CREATING CASH FLOW SERIES

THE REAL ESTATE FAST TRACK

HOW TO CREATE A $5,000 TO $50,000 PER MONTH REAL ESTATE CASH FLOW

David Finkel

WALL STREET JOURNAL BESTSELLING COAUTHOR OF *MAKING BIG MONEY INVESTING IN FORECLOSURES WITHOUT CASH OR CREDIT*

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To my lifelong partner, love, and best friend—Heather.
You are my forever.

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How Two Escapees from Corporate America Built a Highly Profitable Real Estate Business (and How You Can, Too!)

I can't begin to tell you how proud and excited I was when David asked me to share my story as the Foreword to this book. You see, over the past five years David has been a very important friend and mentor to me and my wife Susan. In fact, David has been one of the most important wealth mentors we've had and we're living proof that the ideas and strategies contained in the pages of this book work. They worked for my wife and me, and I know that they will work for you, too.

When we first met David and Peter at a real estate workshop almost five years ago, my wife Susan and I were trapped in the rat race of corporate America. Susan was a CPA and I was a sales executive for a large corporation. Don't get me wrong—we were grateful for the comfortable living we were earning; but we felt trapped all the same.

You see, Susan had always dreamed of balancing her career with the flexibility and freedom to be fully engaged and raise our kids. She wanted to volunteer at the school, watch all the soccer games, and be home when they got home from school. And I—well, let's just say I dreamed of having the time to be there to watch my kids grow up, instead of being off working long hours for a large company.

So there we were, both working more than we wanted, and at the same time wishing that we could spend more time at home, focused on our growing family.

That's when we made the decision that for things to be different, we need to *make* them different. So we took the plunge and joined David and Peter's Mentorship Program. And what a ride it has been!

The first year of our investing we completed 18 deals. While we made a healthy profit from those deals, by far the greatest payoff was the learning we accumulated. By the end of our second year we had established profitable referral relationships with several of the local banks, which to this day still continue to send deals our way on bank-owned real estate that they want to sell quickly.

Over time our business developed into three areas. First, there is the foreclosure business that we have created. This business is almost entirely systematized right now, just like David teaches you how to do in this book. It generates an average of two to three houses a month that we buy and then fix up or flip. Our second business is our rental portfolio of houses and small to medium-sized apartment buildings. This is our freedom fund that generates a six-figure rental cash flow for our family. And finally, there is the real estate development business that we have, doing small to medium-sized developments in two states.

How did we accomplish all this in less than five years? Simple. We listened to the best. And make no mistake about it, David is one of the best I've ever worked with. When you master the strategies and techniques he has laid out in the pages of this book you'll literally propel your investing business to the next level. Over the years I've read every book he has written and attended every course he has taught; they have made me millions of dollars, and he can help you do the same thing.

But there is a catch here. You're going to have to be the one putting in the work turning the ideas in this book into cash in your bank account. No one can do the work for you. All I can say is that I am so thankful that I listened and took action. And I urge you to do the same. Read this book cover to cover. Devour it! Then get out there and get to work. You can and will succeed, if you listen to the ideas David so clearly lays out in the pages of this book.

STEPHEN WILKLOW
Past Mentorship Graduate and
Current Mentorship Coach

Creating real wealth is never a solo job; it always requires the combined efforts of many people. I want to thank the people who have made my life richer and fuller, and without whom the *Creating Cash Flow* series would never have come to be.

First, I want to thank those people in my business life who have been instrumental in helping me to fulfill my mission to help generations of investors become massively wealthy and to use that wealth to bless the world.

To the entire team at John Wiley & Sons, Inc. and Cape Cod Compositors—you are great to work with, balancing your professional skill with a deep commitment to produce meaningful projects that touch people's lives. I am proud to be associated with you.

To my Maui Mastermind friends and team: Diane, Scott, Amy, Monica, Gabe, Meagan, Morgan, Aaron, Elizabeth, Michael, Beverly, Blake, the other Michael, Stephen, Susan, and the very special Maui participants. You inspire me to be more of who I truly am. Thank you.

Thank you to my friends at Mentor Financial Group (MFG): Peter, Paige, Amy, Gayla, Beth, Dennis, Marilyn, Angela, Jeff, Christina, Kim, Laura, Alex, Brian, Thomas, the other Thomas, Elizabeth, Deb, Bob, Lourdes, Larry, Aubrey, Michelle, Stephen, Cheryl, Scott, John, Rob, Emily, and Nate. You will always be family to me. My deepest appreciation also to all the clients and students of MFG—past, present, and future. You have let me into your lives, and while you may never know this, you have given me more than I can ever repay by taking action and living the ideas in this book.

Thank you also to the other business friends who have contributed so much over the years: Lee, Robert, J.P., Terry, Chris, the other Lee, Clay, Bill, Ann, the other Bill, and Todd.

Finally, to those people who have made me truly wealthy—my friends and family—thank you for your presence in my life: Heather, Alex, Laurie, Stacey, Mom and Bill, Dad and Karen, my grandparents—Morey and Gerry, Arthur and Jillian, Daniel, Miranda, Gail, Mark and Trish, Darcy, Eric and Luz, Karimjeet, Jean and Phillip, Daryl and Dara, Margie, Martin, Jonathon and Kirsten, Gratia and Bill, Lydia, Jillian, Ethan and Jen, Edson, Sharon, Grant and Jana, Nancy and Ysa, Madeleine and Claira, Ted, and the list goes on.

INTRODUCTION

What if there was a way for you to create $5,000 to $50,000 per month of real estate cash flow? And what if, instead of having to work 40, 60, 80 hours each week to earn this money you could build your investing business so that in five to seven years you could go passive in your investing and enjoy the cash flow without the day-to-day work? And finally, what if you could do it in a way that would make your cash flow *secure*—so that no matter what some bigwig at some large corporation decided, your income streams still flowed to you month after month, year after year?

That probably seems impossible, or maybe too good to be true. But just for a brief moment, imagine it were truly available to you.

How would it feel to know that you have the freedom to do what you want, when you want, with whom you want, the way you want? Imagine you are in total control of your financial life with a myriad of choices laid out before you each and every day. The freedom can make you light-headed, giddy, perhaps a little dizzy!

Welcome, my friend, to the world of real estate investing. When done the right way, investing in real estate can create for you an inflation-proof cash flow that will take care of you and your family forever.

Before I begin, I want to make one thing abundantly clear—this is going to take work. If you think you can just get started with your investing and wake up tomorrow morning a multimillionaire, you need to think again. Using the ideas I am going to share with you, working part-time, it may take you as long as 10 years to build your real estate cash flow to the point where you can retire and live comfortably on that cash flow for the rest of your life. If you are a full-time investor, it may take you five to seven years to achieve this degree of financial freedom. But wouldn't it be worth it to work hard and smart for five to seven years and at the end of that time be in a position to comfortably retire with your income stream secure? Think about it. Most people spend 40-plus years working to build *other* people's businesses, and in the end over 95 percent of them end up either dead or dead broke, depending on the government or other people for their financial survival. These aren't my numbers, they're the federal government's! Does spending 40 years of your life for a 5 percent chance of success seem like a good bet to you? It's probably clear to you where I stand on the matter!

Instead I suggest that you take a fraction of that same energy and effort and redirect it into yourself—building your own investing business so that you can take care of yourself and your family the way that, in your heart of hearts, you know you deserve. The road will be harder than you ever imagined, but the rewards will be sweeter than you could ever have anticipated. And the best thing of all is that once you build your profitable investing business the right way, it's a straightforward process to turn that business into a hands-off moneymaker for you.

That's the real power of real estate—it's a business in which an average person can earn extraordinary income because of the nature of the business.

My Story

Indulge me for a moment, if you will, as I give you a quick snapshot of how I got started with my investing and what I've been able to accomplish. You deserve to know more about the person who will be mentoring you in building your investing business. In fact, later in the book I talk about why you should never listen to someone's advice unless that person has what you want in the area of life that he or she is talking about.

I started out as an athlete, training to play in the Olympics. My sport was field hockey and I played on the United States National Team for about seven years. As I was gearing up to play in the Olympics, I started having severe back pain and nerve problems in my left leg. By the time the doctors and I finally figured out what was going on over a year later, it was too late for me to play in the Olympics. (It turned out that I had a small tumor—benign—in my hip, growing on my sciatic nerve. The surgeon removed the tumor and I am fully healed, although too late to play in the Olympics.)

As you can imagine, I was deeply saddened by that lost opportunity. But out of the darkest of events equivalent or greater good fortune comes. In my case it was in the form of my real estate mentor and business partner for many years—Peter Conti.

When we met at a wealth workshop we were both attending, we hit it off from the start. Peter had been very successful investing in Colorado, and he wanted to start teaching investing to others. The problem was that while he was a savvy investor, he wasn't much for teaching. I, on the other hand, had supported myself through my playing career by teaching and coaching. He had the real estate know-how, and I had the ability to break skills down and teach them in a way that transferred that knowledge fast. Within 12 months of working together I had put together dozens of deals and was on my way to building a sizable real estate portfolio of my own.

Over the years, I've built investing businesses that invested in single family houses, condos, and apartment buildings. I've bought everything from small, one-bedroom condos to huge apartment complexes.

But by far the biggest thing I have learned is exactly how to help new and seasoned investors alike make a ton more money with less time and effort. Over the past decade, my clients have literally bought and sold over a *billion* dollars of real estate. Again, I'm not sharing this to impress you, but rather to impress upon you how doable real estate really is. I started out as a 26-year-old athlete, with no real business experience and no knowledge of real estate, and within six years I was a multimillionaire. If I can do it, you can too. In fact, it's my belief that there is no better vehicle for creating and enjoying your wealth than real estate. It is just such a simple, yet powerful wealth-creating force that the average person can become incredibly successful investing.

The Eight Major Business Success Factors

Real estate lets you automatically harness the eight biggest business success factors in a way to consistently produce big cash profits. Let's look at all eight now.

Business Success Factor One: Leverage

Real estate lets you leverage yourself into the property using other people's money. Over the years that I have mentored several thousand students in launching their investing businesses, my students typically have less than 5 percent of the value of the property in the deal as their cash and over 95 percent of the funding coming from outside sources. That means they have a leverage multiplier of over twenty-fold! The best part of real estate leverage is that you can use what's called *upside leverage* to get the benefits of the magnifying return of leverage without the downside risk that's normally associated with it.

Business Success Factor Two: Appreciation

In very few businesses do the assets of that business appreciate in value year after year. In fact, in most businesses, the capital assets *depreciate* every year—that is, go down in value. Real estate is one of the few capital assets that a business can own that goes up in value over time. What this means is that at the same time your real estate business is generating cash flow month in and month out, the underlying assets, the real estate itself, are going up in value and adding to your net worth.

Business Success Factor Three: Tax Savings

In almost no other business are your profits so potentially shielded from the wealth-diminishing effects of taxes as they are when investing in real estate. The government wants investors to provide housing and commercial real estate, and it incentivizes them with powerful tax advantages that even the smallest of investors can tap into.

Business Success Factor Four: Simple to Sell or Rent

The biggest challenge for most businesses is to find their customers. In fact, for many businesses this is the single greatest challenge they'll ever face—to establish the customer base to generate the cash flow to support their business.

But with real estate, this is much easier. Take the case of an average rental house that rents for $1,500 per month. When you find one renter for that house who lives there for a year, your real estate business will generate $18,000 of gross income from the rents that year. And what if you are able to keep that tenant happily living in that property for three years? That means that one tenant will generate $54,000 of gross income for your business. All that income from leasing out one property!

Now multiply that by 10 houses and you have a simple part-time rental business that generates $180,000 per year of gross income, or over $1.8 million of gross income over 10 years. In very few other business can the average person generate that type of sales volume without an expensive and highly skilled sales team. But with real estate it's a simple and straightforward process. Why? Because there is always a ready market for quality real estate. And this is true whether your goal is to rent out a property, sell it to a retail buyer, or put a tenant buyer in your property on a rent-to-own basis.

Or, if you prefer the route of buying low and selling high, in what other business can you so easily make a $400,000 sale like selling a house? Or have highly skilled sales agents fighting to get the rights to sell your house for you for such a small sales commission? I think you get the idea.

Business Success Factor Five: Inflation-Proofed

By its very definition, inflation means that the purchasing power of a dollar is diminished because the cost for staples like food, shelter, and clothing has increased. Built into the very formula by which inflation is measured is the assumption that as the cost of living increases, with it goes the cost, whether it be sales price or rental amount, of real estate. This means that as you build your cash flow–generating investing business, your profits are inflation hedged because your real estate will rise with the tide of inflation. While over the short term this may not seem to matter, over 20 to 30 years it will make a huge difference to your quality of life because your cash flow will have more than doubled as it keeps pace with inflation. Plus, the underlying equity you have, which is a large component of your net worth, will have also gone dramatically higher.

Business Success Factor Six: Forced Appreciation

One of the best things about real estate is that it exists in an imperfect marketplace. There is no absolute determiner of value because personal circumstances, market conditions, and individual skill and expertise have a dramatic influence on the price and terms with which you can acquire a property. This means you can buy a $400,000 property for 30 to 40 percent below value, and the very moment you buy the property, because your circumstances are different, that property is instantly worth $120,000 to $160,000 more! Remember, value does not exist independently of the owner's context. This makes real estate one of the fastest pathways to building great wealth.

When I look at all the ways my students have literally made hundreds of millions of dollars, the simple truth is that forced appreciation was the single most important profit generator for them in the early years of their investing. Over time, the appreciation and cash flow from their portfolios outpaced forced appreciation in importance, but never underestimate the power of personal circumstances and the specialized skills and knowledge you are acquiring to help you make hundreds of thousands of dollars in the early years of your investing.

Business Success Factor Seven: Easy to Autopilot

Real estate is one of the easiest businesses to put on autopilot. By building your investing business the right way, you are able to transition out of the day-to-day oversight of your investing company, and into the passive role of a hands-off investor who works a few hours a day or less overseeing his or her investing business.

Business Success Factor Eight: Cash Flow

By far the biggest benefit that the typical investor craves from real estate is the cash flow it can generate because this cash flow means freedom. Freedom from working for a boss or company that doesn't value you. Freedom to be in control of your own life.

There are essentially **four types of real estate cash flow.** First, there is the **monthly cash flow** that is derived from the spread between the monthly income a property generates and the monthly expense of owning it. This positive cash flow is what most investors think of when they talk about real estate cash flow. But it is only one of the four sources of income from a property.

Second, you have **up-front cash flow** that comes from the larger chunks of up-front payments your buyers or tenant buyers pay you for the property. For example, if you put a new tenant buyer in one of your homes on a rent-to-own basis*

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*To gain immediate access to a FREE ebook on how to sell your property on a rent-to-own basis, go to **www.InvestorFasttrack.com.**

and they give you a $10,000 nonrefundable option payment, this money in essence is a form of up-front cash flow. In many ways this type of cash flow is even better than monthly cash flow because you get it all up front instead of having to wait every month for it. Another example of up-front cash flow is a student of mine who found a motivated seller with a property he wanted to unload fast. My student locked up the property using my standard "Agreement to Buy Real Estate" contract, and within three weeks he had sold his contract (i.e., the right to buy that property for such a discounted cash price) to another investor for $15,000 cash! Not bad for a month's work—part-time!

The third type of cash flow is **re-fi cash flow**, which comes when you refinance a property that you own that has gone up in value, in order to tap into the equity and pull out money from it. This type of cash flow is tax-free since it's a "loan" and not actual "profit"; still, it is spendable and investable. The key to intelligently using this type of cash flow is to make sure the property still rents out comfortably for more than the real cost of maintaining it, which includes the new mortgage payments from the refinance, so that you have a safety buffer built into the deal in case the rental market cools. In my opinion, the very best reason to tap into re-fi cash flow is to invest the money into another property. This way you get the profits from two properties instead of only the one you had before!

And the final type of cash flow is the **back-end cash flow** that comes when you resell a property. For example, I have many students who buy 6 to 12 new properties every year, and sell 2 to 4 of their existing portfolio. They earn a few thousand dollars a month or more from the monthly cash flow, but they earn another $150,000 or more each year from the back-end cash flow they get from selling a few of their properties each year. One other benefit of this type of cash flow is that this income is often taxed as *long-term capital gain* versus ordinary earned income. This saves you about 60 percent on your tax bill! I strongly urge you to hang on to all of your real estate that you can over the long term, but there is nothing wrong with pruning your real estate portfolio and selling off some of your properties each year for cash flow, provided you are acquiring even more properties than you are selling each year. In a way, this lets you upgrade your portfolio as you sell off the trouble properties and keep the very best of the best over time.

If the other seven Business Success Factors form a solid foundation upon which you can build your real estate fortune, then factor eight—cash flow—is the fuel that you'll need to reach your destination. Ultimately you will want your real estate business to generate all four types of real estate cash flow to fuel your journey on the Real Estate Fast Track.

The Three Investor Levels— Your Proven Pathway to Real Estate Success

Over the years of working with thousands of investors I created a model to explain the progression every investor must make on his or her path from launching an investing business to becoming financially free. I call this powerful model the Three Investor Levels.

Level One

Level One investing is about belief. It's about proving to yourself that not only does real estate work for other people, but it works for *you*! How do you prove this to yourself? By *doing* a few deals and making a significant profit. As a Level One investor you have the certainty that real estate will be your proven path to financial success. Yes, you know you still have a lot to learn, but you've seen for yourself how lucrative and possible it really is. The key for Level One is getting yourself into action.

Level Two

Level Two is all about mastering the five core skills of real estate investing and building an investing business to support your real estate portfolio. At first Level Two is about building your knowledge base of investing strategies, tools, and techniques, but later it's about building a real estate investing *business*.

Why is this so important for you? Because ultimately, if you don't learn how to leverage yourself through building a strong business infrastructure of systems and people, you will be limited in two critical ways. First, you will be limited in the scale of projects and profits you can earn. You just can't do big deals without the infrastructure there to make the deal stand. Second, unless you build an investing business, you'll be limited in your potential to create the time and freedom you truly want. That's why it's so important to learn to build an investing business.

In the end, it's this investing business that will help you step into Level Three investing and enjoy a Level Three lifestyle. While Level Two investors create healthy cash flows for themselves and increase their net worth significantly every year, they are still actively tied to their investing business. They are the heart and engine that drives that investing business forward. Without them, their investing businesses will fizzle and die.

Level Three

Level Three is about mastering the art of building an investing business that works so you don't have to. If Level Two investors are the heart, pumping the business forward, Level Three investors are the brain, directing the big picture of the business and enjoying the consistent profits from that business, *without* getting caught up in any of the day-to-day activities for the business. Imagine having built your real estate mini empire in such a way that you earn massive income without having to be involved in the day-to-day oversight of the business. Level Three investors earn at least as much as Level Two investors, but they do it passively. This means Level Three investors work less than 10 hours per *month*. Their property portfolio and real estate business works without them needing to be there to run things.

Level Three investors know how to do *big* real estate deals on commercial real estate, how to convert excess cash into passive streams of income through joint venturing and lending, and how to build a stand-alone business to support their real estate empire in a way that creates time freedom.

The bottom line is that Level Three investors have learned to put their investing on autopilot so they don't just make money, but they create *passive* streams of income.

In the beginning, you'll have to front-load your effort as you develop as an investor. It will take you hundreds of units of effort to succeed as a Level One investor and get your first few paydays. Later, as a Level Two investor, it will take you 10 to 20 units of effort to get your paydays. And finally, as a Level Three investor, it may only take one or two units of effort to enjoy a lifetime of paydays. But you've got to pay your dues at the start.

The Unvarnished Truth about Creating a $5,000 to $50,000 per Month Real Estate Cash Flow

Imagine what it would mean for you if you were able to build your investing business to the point where it generated $5,000 to $50,000 per month, every month. Now take it one step further. What if it only took you 20 hours or less per week to run your investing business? How would it impact your family now that you have this freedom and control over your time? What would you be able to do with your time now that you have the security of knowing that each month $5,000 to $50,000 of cash flow will be streaming into your bank account—month after month, year after year, decade after decade?

Let's be candid here, the average investor never reaches this degree of freedom. The average real estate investor gets wealthy very slowly, and over 30 or 40 years creates a large net worth. They do this by buying 5 or 10 rental properties that they care for and nurture over their lifetime, and in the end these rental properties are their retirement security. This is a solid plan, and it works for hundreds of thousands of mom-and-pop investors around the world.

But what if you don't want to wait 30 years or longer? What if you want it to happen *faster*?

Accelerating the Process—Building Wealth *Fast*

So just how fast can you make it happen? How long will it take you to reach your real estate dreams? Well, years back when Peter first got started with his investing he didn't know anything about real estate. In fact, he started out as an auto mechanic because that's what he had always been good at. He came from a family of seven kids, and he was the one who was expected to struggle all his life. For many years he lived up to this expectation. Yet even during those times there was a part of him that hungered for something more.

All the time he was working for five dollars an hour as a mechanic, he paid close attention and studied what wealthy people were doing. Again and again he watched how so many of those who had started out with nothing had been able to create great wealth investing in real estate.

Sometimes you need to hit rock bottom before you decide to make a change.

For Peter this day came when he was working in an auto repair shop. It was wintertime and the owner was trying to save money by turning off the heat in the garage. It was so cold that his fingers were turning numb as he worked on the cars lined up around him.

He saw the shop owner walk out of the heated office with a steaming mug of coffee. It looked so good he rummaged through his tool box for his mug and went into the office to pour himself a cup, more to wrap his hands around for warmth than anything really.

Just as he was walking out of the office to go back to work, the owner stopped him and said, “Peter! That coffee is for customers only!” As you can imagine, Peter felt about two inches tall as he turned and went back to work. It was at that moment, right then, that he made the decision that he would take the leap and start his investing. He vowed that never again would he or his family be financially dependent on anyone else. He would create the financial freedom to take care of his family and live the life he always knew waited for him.

