the most common and least damaging of the three. Chapter 13 is a reorganization of debt. The person filing must be employed and have a certain amount of money available to them. The person has to file a plan of action to fix his or her debt within three years. The sale of their property will be postponed while their plan is reviewed by a judge. This will still negatively affect their credit, even if they are able to fix their situation.

Chapter 7

A chapter 7 is referred to as a liquidation or forgiveness of debt. All of their assets will be sold to pay all of their liabilities. Of course, the process is much more involved than that but if the homeowner wants or needs more information on the subject of bankruptcy, they should consult legal, competent council.

BE PERSISTENT!

This may sound like a lot to take on, but it really isn't. You may have to ask the seller for the needed documentation several times after they sign the initial paperwork, but it's a good idea to stay in contact with them anyway.

All in all, getting people to sign the paperwork isn't the hardest part of the process. You may find that you are nervous at your first appointment, but don't be. As long as you've done your homework, and can explain the process to the sellers, you have no real reason to be nervous at all.

Remember, you're trying to help them. Nothing else should matter.

It is not enough to give the customer excellent service. You must subtly make them aware of the great service they are getting.

~Source unknown

Secret #8

Successful People Never Say, "I Can't Afford It." They Say, "How Can I Afford It?"

The human mind is the most powerful tool on planet earth, if used correctly. A large percentage of the people in this great nation continue to work for peanuts when the rest of the world around them continues to collect more and more wealth. If you've ever stopped to consider the reason why, it's simple, "Rich People Think They Can." If you don't think so why don't you just ask one sometime. Seriously, go up to someone you know that has a lot of money and ask them, "How come you have so much when other people have so little?" The answers that you receive will all be different in scope and breadth, but they will all have one single, common denominator, which is, rich people are rich because they have convinced themselves that they can be.

Getting involved in real estate is no different than any other business venture or entrepreneurial endeavor. They all require a good sound business plan, they all require hard work and effort, and they all require money to get them started. However, in real estate, it is not about how good your credit is or how much money you make every month or year. Buying real estate believe it or not has nothing to do with you; it's simply the art of finding a good deal that you can acquire for less than the property is worth. In real estate you should never worry about where your going to get the money, spend your time finding a great deal, and the money will spend it's time finding you.

How many sleepless nights have you spent flipping through all the infomercials on buying real estate with ***no money down***, ***regardless of your credit***? Did you question whether or not this was really legitimate? It may not be as effortless as the TV ads would have you believe… but it can be done and quite profitably, at that!

Even if you don't have a great deal of cash or squeaky clean credit, there are investors out there who are looking to make their profits by lending money for real estate purchases. Their loan requirements are usually more flexible than your local bank or credit union. In today's world, there is a loan program available to fit just about every situation.

If you make the unconditional commitment to reach your most important goals, if the strength of your decision is sufficient, you will find the way and the power to achieve your goals.

~Robert Conklin, American teacher, author, speaker

A few of these financing options follow:

HARD MONEY

Some investment opportunities require you to have immediate access to cash in order to be able to take advantage of a terrific deal.

Examples of these would be:

- **Foreclosure Auctions –** In some states, total funds must be presented at the time of sale or within a very short time period. A conventional loan would take too long to process and fund, and a conventional lender would not even begin the loan process in advance on the assumption that you will be the successful bidder.

- **Sellers in Default –** One method of purchasing distressed properties is to buy the property directly from the homeowner prior to the foreclosure auction. By doing this, you bypass the bidding process, but the lender may not postpone the auction to approve a last minute sale of the property unless you can prove to the lender you've got the cash and can close immediately.

You should be able to locate a hard money lender by contacting a mortgage loan representative or by obtaining a referral from a real estate agent that specializes in investment properties. Investment consultants may also be an excellent resource for referrals to hard money lenders.