I wish I could tell you that it was easy, that he made his millions overnight. But he didn’t. It was plain hard work. Back when Peter got started, there weren’t any structured Mentorship Programs he could join to take him by the hand and show him exactly how to do his investing. He had to figure most of it out by himself. He did invest heavily on home study courses and real estate workshops—to the tune of over $20,000 his first few years in the business—but he said that since he never went to college, he just called that “tuition” for his “Real Estate Degree.” And after all, he did earn it all back in his very first year of investing, on his first two real estate deals. Isn’t that the way all education should be, paying for itself in 12 months or less?

His next real hurdle came as his real estate portfolio grew so big that he was completely wrapped up in managing it. In fact, at its peak he was so busy dealing with tenants and toilets that he went for a two-year stretch without picking up even one more property. You see, he hadn’t learned the difference between being a real estate investor and building a real estate investing business. He was stuck at that point in his life in the landlord trap of tenants and toilets, struggling to keep his head above water. Yes, he was making a lot of money, but he had to work long hours to keep the properties going.

In the end it took Peter close to 10 years to figure out how to build a real estate investing business that worked hard so he didn’t have to, which allowed him to enjoy Level Three success. It's pretty remarkable that he was able to do it at all, since no one knew how to teach him this progression. Sure, there were plenty of people teaching techniques for structuring deals or finding motivated sellers, but no one who could show him how to structure his investing business so it worked better without him in it. He had to figure this out all on his own.

Now I on the other hand had it much easier. Not because I was smarter or had a background in real estate, neither of which was the case. Remember, I was the ex-jock who had to give up on my dreams of playing in the Olympics because of a serious injury. I started with no money, no credit, and no business experience of any real kind. Heck, when I met Peter I was living in the attic of a converted garage because that was all I could afford!

But I did have one powerful factor in my favor. When I first started learning how to invest, I had Peter as my personal mentor. In essence, I was Peter's first Mentorship student and I got the benefit of Peter's years of experience. It only took me five years to reach Level Three success with my investing. What was the difference? I had Peter as my mentor and reached Level Three 100 percent faster!

Over the past decade of mentoring new investors to succeed building a profitable real estate business, we've gotten better and better with every generation of students we trained. We've had students blaze through the program and reach Level Three success in less than three years (the current record is 22 months), although the average time it takes for most Level Three students to get there is closer to five to seven years.

So how long will it take you? The answer depends on you. Are you going to listen and follow my instructions? Are you going to get yourself to work consistently to build your investing business, even when you hit moments of frustration where you just want to throw in the towel? Then I think you can do it in five years or less. I believe this is truly possible for you. But let's get real here. What if it took you twice as long? Wouldn't it be worth investing 10 years to create financial freedom for yourself and your family for the rest of your lives? Most people work at jobs for over 40 years and *never* reach financial freedom. I've *never* had a student who stayed the course who didn't succeed in a quarter of that time! And most did it much faster than that.

That's exactly what this book is going to help you do—to get on the Real Estate Fast Track to building a profitable investing business so that you can create a $5,000 to $50,000 per month real estate cash flow, and do it in five years or less.

The road won't always be easy. If it was, then it would be congested and you'd get stuck in the traffic jam of the scared and lazy masses. At times it will seem like the slope is just too steep and the surface just too rocky. But if you persevere, and listen to the coaching and guidance of those who have traveled that road already, I guarantee you can make it to the end. And I know the end is completely worth it for you. Remember, I've made the journey myself and have helped thousands of clients do it too.

In fact, for the first time ever I'll be sharing my advanced real estate business building system with the masses. Normally clients pay me tens of thousands of dollars for this information, and they consistently tell me it was worth every penny. And why not? They've turned the information I'm about to share with you in this book into a cash flow–creating investing business that yields them and their families hundreds of thousands of dollars every year! And you can do the same thing yourself.

This means you won't have the guesswork and months of wasted effort of struggling to figure out the big picture of how to build your investing business. You'll be empowered with technique after technique, strategy after strategy, shortcut after shortcut, to help you build your real estate cash flow as fast as possible.

In essence, the Real Estate Fast Track will allow you to tap into the two most powerful wealth-creation forces on this planet—OPE and OPS.

Tapping into the Power of OPE—Other People's Experiences

OPE stands for "other people's experiences." I want to be clear here that the experiences that matter most to you are those of people who have built what you want to build and who enjoy what you want to enjoy. You need to make sure that the people you listen to concerning real estate investing have done it themselves.

The simple test is to ask yourself, has this person successfully done what I want to do in the area they are advising me in? If they have, then and only then do they have something of value to share with you.

And when you find these people—hang on their every word! Their wisdom is more precious than gold because it will save you *years* of effort and struggle. Remember how I was able to succeed in my investing in half the time that Peter did, because he was my mentor? That's the power of tapping into OPE.

Leveraging OPS—Other People's Systems

The second great wealth accelerator is OPS—other people's systems. A system is simply an organized process that you can apply to generate consistent results in a specific area of your investing business. Build the right systems for your investing business, and not only will you make a fortune, but you'll be able to free yourself from the day-to-day operation of your investing business. Learn the right systems from other people, and you'll save *years* of effort and struggle.

In this book you'll learn all kinds of real estate systems to successfully build your profitable investing business from the start. In addition, you'll learn the master system of building business systems that autopilot specific parts of your investing business so that they consistently generate excellent results. In truth, you are leveraging your investing by letting me hand you all these powerful business systems upon which to build your profitable investing business. That's how you'll be able to build your investing business to generate a $5,000 to $50,000 real estate cash flow so quickly.

By tapping into OPE and OPS, you will quickly earn the financial freedom and security you've always dreamed of having. What's more, right from the start you'll *know* that you're on the right track—the fast track—to creating wealth.

So what exactly is this "Real Estate Fast Track" we keep talking about?

The Real Estate Fast Track is the proven path that leads new investors from their beginning at the start of Level One, and takes them all the way to Level Three success. It's what I've been helping investors do for years, and now it's your turn. Are you ready to make this journey?

I'll be giving you a detailed road map of where your investing business will need to go, both in the beginning and as you grow it, so that you have a clear and accurate picture of the end towards which you are working, and the milestones and markers along the way.

Not only will you get the Fast Track Map™, but you'll also get to watch six "Early Stage Level Two" investors work to follow that map in the real world as they apply the very same strategies, techniques, and lessons you'll be learning in this book to reach Level Three success.

You'll see where they get stuck so you can safely sidestep those pitfalls. And you'll learn how they troubleshoot problems as they come up, to make your profits and success assured.

The *Creating Cash Flow* Series

This book is the second in the three-book *Creating Cash Flow* series. This series is designed to teach you everything you need to know, not just to make money investing in real estate—that part is easy—but to put your investing business on autopilot and create passive cash flow so that you can enjoy the freedom and lifestyle of a truly wealthy investor. This progression of residualizing your real estate income is one that most investors miss. They never learn how to take themselves out of the "doing" and, as a consequence, they are always working hard to care for and manage their real estate portfolio. Hence they either fall into the landlord trap of tenants and toilets, or they are constantly scrambling to find their next great deal so that they can sell it for a fast profit. Or they give up all together, saying real estate takes just too much work.

What they don't know, in fact aren't even aware is possible, is that there's a better way. There is a way to invest in real estate so that over the course of several years you build your investing business into an independent entity that can not only look after itself but, better still, can produce consistent cash flow and equity buildup—month after month, year after year. That's what the *Creating Cash Flow* series will be teaching you. This three-book series will take you through each of the three levels of investing success.

In the first book of the *Creating Cash Flow* series, *Buying Real Estate without Cash or Credit*, you learned everything you needed to know to get started investing and do your first deal in 90 days or less.

Here in book two, you'll learn how to build a $5,000 to $50,000 per month cash flow as you succeed as a Level Two investor. You'll learn how to master the five core investor skills:

1. Marketing—Finding great deals in any market.
2. Structuring—How to structure win-win real estate deals.
3. Negotiation—How to get the other party to say yes to the deal you want.
4. Analysis—How to determine if a deal is good in five minutes or less.
5. Contracts—How to write up moneymaking real estate deals.

Plus you'll learn how to build a profitable investing business that consistently grows your profits and free time.

Read the Series in Any Order—Each Book Stands Alone

Now you may be wondering whether you need to read the series in order. You don't. Each of these books has been carefully designed to stand on its own. I do recommend that you ultimately read all three books because the strategies and techniques they share complement each other, but you can do it in any order.

SUMMARY

Quick Overview of the *Creating Cash Flow* Series

Book One: ***Buying Real Estate without Cash or Credit***
Focus: On giving beginning investors the critical information they need to get started making money investing in real estate in the next 60 to 90 days. The book takes you by the hand and shows you step-by-step, action-by-action, strategy-by-strategy the fastest way for you to successfully get started with your investing.

Investor Level: Primarily for Level One investors who are just getting started with their investing, it's also designed for Level Two and Three investors who want to cherry-pick powerful investing strategies and techniques to immediately put to work in their investing businesses.

Book Two: ***The Real Estate Fast Track: How to Create a $5,000 to $50,000 per Month Real Estate Cash Flow***
Focus: On giving you a clear, proven pathway from where you are to Level Three success as an investor. You'll learn the five core investor skills and how to leverage yourself to make more money with your investing with less time and effort. You'll also learn about the difference between merely being a real estate investor and building a successful real estate investing *business*. You'll also get the clear action steps you need to take to build your own profitable investing business.

Investor Level: Designed for all three investor levels. Level One investors will learn more strategies and techniques to help them get started with their investing. Level Two investors will get the all important Fast Track Map™ to follow to enjoy the real success they are after. And finally, Level Three investors will again get powerful concepts and techniques that they can pick and choose from to immediately upgrade their already thriving investing businesses.

(continued)

Quick Overview of the *Creating Cash Flow* Series *(continued)*

Book Three: *Advance Secrets to Building Your Real Estate Cash Flow*
Focus: To show you how to put your investing business on autopilot and create passive cash flow so that you can enjoy the freedom and lifestyle of a truly wealthy investor. This book is designed to help you take that final step up into Level Three success where you transition yourself out of the day-to-day operation of your real estate business so that you can truly enjoy the freedom and security you have worked so hard to earn. The book will focus on how you can take your new time and freedom and invest it in larger deals on commercial real estate, and how to take the profits your real estate is generating and convert them into passive streams of income.

Investor Level: While Level Two and Level Three investors will get the most from the solid how-to part of the book, Level One investors may get even more from the book as it inspires them with exactly what is possible and clearly lays out the end toward which they are working, in vivid and totally practical detail.

A Brief Review of *Buying Real Estate without Cash or Credit*

For those of you who have already read *Buying Real Estate without Cash or Credit*, use the following review to remind yourself of some of the key lessons of that book. For those of you who are starting the *Creating Cash Flow* series with this book, *The Real Estate Fast Track*, you can use this review as a summary of the critical lessons you will learn later when you eventually read it.

The 16 Key Concepts from *Buying Real Estate without Cash or Credit*

Key Concept 1: The Paradox of Playing It Safe

In today's world of a globalized economy and rapidly changing business environment, the most dangerous thing you can do is to "play it safe." Playing it safe is tantamount to choosing known failure. Instead, if you want things to be different for you and your family, *you* are the one who is going to have to make it different. The days of depending on a benign corporation or government to take care of you are over. That's why real estate investing is so exciting. It gives you a simple vehicle to build financial security and freedom for yourself. But to take advantage of this financial vehicle, you've got to take some calculated risks. Considering that your alternative is known failure, the odds when you take that leap are considerably in your favor!

The thing that scares most people back into playing it safe is information overload. When people get confused they tend to freeze, just like a deer in the headlights of an 18-wheeler! That's why *Buying Real Estate without Cash or Credit* was all about cutting through the blizzard of data and leaving you with the essential core you needed to know to get started with your investing and successfully complete your first deal in 90 days or less.

Key Concept 2: The Foundation of All Winning Real Estate Deals

Every profitable real estate deal has as its foundation a motivated seller. One of the best parts of real estate is that it exists in an imperfect market where personal circumstances dramatically affect the value of any piece of property at any given moment. One owner with a specific circumstance may value a property at $400,000; another owner with that same property but a different set of circumstances may value it at $500,000.

This is important to you because as a real estate investor you are getting paid to bring value to the table, and one of the biggest ways you create value is by solving a motivated seller's real estate problems. You build value into the deal on your side by helping the seller deal with challenging times, and you earn a fair and healthy profit to the degree you are able to accomplish this. The key is that all great real estate deals start with a motivated seller. Which brings us to the next key concept.

Key Concept 3: The Winning Deal Formula

The general wisdom that real estate is all about location, location, location is flat out wrong. In the real world of investing, real estate is first and foremost about the motivation of the seller; secondly, it's about the price and terms with which you can acquire a property; and then and only then about the location of the property.

In fact, the **Winning Deal Formula** goes on to define the exact proportion of these three key ingredients for all winning real estate deals.

- Sixty percent of the deal is dependent on the seller's motivation.
- Thirty percent of the deal is dependent on the financing.
- Ten percent of the deal is dependent on the location and property itself.

When you really let this key lesson sink in it changes the way you structure your investing business. No longer do you look for the perfect property in the perfect location. Instead, you focus your early efforts on finding motivated sellers, the more the better—which brings us to the next key concept.

Key Concept 4: How to Find Motivated Sellers Over the Phone in Two Minutes or Less

Once you understand how every profitable deal starts with finding a motivated seller, the next critical lesson is how exactly to find and qualify sellers over the telephone. This is where the "Quick Check Scripts" came into play. These simple scripts showed you exactly what to say and, more importantly, how to say it, so that you could easily qualify any seller over the telephone in two minutes or less.

You also learned about how to preempt the two most common objections when talking with sellers over the phone, and how to avoid the three most common mistakes new investors make when dialing for deals.

The bottom line is that, used properly, the telephone is one of your most powerful deal-finding tools available. And since nearly every method you have to generate leads will ultimately require you to talk with the seller over the phone, to qualify them as to their motivation and situation, the faster you can get fluent with this critical investor skill the better.

Key Concept 5: The Five Fastest Ways to Find Your First (or Next) Deal

While there are literally over 100 different marketing techniques to find motivated sellers and profitable real estate deals, there are five that are the most important for you to test out first.

1. **Do your dials.** Outbound calls you make to "for sale" and "for rent" classified ads in your local paper are the first and most important early

technique for finding motivated sellers. Not only is this the fastest way to get lots of practice talking with owners of properties, but it is also one of the cheapest ways!

2. **Place your "I Buy Houses" classified ad.** Getting sellers to call you who are more strongly motivated is one of the keys to a sustainable, successful real estate investing business. Classified advertising in papers that sellers are likely to look at works wonders. This is a way to leverage the money for the ad to save you time finding deals. With one phone call you can have your ad out there 24/7, finding you deals.
3. **Put out your "I Buy Houses" signs.** Dollar for dollar, your tacky, ugly "I Buy Houses" signs are one of the best lead sources you can get working for you. Make sure you check with local ordinances in your area regulating their use, but seriously consider adding them to your marketing mix. I suggest a minimum of 50 signs per week on a regular and consistent basis.
4. **Test direct mail.** Once you've had some practice talking with sellers on the phone and have met with at least 10 sellers, test two simple direct mail campaigns to generate leads of motivated sellers. The first is a postcard campaign to out-of-town owners. The second is a postcard campaign to landlords.
5. **Spread the word that you have started to invest in real estate and generate referral business.** The easiest form of leverage to find great deals is to get other people who you know or meet to help you find deals. Your referral network is a critical piece of your long-term investment success. I have found my best deals from referrals. The only question is whether you will have the courage and discipline to consistently build your referral network.

Key Concept 6: The Big Picture of Structuring Real Estate Deals—The Winning Deal Decision Tree

There are two main ways to buy a property and make a conservative profit. Either you buy the property for cash at a deeply discounted price, or you buy the property with attractive terms of financing that allow you to make your profit due to the great financing with which you acquired the property.

Key Concept 7: The Cash Price Formula

When you are buying for cash, the reason for the big discount is that as an investor your cash is a valuable commodity—one that most sellers want. It is also a limited commodity. Once it's committed by being invested in real estate, you lose out on the ability to quickly access it to purchase your next screaming good deal. Because of this, you need to always value your cash highly and use it to maximum effect. This means if a seller requires an all-cash purchase, you require a deep cash discount to move ahead with the deal.

When you are buying for cash, never pay more than 70 percent of the as-is value, and you'll be taking one of the most important steps to guarantee yourself a profit in your real estate deals. This is known as the Cash Price Formula.

So if you have a house that, if it were in great showing condition, would sell for $450,000 but conservatively needs about $50,000 of repairs to get it in that condition, then the as-is value of that house is $400,000. As long as the maximum you pay for that property is $280,000, with less being your goal, you'll conservatively come out of the deal with a fair profit.

Key Concept 8: The Three Most Important Terms Acquisition Strategies

In *Buying Real Estate without Cash or Credit*, you learned about all three of the most important Terms Acquisition Strategies: lease options, buying subject to the existing financing, and using owner-carry financing.

A **lease option** is when you lease out a motivated seller's property with a set purchase price at which you have the option of buying during the term of your lease agreement. Typically, the longer the period you lock in your option to purchase the property, the more money you'll end up making when you eventually resell or refinance the property.

Buying a property subject to the existing financing means you buy the property and leave the old seller's loan in place, secured as a mortgage against the property. You own the property, but your ownership claim is "subject to" the existing loan(s) in place. Since you are not formally assuming the underlying financing you technically have no liability on the loan, but as an ethical investor you are responsible to make sure that the mortgage payment gets paid each month. You usually accomplish this by renting the property (as a simple rental or a rent-to-own) for an amount greater than your monthly costs to maintain the property.

Owner-carry financing means that the seller you are buying from takes a significant portion of the money you owe in back in the form of a seller loan. You can structure this seller carryback with monthly interest payments, or with all the interest accruing for you to pay as a lump-sum payment due down the road.

Key Concept 9: The Six Best Sources to Fund Your Deals

1. **The Seller.** Any terms deal that you negotiate with the seller, whether it be a lease option, a subject-to deal, or an owner-carry deal, is in essence the seller funding part or all of the deal. The seller can lend you some or all of his equity, or the seller can let you tap into the existing financing against the property by accepting monthly payments from you. Either way, it is still really the seller funding your deal.
2. **The Buyer.** There are two main types of buyers who can help fund your deal. The first is a retail buyer—someone who wants to buy the property so that he or she can move in and live there. A retail buyer can fund the deal using their cash in the form of a down payment or option payment, their credit in the form of a new bank loan, or a combination of the two. The second type of buyer who can help fund your deal is another investor—also known as a wholesale buyer. You can quickly "flip"—that is, sell—your deal to another investor for a fast cash profit, and let this other investor use his or her money to fund the deal.
3. **Private Money.** After you have gotten a bit more experienced with your deals, you'll start to meet people who are willing to lend you money for your deals as long as they can have the loan secured by a first mortgage on the property. Often these private lenders are average people who prefer to earn market interest rates for a first mortgage versus the poor earnings of a CD at their local bank. The key for a private lender is that the loan be safe.
4. **Your Cash or Credit.** While I don't recommend you use your money to buy a property unless the first three sources of funds don't work for you, if the deal is a good one, and if you have the money, or if you have the credit to get easy access to conventional financing, then funding a deal yourself makes good sense.

5. **Hard Money.** Hard money comes from a third party lender, but whereas a private money lender only wants market rates, a hard money lender is an experienced investor who is willing to lend to you not based on your creditworthiness or character, but based on the security of the loan. The main difference between a hard money lender and a private money lender is in the rate of interest and fees charged.
6. **Equity Money Partner.** Sometimes you turn to a private party to provide the funding to make a deal work. When this person requires a share of the deal rather than a rate of return, you have an equity partner. An equity partner can put her own money into the deal, or she can agree to get a conventional loan in her name to fund the deal.

Key Concept 10: The Five Most Important Exit Strategies

Once you've bought the property, what is it you plan to do with it to make a profit? There are five main Exit Strategies you can tap into.

1. **"Retail" the property.** This means that you will sell the property for the highest price you can on the retail market. This is how most homes are sold, whether they are listed with a real estate agent or sold for sale by owner. When you retail a property, your buyer borrows from a conventional lender and almost always moves into the property to live there.
2. **"Flip" the deal.*** This is a fast-cash exit strategy where you lock up a property under contract and then sell your contract to another buyer, typically another investor, who will pay you a cash fee to assign your contract to them. The biggest benefit of flipping a deal is that it generates instant cash.
3. **Lease the property to a traditional renter.** This is perhaps one of the most common exit strategies of average investors. They buy a house and put a traditional renter in it. This renter leases the property either on a month-by-month rental agreement or a longer-term lease (typically for one year).

*To download the FREE ebook, *Three Simple Steps to Flip a Deal for Fast Cash Profits,* go to **www.InvestorFasttrack.com.**

4. **Offer the property on a "rent-to-own" basis.** The rent-to-own exit strategy comes extremely close to doing the impossible—it gives you all the benefits of a traditional rental property, while minimizing the three major downsides. The way this strategy works is that you find a tenant buyer who wants to rent-to-own your property. This tenant buyer will lease your property on a two- or three-year lease with a separate option agreement that gives them a locked-in price at which they can buy the home at any point over that two- or three-year term. As part of agreeing to give them this fixed "option to purchase" price, your tenant buyer will pay you a non-refundable option payment of 3 to 5 percent of the price of the property. In many cases your tenant buyer will also be paying slightly higher than the market rent because they aren't just renting the property, they are renting to own. This increased rent, when added to the option payment you collect up front, really boosts your cash flow on the property. The best thing about a tenant buyer isn't this increased cash flow, in my opinion. To me, the best part is that since you have an occupant with an owner mentality, not a renter mentality, your tenant buyer will treat the property with much more care and attention. I even get my tenant buyers to take care of all the day-to-day maintenance and upkeep of the property!*
5. **Sell with owner financing.** This means that as a seller you take back some or all of the purchase price as a loan that your buyer will pay you over time.

Key Concept 11: A Simple Five-Step System to Negotiate Any Real Estate Deal

This is where you learned the negotiating system called the Instant Offer System, which gave you the structure and scripting to effectively negotiate any real estate deal.

Key Concept 12: The Three Investor Levels

This breakthrough model outlined the road all investors must travel to be successful. In *Buying Real Estate without Cash or Credit*, I focused on how this unique investor map impacts Level One—beginning—investors.

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*To download the FREE ebook, *Seven Simple Steps to Sell Your Property on a Rent to Own Basis*, go to **www.InvestorFasttrack.com.**

Key Concept 13: How to Mastermind with Other Investors to Guarantee Success

Over time, investors who have the whole-hearted support and encouragement of a core group of other investors will succeed at levels that far outpace the average investor. In the book you got to watch six beginning investors run two of their mastermind meetings, and you also got a step-by-step action plan for how you can use the same idea in your investor circle to tap into the skills, contacts, and resources of other investors.

Key Concept 14: The Real Difference between Speculators and Investors

Speculators are people who buy real estate at close to or even at full price as part of a cash deal, and then they hope-pray-gamble that the market will rapidly appreciate so they can resell the property at a profit. They are totally dependent on outside market conditions to produce a profit.

For example, a speculator might buy a $500,000 house as a cash deal for $475,000 in a hot market, hoping that if the market stays hot the house will rapidly appreciate and in one year he'll be able to resell the house for $600,000 or more. But what if the market cools off? The speculator always runs the risk of getting stuck with a property that is a dog.

Investors are smarter than that. When they buy a property they do so knowing that they are guaranteed to make a profit because of the way they purchased it. Either they have gotten great terms that make the property cash flow well, or they have negotiated a discounted cash price that ensures a profit when they resell. **The key distinction is that speculators gamble on outside forces to create a profit for themselves, while investors negotiate the price or terms they need to build their profit in from day one—no matter what the market does in the short run.**

Key Concept 15: How to Successfully Launch Your Investing Business in the Real World

It's one thing to learn all the fancy ideas in books and at workshops, but it's quite another to actually take the ideas and put them into practice in the real world. Many times the situations in the seminar seem to be unrecognizable when you work to implement the ideas in the real world. That's why the entire second half of the book was focused on the efforts of six beginning investors who were struggling to apply exactly what you learned in the first half of the book in the real world of their day-to-day investing. Sometimes the most important thing is not so much the raw technique or information, but rather the exact way you are supposed to translate that information into the world of your investing. Which leads us to the final key lesson from *Buying Real Estate without Cash or Credit*.

Key Concept 16: Your 90-Day Action Plan

It's not enough to just sit back and read. You need a game plan to turn that information into tangible profit in your bank account! That's why I shared with you the detailed eight-step action plan to launch your investing business in 90 days.

1. **Log onto the powerful online business planning tool.** We offered this valuable bonus to all readers of *Buying Real Estate without Cash or Credit* to help them translate the ideas in the book into cash in their pockets.
2. **Connect with your "burning why."** What are your driving motives to make your investing work no matter what?
3. **Clarify your dreams and goals.** This was the simple three-step process to gain total clarity about your investing goals.
4. **Take stock of your starting point.** This was the 19-question survey that was strategically designed to help you identify your real estate strengths to build from, and to uncover your real estate weaknesses so that you can overcome them. This way you know exactly where to focus your energy for maximum success.
5. **Identify the specific obstacles standing in your way.** You learned which of the six investor obstacles were most impacting your investing success.
6. **Create and commit to your action plan.** This is the key step to translate intangible goals into a concrete game plan to help you achieve your dreams. We ended this step with the three key action commitments all successful real estate investors must make when they are first getting started.
7. **Take consistent action with regular feedback.** Daily action, with consistent feedback on what went well and what you would do differently the

next time you are faced with the same situation, is crucial for you to develop and succeed as an investor.

8. **Perform your 90-day review.** There is something crucial about stopping to reflect and evaluate your investing business launch at the 90-day mark. That's why we gave you the outline of how to complete this powerful check-in.

An Overview of What You'll Learn from Reading *The Real Estate Fast Track*

By now you realize just how much useful investor information was packed into book one, *Buying Real Estate without Cash or Credit*.

This book is all about what happens next. What happens *after* you get your first few deals? How do you make sure that you aren't just doing a random deal or two, but rather building a real estate investing business that will consistently generate a $5,000 to $50,000 per month real estate cash flow for you—month after month, year after year?

You'll learn the key strategies you need to succeed and how to actually apply that knowledge in the real world to make you successful, including the often-overlooked link of how to adjust to individual circumstances as the best-laid plans get knocked off kilter by a variety of real-world realities.

Part One: The Advanced Investor Workshop

Part One takes place at the Advanced Investor Workshop held only once each year. This workshop has been carefully crafted to help investors just like you succeed as quickly as possible with their investing.

In Chapters 1 and 2 you'll get a clear overview of the big picture of how to earn $5,000 to $50,000 per month real estate cash flow. You'll also learn how to follow the Fast Track Map™ to become a Level Three Investor, financially free for the rest of your life.

In Chapters 3 through 7 you'll learn to master the five core investor skills that you need to succeed as a fully competent and self-reliant real estate investor.

In Chapters 8 and 9 you'll learn how to leverage your time as an investor for maximum profit. You'll also discover how to begin the process of building a successful investing business so that you can begin to make even more money.

In Chapters 10 and 11 you'll get a clear action plan to build a strong, independent real estate business that works even better when you're not working for the business. These key chapters lay out the three biggest barriers to going passive with your investing, and how you can break through to Level Three success. You also learn the "Master System"—the system to *build* investor business systems.

Part Two: The Real World—12 Months Building Your Investing Business

In Part Two of this book you'll learn exactly what it takes to transform the ideas and strategies from Part One into cash in your bank account. It takes place over the 12 months following the Advanced Investor Workshop, as these six Mentorship students apply the lessons they learned from the workshop to the real world.

Part Three: Your Turn—Turning This Book into Cash Flow

Now I'll turn the spotlight on you and your investing business as you create an individualized action plan to get immediate results growing your investing business.

The most important component to Part Three is the FREE online mentorship tool I've created for readers like you to tap into. It's called the Investor Fast Track Program™ and for a limited time it's free for readers like yourself.

The way the program works is you'll go online to **www.InvestorFasttrack.com** to register using the password listed in this book (See Appendix A for details). Next you'll take the Fast Track Intro Class that will share with you exactly how you can use the Investor Fast Track Program™ to grow your real estate investing business. It will give you the specific steps to take to use the program to leverage your investing efforts so that you immediately begin to grow your real estate cash flow. Then you'll just follow the 90-day action plan the program lays out, including taking the 10 FREE online investor workshops.

You'll literally get access to the same insider secrets and advanced investor strategies that I used to charge tens of thousands of dollars to share! This program is my gift to you for stepping up and reading this life-changing book.

The Investor Fast Track Program™ is literally jammed with powerful investor tools and resources to help you successfully launch your investing business. And best of all, for a limited time, it's FREE for readers like you. For complete details go to Appendix A. And for immediate access go to **www.InvestorFasttrack.com.**

Now let's get to work! Just turn the page and join me at the Advanced Investor Workshop.

PART ONE

THE ADVANCED INVESTOR WORKSHOP

SECTION I

Early Stage Level Two Investing—Developing the Five Core Investment Skills

The Big Picture of Taking Your Investing Business to the Next Level

As Vicki walked into the workshop on Saturday morning, she recognized several people who had attended the Intensive Training Workshop with her three months earlier. And while Vicki wasn't as scared now as she was three months ago when she did that first Level One workshop, she felt more than a little anxious this morning. The night before, when she met with her mastermind team of fellow investors, she shared a big decision she had reached about her investing, and the implications of that decision were starting to scare her.

"Vicki!" A bright, warm voice to her left called out.

Vicki turned and saw the wonderfully reassuring smile of Mary. "It's great to see you this morning Mary."

Mary cocked her head and asked, "You're not nervous at this one, are you? Why, after all you told us last night at our mastermind meeting, you should be strutting in here like you own the place." Mary laughed easily as she said this.

"That's what's got me so nervous. I'm having second thoughts about the decision I shared with you all last night," Vicki confided.

Mary touched her arm affectionately. "Don't worry Vicki. Didn't I say you'd be great at this investing when we first met at the Intensive Training?" Mary's laughter was infectious, and Vicki felt her anxiety ease a bit.

"Let's get a good seat," Vicki suggested.

They found a seat right up front, making sure to save a seat for Mary's husband and business partner, Leon. Looking around the room, Vicki waved to Mark, Nancy, and Tim, who along with Mary and Leon were members of her mastermind group. As Vicki was getting settled in, music started playing over the speakers. Vicki and the others instantly recognized the song as the words floated out over the room.

"We are the champions, my friend . . ."

Just then, the room burst into applause as a tall, athletic man in his mid 30s stepped out onto the stage.

"Welcome everybody!" David said with a warm smile as the applause and music faded into an expectant silence. "Are you ready for three days to revolutionize how you look at your real estate investing? Are you ready to take home with you a whole new game plan for taking your investing business to the next level?"

"Good," David continued. "But as we start here today, I want you all to realize that you are already champions. You are already among the elite of real estate investors. I know this to be true. After working with literally hundreds of thousands of wannabe investors I can tell you, the gap between them and you is huge. You want to know what the biggest difference between the wannabes and you is?" David waited a moment as everyone sat forward expectantly.

"The difference is that you showed up! I don't just mean that you showed up to this Level Two workshop. I mean that you show up each day in your investing too. The thing that stops the wannabes is their long list of excuses and rationalizations that they hide behind.

"They say things like," David switched to a whiney voice now, " '*I can't come to the workshop because I can't afford it.*' Or, '*I don't have time to do my investing.*' Or, '*That real estate stuff won't work for me, in my area, for people who have negative friends and relatives like I have . . .*' I think you get the idea here. The reason you are so special is that you showed up. You made no excuses. You took full responsibility for your life. Somehow you found the money to travel here. Somehow you arranged your life to make the time to be here. Somehow you sold your family on the idea of supporting you to be here. And because you did all that—because you showed up—I know that you also show up every day in your investing.

"Here's the key point to this." David turned and wrote on the board:

The way you do anything
Is the way you do everything!

"I know that you are able to consistently move forward with your investing because you are someone who doesn't give in to the little voice inside your head that whispers from the shadows. You have dealt with those excuses and rationalizations and blown right past them. In fact, from our work together in the Mentorship Program and reading your pre-attendance surveys, I know that each one of you has an inspirational story of how you earned the success that you are enjoying and that will be coming to you in the future.

"For example, I know that a third of you who are here are just on the front edges of your investing. You've either done a few deals or maybe you're still looking for your first one. The reason you're here is because you want to boost your confidence so that when you're out there in the real world doing your investing you move with assurance and certainty. Plus, you recognize that the best way to succeed is to start with the end in mind, and you want to get all the insight you can as to exactly what a successful real estate business looks like, smells like, and breathes like.

"Another third of you are solid Level Two investors. You've done five or ten or fifteen deals in the last year or two and are making good money with your investing. You're here because you recognize that up until now you've been winging it, flying by the seat of your pants. You don't want to *just* be an investor anymore. You're here to learn exactly how to build a successful investing *business* so that you can secure your income streams and earn more money with less of your time and effort.

"And the final third of you are seasoned pros who are on the verge of going passive with your investing and transitioning into Level Three. You're here because you want to learn strategies to solidify your investing business so that you can put it on autopilot."

David paused for a moment. "How many of you in this room realized that there are several investors here who already earn over a million dollars a year with their investing? Some of you might ask why in the world someone earning a seven-figure income would take a full three days out of their lives to be here this weekend. However, here's an even better question for you to ask. How do you think these investors built their investing businesses up to the point where they generate over a million dollars a year in profit? By *making* time to attend workshops and learn from their peers. I learned this lesson a long time ago when I attended a workshop like this—and yes, I want to make it very clear, I still attend at least two workshops a year to upgrade my knowledge base and sharpen my skills. I believe that to be truly wealthy you have got to be green and growing, and this means being open to learning new ideas and gaining new insights.

"So now we know why we're all here. In just a moment I'll give you an overview of what you're going to learn over the next three days. But before we do that, let's get three or four of you up on stage to briefly share your story. You're going to learn and benefit so much from the people you network with here so let's start getting to know each other." David quickly rounded up four volunteers to come share their stories.

"Okay," David said, when all four volunteers were up on the stage. "Who is willing to share your story first? I want you to tell us who you are and the two-minute version of your investing story."

A handsome man in his early 40s stepped forward and volunteered to go first: "My name is Mark and I'm a pilot with United Airlines. I joined the Mentorship Program about five months ago after reading David and Peter's first book. For me, things in my investing have just happened so quickly, it's almost overwhelming. Since the Intensive Training three months ago I have done five deals. Three houses that I purchased subject to the existing financing and one house that I picked up on a four-year lease option all have tenant buyers in them. These four properties generate about $800 per month of positive cash flow at this point, they netted me $12,000 in option payments from my tenant buyers, and I have over $90,000 of back-end profits waiting for me. The fifth deal was a duplex that I put under contract and flipped to another investor for an $18,000 profit.

"My biggest challenge has been time. Originally I had planned to transition into investing full-time over twenty-four months, but with all that's happened and the growth I've experienced as part of the Mentorship Program I've decided to make that transition over the next three months. I think this has been my biggest lesson, that in order for me to really grow as an investor I am going to have to make the leap of faith into doing my investing full-time. That's one of the reasons I am so excited about the Advanced Investor Workshop this weekend, because it will help me make the transition into being a Level Two investor much easier and faster."

"Thank you, Mark," David said. "Who wants to go next?" A tall, well-dressed man raised his hand.

"Hi, my name is Tim. My wife Nancy and I have worked in corporate America for the past twenty years. Nancy works as an IT manager for a Fortune 500 company, and I worked for the last fifteen years in technology sales. At least I did up until about six months ago when my company was bought by a larger company. I was laid off with about a hundred other people in my division. It was really a blow to my ego and self-esteem at first. But after joining the Mentorship Program a few months ago I realized that this was the push I needed to get out there and pursue my investing dreams. I was just way too comfortable with my old life and I needed that kick in the pants to get moving. It's been hard going for Nancy and me. We really struggled for the first month or two, with our biggest obstacle being ourselves. For me, it was all my old sales habits working against me when I was negotiating with sellers.

"For the first two months Nancy and I would argue over whether this would really work in our area. But even while we argued we kept at it. Every week I kept up my marketing efforts and made sure I met with at least two new sellers about buying their properties, no matter what. Even when we finally signed our first deal but had to give it back to the seller after we couldn't find a tenant buyer for the property, we still kept at it. We were scared about whether we could do this, but we knew this was the best chance we were ever going to get, and I did *not* want to have to go back to work for someone else again! Nancy and I had lots of long talks about what we wanted to do, and we came to the decision that no matter what, we are going to make this work—if it takes us another three months or three years, it doesn't matter. We are totally committed and know that this will happen for us. I feel like even though we haven't done a deal yet, we are already into the beginning stages of Level Two investing because we *know* this will work for us. It's just going to take a little more time."

David looked out at the room and asked, "Is there any question in your minds that Tim and Nancy are going to succeed with a commitment like that? Tim," David said, turning back to face him, "I admire your willingness to get yourself to show up week in and week out. All I can say is that when the door opens, success is going to come pouring out for you and Nancy because you're planting the seeds that can't help but yield fruit."

Tim handed the mic back to David, and Vicki stepped forward to share her story.

"My name is Vicki. For the past ten years I've been a full-time nurse. I'm also a single mom who is raising my two kids the best I can. It was really hard for me finding time to do my investing. I work three or four twelve-hour shifts at the hospital each week and my kids, who are seven and nine, take a lot of energy and attention to raise. The reason I got started with the Mentorship Program is because I want to be able to provide for my kids and to be there when they get home from school. When I look back, I realize that the biggest thing holding me back was my fear. But with the support of the coaches and my mastermind team who I met at the Intensive Training, I just kept taking action in spite of my fears. They encouraged me even when I felt overwhelmed taking care of my kids, working at the hospital, and then fitting in my investing around both those things.

"About six weeks ago I met with a motivated seller who was going through a divorce. I guess she and I had a lot in common because I'm divorced too. She agreed to sell me two houses at about 65 to 70 percent of their as-is value. The first week I had those houses under contract I felt paralyzed trying to find another investor to flip the deals to. I was scared that I wouldn't be able to do it, and I was even more scared of what it would mean if I *was* able to do it. It would mean that all the excuses I've made throughout my life were just that—excuses. And that the only one responsible was me." Vicki looked around the room and saw the caring looks she was getting.

"Well, four weeks ago I actually flipped one of the two contracts to another investor who paid me a $12,000 assignment fee!" Everyone was stunned. They could only imagine what this money meant to Vicki, who was struggling to raise her family on her nurse's salary. "I guess getting that $12,000 cashier's check in my hand gave me the boost of courage I needed to know I could do this. I approached my sister, who is an attorney in Chicago. I explained to her about my two deals and how I had just sold one contract to another investor and that I had one more house left but that I needed to cash the seller out in four more weeks. To make a long story short, she agreed to be my money partner on that deal. We actually closed on the house three weeks ago and immediately did all the cosmetic fix-up work and put the house back up on the market. We decided to sell it ourselves at a discount, and nine days ago we found our buyer! The escrow is set to close in three more weeks and when all is said and done, my sister and I will split a check for $58,000!" Everyone cheered Vicki.

"I've also just made a decision that I told my mastermind team about last night when we met here at the hotel. It's really scary, but it's also exciting too. I've decided that when I get my half of that $58,000 I will take a leave of absence from the hospital and do my investing full-time. That means I'll have more time to do deals and, because I can arrange most of my investing around my schedule, I'll have more time with my kids."

Again the room applauded as Vicki handed the mic to the last volunteer on stage.

"Hi, my name is Carl. I'm an ex–truck driver who got my start investing about six years ago. I bought my first few houses the old-fashioned way, with 20 percent down payments and bank financing. They were dinky little three-bedroom rental houses that I fixed up and rented. About three years ago I met David at an investor conference he was speaking at. After listening to how organized and simple he made his investing ideas, I joined the Mentorship Program. At that point I had already done fourteen deals, but I knew that I needed to learn how to make my business more organized because I was running around like crazy, driving a local route and doing my investing at night and on weekends.

"That was three years ago. Since that time I've quite driving my truck, and built my foreclosure business. I now have two rehab crews working for me with a full-time rehab manager. I buy about fifteen to twenty houses a year, mostly from sellers in foreclosure or pre-foreclosure, and I rehab and sell them. Some I sell to cash buyers, others I sell with owner financing or on a rent-to-own basis. Last year I made over $250,000 from my investing business, and this year I'm on pace to make over $300,000. I still pinch myself to see when I'm going to have to wake up and find this is all just a dream. I can't wait to learn this weekend how to get myself out of the day-to-day operation of my investing business. I'm not complaining, but right now it feels like it all revolves around me. I want it to work without me needing to drive it every day."

The room applauded all four of the students as the volunteers took their seats again.

David now put them to work networking. "Turn to someone you haven't met before and introduce yourself. Listen to their story and share yours with them. You've got four minutes—go!"

The room went into a frenzy as people scrambled to find a stranger to partner up with. After letting it go for a few minutes, David got everyone's attention back to the front as he continued, "So let's talk about this weekend. Once you've reached the place that you know real estate works for you, either by doing a deal or by collecting all the powerful experiences and references of other investors who've done it, it's time for you to begin the process of building a successful investing business. Remember, just being an investor isn't enough to make you financially free. To be a Level Three investor you need to build an investing *business* that works so you don't have to.

"You'll accomplish this in three stages. Stage one is called Early Stage Level Two. This is where you develop your investor skills and become a fluent and competent investor in your own right. Middle Stage Level Two is where you refine these skills and competencies and begin your first tentative steps to leverage yourself and your business. The final stage—Advanced Stage Level Two—is where you aggressively work to build your investing business to perform better when you're not involved in the day-to-day operation of the business.

"Most investors never reach this place where they can walk away from the daily operation of their real estate business, and as a consequence they are always tied to the business. Sure, they may be making a lot of money with their investing, but they are still limited. The real goal of your investing should be to create time and freedom so that your passive real estate cash flow pays for your desired lifestyle and at the same time your business, cash flow, and net worth grow—year in and year out.

"I urge you to raise your sights from just making money with your investing to building a profitable business that makes you money so you can have the freedom you've always dreamed about having. It's not easy, but what's worthwhile that is easy?

"I want to be clear here. This is *not* about getting rich overnight and never working again. This is about getting the specialized knowledge you need to secure your future over the next few years so that you have the freedom to enjoy the lifestyle you and your family deserve. You'll know that you can make this happen because you'll have the know-how to *make* it happen.

David asked the class, "So what are the qualities of those investors who make it *big* compared to those investors who only make it small-time? What are the top five things investors who earn $500,000 to $1 million per year have in common that enable them to earn big money investing in real estate? What skills, expertise, understanding, and qualities?"

Vicki raised her hand and answered, "I think that the really successful investors have the ability to make great decisions. They don't get stuck in analysis paralysis because of their fear. They trust their gut and also train their brain to accurately analyze deals."

Mark raised his hand and added, "The best investors also know how to ask the right questions so that while they can't know everything, they can get the key information they need laid out in a systematic way that supports them in making a decision."

Nancy nodded her head and said, "Yes, and the best investors know how to leverage themselves through other people, whether employees of their investing business or through their referral network of contacts."

David listened intently to their ideas, then said, "This is a great start. So what I'm really hearing you say is that the best investors are willing to make decisions, and the best investors are skilled at making decisions. By the way," David looked around at the whole class, "how do you think you develop the skill of making decisions?"