Because it is considered a high-risk loan, hard money can be expensive. The time constraints noted above do not allow for the thorough credit check and title search required by conventional lenders, so the hard money lender will normally charge more points and a higher interest rate. They may charge 2 to 3 points (each point equals 1% of the loan amount), which may be required up front, as a loan origination fee, or included in the loan amount. Normally, if the lender believes the property has significant equity (say, 30% - 40% of the market value), they may be willing to include the points in the loan amount. Interest rates will vary greatly depending upon the hard money lender. Most hard money interest rates will range between 12% and 28%.

It definitely pays to shop around and develop a relationship with a hard money source well in advance of making your bid or offer.

The hard money loan is also a short-term loan, typically from 60 to 180 days, but then again, you really wouldn't want to pay this high rate for very long anyway. The purpose of the hard money loan is only to make funds available quickly, to allow you to take advantage of a deal with instant equity, and then follow up with a permanent loan at a much lower interest rate. This re-finance would pay off your hard money loan and even provide additional cash at closing to take care of repairs, refurbishing or as funds for your next venture!

Rich people are rich because they do the things that are hard, which makes life easy. Poor people do what is easy which makes life hard.

OTHER LENDERS

Banks and Credit Unions

These institutions will normally base their loans on strict lending guidelines, but if you have a favorable long-standing relationship with your banker, you may be able to negotiate terms not available to the general public.

Mortgage Companies

Mortgage companies are more likely to be loan brokers who deal with a wide range of investors with cash to loan and differing requirements for each lender. The mortgage broker will collect your information and determine which lending company to sell your loan to based on your specifics and the investors' criteria. A good mortgage broker will have a program available to match the needs of just about every borrower.

When a person has no need to borrow they find multitudes willing to lend.
~Oliver Goldsmith, Anglo-Irish author, poet, playwright

TYPES OF LOANS

Conventional Loan

Most of us are familiar with conventional lending sources, i.e., banks, credit unions, and mortgage companies. Available loan programs vary greatly from lender to lender.

Shopping for a loan is like buying a car; different dealers may each carry the same make and model, but the purchase price and terms may differ greatly from dealer to dealer. Cash is cash, but what you end up paying to borrow it is a detail that will greatly affect your ability to recognize a profit. It pays to do some homework before accepting the terms of the first loan you find.

Comparing the fees charged in connection with the loan can make a huge impact on your final costs and ultimately the profitability of your investment. Higher fees up front with a lower interest rate may be more economical on a long-term loan, but if you are looking to purchase a property for immediate resale, you'll want to keep your up front fees to a minimum.

Watch out for lenders who want to nickel and dime you for every little thing!

Be sure to request a Good Faith Estimate before agreeing to anything, and if the lender includes a multitude of fees for handling and warehousing of your loan, find another lender. A good lender will not pad their loan fees, and beyond the origination fee and pro-rated interest, if any, you should feel free to question any other charges. Some of these may be discarded with a little assertiveness on your part.

Fully Amortized

A fully amortized loan includes both principal and interest divided into monthly installments, payable for a specified term. At the end of the term, the debt will be retired, or paid off, in full.

Fixed Rate

As its name implies, a fixed interest rate is set at the beginning of the loan and does not change during the term of the loan.

Adjustable Rate Mortgage (ARM)

Adjustable rate mortgages are generally used to allow a borrower to qualify for a loan at a below market rate with the assumption that the borrower's income will increase or that interest rates may decline in the relatively near future.

Interest rates on an ARM are tied to a specified index such as the Consumer Price Index or the current cost of federal funds. The rate may go up or down as market conditions change. Most ARM loans will also include a cap rate, either annually or over the term of the loan, to protect the borrower from drastic rate increases.

Graduated Payment Mortgage (GPM)

Similar to the ARM, the Graduated Payment Mortgage assumes that the borrower's income will increase in the near future and allows the borrower to start the loan term at a lower than market rate.

To be able to offer lower payments in the beginning of the loan, for the first few years the loan is actually negatively amortized, which means the payments are less than the entire principal and interest due. The shortage is added back into the loan and the payments are increased at regular intervals (usually annually) for the first few years of the loan until they level out at the full installment amount and stay at that amount for the remainder of the loan term.