"By making them," two students shouted at the same time.

"Exactly! You become a savvy decision maker by making a ton of decisions and reflecting on them afterwards. This allows you to match up the decision, the process you used to reach that decision, and your intuition's message as you made that decision, with the actual outcomes of your decisions. This is how you train your intuition. Remember, your intuition is really just the accumulated total of your life experiences that you tap into in an instantaneous, holistic way instead of the linear, verbal process most people use to make decisions. It's the gut feel or flash insight or inner voice that you have learned to trust.

"Interestingly enough, a key part of this idea—the willingness to act, to decide, even when you're scared—is encompassed by the first of the five key qualities of successful investors that I have on *my* list."

David smiled as he said this, letting the anticipation build. "So just what is my list of the five most important investor qualities? In a moment I'll share my list with you, but before I do, it's important that you understand that great investors are made, not born. All five of the qualities I am about to share with you are learnable skills. This means that with the proper plan and coaching you can cultivate all five of these critical qualities so that you too can be a world-class investor.

"The first quality is in many ways the most important because without it, you won't be able to develop the other four. But if you are willing to work to foster this quality, the world of investing is yours. I call this quality **personal power.** The very best investors have learned to discipline themselves to consistently take action and do the things that they know will make the difference, even when they don't feel like doing them or are afraid of doing them. Basically, this is the quality that gets you to show up each day for your investing, no matter what.

"One of the best examples of this quality is Patty, a Mentorship graduate. When she first got started investing she was terrified. She was quiet and shy and scared to death to go out and meet with sellers. She had no background in investing and was intimidated by the contracts and negotiating. But she had personal power, and even when she was scared and her mind made up all kinds of excuses about how she could avoid doing those things that scared her, she got herself into constructive action anyway.

"As a direct result of her willingness to act in the presence of her fears, Patty made over $200,000 cash plus $300,000 of equity with her investing in just twenty-four months. You can too, if you are willing to do the things you are scared to do.

"Make no mistake about it, the biggest differentiator between wealthy investors and poor ones is that wealthy investors have a much higher tolerance for coping with their fears and taking constructive action in their presence.

"If personal power is the fuel that propels an investor forward even in the face of their own doubts or fears, then this second quality is the foundation that all great investing success is built upon. All great investors have developed **a strong affinity for and with other people.** Affinity simply means having a connection or attraction to and with other people. The most successful investors have both a deep understanding of how people work and a sincere enjoyment of connecting with other people.

"With the sincere enjoyment of people, you'll find that most of your interactions with people will flow smoother and produce better results. For example, many of you have worked with Emily, one of the coaches for the Mentorship Program. One of the reasons that Emily is so good with sellers and buyers is that she genuinely cares about other people. All the negotiating techniques in the world won't cover up for the person who is only out for themselves and has no ability to relate and connect with other people. All successful investors can quickly connect with other people, and the very best investors can connect at a very deep level. People intuitively trust them because these investors truly do care about and listen to the people they are working with.

The third quality of the world's best investors is that they have all developed **outstanding negotiation skills.** Notice, however, I didn't say they were outstanding negotiators, but rather that they had developed outstanding negotiation skills. Many people mistakenly think you are either born a top negotiator or not. This is total bunk. If I've learned one thing over the past decade mentoring so many thousands of new investors it's that negotiation is a skill and, like any skill, it can be learned. In fact, it's a skill that *anyone* can learn, provided it's taught the right way and provided it's practiced frequently enough so that you can develop fluency.

"In real estate, just like anything else in life, you don't get what you want, you get what you *negotiate*. Negotiation skills are what allow the highest earners to translate their people skills into tangible profits.

"I remember one Mentorship student I worked with who came from a sales background. He was engaging as a person, but he was incredibly pushy when it came time to negotiate with sellers. And to make matters worse, when he negotiated, he got nervous and began talking a thousand miles per hour and rarely listened to the other party's side of things. But over twelve months of working together, we got him to learn the mechanics of negotiating, which for him including coping mechanisms like forcing himself to breathe slowly at certain key points in the negotiation, slowing down, and repeating certain key language patterns that literally forced him to listen to the other party. By the end of that first year he had fifteen deals completed, and over the next twelve months he went on to buy over forty-five more houses!

"So no matter where you are starting off on the negotiating skill spectrum, don't worry, we can help you develop into a great negotiator if you just listen to our coaching and go out and practice what we teach you.

"The fourth quality of the top investors is that they have a **wide spectrum of deal structuring tools** to match to different seller and buyer needs. Remember, the more options you have, the easier it is for you to mix and match and find creative ways to structure a deal in which everyone wins. The highest earners in real estate consistently invest more time, energy, and money into increasing their knowledge base of investing tools than average investors do.

"The final quality of the most successful investors is their unwavering **commitment to leveraging their every action** in their investing business. Leverage simply means a way of magnifying the power of a specific action to create a bigger result with less effort. We all have limited time, money, and skills. The best investors leverage all three through systems, outsourcing, and modeling proven winners. They have a drive to consistently hone themselves and their investing business to produce bigger and bigger results with less and less energy.

BRIGHT IDEA

The Seven Keys to Working *Smarter*, Not Harder

1. Systems

The first key to working smarter is to use powerful *systems* to help you get the results you want with less work and effort. A system is an organized process or tool that helps you and your team consistently produce an excellent result in an area of your business.

A system can be a script of what to say, a checklist to follow laying out a procedure, a sample document, a spreadsheet of key information, or a worksheet to fill out. **A system is a shortcut to help any person you have on your team, with very little training, succeed in getting a desired result in a specific area.**

Ultimately, to take your investing business as far as you want it to go, your investing business will need to be *systems* driven, not people dependent. You never know when a key person will leave your business. The key is to capture all the most important knowledge about how to successfully run your business into clear, simple systems that guarantee your business healthy profits, year after year after year.

One very important final point about systems is that the best systems empower your team to produce exceptional results. Systems are not about control, but rather freedom. The right systems free up your team from worrying about the details so that they can keep the bigger perspective in focus and spot unique opportunities to generate greater profits for your business.

2. Specialized Knowledge

The second way you can work smarter is to gain the specialized knowledge you need to more ably get results with your investing. What do you think makes the most skilled investors able to structure a hugely profitable deal while a beginning investor struggles with what he could even do with that seller? It is one thing and one thing only. The highly skilled investor has a stockpile of powerful experiences from which to draw on.

In today's complicated world, it's the investor with the access to the most varied and powerful storehouse of specialized investor knowledge that has the greatest ability to make big money investing in real estate. The key word here is *access*. You don't need to learn it all by trial and error. The biggest shortcut is to gather the best information on investing from the experience of other successful investors.

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The Seven Keys to Working *Smarter*, Not Harder *(continued)*

While we learn from our successes, it's when we fail that we tend to really search for the core lessons from our painful experiences. In fact, it's been said that pain is the greatest teacher of all. If this is true, the key question is, whose pain would you prefer to learn from—your own or someone else's?

That's the power of specialized knowledge. It can easily be borrowed from other successful investors without having to directly experience the pain yourself.*

3. Cohesive Action Plan

One of the most costly myths in the world of investing is that the best investors fly by the seat of their pants and go purely on intuition. The opposite is true. The best investors all have clear action plans that tie together all their investing activities. One of the best benefits of having this cohesive action plan is that it allows you to intelligently decide whether to step off of the plan to take advantage of an unexpected opportunity when you see it. The best investors all understand the power of quickly seizing an unplanned opportunity, and they have the ability to improvise to leverage this opportunity for maximum gain with minimum work and risk. But they will quickly modify their action plan to accommodate this new opportunity and tie it into the larger goals of their investing business.

4. Open Mind to New Ideas

The world of investing is constantly changing. New lending programs and legislative changes come at an ever accelerating pace. Breakthrough investor technologies are invented for you to harness to make your investing business grow faster. In order to work smarter you need to constantly be on the lookout and open to new ideas that you can tap into, whether they be directly from the field of real estate or from some totally unconnected field.

I can remember how when I redesigned my investing business to make it a passive enterprise, I took the technology infrastructure from another business I had and used that as the technology backbone. The result was a 1,000 percent savings in time! Great ideas to use in your investing business can come from anyone, at any time. Always be open to evaluating these ideas and ask the key question, "How can I use this?"

*As a reader of this book, you get FREE access to a special online program called the Investor Fast Track Program™ (Value: $2,497). For details on how to register see Appendix A, or go to **www.InvestorFasttrack.com.**

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The Seven Keys to Working *Smarter*, Not Harder *(continued)*

So if openness to new ideas is so important, why do so many investors struggle with it? The sad truth is that far too many investors are locked into archaic and habitual patterns of running their investing business, even if these practices are inefficient and far too costly.

In any time of great change, one of the most important tools for you to cultivate is that of a powerful eraser. It's not always what we know that gets us into trouble, but sometimes it's all the things we know that just *aren't* so that causes us so much aggravation. To work smarter, constantly look for places to prune and delete old practices and outmoded ideas to leave room for fresh ideas and strategies to thrive.

5. Integration of New Information

With all the change and explosion of information you have at your fingertips, as an investor, one of the keys to working smarter is to systematically develop your skill of integrating and putting new information to productive use. Remember, it's only the ideas that you profitably harness that actually matter. If you can't use the information and integrate it into your existing knowledge base, then all the new ideas are just fancy diversions. Information becomes power only at the point of application.

Here are five techniques to help you quickly integrate and apply new information:

- **Technique One: Fail Fast.** To make sense of new information usually involves trying it out. Average investors let fear of failure slow them down, but remember, the very best learning comes out of learning from what doesn't work. Look for ways that you can quickly do minitrials with the new information to get some real-world experience with which to make sense of the information (e.g., try out a negotiating language pattern the next time you are shopping at the mall; brainstorm three creative deal structuring techniques the next time you are structuring an offer before meeting with a seller).
- **Technique Two: Chunk It Down.** Don't try to learn it all in one large chunk; instead, break the new information into smaller, more manageable chunks. There is a reason why Mentorship students take weekly classes on investor skills in addition to the real-world help the coaches provide them on the deals they are putting together. We've learned that there is a practical limit on how much new information a Mentorship student can take in at one time. That's why we created the structured curriculum that layers in the investor knowledge chunk by chunk.

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The Seven Keys to Working *Smarter*, Not Harder *(continued)*

- **Technique Three: Layer It.** Just like a coat of paint covers best when applied in layers, so too does information work best when it's applied one layer at a time.
- **Technique Four: Daydream.** It's a powerful tool to visualize and use your imagination to see yourself using the new information that you are learning. It allows you to integrate the new knowledge at deep levels in an accelerated fashion.
- **Technique Five: Consistent Feedback.** The faster and more regularly you can get feedback in the real world by trying out a new technique or strategy, the faster you will begin to own the new ideas. After each trial of the new idea, ask yourself what you did that went really well, and what one or two things you will do differently next time as a result of what you learned this time.

6. Leverage
Leverage is when an effort produces a magnified result. In real estate, leverage is the greatest key to working smarter. It's what has allowed top Mentorship students to generate large and growing monthly cash flows while working fewer and fewer hours.

The Six Leverage Points:

- **Network Leverage.** Who do you know, or who do you know who knows someone, that can help you create a breakthrough in your investing? Do you know someone who can refer you deal after deal? Do you know someone who can connect you with a source of private funding? Leveraging your contacts is one of the critical steps to super-sizing your investing success.
- **Time Leverage.** How can you get more from your time? What activities give you the greatest return for the time and energy you spend on them? How can you leverage other people's time—either team members you hire or business contacts you tap into?
- **Information Leverage.** The right information can save you from going down the wrong path. The right information can give you a huge edge in your investing. Consistently ask yourself how you can leverage any new piece of information to create a magnified return in your investing business.

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The Seven Keys to Working *Smarter*, Not Harder *(continued)*

- **Skills Leverage.** Certain key investor skills you'll be learning about can be leveraged to produce amazing results. For example, take the skill of negotiation. Since you'll be involved in thousands of negotiations over your investing lifetime, one unit of effort invested to improve your negotiating skill will literally produce a thousandfold return.
- **Money Leverage.** One of the best features of real estate is the ease with which you can leverage your own money and other people's money. Whether it be by financing 90 percent of a new purchase with outside funding, or investing some of your money in a proven marketing campaign to find motivated sellers, intelligently leveraging money will make you a fortune.
- **Creativity Leverage.** This is perhaps the most overlooked form of leverage. Creative ideas are more valuable than just about any other resource you have as an investor, yet far too often new investors and rigid old pros forget this. One of the reasons I think all investors should learn to buy without cash or credit is because it forces these investors to get creative. We tend to grow in direct proportion to the demands we put on ourselves.

7. The Discipline to Let Go of the "Good" Things
"The biggest enemy of the *best* is the good."

As you blaze your way into Level Two success with your investing, you'll find that your biggest challenge won't be finding enough opportunity, but rather having too much opportunity to choose from. At any moment in time you are faced with choices of how to use your time. To work smarter you need to cultivate the "best and highest use" mind-set. Constantly ask yourself the question, "What's the best and highest use of my time here?" Then develop the capacity and discipline to do the best things and let go of the lower-order possibilities. This takes courage and a clear understanding of the end toward which you are working.

For example, as I've enjoyed success with my real estate investments, many investors now bring deals to me to either joint venture on with them or to lend them money to complete. I've learned certain rules that are now disciplines that I will not violate, because the cost in terms of wasted time is too great. For example, I won't even discuss partnering on a deal for more than two minutes if the person who brings the deal to my attention hasn't faxed me a copy of his or her signed contract. And I have learned that I simply won't lend money for a deal unless it's on an apartment building or single family house. Why? Because I've streamlined and systematized my business enough that I can safely and accurately lend on houses and apartment buildings quickly and easily. This means a higher return for the time and energy I invest. This is a form of leverage.

(continued)

The Seven Keys to Working *Smarter*, Not Harder *(continued)*

Time is your most precious resource. You need to start valuing it by investing it like your cash—with care and respect. Value your time like your cash, and value your cash like you would if you didn't have any. Then you'll learn to maximize your opportunities.

There is a key concept called "opportunity cost," which is the cost of the time and money you have to put into a specific opportunity. Every opportunity has a potential reward, and it also has with it a specific expense—time cost, financial cost, emotional cost. The final key to working smarter is to remember to choose carefully to maximize your finite resources. The real risk of an average deal is not the money you have in the deal. The real risk is the potentially lost profit because you put your focus on this deal rather than on a great deal.

David continued, "This weekend is about taking your investing to the next level. You've already learned how to take the first step and get started investing in real estate. You learned what stops most people and how you can find and close your first deal in 90 days or less. Now you'll learn how to take your investing to the next level and build an investing business that leverages your efforts to give you maximum results. You'll learn how to build an investing business that magnifies your returns so that you earn more and work less. Make no mistake about it, ultimately your wealth building is not about working harder, it's about working smarter. It's about only doing those things that bring you closer to your end goal of being a Level Three investor.

"So it's time to get started learning to build a Level Two investing business. The first step is for you to develop your investing skills so that you have gained fluency in the five core investor skills. Then in the Middle Stage Level Two investing, you'll work to fine-tune these key skills while you also begin your first tentative branching out to build your investing business. Finally, in Advanced Stage Level Two investing, you'll build in earnest your profitable investing business.

"Ultimately, the only way to use real estate to become financially free is for your business to prosper without you there to run it day-to-day. This is the road to real freedom—cash flow that flows to you while you are not there working, in such a way that both the business and your net worth are growing day by day, month by month, and year by year.

"Tall order? Yes, but infinitely worthwhile. So let's roll up our sleeves and get to work."

Your Fast Track Map™ to Real Estate Riches

"You are all familiar with the Three Investor Levels," David continued. "This model of how to look at your investing is an important key to clearly identifying what you want to achieve and build with your investing business. But it's not enough to just know the Three Investor Levels—you need to have a clearly charted pathway to follow as you progress from where you are to Level Three. This pathway puts you on the real estate fast track.

"What I'd like to do now is clearly lay out your Fast Track Map™ so that you have a precise picture of the steps you'll take and the key focus you'll have as you accelerate your progression to becoming a Level Three investor."

David turned and drew a diagram on the board.

"Level One investors focus on the need to get into action. The key for them is belief. They are working to prove to themselves that real estate works, and that it works for them. We won't be spending much time on this level since you're all already past it.*

*For any readers who are just getting started, I urge you to get a copy of *Buying Real Estate without Cash or Credit* right away and read it cover to cover. It covers exactly how a Level One investor can get started today so that you can do your first deal in 90 days or less! To download two free chapters of this book just go to **www.InvestorFasttrack.com.**

The Fast Track™ Map

Level Three:
Passive Streams of Income!

Advanced Stage Level Two:
Building a Successful Investing Business
- Team
- Systems
- Outsourced Solutions

Middle Stage Level Two:
Refining Your Skills and
Leveraging Yourself

Early Stage Level Two:
Mastering the Five Core Investor Skills

Level One:
Proving to Yourself That Real Estate Works

"Our focus here this weekend is going to be on this middle area, on Level Two investing. As you can see, Level Two investing is broken down on the Fast Track Map™ into three distinct stages. Each of these stages has a different developmental focus for you, the investor. Here's a quick snapshot of each of these stages. We'll go into great detail on each one throughout this weekend.

"First there is Early Stage Level Two. The focus of this stage is on skill development. **Early Stage Level Two investors are learning to master the five core skills of successful investors: finding deals, structuring deals, negotiating deals, analyzing deals, and contracting on deals.**

"It usually takes an Early Stage Level Two investor 12 months to learn the core skills and gain the confidence and composure to use those skills in the real world. This leads them to the next stage—Middle Stage Level Two investing.

"**Middle Stage Level Two investing is about refining your investor skills and learning to leverage yourself so that you produce more for your investing business.** At this point in your investing, you are the central hub around which your investing business revolves. You're like a doctor whose whole office is organized to keep her as efficient as possible. As a Middle Stage Level Two investor you leverage your time every way you can by building the team and systems around you to keep you producing for your business.

"But ultimately there is a limit to what you are able to produce through your own efforts. This is why it's so important to progress to Advanced Stage Level Two investing.

"**Advanced Stage Level Two is about building the systems, teams, and outsourced solutions your business needs to consistently generate profits independent of you and your efforts.** When you've accomplished this you are able to transition into Level Three investing, where you are financially free and able to focus your time wherever you want. Many Level Three investors start to do big deals on commercial real estate because they have the experience, skills, and business infrastructure to do this in a Level Three way. This means they can buy an apartment complex and not get swallowed up by the project. In fact, they are able to take on a big project with less work and effort than they used to spend on deals as a Level Two investor.

"That is the overview of the Fast Track Map™. Right now we are going to start off with Early Stage Level Two investing."

Early Stage Level Two Investing

"Most people hit Early Stage Level Two investing fresh from the excitement of their first or second deal," David continued. "For some, it's the moment when they get that first cashier's check in hand from the option payment from a tenant buyer. Or maybe it's the moment when they sign up their first cash deal. Or when they walk out of a closing having sold their first property for a $35,000 net profit. Whenever it happens, they have come to the key moment where they know that real estate works, and more importantly they know it will work for them. This is their master key giving them entry to Level Two investing.

"When I meet a new Early Stage Level Two investor I can see the hope in their eyes. They start to dream again and believe that maybe, just maybe, their future can be what they used to dream it could be. How many of you can remember the moment when you reached Early Stage Level Two investing and hope blossomed in your heart?

"There is something else that I observe in Early Stage Level Two investors—relief! They tell themselves that no matter what happens next, at least I can tell all those naysayers in my life that I did it, I made some money at it!" Throughout the room students laughed and several nudged their partners with an "I told you so" look.

"Of course, for most Early Stage Level Two investors, there is still quite a bit of fear present. With your success you raise your expectations, and now you wonder if you can really meet these new expectations. *What if*, you ask yourself. What if you don't find more deals? What if these first ones were flukes? What if you wake up tomorrow and it was all really just a dream and never happened? And, gulp . . . what if you really do succeed in a massive way? Sometimes the only thing scarier than failure is success.

"But even with these fears, which are perfectly normal feelings, the biggest thing you feel is excitement. With the flush of your success comes the excitement for a future that is dramatically better than your old gray vision of just getting by. You awaken dreams long dormant, and these dreams begin to take on color and depth and become real. And they are a compelling pull for you to keep working on your investing.

"Early Stage Level Two investors often have a quiet determination about them to keep going after their investing—day by day and deal by deal.

"While most Early Stage Level Two investors are still only part-time, working around 15 to 20 hours a week on their investing, roughly 10 percent of them voluntarily take the leap to go into their investing full-time, with another 10 percent pushed into investing full-time because their jobs up and quit on them!

"Almost all of them work out of their homes, keeping their business overhead to an absolute minimum. They get on with the business of generating leads, negotiating with sellers, arranging necessary financing for deals, and looking after the properties they have added to their portfolios. Early Stage Level Two investors are at the steepest part of their learning curve, soaking up new information and focusing on mastering the five core investor skills.

"In fact, that's exactly what we are going to spend the rest of today and a good chunk of tomorrow covering—the five core investor skills. But you've all earned a quick break first."

BRIGHT IDEA

The Three Biggest Pitfalls for Early Stage Level Two Investors

One: Letting Your Comfort Zone Drag You Down

When you start succeeding with your investing, there is a temptation to relax and to stop doing the behaviors that brought you that success. There is a part of you that says, "Hey, you've done it. Now take it easy and enjoy yourself. You deserve it." Of course you can listen to this voice, but if you do you'll soon find yourself back where you started. This voice isn't the best part of you, it's the scared place trying an end-run to get you to go back to what feels comfortable.

There is a part of you that is focused on mere survival, and success can make this part of you feel uncomfortable. When this happens, this part of you pushes you to turn back to the life you used to live. You must fight this urge no matter what it takes.

When you have your early real estate success, that is not the time to relax. Rather, it is the time for you to step it up, build on the momentum, and push your investing business two more steps ahead as quickly as possible. It's like a sports team that is on a roll. This is the time to push your lead to make sure you win.

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The Three Biggest Pitfalls for Early Stage Level Two Investors

(continued)

Two: Thinking You've Arrived

The ancient Greeks called it "hubris"; in today's world we call it getting cocky and letting your head swell. Remember that your early success is just that—early success. It is not a guarantee that you've arrived, nor is it a sign that you've won the game. You still need to keep your focus and quietly get on with the business of investing.

Until you've had at least one major failure in your investing it's hard to recognize that we all make mistakes when buying real estate from time to time. Smart investors build in allowances for the fact that they may be wrong in their assessment of a deal. This can mean getting an outside pair of eyes to unemotionally give you their opinion on a deal, or it can mean creating a safety cushion in your deals in case your prediction of local market conditions is wrong.

The best investors are the ones who have learned that they are fallible and, because of this, learned to entertain the possibility that they may be wrong. Far from slowing you down, this humbling realization will help you accelerate your investing success because you aren't bogged down by the need to be right all the time. When you make a mistake the world doesn't come crashing down. You simply brush it off, learn your lessons, and get on with your investing. This was one of the toughest lessons for me to learn, and one of the most important.

Three: Delaying Investing in Your Real Estate Education Until You've "Made More Money"

It never ceases to amaze us the number of new investors who say they will wait to invest in their real estate education until after they have made a lot of money with their investing. That makes about as much sense as standing in front of an empty fireplace and saying that as soon as the fireplace gives them heat then they'll be willing to put in wood!

Let's get one thing absolutely clear—one way or another, *everyone* pays for their education. You either pay by learning the slow, painful route of "self-education," also known as trial and error, or you get on the fast track and learn from experienced mentors who have done what you want to do and who can save you years of wasted effort and help you reclaim thousands of dollars in profits that you would have otherwise missed out on.

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The Three Biggest Pitfalls for Early Stage Level Two Investors
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It is not a sign of weakness to get someone to help you learn and succeed faster in your investing, it is a sign of strength. Intelligent investors know that learning from other people's experiences is one of the best short cuts to success available to them. Look for people who you can model to accelerate your success in investing. While it's important to look for people from whom you can learn techniques and specific strategies, as an Early Stage Level Two investor it is even more important that you look for a successful investing *model* upon which to build your fledgling investing business.

In order for you to reach the levels of success you really want, make sure that whatever investor model you base your investing business on is one that is laid out all the way *through* the finish line you've set for yourself, and not just *to* the finish line. I've seen too many investors who only had a model that took them to the finish line and, as a result, they are stuck, still actively working their real estate business. Granted, they make a great living, but they're still not passive Level Three investors enjoying real financial freedom. If they stop working, in fairly short order their investing machine will come to a grinding halt. Make sure your model takes you to Level Three success, where your real estate business runs better without you there in it day to day. Remember, *passive* cash flow is the ultimate goal of your investing business.

Core Investor Skill One: Creating a Deal Finding Machine

David then posed the following scenario: "Imagine walking into your office each day and having two highly motivated sellers waiting to talk with you about your buying their properties. Do you think if you talked with two motivated sellers a day, five days a week you'd be able to close on some highly profitable real estate deals? Let's think through the numbers: two motivated sellers a day, multiplied by five days a week, multiplied by 40 weeks each year—I think you should take 12 weeks of vacation a year, I hope that's okay with you," David smiled. "That equals a total of 400 potential deals each year for you to choose from. How many of those deals do you think you could handle? When you let the math add up, the potential for your investing business is huge. But there are two looming challenges to all this.

"First, the average investor is not able to handle even a fraction of this volume of lead flow because he has no business infrastructure to lean on and leverage. This is why I've stressed so heavily so far, and will continue to press, the urgency and rewards of building an investing *business* rather than just being an investor.

"Second, as you can probably imagine, the single greatest bottleneck to your business initially is your ability to create deal finding systems that consistently churn out quality leads—one after another after another. When you are building a profitable investing business it's not enough to just be able to find one deal. To really take it to the next level you've got to create marketing systems that consistently produce deal after deal.

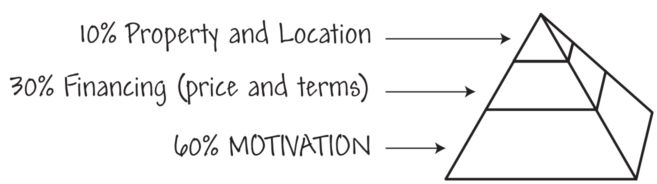
"This is a tall order. In fact, in the beginning a great deal of your energy is going to be tied up in creating this deal pipeline. But once you've built it, it only takes a fraction of the time to *maintain* it. Is it worth the weeks and months of effort to build this kind of real estate deal factory? You better believe it!

"Just look at someone like Stephen. I know that many of you have worked with him on the Mentorship Program coaching sessions. It took him and his wife Susan over 18 months to really establish their deal finding systems. That's a lot of time and energy they had to put in to build this infrastructure. But they now enjoy a foreclosure business that generates over a dozen profitable deals each year. Plus their commercial investing part of the business generates several highly lucrative big projects each year. If you invest the energy over the next 12 months, you can enjoy the same success as Stephen and Susan.

"So let's start with the foundation and work from there. The foundation of all winning real estate deals is the Winning Deal Formula. I am hoping that you all remember this formula from the Intensive Training you attended at the start of the Mentorship Program."*

David clicked an image up onto the screen.

Winning Deal Formula



*Would you like to get an insider's seat at the Intensive Training? Then grab a copy of *Buying Real Estate without Cash or Credit*. The first half of the book is just that, a step-by-step workshop on exactly how to start your investing business in 90 days or less. To download two free chapters, go to **www.InvestorFasttrack.com.**

"As you can see, the foundation that great real estate deals are built on is *not* location, but motivation. The first concern when you are looking at a deal is why the seller is selling the property. **This is the first key ingredient of a great deal—finding a seller who has a strong motivation to sell.** It's the seller's compelling reason to sell, with a perceived time crunch within which to do it, more than any other factor, that helps you get a great real estate deal. Remember this and say it to yourself over and over again—the foundation of all winning real estate deals is the seller's motivation to sell. It's almost as if what the seller initially tells you is his reason for selling is the tip of an iceberg. The real reason is the hidden 90 percent that is below the surface. And it's this hidden 90 percent which is the key ingredient for a winning deal.

"**The second level of a winning deal is the financing—the price and terms.** To make money on a deal you need to either purchase the property for cash at a steep cash discount, or you need to get great terms of financing. If you buy for cash at a discount, your low cash price guarantees you a profit. If you buy on flexible terms where you are making the seller payments over time, then the financing lets you hold on to the property over time with positive cash flow and make even more money on the back end when you eventually resell or refinance the property to tap into your accumulated equity. For any deal to be a winner the numbers must make sense.

"**Now third in line in importance are the location and physical structure and condition of the property.** Over the long haul the location does matter. The right location will appreciate in value significantly more than the wrong location. But, and this is a *big* but, the only way you can safely know you'll be able to hold on to the property over the long haul is for the first two ingredients—motivation and financing—to be in plentiful supply.

"Any property at the right price and terms is a great deal. But the only way you'll ever find a seller who is willing to give you the best price and terms is if that seller is a motivated seller. That's why a strongly motivated seller is so important. As I've just mentioned, the right price and terms—the financing—guarantees you a profit.

"The location and the physical condition of the property are important for two reasons. First, they matter because they significantly impact what the right price and terms for a property are. After all, if the property needs a huge amount of fixing up, then that needs to be factored into the price. Or if the property is in an area with zero appreciation, then the numbers you agree on for the price and terms need to be such that you build a profit into the deal from day one. Second, the location and physical structure impact your exit strategy on the property. If the house you are buying is in a great area, you may be much more likely to hold on to the property over the long term. This may mean that you structure the deal in such a way that you trade the seller a higher price in exchange for you getting great long-term financing to enable you to profitably hold on to the property over time. Or if the building is in a war zone, perhaps you want to negotiate a very low cash price with the plan to immediately resell the property to another investor who specializes in lower income housing in that neighborhood.

"So I hope you see that location matters, but only after the first two levels of the Winning Deal Formula are factored in. This is a major shift from how most people think about investing in real estate. **This shift—from real estate being about location, location, location, to real estate being about motivation first, price and terms second, and then as a distant third about location—greatly impacts how you structure your real estate business.**

The Seven Clues to a Seller's *Real* Motivation

So what are the key clues that let you know you are on the trail of a motivated seller? What things should you be looking for when you are talking with property owners or people in your referral network that will let you know you have found a motivated seller?

Here are the seven key clues to determining if you have found a motivated seller, along with the scripted questions you'll need to ask the seller, either over the phone or when you meet with them in person, to uncover the seller's real motivation.

Clue One: They have a compelling reason to sell!
Key Question to Ask: *"This sounds like a wonderful property, why in the world would you ever consider selling it?"*

Clue Two: They are under a perceived time crunch to sell.
Key Question to Ask: *"When did you want the property handled? Six months, or twelve months? You tell me, when did you ideally want the property handled?*

Clue Three: The property is vacant.
Key Question to Ask: *"Who's living in the property now? Is there a renter that we're going to have to deal with (using a negative tone), or is the property hopefully empty right now (using a brighter tone)?"*

(continued)

The Seven Clues to a Seller's *Real* Motivation *(continued)*

Clue Four: If it's a rental property, they've had a bad renter experience.
Key Question to Ask: *"You've probably never had a bad renter here, huh?"*

Clue Five: The property hasn't been properly advertised so buyers are scarce.
Key Question to Ask: *"You've probably been flooded with people coming through the house, huh? May I ask why you haven't accepted any of the written offers you've gotten so far?"*

Clue Six: The seller perceives the local real estate market is slow.
Key Question to Ask: *"I'm sure you're really up to speed on the local real estate market. What's your take on the stage in the real estate cycle we're in right now?"*

Clue Seven: The property is an emotional anchor to strong negative feelings for the seller.
Key Question to Ask: *"I'm sorry, I'm still just a little confused. Can you tell me again why it is you'd even want to sell such a lovely home?"*

The Two Clues to Great Financing

"Once you've determined a seller is truly motivated to sell, next you'll need to explore the financing potential of the deal. Remember, to be a winning deal, the seller either has to have enough equity to discount the price of the property so that a cash sale makes sense, or the seller has to be willing to significantly participate in the financing to allow a terms deal to work.

"**There are two key questions to ask when looking for clues to great financing. The first is, how much equity does the seller have in the property?** Having more equity means the seller could either discount the price of the property for a fast cash sale, or carry back more of the financing in some form of seller financing.

"**The second key question is, what is the market rent in comparison to the total payments on the underlying financing?** This question tells you if the property will cash flow as a terms deal. To make a terms deal work, your total monthly payment for the property must be no higher than the market rent. In fact, I recommend that you always build a cash flow cushion into all your terms deals.

This means that ideally the total property monthly payment needs to be no more than 85 to 90 percent of the market rent."

"But David," Nancy asked, " I live in an expensive area with home values that just seem so out of line with the market rents. How am I supposed to make a deal cash flow in my market?"

"That's a great question. In fact, probably about a third of you here are in very strong real estate markets right now where home prices are quite high in relation to the market rents, making it harder to buy an investment property conventionally and have it cash flow for the first several years. The key word though is *conventionally*. If you are going to buy using conventional financing to fund the deal, then you're right, it will be almost impossible to get the property to cash flow. But you're not limited to buying conventionally. You're also able to buy creatively. Now if you buy for a deep cash discount the property will often cash flow based on the fact that you are buying it for 60 to 70 percent of value. But one of my favorite ways to buy is on terms.

"For example, I picked up one upper-end home in California during the height of the market rush in San Diego where the only reason it cash flowed from the start was that the owner was motivated enough to carry back the financing at a very low interest rate. Remember, when you are buying from a motivated seller, you can often structure a deal that takes care of the seller's most pressing need and at the same time allows you to get a monthly payment that is lower than the market rents. Later today we'll discuss techniques like graduated payments, equity splits, and owner-carry notes and I'll give you the details you need to structure these deals. But the bottom line for now is to realize that, regardless of the market, you can always find profitable deals. You can buy cheaply for cash, or you can buy at a higher price but with attractive financing from the seller. Both will allow you to get at least a breakeven, if not a positive cash flow from your properties."

BRIGHT IDEA

The Eight Clues to a Great Property and Location

Once you know you have a motivated seller, and you know that the financing of the deal makes sense, next you need to factor in the physical condition and the location of the property. When you're looking for a great deal, here are the eight clues to look for that let you know you have a great property and location.

(continued)

The Eight Clues to a Great Property and Location *(continued)*

Clue One: The property has a cosmetic problem that makes it show poorly.
I love houses that have cosmetic defects that are cheap and easy to cure, but hurt the short-term value of the property. Why? Because once you fix them, the house is instantly more valuable.

For example, I bought a three-bedroom, two-bath house several years ago which was in dire need of new paint and carpet. The sellers had left the old, dated wallpaper and dingy carpet in the house while they were trying to sell it, and most buyers were turned off. I ended up getting a great deal on the house, and it only took me $4,000 to repaint and recarpet it. Once I did, it was easy to find a great tenant buyer who rented to own the property from me for $30,000 more than I paid for the property. This is a simple example of "forced" appreciation.

Clue Two: The property was well built.
This matters most if you plan on holding on to the property over time, either as a rental property or a rent-to-own property.

Clue Three: The area is well established and consistently in demand.

Clue Four: The area is close to the jobs and amenities that the potential buyers or renters for that level of home want.

Clue Five: The area has easy access to the main roads that will take residents to jobs, shopping, and schools.

Clue Six: The area has low *perceived* crime.

Clue Seven: The area has highly desirable schools.

Clue Eight: The property has four walls and a roof.
All kidding aside, I listed this one to remind you not to get too carried away with the house or area. *Any* house at the right price and on the right terms is a great buy. Don't lose yourself in the imagined possibilities of the house from the perspective of the occupant. Instead, keep focused on what the possibilities are from the perspective of an intelligent investor looking to make a conservative profit.

BRIGHT IDEA

Seven *More* Techniques to Find Great Deals

I just couldn't resist sharing with you even more ways to find motivated sellers. Here we go!*

Technique One: Referrals from Real Estate Agents
As an investor, one of your most important relationships for you to establish is with the real estate agent community. I suggest that as a Level Two investor you network with at least two new agents each month. Invite them to lunch and get to know them. Find out how you can source and serve them. Share with them your buying criteria and how they can profit by helping you consistently find great deals. (See Chapter 13 for details.)

Technique Two: Establish a Farm Area
A *farm area* is simply a section of town where you focus a definite portion of your efforts. It's almost impossible to be an expert on the trends and hidden opportunities in an area that is too large. It's by creating one or two smaller farm areas that you are able to narrow your focus and find those hidden deals. You want to know before houses come up for sale, and you want to know when a landlord is dealing with a nasty eviction. To be privy to this type of insider information it's going to take effort to develop the network of contacts who will call you when they hear of new developments. Also, you will become *the* investor who people turn to in that area when they need a fast and *fair* solution.

Technique Three: Door Hangers and Flyers
One of the disadvantages of direct mail is that the postage is so expensive (not to mention that you are competing with all the other mail the homeowner receives for his or her attention). Did you know that you can hire someone to put out "I Buy Houses" door hangers or flyers in your farm area for about half the cost of a direct mail postcard and about a third of the cost of a direct mail letter? I had one student use this idea to find two houses from a seller who was literally a few weeks away from moving overseas. Our student bought both houses with attractive owner financing for less than $3,000 down!

*For a complete online workshop on finding great investment deals go to **www.InvestorFasttrack.com.** (See Appendix A for details.)

(continued)

Seven *More* Techniques to Find Great Deals *(continued)*

Technique Four: Call Expired Listings

A listing is simply the term for a house that a seller has agreed to allow a real estate agent to sell for them. If for some reason that house doesn't sell during the listing period, which is usually three to six months, then we call that house an *expired listing*. For every expired listing you generally have a much more motivated seller. Contact one of the real estate agents you have networked with and ask them to pull a list of expired listings for you to call through. It's easy for them to do on their computer and should take them less than 10 minutes tops to do this and e-mail the list over to you. They pull the list together and you agree that if you need an agent in the transaction, you'll use them as your buyer's agent. Plus, if any of the homeowners you talk with aren't motivated enough for you to make a deal work as an investor, then you'll refer these sellers over to your real estate agent friend so they have a good shot at getting a new listing. It's a total win-win for you and the agent.

Technique Five: Billboards and Bench Ads

If you can't afford it on your own, co-op with a group of fellow investors and rent some concentrated outdoor advertising in key, high-traffic areas. Make sure you diligently track your marketing to make sure the return is there for you, and just split the leads. I know of one group of five investors who collectively buy space on 30 bus benches and generate a sizable lead flow for themselves from this source.

Technique Six: Bird Dogs

Empower other people who are around houses every day to sniff out motivated sellers for you. Talk with landscapers, contractors, delivery people, postal workers, anyone who is regularly in contact with homes and homeowners in the course of their day and who can turn you on to potential leads. You just pay them a $250 to $1,000 finder's fee for every lead they share with you that you close on.

Technique Seven: Online FSBO Web Sites

There is a growing trend for homeowners to sell their own homes online through various "For Sale By Owner" (FSBO) web sites. For a list of links for powerful FSBO sites, just log onto **www.InvestorFasttrack.com** and click on the "Investor Resources" button.

Leveraged Strategies and Systems for Finding Motivated Sellers

"As Level Two investors who are looking to progress further in your investing, it is critical that you begin to make the shift away from 'looking for a deal' and instead focus more and more of your efforts on building leveraged deal finding systems that will yield your investing business deal after deal. It's the difference between being a hunter-gatherer scratching for a deal here or there, and being a sophisticated farmer who invests in the agricultural infrastructure so that each season you are able to harvest field after field of deals.

"This isn't an easy shift to make, and in the beginning you'll have to balance your need to keep deals coming into your business with taking the time to step out of the activity of your business and work *on* your business's deal finding systems. The best advice I can give you is to shift your thinking so that every time you implement a marketing strategy to find motivated sellers, you ask yourself **three key questions.**

"**First, ask yourself how you can leverage your efforts. How can you take the energy you are putting into a marketing channel and magnify your return?** I suggest you go back to the six forms of leverage we talked about earlier in the workshop and brainstorm ways you can take your efforts and get more from less. I call this 'super-sizing' an idea. You take it and make it bigger and better than ever."

Vicki raised her hand and asked, "David, can you give us an example of this?"

"Sure. Let's super-size the idea of networking with real estate agents by leveraging your time. How is it that most investors network with real estate agents?"

Vicki thought for a moment and then answered, "They randomly meet an agent here or there and then they follow up to establish a professional relationship. Sometimes they even get a referral to talk with a specific agent from another contact they have in common."

"Exactly! Now if it was me, I'd like to speed up this process and connect with more agents with less time and effort. To do this we need to leverage our efforts. One way would be to actually go to one real estate office each month and give a quick 10- to 15-minute talk at their regular office meetings about how these agents can generate a lot of repeat volume business by aligning themselves with local investors. This is your opportunity to share with 20 or 30 agents in one shot exactly what your buying criteria are and how you can help them generate more sales volume fast for any of their hard-to-sell listings, or anytime they come across a listing that the seller needs to sell fast. Can you see the leverage in talking with so many agents at one time versus one by one?"

David continued, "Now that's just one form of leverage—leveraging your time. Another way to leverage yourself is to leverage your money. For example, hire someone to put out your 'I Buy Houses' signs for you each week rather than spending the four or five hours yourself. For $10 to $12 an hour you can leverage this third party's labor to find you deals.

"Another example would be to leverage your network of contacts. Let's say you know a few local business owners. Ask them to let you put up your 'I Buy Houses' flyers at their businesses. I know one investor who found a deal that netted him over $85,000 from a lead that came from a contact who let him advertise in her place of business. Another example I heard about from reading the Mentorship student discussion board was how one of our students enlisted the help of a friend who worked at Target. Normally the store gets its employees to park at the back of the lot. Our student paid his friend five bucks a week to put a special 'I Buy Houses' magnetic car sign on his car and park right near the entrance to the store parking lot. Our student used a separate extension on the sign to track the calls and agreed to give his friend $500 for any deal he signed up as a result of the signs. He reported on the discussion board that he got four leads the first weekend his friend had the signs on his car! I hope you are getting the idea.

"The key is to start consistently asking yourself how you can leverage a specific deal finding strategy so that you find more deals with less of your energy and effort.

"**The second question to ask yourself when you are implementing a marketing strategy is how you can systematize it so that this marketing stream goes on autopilot. How can you make this marketing strategy work without you needing to focus your mental energy on running it?**

"Let's look at the example of creating a mailing campaign to find motivated sellers. The average mom or pop investor just 'does a mailing.' They give no thought to how to make this an automatic, repeatable process; they just do it on a one-shot basis. This is just too expensive a way to run your marketing, with all that wasted energy ramping up your mailing campaign each time you consciously choose to do another mailing. Instead, let's sketch out a sample system that you can build for your investing business so that your *business*, not you, regularly generates leads of motivated sellers.

"The first step is for you to find a secure source of homeowners for you to mail to. For our example we'll use a mailing campaign to out-of-town owners. These are people who own a property in your farm area, but who live at least one hour's drive away. The average investor just calls up a title company and asks for the list from them. You, however, will create a script for calling up the title company and asking for the mailing list. You'll systematize how your title company will get you updates of this mailing list via e-mail once a quarter. This way you don't have to be the one calling to get the updated list from the title company each quarter—you can have a staff member do it. You'll also checklist out your Master Mailing Calendar that includes a timeline of when you'll need to get the mailing pieces printed, when you'll be dropping your letters or postcards into the mail, and your schedule for follow-up mailings.* You'll create a step-by-step instruction sheet for your marketing assistant to follow to execute on this master mailing calendar.