> For example: On a $100,000 30-Year GPM loan, your 1st year's monthly payment might be $540.00; Year 2 - $580.00/month; Year 3 - $620.00/month; Year 4 – $660.00/month; Years 5 through 30 - $720.00/month.

These ARM and GPM loans are best suited for first time home buyers with potential for increased income. They may also be used by home builders to entice new home buyers.

Interest-Only

Monthly payments on this loan are calculated to cover only the interest accrued on the loan. The principal balance in its entirety would be due at the maturity of the loan. Interest only loans are popular for construction and investment loans to keep the monthly payments as low as possible and where it is anticipated that the property will be held for a short time and a significant profit is expected upon the sale of the property.

Interest Rate Buy Down

When interest rates are on the rise, and you plan to hold the property for a few years, it may save you money in the long run to pay additional points up front to buy down your interest rate.

> **For example:** On a 30-year $100,000 loan, the offered rate is 6:75%, with 1 point (1% of the loan amount), or $1,000 due up front. For an additional 1 point, you may be able to buy the rate down by 0.25% to 6:5%. The monthly principal and interest payment at 6.75% is $648.60 and $632.07 at 6.50%. The monthly difference in payment is $16.53. It would take approximately 5 years to recover the extra $1,000.00 you paid to buy down the loan, but if you were to stay in this loan beyond the five years, you would start to realize this savings and if you kept the loan for the entire 30-year term, your net savings would be $4,950.80.

OWNER-OCCUPIED VS. NON-OWNER OCCUPIED LOANS

Most loans made for investment properties will be non-owner occupied loans. Non-owner occupied simply means that you, as the investor, do not intend to live in the property. Interest rates on a non-owner occupied loan are generally higher than for an owner-occupied loan. If you intend to borrow based on owner occupancy to get the better interest rate, please note that you must occupy the property for a specified amount of time, normally a minimum of one year, to legitimately qualify for the owner-occupied rate.

If you don't set a baseline standard for what you'll accept in life, you'll find it easy to slip into behaviors and attitudes or a quality of life that's far below what you deserve.

~Anthony Robbins, American author, speaker, consultant

APPLYING FOR A LOAN

Full-Doc Loan: As its name implies, this type of loan requires that the lender compile full documentation to verify the borrowers' income. These documents include two years' income tax returns, pay stubs and/or bank statements.

Stated Income: For borrowers with FICO® scores of 680 and above, the lender will accept the borrower's stated income. Stated income is defined as the income amount claimed by the borrower ***without coaching***. One instance where this method is used would be when the borrower is self-employed and income verification may be complicated. Again, this method is only acceptable for borrowers with excellent credit ratings.

If you would know the value of money, try to borrow some.

~Benjamin Franklin, American scientist, publisher, diplomat

LOAN-TO-VALUE

Loan-to-Value, or ***LTV***, is determined by taking the amount of the debt owed on a property and dividing it by the fair market value of the property. The difference between the value and the debt is also referred to as ***equity***.

Example: A home worth $150,000 has an outstanding debt of $112,500. By dividing the debt by the value, we arrive at a Loan-to-Value ratio of 75%.
($112,500 ÷ $150,000 = 0.75 or 75%)

In this same example, the home would have equity of $37,500.
($150,000 - $112,500 = $37,500)

Loan-to-Value will be a factor in determining the interest rate on your loan. The higher the LTV, the more risk to the lender, so the interest rate will normally be higher. Conversely, the more money you put down, or the lower the LTV, the lower the rate of interest you will be charged.

Price is what you pay; value is what you get.

~Warren Buffett, American investment entrepreneur

PRIVATE MORTGAGE INSURANCE (PMI)

If you have ever taken out a loan with an LTV ratio of greater than 80%, your lender would most likely have included in your monthly installment of principal and interest an additional payment for PMI.