"I think you get the idea. I know this is a lot more work than just 'doing the mailing,' but the payoff is that you'll get a much better, consistent result for your business. Plus you'll be able to hand off responsibility for this marketing channel to someone else in your business, thus freeing yourself up to invest your time on higher-value activities. **Ultimately, if you want to be a Level Three investor enjoying a Level Three lifestyle, you'll need to have your business *systems* driven, not people dependent.**

"**The third and final question you need to ask yourself with your marketing to massively grow your investing profits is how you can optimize your marketing results. How can you optimize all your marketing efforts to maximize your net profits in the simplest, stablest way?**

"The key component to this step-by-step optimization of your marketing efforts is the disciplined and effective tracking of your marketing activities."

David got a little playful with the group and said, "Everyone raise your right hand and repeat after me: 'I hereby affirm and declare . . . that I will never . . . ever . . . engage in a marketing activity . . . unless I have a reliable mechanism in place . . . to track the results of the marketing effort . . . so that I will know how

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*Would you like to see a sample "Master Mailing Calendar" and get your hands on my script to get your out-of-town owner mailing list for free? Just log onto **www.InvestorFasttrack.com** and click on the "Free Offers" button.

much money and time I put in . . . and what tangible benefit I got out . . . and over time I will test . . . and test . . . and test . . . to find the optimum mixture and methods . . . to get the most for the least. So help me God.'" By this point the class was hamming it up as much as David, but the point went home—they were just having a blast while they were learning it.

"If you don't track all your marketing efforts then you are shooting in the dark. I used to fool myself into thinking that I could get a gut sense of which of my marketing efforts was most effective, but sadly I've come to realize that my gut was wrong much of the time. It was only when I had hard numbers to look at that I started to make the right marketing decisions and was really able to optimize my marketing efforts and dollars."

BRIGHT IDEA

The Mechanics of Tracking Your Marketing

One of the key lessons of successful investing businesses is that a successful investing business always gets paid for every dollar or hour it spends on a marketing campaign. And so should you.

Every campaign you run should either make you money by finding you great real estate deals, or it should profit you by expanding your learning of what works or doesn't work with your marketing efforts. Ideally you will get "paid" both ways—in profitable deals and in valuable marketing insights.

You need to track what goes into the campaign in terms of time and money, and what you get out of the campaign in terms of leads, lead quality, and the ultimate results. This way you will be able to refine and optimize all your marketing activities.

How do you track your marketing? Simply have every ad, every mailing piece, every campaign send responses to a voice mail system that uses a specific extension or voice mail box for each marketing channel. So, for example, responses to your classified "I Buy Houses" ad go to extension 31; to your signs, extension 32; to your first postcard to landlords, extension 33; and so forth. Then you just tally up your responses weekly in a simple spreadsheet or worksheet to track your results.

(continued)

The Mechanics of Tracking Your Marketing *(continued)*

It's essential to be able to track the specific, demonstrable results of all your marketing campaigns. I recommend that you use a toll-free voice mail system to point all your marketing efforts toward, because of the ability these systems have to help you track your marketing results. The system that Mentorship students use lets them track up to 90 marketing campaigns concurrently by the use of specific extensions placed in the advertising. The system has all the outgoing messages pre-scripted and installed with professional voice recordings. In fact, the system is set up and ready to use right from day one to save students time and effort.*

Also, since it's a toll-free system, you'll capture the phone number of every caller, regardless of whether they leave you a message or not. What this means is that you can actually increase your marketing results by 50 to 200 percent! How? I've found that for every 10 messages from sellers your marketing generates, on average another 5 to 20 sellers have called into your voice mail in response to your marketing, but they hung up without leaving you a message. Most investors think that particular marketing effort only produced 10 calls, but in reality it produced 15 to 30 calls. The power in a toll-free voice mail system like the one that Mentorship students use is that it lets you generate a "call detail report" that lists the phone numbers of *every* caller—including the ones who didn't leave a message! You can then call back *all* your leads to follow up.

*For a limited time, readers can sign up for the same investor voice mail system that Mentorship students use, for a small monthly fee. To find out more and to quickly get your toll-free voice mail system operational, log onto **www.InvestorFasttrack.com** and click on the "Investor Resources" button.

"Here's an example of a worksheet to track your marketing." David clicked an image up onto the screen.

Lead Tracking Worksheet
Week of June 15th, 2010

Lead Source	Voice Mail Extension	Cost/ Week	# of Leads	# of Appointments	# of Deals	Results $ of Deals
Classified Ad (*Tribune*)	33	$158	4	2	1	Estimate: $38,000
Calling System	N/A	$450	5	1	0	0
Out-of-Town Postcard	34	$345	3	1	0	0
"I Buy Houses" Signs	35	$125	5	3	1	Estimate: $55,000

"To use this worksheet, you just keep a running tally of each of your campaigns as they are running, and each week you fill out the form."

"David," Mary asked. "What's the difference between a 'lead' and an 'appointment'?"

"Great question. A lead is simply anyone who responded. Let's face it, plenty of the people who respond to your marketing won't be worth meeting with. The difference is that an appointment is a qualified lead that you determine is actually worth sitting down and meeting with, even if they are long distance and you hold that meeting over the phone.

"Also note that you won't know the actual profits in a deal until down the road, so make sure you make your best guesstimate, but come back later to enter in the actual number so that when you do your quarterly marketing overhaul you have *real* numbers to look at, not just estimates.

"Now let's go to the next worksheet, which is the Marketing Analysis Worksheet." David clicked a new image up onto the screen.

Marketing Analysis Worksheet
Month of June 2010

Lead Source	# of Leads	# of Appointments	# of Deals	Cost/ Month	Cost/ Lead	Cost/ Appointment	Cost/ Deal	Profit from Lead Source	Return on Marketing $(Profit/Cost)
Classified Ads	12	5	1	$ 632	$ 52.67	$126.40	$638	$38,000	6,012%
Calling System	N/A	18	2	$1,800	N/A	$ 100	$900	$72,000	4,000%
Out-of-Town Postcard	9	4	0	$1,380	$153.33	$ 345	N/A	N/A	N/A
"I Buy Houses" Signs	22	8	2	$ 500	$ 22.73	$ 62.50	$250	$65,000	13,000%

"I recommend you sit down monthly, quarterly, and annually, review your marketing systems, and see which systems are yielding the best results. Invest the bulk of your marketing resources in these proven winners, but invest 5 to 10 percent of your marketing energy and dollars and test new versions to see which pulls best. The key is to keep all the variables you can constant and test one element at a time. Change the headline on your postcard. Try out a new paper to run your classified ad in. Try a new color on your 'I Buy Houses' signs. As long as you track things, over time you'll come up with the hard numbers, which will make your marketing decisions easy and fast.

"Okay, you've all been so good you've earned a short break. When we come back we'll get into the second Core Investor Skill: structuring deals."

Core Investor Skill Two: Structuring Highly Profitable Win-Win Deals

After the break, David jumped right in: "At the most basic level there are **three steps to any deal. Step one is to find a motivated seller who has the right motivation and situation.** Remember that you bring value to the deal by helping a seller solve a pressing real estate problem. If they're not motivated, then there is no way for you to bring enough value to the table to make it a win-win deal. This is why it's essential that the seller you work with have a compelling reason to sell.

"**Step two is to meet with this seller and find a way to structure a deal that meets the seller's most important needs while building a conservative profit in there for you.** Once you have created this win-win solution with the seller, you need to make sure that agreement is in writing and signed by both you and the seller. We call this 'putting the property under contract.'

"**Step three is to execute your exit strategy for the property.** This almost always means you must find your end user for the property. This end user might be a retail buyer who is purchasing the property from you if you've decided that your exit strategy is to immediately resell the property. Or your end user could be a renter if your exit strategy is to lease out the property for a period of time. Or your end user could be a tenant buyer if your exit strategy is to sell the property on a rent-to-own basis.

"As you can imagine, the seller's needs and situation are going to determine to a large degree how you structure the deal, as is your plan for dealing with the property once you've acquired it. The key to structuring a winning deal is to plan both your way into and out of any deal. Your way into a deal is called your '**acquisition strategy.**' This is how you structure your *purchase* of the property.

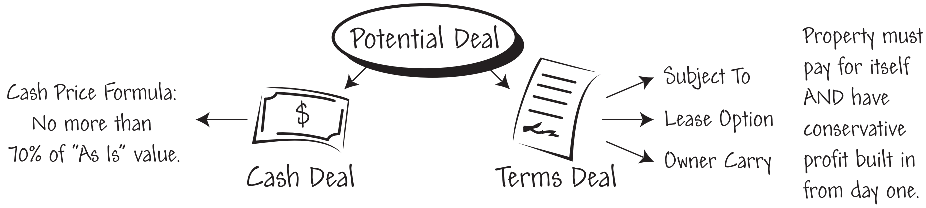
"Intelligent investors know that they make their money when they buy, not when they sell. This requires them to make sure that any deal they do has a built-in profit at the time of *acquisition*.

"Your way out of the deal is called your '**exit strategy.**' This is when you harvest the profit you have created from the deal. *Notice you don't make the profit when you sell—you make your profit when you buy.* You merely harvest your profit when you sell. The key lesson here is that you will never enter into any deal that you do not have a clearly laid out strategy for gracefully exiting.

"There are two main ways to buy a property and make a conservative profit. Either you buy the property for cash at a deeply discounted price, or you buy the property with attractive terms of financing that allow you to make your profit due to the great financing with which you acquired the property. Picture this as a decision tree. At the first juncture you have your first real decision to make as you structure the deal—will it be a cash deal or a terms deal?"

David drew a diagram on the board:

Winning Deal Decision Tree



"Depending on which way you go, there are specific formulas and techniques for how you'll structure the deal. When you are buying for cash you'll need a price that is at least 70 percent or less than the 'as is' value of the property. We call this formula the 'Cash Price Formula.' Here's what it looks like." David clicked a new image onto the screen.

Cash Price Formula

Highest "All Cash" Price You Can Pay = 70% of the "As Is" value of the property

(Go for less!)

"As Is" Value = The after-repair value of the property less the CONSERVATIVE cost of getting the house in the condition so that it will SELL in 90 days or less.

"One very important distinction when you are doing a cash deal is that the cash you are using doesn't have to be your money. It *could* be yours, or it could be money you borrowed from some third party like a bank or private lender. The critical distinction in a cash sale is that the *seller* is getting all of her money up front from you and not waiting for payments over time. Once you've purchased a property for cash, you can either hold on to the property over time or move to sell it right away for more than you paid.

"When you are buying for cash, the reason for the big discount is that as an investor your cash is a valuable commodity—one that most sellers want. It is also a limited commodity. Once it's committed by being invested into real estate, you lose the ability to quickly access it to purchase your next screaming good deal. Because of this, you need to always value your cash highly and use it to maximum effect. This means that if a seller requires an all-cash purchase, you require a 'deep cash discount' to move ahead with the deal. Remember, anytime you get cash to a seller, you need to get something of equal value in return—like a deep cash discount. When you buy for cash, you typically take on more risk than if you enter into a terms deal—having more money in the deal means you potentially have more to lose—and risk always needs to be rewarded. If your risk isn't being adequately rewarded in a deal, then why take it? In a cash deal the way you get rewarded is by getting a deep cash discount.

"Let's do a brief review of buying on terms. This means you structure the deal so that the seller is not getting all her money up front but instead is going to get paid at some future date. With a terms deal you use the excellent financing that the seller participates in to make your profit. Usually on a terms deal you make sure that the property can afford to pay for itself long enough for it to go up in value to resell at a profit. Or you make a deal in which the financing is so valuable that you are able to use it to make your money regardless of whether the property goes up in value.

"Now all of you remember the Intensive Training you went through as part of the Mentorship Program where you learned some of the creative financing strategies we teach, such as lease options, buying subject to the existing financing, and using owner-carry financing.* We'll be building on these main acquisition strategies in just a moment."

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*For more information on these basic terms deal structuring strategies, check out Appendix A for the list of FREE Online Investor Workshops you get when you register for the Investor Fast Track Program™ at **www.InvestorFasttrack.com**.

The Three Most Important Terms Deal Acquisition Strategies*

Terms Deal Acquisition Strategy #1: Lease Option

Long-term lease + agreed upon option price.

The first and perhaps the most common way to structure a terms deal is to negotiate a long-term lease on the property along with an option to purchase the property. What this means is the seller agrees to let you take possession of the property (i.e., lease) and the seller has agreed to give you a fixed price at which you can buy the property at any point over your lease period (i.e., option). The lease portion of the deal lets you control possession of the property, including allowing you to sublease the property to a tenant. The option portion of the deal gives you control over the sale of the property and any future appreciation by locking in a price at which you have the exclusive right to buy for the specific period of the lease term.

Case Study: Two Mentorship students, Mark and Trish, found a seller who was making double payments on two properties after a recent move, who wanted to just get out from under the second payment. They agreed to step in and do a three-year lease option on the property for a price of $235,000. They sold the property on a two-year lease option for $295,000 and netted over a $65,000 profit for their efforts.

Terms Deal Acquisition Strategy #2: Buying Subject To the Existing Financing

Seller deeds you the house and you make payments every month on the existing loan(s).

On most properties you buy, the seller doesn't own the property free and clear. She has a loan against the property for some amount. Now how did the seller get that loan in place? She applied with a mortgage lender who required her to show three things to qualify for the loan: her credit score, the financial resources to pay for the loan, and often a cash down payment, Of course the lender didn't do the loan for free; it charged the borrower application fees, appraisal fees, origination fees, and points on the loan. And the lender required the borrower to personally guarantee the loan.

*For more details on all three terms deal acquisition strategies, go to **www.InvestorFasttrack.com** and download a FREE ebook titled *Five Fun, Easy Ways to Structure Terms Deals to Generate Over $100,000 in Profits This Year.*

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The Three Most Important Terms Deal Acquisition Strategies *(continued)*

With subject-to financing, you get all the benefit of the loan that's already in place with none of the risk, with none of the cost, in fact with virtually none of the downsides of conventional financing. What you do is simply buy the property and *leave* the existing financing in place. *You* own the property, the seller owns the debt. Of course you agree to pay the payment each month on the existing loan, because if the loan isn't paid each month the lender's claim to the property comes before your claim to it. In fancy terms we'd say you own the property "subject to the existing financing that exists against the property."

Case Study: John, one of our Mentorship graduates, got a referral to meet with a couple who were four months behind on their mortgage payment and about to lose their home to foreclosure. After meeting with them he agreed that he would make up the back payments, buy the property, and simply take over making payments on the underlying loan. Here are what the numbers looked like on the front half of the deal:

Value	$180,000
Existing Mortgage	($155,000)
Back Payments (with late fees and attorney's fees)	($9,000)
Money Given to the Seller	($1,000)
Closing Costs (title insurance, escrow cost)	($1,000)
Effective Purchase Price	$166,000
Total Cash Needed for Deal	$11,000

To make this deal work for him, John immediately found a tenant buyer for the property who gave him $6,000 of option money plus the first month's rent of $1,600. In essence he recouped $7,600 of the $11,000 he needed to do this deal within three weeks of buying it. Over the next five years he had two different tenant buyers go through the property and choose not to exercise their option to purchase (remember, his tenant buyers had the *option* to purchase, not the obligation). During that time, these tenant buyers paid him rent every month, took care of maintaining the property, and both gave him sizable nonrefundable option payments. Five years later the property had increased in value to $300,000. He ended up selling the property to his third tenant buyer for $280,000. In the end he made $110,000 from this one deal!

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The Three Most Important Terms Deal Acquisition Strategies
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Terms Deal Acquisition Strategy #3: Owner-Carry Financing

Seller accepts a promissory note for some or all of the money owed to her.

When you are doing your investing you will at times run across sellers who have a very large chunk of equity in their properties, or perhaps even own the property free and clear. In situations like this it is often possible to structure the deal with the seller agreeing to finance your purchase of the property by “carrying back” some or all of the purchase price as a mortgage that you will pay back over time.

Case Study: Peter and I called about a FSBO ad in the newspaper. The seller owned a large five-bedroom house in an upscale section of San Diego. He not only owned this property free and clear, but he had already purchased another home near Palm Springs that he wanted to retire to.

After negotiating over three days we agreed on a purchase price of $595,000 with a down payment of 10 percent and the owner to carry back the balance as a first mortgage at an interest rate that was about 2 percent lower than the best rates conventional lenders would offer at that time. Why did the seller agree to give us such attractive financing? Because he wanted a fast and easy sale. We gave him a price that was fair and we told him not to worry about repainting the interior of the house. We held on to the house for four years, put a little money into sprucing it up cosmetically, and resold the property for $925,000.

Case Study: A Mentorship student in Virginia found an elderly couple who were selling their home. Since the couple owned the property free and clear, our student, an attorney in the area, talked with them to see if they would participate in the financing.

After going back and forth, they agreed on a purchase price of $380,000, with our student to bring in a new conventional first mortgage of $180,000 and the sellers to carry back a second mortgage for the other $200,000. The sellers got the $180,000 from the new conventional loan up front at the closing, and our student was able to 100 percent finance the deal (roughly half from a conventional first mortgage and half from the owner-carry second mortgage). Why wasn’t this a “cash” deal since the owner got so much money up front? Because the seller carried back a second mortgage for $200,000 with an interest rate of just 2 percent! This allowed the property to have incredibly low mortgage payments. In the end our student decided to move into the property and live there for a few years before he resold it for a healthy profit.

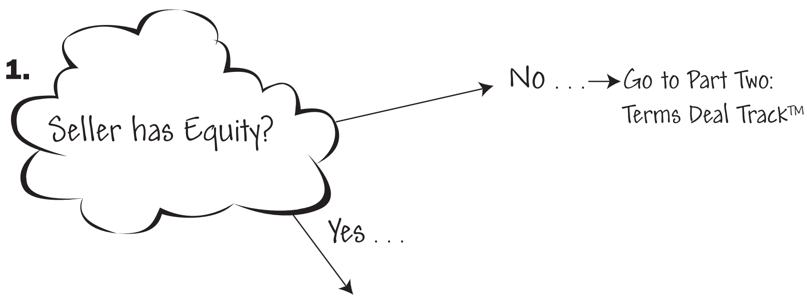
The Deal Structuring Wizard™— Two Simple Steps to Determine the Right Way to Structure the Deal

"All of you understand the basic deal structuring techniques, but the real skill isn't just having enough tools in your investor toolbox. The real skill is being able to quickly determine which tools are appropriate for which seller situations. Let's face it, if you try to force a terms deal on a seller who really is ready for an all-cash offer, then you're in for a lot of frustration. Or if you try to push a seller to discount the price for a quick cash sale, but they don't have the equity to discount the price as much as you need, you can be the world's best negotiator but you're still not going to close the deal.

"What I would like to do right now is to cover a simple two-step process you can go through to quickly determine which of the deal structuring strategies is most appropriate for a given seller's situation. When we're done, you'll be able to meet with a seller and quickly diagnose, just like a doctor does, what solution best cures their real estate ailment.

"Let's start with Part One of the Deal Structuring Wizard™." David drew a diagram on the board.

Deal Structuring Wizard™ (Part One)



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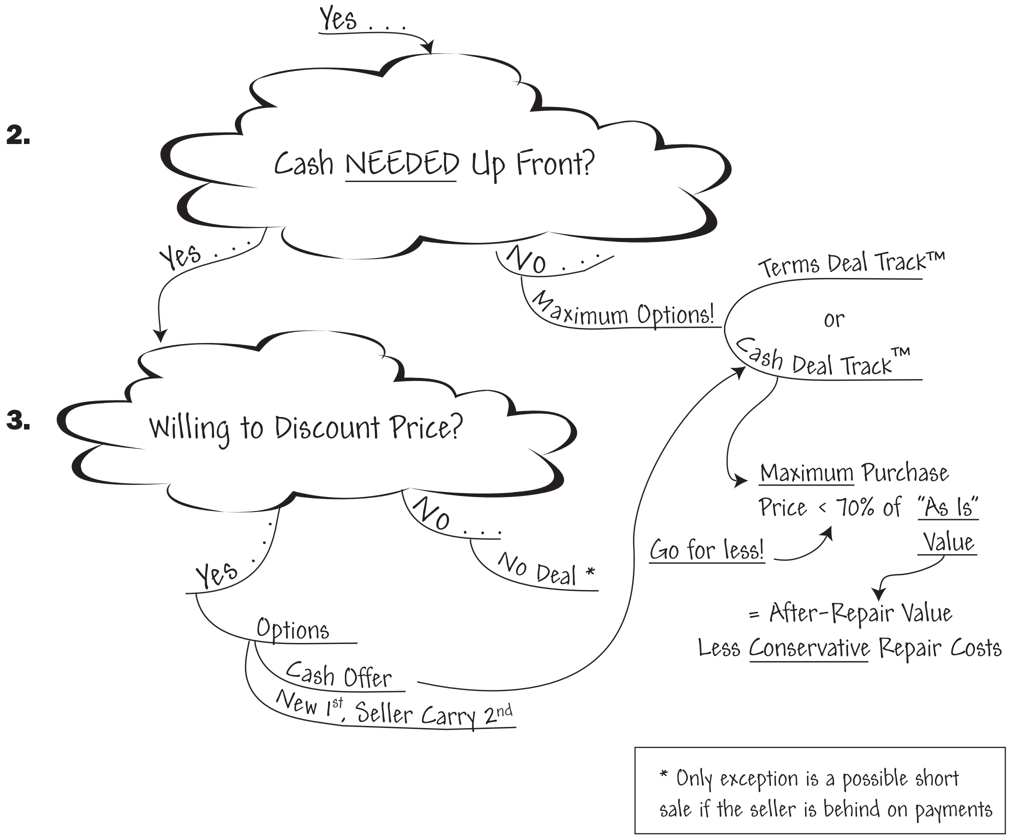
Deal Structuring Wizard™ (Part One) *(continued)*



"The first question you need to ask is, does the seller have a lot of equity? If the answer is no, then chances are you'll need to choose the Terms Deal Track™. If the answer is yes, then you have maximum flexibility because either a terms deal or a cash deal could work.

"Next you'll ask yourself, does the seller absolutely need their equity in cash up front? Now understand that almost every seller *wants* their cash up front, but not every seller *needs* it up front. The single biggest reason why a seller would need all of their equity out of a house up front is so that the seller can use it for a down payment on their next property.

"Indirectly explore whether the seller needs his equity, or if he just wants it up front. If he just wants it, and if he is truly a motivated seller, then many times a terms deal could work for him. If he needs all his equity up front then your only choice is the Cash Deal Track™. If he isn't motivated enough for this route, then you'll have to walk from the deal.

"The final question to ask in Part One of the Deal Structuring Wizard™ is, if the seller has a lot of equity, is she willing to give you a big discount in exchange for an all-cash offer? If the answer is no, then your only option is the Terms Deal Track™. If the seller isn't willing to go that route, then you are going to have to walk from the deal. If the seller *is* willing to take a big discount on the price, then your best route is to choose the Cash Deal Track™ and go for a discounted cash price for the property.

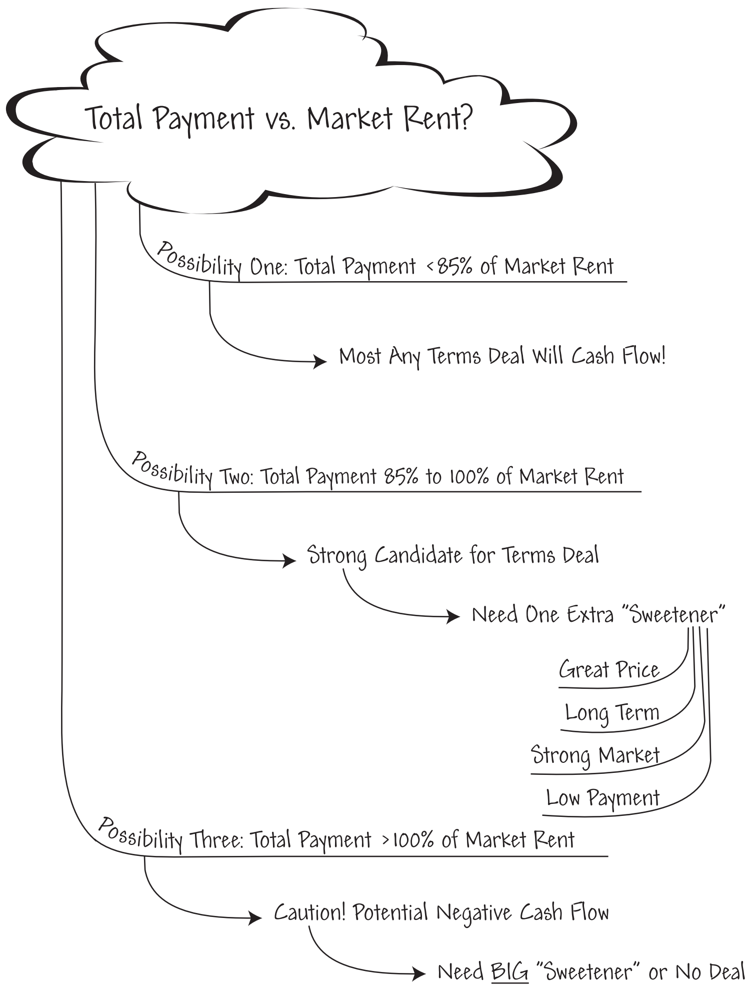
"And that take us to the end of Part One. At this point you know whether the seller has a lot of equity or not. If he does have a lot of equity, you know whether he needs it all up front or just wants it all up front. And finally, you know if he is willing to give you a big discount in the price in exchange for an all-cash closing. In essence, these three questions will help you determine which track to take. You'll either take the Cash Deal Track™ or the Terms Deal Track™." David paused as students let these ideas sink in.

"Let's move on to Part Two of the Deal Structuring Wizard™. This is the Terms Deal Track™ and it's your chance to determine if a terms deal will work. Here's what it looks like." David turned and drew on the board.

"The first question to ask is, what is the property's current monthly fixed expense of mortgage payment, property taxes, and insurance in relationship to the market rent for that property? This matters because if you are going to structure a

Deal Structuring Wizard™ (Part Two)

Terms Deal Track™



terms deal, then the property will need to be able to generate enough income from rent to cover the monthly expense.

"There are **three possibilities. First,** the payment could be very low in relationship to the market rent, which I define as **less than 85 percent of the market rent.** If this is the case then a terms deal would cash flow great. Now it's just up to you to negotiate it! Don't worry, I'll cover how to get the seller to agree to your creative terms deals later.

"Possibility two is that the monthly payment is 85 to 100 percent of the market rent. If this is the case then you can still structure the deal, but you need at least one other small sweetener to make the deal worthwhile. This could be that you're getting a great price in combination with the terms deal. Or it could be that you're getting a real long term on the financing of more than five years. Or it could be that the property is in a strongly appreciating area, in which case it is almost certainly worth doing the deal.

"The **final possibility** is for the monthly payment to be **greater than the market rent.** This means if you took the deal you'll probably have a negative cash flow. This is a big warning flag. The only way you'll take on a deal that has negative cash flow is if you have some other big sweetener in the deal. This could be a great price that guarantees you a conservative profit after you factor in the extra holding costs of the negative cash flow. This could be a red-hot market and a long term that will conservatively make you a lot of money on the back end. Or, in one deal I did with Peter, we got a free lot of land with the sale of a house that had a small negative cash flow. We immediately sold the lot and made a nice profit, some of which went to cover the negative cash flow for a few years until the property was sold.

"I think you get the idea. If you are going to buy on terms, then chances are you are going to hold on to that property over time. And this means the property needs to be able to pay its own way. If not, you need some other sweetener in the deal to offset the cost of carrying the property."

Advanced Secrets to Structuring Deals

"Once you master the basics—buying for cash and buying on terms—then you'll start to get more comfortable combining buying strategies to tailor a solution to the seller's situation, earning a healthy profit for yourself.

"For example, I remember a Mentorship student who found a motivated seller with a $300,000 house that he locked up to buy at $180,000 cash. The challenge was that this student didn't have the money to close. So what he did was get the seller to agree to let him buy the house subject to the existing $100,000 mortgage, as long as he finished the rehab and cashed the seller out within six months. The seller actually did ask for a down payment to make sure the deal was for real, so our student agreed to put $20,000 down. But rather than give that money to the seller, the investor got the seller to agree to allow him to put the money into the rehab of the house. It took two months and $23,000 to fix it up, at which point he put it on the market and sold it nine weeks later for $285,000. The seller got his money at that point and the investor ended up netting $55,000. The way the student was able to save the deal was simply by combining the all-cash acquisition strategy with a short-term subject-to acquisition strategy.

"Another way you can combine strategies is to negotiate a cash price but make the seller your partner by using an *equity split*, whereby you agree on the price that you'll pay the seller, and you also agree that the seller will get a percentage of the profit you make when you resell the house for more.

"Or you could even combine a subject to the existing financing purchase with an owner-carry second. I did that on a pre-foreclosure property I bought several years back. The owner was four mortgage payments behind and headed toward foreclosure. The house was in great need of new carpet and paint, but other than that it was structurally sound. I bought the place subject to an existing $65,000 first mortgage, and I gave the seller $15,000 in the form of a second mortgage on the property with an annual interest-only payment and the balance due in full in five years or less. The deal saved her from being foreclosed on and made her $15,000 plus interest. I got a house that five years later was worth over $200,000 more than I paid for it.

"The point I'm trying to make here is that when you master these basics and add a little creativity, the sky is the limit. You will need the nerve to ask the seller to go along with your creative ideas, and the skill to negotiate the deal. Plus you'll need the fluency to write up the deal initially, and the business systems to follow through and execute your exit strategy for the deal. But when you do, a whole new world of opportunity will open up for you.

"The average investor only knows one way to buy an investment property—

for a discounted cash price. To grow a thriving investing business you need to master more creative ways to buy so that you have more tools with which to structure win-win deals with motivated sellers."

BRIGHT IDEA

21 Advanced Deal Structuring Strategies to Unstick Even the Toughest of Deals

Advanced Strategy 1: Delay Your Down Payment
Is the seller flexible as to when you give them your down payment? Sometimes it's to your advantage to give a small earnest money deposit, with any down payment coming later. Can you push the closing out 90 to 120 days? Often this gives you the chance to put together your financing or to use Advanced Strategies 2 or 3 (which you'll read about in a moment). If you just need more time, see if the seller will let you make a fair payment of principal to extend the closing date by 30 to 60 days.

I've also seen deals structured where the down payment was used by the investor buying the property to fix up the property. This let the seller know the investor had something at stake, plus all that money went into improving the property, which made the seller's protection greater. For the investor, this allowed them to significantly reduce the cash they needed to close on the deal. Once they had the house fixed up they either sold the house or, six months after they bought the house, they refinanced the property and cashed the seller out at that time.

Advanced Strategy 2: Wholesale the Deal
Some new investors are scared to lock up a contract to buy a house for cash because they mistakenly think they don't have the money. Remember, you don't need to have the money. If the deal is right you will *find* the money. One source of money is for you to sell your right to buy the property to another investor. This is called wholesaling or "flipping" the deal. Start to build your investor's list of rehab investors and other cash investors in your area who might want to buy one of your lucrative cash deals from you at a wholesale price.

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21 Advanced Deal Structuring Strategies to Unstick Even the Toughest of Deals *(continued)*

Example: A Mentorship student in Phoenix found the owner of a beat-up, ugly house and put the property under contract for a discounted cash price of $14,500. Then a short while later the student found another investor who gutted and rehabbed homes in that area, who paid the student $10,000 to buy the contract to purchase the house. The Mentorship student made $10,000 cash for assigning his contract to this new investor. The new investor used his money to rehab the house and later resold it for an even larger profit. The buyer, who in this case was the rehab investor, "funded" this deal by paying the student cash for the right to buy this house at a deep discount, and also "funded" the deal by using his own money to pay the original seller the $14,500 owed to him.*

Advanced Strategy 3: Presell the Property to a Retail Buyer
A retail buyer is someone who wants to buy the property so that he can move in and live there. A retail buyer can fund your deal using his cash in the form of a down payment or option payment, his credit in the form of a new bank loan, or a combination of the two.

Example: A past Mentorship student in Washington, D.C., found a motivated seller through the Internet. He negotiated over the phone and put the property under contract to purchase at a discounted cash price. He aggressively advertised and marketed the property and found a buyer who fell in love with the home. The student was able to sell the property for a $45,000 profit to this new buyer. He structured the sale to be what's called a *simultaneous closing*, which meant he did a double closing where he took his new buyer's money from the loan his new buyer secured, and gave most of it to the original seller to pay the original discounted cash price, and in the process the $45,000 spread in prices became the investor's profit. The buyer "funded" this deal by getting a conventional loan to pay for the property, with our student using a large chunk of this cash to pay to the original seller.

Advanced Strategy 4: Joint Venture with the Seller
Imagine you came across a seller who is motivated to do a deal with you, but not quite motivated enough to give up her existing equity or to give up all the future appreciation of the property. The seller wants to do the deal, but you need one last sweetener to spur the seller to do it. This is a perfect scenario to try using an *equity split*.

*To download a FREE copy of the ebook *3 Simple Steps to Flip a Deal for Quick Cash Profits*, go to **www.InvestorFasttrack.com**.

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21 Advanced Deal Structuring Strategies to Unstick Even the Toughest of Deals *(continued)*

An equity split is any deal where you, the investor, split part of your future profit with the seller of a property. Typically this is used to give the seller an extra bonus on top of the agreed-on purchase price for the property. For example, you and the seller agree on a cash price of $350,000 and you also agree that after you're done fixing up the property and reselling it, you'll split part of your profits from the resale of the property with the seller. How much should you give the seller when you resell? That is totally up to you to negotiate. You can give the seller a percentage of your future profit, say 10 to 15 percent. Or you can give them an extra bonus of $5,000 to $25,000 when you resell it for more than a specified amount.

Example: You find a seller who owns a rental house and is open to selling it to you on a two-year lease option. But he's just not motivated enough to give you any longer on the term. You ask him, "Mr. Seller, if there was a way where we could get you your asking price of $180,000 and even a small percentage of the appreciation too, in exchange for a bit longer period of time, is this something you'd even be open to, or probably not?"

The seller scratches his head and thinks for a moment. You negotiate back and forth for a while and this is what you agree on: a six-year lease option for a purchase price of $180,000 with a monthly rent to the seller of $1,200. Plus you also agree on one more thing. You agree to give the seller 30 percent of any amount over $180,000 that you get when you resell the property to your tenant buyer. This is an equity split.

The seller gets all of the first $180,000 (which is your option price) and 30 percent of the difference between $180,000 and the amount you resell it for to your tenant buyer. Imagine your tenant buyer buys it from you for $230,000. The seller gets $180,000 plus 30 percent of the $50,000 profit you made, for a total payment to the seller of $195,000. You make $35,000 from the resale plus any cash flow from the spread between your tenant buyer's rent and your rent to the seller, and you also make any forfeited option payments from earlier tenant buyers who didn't end up buying.

Remember, there is no set rule that says you have to do a 50-50 equity split. You can negotiate the deal any way you want. If you want to negotiate a 60-40 split or a 75-25 split, or even a 95-5 split, you can—whatever you and the seller agree to.

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21 Advanced Deal Structuring Strategies to Unstick Even the Toughest of Deals *(continued)*

Advanced Strategy 5: Use the "Hybrid Equity Split" to Make an Extra $25,000 or More on Every Equity Split Deal You Do

Peter and I developed a smarter way to do an equity split several years ago where you the investor will make an extra $25,000 or more on every equity split you do, with zero extra work or effort! It's call a *hybrid equity split*. I think you'll like this simple yet highly profitable technique and want to add it to your toolbox of investing ideas.

In essence, a hybrid equity split is taking a normal equity split and adding in a minimum "base profit" that you the investor need to earn before the equity split kicks in.

Example: Several years ago I met with the owners of a two-bedroom, two-bath condo. The sellers were motivated because the husband had been transferred. When I met with them we talked through doing a five-year lease option on the property. Right at the very end they started to balk, so I introduced the idea of adding an equity split. In fact, by adding in this extra incentive to the seller, it was almost like they were my partners. The more money I made, the more money they made. They even agreed to extend my term with them to eight years!

Watch this part very carefully. I told them that as a conservative investor, obviously I would need to build in a base profit for myself of $25,000. But if I sold it for any amount above that, they would get all the purchase price we had agreed to, plus they would get 10 percent of the amount I sold it for above the base profit. We went back and forth a little and I let them negotiate me all the way up to 12 percent. Here is what the final details of the lease option turned out to be: a term of eight years and a purchase price of $102,000. The up-front option consideration I paid was $1. I also agreed to an equity split on anything I resold the property for above $127,000. In other words, the first $25,000 in profit would be mine alone and I would only do the equity split on any amount above that.

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21 Advanced Deal Structuring Strategies to Unstick Even the Toughest of Deals *(continued)*

Advanced Strategy 6: Use Hard Money

A hard money lender is an experienced investor who is willing to lend you money to purchase a property, based not on your creditworthiness or character, but based on the security of the loan. The security in this case is the property itself and not the borrower's creditworthiness or other assets. Since most conventional lenders will only lend you money based on the appraised value or purchase price, whichever is *less*, it's often impossible to 100 percent finance a cash purchase through a conventional lender, even if you have the price at 50 cents on the dollar. A hard money lender, however, will lend you money based solely on the appraised value of the property. This means that you can easily finance a cash sale through a hard money lender as long as your price is right. In fact, you can often borrow all the money you need to fix up the property too.

What's the catch? The hard money lender is going to make you pay a whole lot more for the money. Hard money lenders typically require five to eight percentage points higher in the loan interest rate than conventional lenders charge. Plus, hard money lenders will usually charge you three to eight "points" on the loan. A point is prepaid interest, with each point equal to prepaid interest of 1 percent of the value of the loan. While this sounds like and is a lot to pay for your money, if the deal is a good one, and you only need the money short term, a hard money loan may very well be the way to go.

Two easy places to find a hard money lender are, first, the "Money to Lend" section of your local newspaper. Second, go to your local real estate investors association.* Usually there are several hard money lenders who are members solely for the purpose of finding new investors to lend money to.

Example: One Mentorship student put a four-bedroom house under contract for a discounted cash price of $130,000. The property was conservatively valued at $220,000. The student borrowed $150,000 from a local hard money lender. The money was used as follows:

Purchase Price	$130,000
5 "Points" the hard money lender charged	$ 6,500
Closing Costs	$ 2,000
Fix-Up Costs:	$ 11,500
Total Loan	$150,000

*For a complete state-by-state listing of 200 local real estate investor associations go to **www.InvestorFasttrack.com**.

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21 Advanced Deal Structuring Strategies to Unstick Even the Toughest of Deals *(continued)*

It took the student four months to fix up and resell the property. During that time she had to pay the hard money lender 12 percent interest payments on the loan. But because she only needed the money for a short time, when she resold the property for $220,000 she ended up netting $40,000.

Advanced Strategy 7: Use Private Money
Once you have a track record of proven results, you should start to establish sources of private money. Private money comes from people who are willing to lend you money secured by a mortgage on a property, but at a substantially lower cost than a sophisticated hard money lender would charge you.

Example: Two investor friends of mine recently bought a mobile home park. They borrowed roughly $300,000 from a person they knew who wanted to get a good rate of return on his money without much risk or effort. My friends got the money for 10 percent simple interest with no loan fees or credit checks, and the lender was able to have his loan secured with a first mortgage with over $500,000 of equity protecting the loan. A win-win.

Advanced Strategy 8: Use Graduated Payments to Protect Your Cash Flow in the Early Years
See if the seller will accept lower interest payments in the early years with built-in increases in the interest payments in the later years of the note. For example, "Mr. Seller, what if we were able to pay you $300 per month for the first 24 months, and then for the next 24 months we'd pay you $400 per month, and then for the final 24 months you'd get $600 per month?" There are no rules governing this, so be creative. The key is to protect your cash flow in the early years. Who knows, you just may sell or refinance the property before the interest or payment bumps up too high!

Advanced Strategy 9: Use Graduated Prices to Get a Longer Term
Imagine you are working to negotiate a terms deal with a motivated seller. The seller is only willing to give you a three-year term before you have to fully repay the $365,000 owner-carry note. Try this with the seller: "Mr. Seller, I know that this may seem crazy for me to even suggest it, and you'll probably hate the idea anyway, but what if we did it exactly like you

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21 Advanced Deal Structuring Strategies to Unstick Even the Toughest of Deals *(continued)*

wanted with a three-year term, and then if for some reason we needed more time, we'd have up to another 24 to 36 months, but the price we'd be paying you would jump all the way up to $375,000. Is that something we should even talk about, or probably not?" Is it worth it to pay an extra $10,000 for two or three years added onto the term of the note? Who knows? But remember, you don't have to use the extension, but you'll be awfully glad you have it *prenegotiated* if you end up needing it.

Advanced Strategy 10: Use a Reverse Credit to Incentivize the Seller to Carry the Negative Cash Flow

A reverse credit is when you *increase* your purchase price each month. It's similar to a reverse amortizing loan. It is useful when you want to keep your payment to a seller low enough to have a property cash flow, and you need the seller to be willing to cover the negative cash flow.

Example: You are negotiating a five-year lease option on a three-bedroom house. You agree on a price of $350,000, which is $30,000 below market value. The sticking point is that the seller wants you to cover his full monthly mortgage payment (which includes the property taxes and insurance) of $2,200 per month. You, on the other hand, know that the most the house will rent for is $2,000 per month, so the most you want to pay is $1,900 per month to the seller. But this leaves a negative cash flow of $300 per month for the seller. Being the well-trained investor you are, you pull the "reverse credit" advanced strategy out of your tool box and say to the seller, "Look, what if I could get my partner to go along with adding that $300 that you are covering onto the purchase price each month. What this would mean is that each month you cover that money, it will get added into the purchase price." In essence, your purchase price will increase by $3,600 per year with the seller taking on the risk and burden of the negative cash flow. And just in case you need one more kicker to make this work, you can always offer to pay the seller an interest rate of 5 to 12 percent on that money, to be added into the purchase price, so at least he feels like he's getting paid something extra for tying up the money covering the negative cash flow. (Remember, though, this interest rate is *only* on the $300 per month as it's paid and *not* on the full amount you owe him.)

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21 Advanced Deal Structuring Strategies to Unstick Even the Toughest of Deals *(continued)*

Advanced Strategy 11: Turn the Seller into Your Bank
My favorite source of funding a deal is the seller I am buying from. Whether the seller actually carries back a mortgage as part of your purchase, or whether you buy the property subject to the seller's loan (both strategies were discussed earlier in this chapter), the seller is making your purchase of the property possible.

The following is an example of how you can put together a deal with owner financing. In the next several advanced strategies I'll build on this strategy to give you even more insider options.

Example: A Mentorship student called on a "For Sale" ad in her local paper. She talked to a nice man on the phone and set up an appointment to see this midpriced home in a quiet suburb. When she met him at the property she found out that he wasn't actually the seller, he was the attorney for a seller who lived out of state. They sat down and talked the purchase over and agreed on our student buying the house with $2,500 down with the owner carrying back a 30-year first mortgage at 8 percent interest. (Originally the attorney told the investor she would have to put $10,000 down, but she used the negotiating techniques you'll be learning later in this book to talk him down to just a $2,500 down payment.) The best part about loans like these is that the investor didn't have to pay points or loan origination fees or appraisal fees or any of a number of loan costs you'll have if you finance a property with traditional sources. The investor later sold the house on a two-year rent to own for roughly $15,000 more than she bought it for. (And the funny thing was that she liked working with this attorney so much that she later hired him to be her family's attorney!)