This ***Private Mortgage Insurance*** premium pays for insurance coverage for the lender in case of the borrower's default on the loan, or to cover the lender's loss when the borrower requests a ***short sale*** or short payoff of the loan. A short sale may be necessary when the borrower is attempting to avoid foreclosure by selling the property, but the current market value is less than the actual payoff on the loan.

It is important to note that when your LTV ratio changes due to an increase in the property value or a pay down on the principal balance, you are then eligible to request a cancellation of the PMI.

For example: If you purchased a home for $175,000 in September of 2001 and took out a loan for 95% of the purchase price, or $166,250, you would be required to pay for PMI. If market conditions caused an increase in the value of your home and three years later your home was now worth $250,000, plus, the principal balance has been paid down to $160,000, your LTV ratio would then be 64%, well below the original LTV. At this point, you should contact your lender in writing to request the cancellation of PMI and a decrease in your monthly payment since the monthly PMI installment is no longer required. There is now enough equity in the home that if the lender were forced to foreclose, the chance of loss to the lender is minimized.

CASH BACK AT CLOSING

When a property is purchased for significantly less than the full market value, say through a foreclosure auction or short sale, it is possible to refinance the property based on its appraised value and receive cash proceeds from the refinance. By doing this, you are leveraging your property, or collecting your equity in advance, and these funds may be used to improve the property or to invest in additional properties.

COMPARING LOAN PROGRAMS

With all the variations in loan programs, interest rates, and loan fees, you may be asking yourself "How do I know if I'm getting the best deal?" The best way to compare loans with differing rates, points, and even payments that may change during the term of the loan, is to request the disclosure required by federal law from your lender. The **APR** (annual percentage rate) is the actual rate of interest you will be charged including any prepaid interest or points and will be slightly higher than the note rate. This disclosure should also show you the total amount of interest you will pay if the loan goes to full term. This information will give you numbers that you can compare, along with the other loan fees, to see which is the best deal for you.

I wake up every morning and thank God I'm not a chartered accountant any longer, but involved with property.

~Godfrey Bradman, British property executive

MAXIMIZING YOUR CREDIT

FICO®, Scores

The three major credit bureaus, Experian (formerly TRW), TransUnion, and Equifax, each have a system of rating an individual's credit. These scores are known as your FICO® scores. You will have three FICO® scores, one from each credit bureau. Most lenders use these scores to determine whether or not you are credit worthy. The higher your FICO® score, the better the rate and terms that will be available to you. Certain actions will trigger the rise or fall of your FICO® score. With each credit card you apply for, or each credit inquiry made on you, your score drops slightly. On the other hand, each debt you pay off satisfactorily will generate an increase in your score.

As you improve your FICO® scores, you pay less to borrow. For example, on a $150,000 30-year, fixed-rate mortgage:

Your FICO® Score	Your Interest Rate	Your Monthly Payment
720-850	5.99%	$898
700-719	6.11%	$910
675-699	6.85%	$963
560-619	7.80%	$1,080
500-559	9.29%	$1,238

The table above is an example specifically for this report and will always vary based on market conditions and the prime rate.

Knowing your FICO® scores before applying for a loan will give you an edge with the lender. Be sure to inform the lender of your current scores and base your negotiations on those scores before authorizing the lender to run a credit check. Remember, each credit inquiry will affect your score and if the lender's terms are unacceptable, you can avoid an unnecessary drop in your score.

You may access your FICO® scores and current rate information by visiting a credit reporting website such as www.my FICO.com. It is wise to check your credit report on a monthly basis to make sure there is nothing derogatory. It's better to find out now when you don't need to use your credit than later when you do.

The objects of a financier are, then, to secure an ample revenue; to impose it with judgment and equality; to employ it economically; and, when necessity obliges him to make use of credit, to secure its foundations in that instance, and for ever, by the clearness and candor of his proceedings, the exactness of his calculations, and the solidity of his funds.

~Edmund Burke, British political writer, statesman