Advanced Technique 12: Combine Subject-To and Owner-Carry Financing
Better by far is to combine the subject-to financing strategy you learned about earlier with owner financing. What I mean is that you buy the property subject to the existing financing and the owner carries back a note for her equity. This is much lower risk to you the investor, plus it will save you money not having to pay to assume the existing loan.

Example: Two Mentorship graduates got a call from a motivated seller in response to the "I Buy Houses" ad they were running in the paper.

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21 Advanced Deal Structuring Strategies to Unstick Even the Toughest of Deals *(continued)*

The seller had bought a new house but hadn't been able to sell his first house and was feeling the pressure of the double payments. While they didn't sign the deal on the spot, the investors followed up every few weeks and eventually, six months later, the seller sold them the house. By this point the seller had refinanced out much of his equity with a new first mortgage of $280,000. The investors gave the seller $100 down and bought the house for a price of $350,000. They agreed to take over the payments on the existing $280,000 mortgage of $2,300 with the seller to carry back a $70,000 second mortgage with no interest and no payments, due in full as a lump-sum payment within 60 months of closing.

Next the investors sold the house on a two-year rent to own for $400,000. They collected a $24,000 option payment and got $3,300 a month in rent! All totaled, this deal netted the investors $65,000!

Advanced Strategy 13: Write Up a Zero Interest, Zero Payments Loan
Can you really do this, you ask? Yes! The simplest way to do this is to negotiate to pay off the mortgage the seller carries back as a "lump-sum payment due in full" down the road. This is the prettier way of saying zero interest, zero payment loan.

Here's the fancy way to say this in your purchase contract:

"The Seller shall carry back a second purchase money mortgage in the amount of $150,000 to be paid as a lump-sum payment due in full within 60 months of closing of escrow."

Advanced Strategy 14: If You Have to Make Payments, Pay Pure Principal
Obviously as an investor you would prefer a loan without payments and without interest. That's why, whenever possible, you'll use the language of paying your seller a "lump-sum" payment due down the road. But if you have to pay them as you go, pay them *principal*, not interest. Principal is money that goes towards the purchase price or loan amount.

Here's the fancy way to say this in your purchase contract:

"Seller to carry back a second mortgage in the amount of $100,000 to be paid by Buyer in 100 monthly payments of $1,000 including principal and interest with the first payment of $1,000 due within 30 days of closing."

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21 Advanced Deal Structuring Strategies to Unstick Even the Toughest of Deals *(continued)*

Advanced Strategy 15: Agree to Pay "Thank You Payments"

Many times the only way to make a highly leveraged purchase of a nice house cash flow from the start is to get the seller to accept below-market interest rates on the money they are carrying. One languaging tip that makes this more palatable to a seller is to call these monthly or quarterly payments "thank you payments" versus interest payments. Just by labeling the payment this way, you deemphasize the seller's need to get an interest rate and lower the seller's expectation as to the amount. Tell the seller, "Mr. Seller, I'm even willing to give you a thank you payment of $300 every month as my way of saying I appreciate you being a bit patient waiting to get cashed out and getting that $100,000 check."

Advanced Strategy 16: Let the Interest Accrue

As an investor you need to protect your cash flow. If you are negotiating with a seller who insists on interest, see if you can get them to let the interest accrue to be paid off down the road, ideally when you resell the property. This works especially well for properties you are buying far enough below value that you are going to have the margin to pay for this accumulating interest cost when you resell it to your buyer. Use caution here to make sure there is enough profit to make this possible.

If you use this strategy, your first choice is to pay simple interest versus compound interest. To do this, simply label the interest rate with the words "simple interest."

Here's the fancy way to say this in your purchase contract:

"The Seller shall carry back a second mortgage in the amount of $100,000 with simple interest of 7 percent which shall accrue. The entire balance of principal and interest is due in full as a lump-sum payment within 72 months of closing."

Advanced Strategy 17: Ask for Interest-Only Payments

If you have to pay money each month, and it can't be principal, then make the owner-carry note "interest only." In effect, this means you won't be paying any principal each month when you send the seller her check. This lowers your monthly payment and protects your cash flow. Remember, you can always voluntarily prepay principal anytime you want. Don't obligate yourself to pay principal if you can avoid it. This gives you more flexibility.

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21 Advanced Deal Structuring Strategies to Unstick Even the Toughest of Deals *(continued)*

Advanced Strategy 18: Consider Adding Up Your Monthly Payments into Quarterly, Semiannual, or Annual Payments
If the amount of your monthly payment to the seller doesn't seem like much, consider adding it up and offering a "larger" payment to your seller every quarter, semiannually, or annually.

Example: If $300 per month doesn't sound like much, why not add up the payments and pay your seller annually. Say, "Mr. Seller, I'm even willing to pay you $3,000 to $3,500 every year as a thank you payment for your willingness to work with me to make this a win for both of us."

Advanced Strategy 19: Prenegotiate an Extension or Renewal of the Loan
The best time to arrange an extension or renewal of the seller carryback is *before* you buy the property. The seller will never be as motivated, and you'll never be as unmotivated, as at that moment. You can always agree to pay the seller a "renewal" payment to renew the loan term. (Just make sure that if you do make a renewal or extension payment, you label it as *principal* and not interest!)

Here's the fancy way to say this in your purchase contract:

"Buyer may extend the Seller second mortgage by paying to Seller $5,000 of principal to extend the Seller second mortgage by 24 months."

Advanced Strategy 20: Offer to Cross Collateralize
Cross collateralize is a fancy name for you giving the seller a lien on another asset you own, like another house, as extra security so that the seller is more willing to carry back financing. Be careful not to offer this except as a last resort, and even still, use it only when you are confident that you have negotiated a really strong deal. If I agree to cross collateralize by giving the seller a second mortgage on another property as security for the seller carry, I also make sure to prenegotiate that the seller will release that mortgage after I have a 12- to 24-month track record of making the seller on-time mortgage payments. This gives the seller time to get to know how upstanding I really am, but it also makes sure I don't tie up my other property recklessly.

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21 Advanced Deal Structuring Strategies to Unstick Even the Toughest of Deals *(continued)*

Advanced Strategy 21: Ask for Seller Subordination—Pay a Seller with Borrowed Money

Have you ever run across a seller who owns a property free and clear, and who has a strong motivation to sell, but who doesn't want to do a lease option or carry back all the financing? In other words, they are willing to carry back some of the financing as long as they get a good-sized chunk of their equity now.

In these situations, the Big Money Cash Close is a powerful buying strategy to use. This technique means getting a new first mortgage secured against the property to get the seller some cash at closing, and then the seller simply carries back a second mortgage for the balance of his equity for a period of time.

Example: Imagine a $100,000 house. Using this technique you would bring in a new first mortgage of between $30,000 and $50,000 and have the seller carry back the balance as a second mortgage. Because the bank you are seeking the first mortgage from will have so much value protecting its money (after all, what banker doesn't like to lend at 30 to 50 percent loan-to-value), this is a fairly easy mortgage to secure. This strategy is a way for you to get the seller a large chunk of money at closing, but having that money be borrowed rather than your own.

Using this strategy, it is important to note that the seller will need to be willing to carry a *second* mortgage for the balance of their equity. This is because you will be getting a new first mortgage to give the seller money at closing. To do this you need the seller to agree to subordinate his mortgage to second position *behind* the new financing you are bringing in from a conventional lender.

Here is exactly how to word your offer: "Mr. Seller, what if I were to bring in new financing and get you $30,000 or so cash at closing, and then you were to carry back a small second for the balance. Obviously you wouldn't want to have to wait forever for the balance of your money, so we'd put a short-term balloon note of five to seven years on it."

Notice you use the term "bring in new financing," not "put $30,000 down." Technically, if you say you are going to put money down that means you are going to be using *your* money. That's not what you want to do. You'll be using the bank's money instead.

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21 Advanced Deal Structuring Strategies to Unstick Even the Toughest of Deals *(continued)*

Let's be clear on one critical item: Of course the seller will need to be very clear that their loan will be in second position. You are not trying to pull anything over their eyes. The language you use is very important so that you frame the offer in the seller's mind the right way from the very beginning. You need to make sure the idea creates a good first impression on the seller. Later you can go back over it to make sure the seller is totally aware of all the advantages and disadvantages of this type of deal.

Using this technique you are going to be 100 percent financing the property. The critical question on any 100 percent financed property is, does it cash flow? If you pay market interest rates for the second mortgage that the seller is carrying back, it probably won't. But when sellers carry back seconds they don't need high interest rates—at least, they don't if they are motivated, and if they're not motivated what are you doing wasting your time talking with them?

Core Investor Skill Three: Negotiating Magic—Getting the Other Side to Say *Yes*

David looked out across the room. "We so often think about negotiation only in terms of buying a property and selling a property, as if the only real negotiating going on in real estate happens when we buy or sell. But the reality is that there are dozens of other situations that you'll face as an investor where your negotiation skills will mean the difference between hundreds, thousands, or even hundreds of thousands of dollars in profits—or losses."

David paused for a moment. "Remember this: Any one real estate deal can be broken down into hundreds of smaller, 'micro' negotiations. Each of these micro negotiations has a huge cumulative impact on the overall profitability of your investing business. That makes mastering the skill of negotiation a *huge* profit leverage point. The time and effort you invest to master this skill gets rewarded hundreds of times in any deal, resulting in magnified profits. When you learn this skill, it's easy to increase your profits in a deal by $5,000 to $50,000 to $500,000 or more! For example, I remember a Mentorship student of ours who used a simple negotiating technique he had learned at the Advanced Negotiating Workshop during a negotiation for a small apartment complex he was buying. That one technique got the seller to reduce the price by $85,000! And it took less than five minutes to use the technique. I don't know what that skill paid him on an hourly basis, but I'm pretty sure it was a wealthy person's wage!

"We are going to take the rest of the afternoon to focus on the core skill of negotiation. First I'll go through the foundational negotiating techniques. Then we'll move on and cover the 14 Advanced Negotiating Secrets. Finally, you'll get the chance to ask your most challenging negotiating questions so that you'll be able to tie all this information together. In the end, it's not about knowing techniques just to impress your friends at parties. It's about knowing how to *apply* all these lessons so you will be more successful in your investing.

"So let's start with the foundational negotiating skills. For most of you this will be a review, but for some of you it will be new."

The Instant Offer System: A Simple Five-Step System for Closing Deals*

Step One: Build Rapport
One of the most important requirements in any negotiation is to build an emotional connection with the other side. People like to do business with people they like. And what's more, when you're working with a motivated seller, you need to help them feel comfortable opening up and sharing their *emotional* reasons for selling and their *emotional* needs for any solution you offer. This means you need to build and maintain a high level of trust and rapport with the seller. The time to do this is both at the start of your meeting with a seller, and also throughout the entire duration of your negotiation. Look for common bonds and build bridges of connection with the seller wherever you can.

Step Two: Set an Up-Front Agreement
An up-front agreement is simply an agreement between you and the seller where you each agree to make a decision at the end of your time together. In essence, you both agree that, in fairness to both of you, you will each clearly let the other know where you stand so that you both know what, if any, next step is most appropriate. Using the up-front agreement language pattern will save you from hearing the seller tell you, "I'll think about it and get back with you."

*For more detailed training on the Instant Offer System, make sure to read *Buying Real Estate without Cash or Credit* (pp. 93–116). Also, for more free training on negotiating profitable deals, go to **www.InvestorFasttrack.com**!

(continued)

The Instant Offer System: A Simple Five-Step System for Closing Deals *(continued)*

Step Three: Build the Seller's Motivation
As an investor, you create value in the deal by helping to solve a seller's problem. If you can't get the seller to tell you about the real problems they are facing, then this is almost impossible. That's why uncovering a seller's true motivation and helping the seller to *feel* that motivation is the key step to getting a great deal. Most motivated sellers live in denial. It's your responsibility to help them break through that denial and face the tough choices they are going to have to make.

Step Four: Talk about the Money
After you have worked with the seller to build their motivation, it's time for you to talk through the money. *What were they asking for the property? What did they realistically think they would get? What are the details of the underlying financing on the property?* As an investor it's critical that you master the money step because it's here that you prenegotiate the money in a deal so that later, when you "officially" talk about money, you've already got some or all of the discounts you need to make the deal work for you.

Step Five: Make Your "What If" Offer
I recommend that you never make a formal offer to a seller. When you make a formal offer you are giving all the power over to the seller. They can either accept or reject or, what's worse, ignore your offer. Instead, make them a "what if" offer and get them to accept it before you ever formally make that offer. Say something like, *"Here's a crazy idea, Mr. Seller, but what if I were to get you a chunk of cash up front, and then pay you the balance down the road. Is that something we should even talk about, or probably not?"* Only if the seller says yes to your generalized "what if" offer should you move by degrees to pin that general offer down in concrete terms and numbers. By doing it this way *you* stay in control.

The Three Foundational Negotiating Strategies Every Investor Must Know

Foundational Negotiating Strategy One: Negative Phrasing

"What do you think really drives people who are motivated sellers? Do you think it's the desire to make a profit? Or the fear of making a mistake and getting taken advantage of?" David paused a moment and let the group determine their answer.

"In my experience it is almost always the latter. Motivated sellers, most sellers really, are more motivated by the fear of making a mistake and getting taken advantage of than the desire to make a profit. How does this fundamental understanding help you when you are negotiating with a seller? Simple.

"When people are driven by a fear of making a mistake or being taken advantage of, they will protect themselves as best they can by looking for what's wrong in a given situation. In a negotiation, when the other side is looking for what's wrong with something, they will usually mismatch anything you say, which is a term from psychology that means they will say something contrary to you. For example, if you tell the seller the price is too high, she'll argue back that it's too low. If you tell her the house is run down, she'll argue that it really is in fine condition and only needs minor work.

"In any negotiation, whenever you are able to anticipate the pattern of how the other side will interact with you, you can use this knowledge to shape a strategy to harness that other side's predictable behavior to your advantage. The way you do this in a real estate negotiation is through something Peter and I developed years ago called *negative phrasing*. Negative phrasing is a way to intentionally use statements to allow the seller to mismatch themselves into agreement with what you want.

"Here is an example of negative phrasing." David asked Emily, one of the Mentorship Program coaches, to come up front to help him in the role playing.

"Imagine you are an investor negotiating with a seller like Emily here. You might say something like, 'Emily, you mentioned you had listed the property with a real estate agent for three months, and that worked out really well?'"

Emily answered, "No, it didn't work out well at all."

"Really? I'm sure your real estate agent must have had a ton of prospective buyers out looking at the house for each of the open houses they held every weekend. Why didn't you like any of the written offers you got?"

"We didn't get any offers! In fact, the agent only did two open houses all that time."

David continued, "Oh, but what about all the advertising your agent was paying for? That must have generated a lot of traffic to see the house, right?"

"What advertising? As far as I can tell he just put it into the MLS and sat on the listing."

"I think you all get the idea now. Negative phrasing makes it easy for the seller to verbally take the position in the negotiation that you want them to take. There are two keys to using negative phrasing. First, understand that often the point of negative phrasing isn't to elicit information so much as it is to get the seller *themselves* to voice an emotional reality that they may have been hiding from previously. In the role play Emily and I just did, had you simply said to Emily that the agent she hired did a lousy job, Emily would have gotten very defensive and argued with you. But using negative phrasing made it comfortable and natural for Emily to argue for exactly what you wanted her to see. In a sense, you let the seller comfortably back into the very position you wanted her to occupy to begin with.

"The second key with using negative phrasing is to make sure you avoid sounding sarcastic or patronizing. Instead, cultivate the ability to be genuinely confused or optimistic. The best way to way to do this is to master two facial expressions.

"The first expression is called 'scrunchy face,' which is produced by furrowing your brow, creating tension on the inside corners of your cheeks underneath your eyes, and cocking your head slightly to one side. This is the expression to use anytime you want to be 'confused' and draw out more information or clarification from the seller.

"Whenever you use scrunchy face, make sure you drop your voice tone and volume lower and give the seller time to respond. This will literally draw out the seller in the conversation to fill the intimate space you have created.

"The second expression is called 'big eyes,' and you make it by opening your eyes wide in your best Forrest Gump naiveté and softening your voice. You use big eyes when you ask a question of the seller using negative phrasing.

"You can even use negative phrasing to get a seller to be more open-minded about an offer you want to make them. For example, you might precede a 'what if' offer you are about to make with a statement like, *'You'll probably hate this idea, but what if . . .'* Or you could use the negative phrasing at the end of your what if like, *'What if we were to pay you $450,000 for the house? Is that something we should even spend any time talking about, or probably not?'* By adding that short negative phrasing tag to the end of your 'what if' offer, you are increasing the odds that the seller will actually be willing to talk about your offer rather than merely dismiss it out of hat."

David got each of the students to turn to a partner and practice using this powerful language pattern.

Foundational Negotiating Strategy Two: Being a Reluctant Buyer

Bringing the group back together, David continued, "In every negotiation, you want to be perceived as someone who is willing to walk away from the deal if it is not a fit, without any hard feelings. In fact, you always want the other side to perceive you as being in the deal more reluctantly than they are. I call this dynamic 'being a reluctant buyer.' The reluctant buyer dynamic works whether you are the seller, the buyer, the borrower, the lender, the landlord, or the tenant. It just means that you are perceived to be almost doing the deal against your better judgment or with a great deal of internal struggle.

"Now while it is common knowledge that you should be a reluctant buyer in any negotiation, it's a little known art *how* to actually behave like a reluctant buyer. What you are about to learn is that reluctant buyers use specific language patterns over and over, and that just by your adopting these language patterns you can instantly transform yourself, in the eyes of the other side, into the most reluctant of buyers, even if inside your heart is screaming at you to take the deal.

"The single biggest pattern that reluctant buyers use is how they consistently qualify everything they say with dampening statements like, *'I don't know if this will even be a fit for me or not, but what if . . .'* Or, *'I'm not sure if that much will really work for me or not yet, but let's assume it will for the moment . . .'* Or even, *'My partner will probably have a fit when she hears this, but what if I could get her to go along with . . .'*

"You can even combine the reluctant buyer technique with negative phrasing and say something like, *'I'm not sure if I could get you the full $575,000 we've been talking about, but if I could somehow manage to pull it off, or at least get real close to it, is that something we should even talk about, or you probably think it's a crazy idea, huh?'*

"The key is that as a negotiator you want to avoid making unqualified commitments of what you can do until the very end of the negotiation when you are reviewing the terms that you and the seller have agreed to." David paused for a moment, and then added, "Even then, it never hurts to shake your head a little and ask the seller, using scrunchy face, *'Tell me again why this is such a good deal for me?'*

"The biggest benefit you'll get out of mastering the art and science of being a reluctant buyer is that instead of convincing sellers to sell to you, you'll get sellers selling *you* on buying their properties!

"Enough talk, time for you all to try it out." With that, David matched them into groups and had them do the role-playing exercise.

Foundational Negotiating Strategy Three: Building Motivation

David gathered everyone's attention and then continued with the final foundational technique. "Without question the single biggest negotiating mistake I see beginning investors make is rushing in and talking about price and terms with the other side before clearly establishing why it is that the other side wants to put together the deal. To negotiate a great deal, whether you are buying or selling, it's critical that you get the other side to emotionally connect with their drive to get a deal done. I call this process 'building motivation.'

"Probably the easiest way to really understand building motivation is to show you. Scott," David said, turning to one of the Mentorship Program coaches, "would you be willing to help me out with this?"

"Sure David."

Looking back out at the class, David continued, "I'll do a few examples—one with a motivated seller whose house I want to buy, the second with a buyer I'm trying to sell a rent-to-own house to. I want you to pay attention to how I use both negative phrasing and the reluctant buyer techniques to get the other side hungrier to do a deal.

"All right Scott, let's get into it. In our first example you'll be a seller of a property and I'll be the investor working to buy your house."

Getting into the role-play, David asked, "So what else have you tried to sell your house, Scott?"

"I had the house listed for a while, and then I tried selling it for sale by owner."

"You mentioned you had the house listed for a while with an agent, and that worked really well?" As David used this negative phrasing technique he used big eyes to make sure his tonality and nonverbal expression reinforced the effect he wanted.

Scott shook his head, "No, it didn't work out too well. The agent just sat on the listing and didn't do much to advertise or market the property."

"Hmm, had you thought about just giving this agent a second chance?" David said with his most innocent of big eye expressions. "I'm sure that if you explained what you really expected of them they'd do a much better job the second time around?"

Scott's replied forcefully, "No way! I'm not going to list the property with that agent, or any other agent again."

David stepped out of the role-play and said to the group, “I think you all get the idea here. If this were you in a real negotiation with Scott, you would spend the next 20 or 30 minutes or longer building Scott’s motivation to sell fast and be done with things. Let’s try another situation. This time I’ll role-play an investor looking to sell one of my houses to a tenant buyer on a rent-to-own basis. Scott will be the prospective buyer at the showing for the house. Imagine Scott has just gone through the house and is now coming back to talk with me about price and terms. Go ahead and start us off, Scott.”

“Well, how much is it?” Scott asked.

“Actually, before we get into the numbers, it’s really important to me that I choose a future buyer who loves this house, because that way I know they’ll not only care for the house, but that they’ll also be happy here. This probably seems crazy to you—negative phrasing—but it’s really important to me. So may I ask you, did you love the house when you walked through it?”

Scott replied, “I thought it was very nice. So how much is it?”

“Did you just think it was nice or did you love it, because if you just thought it was nice I don’t think this house is going to be for you,” David said using the reluctant seller technique.

Scott answered, “I loved it.”

“Great! What specifically about the house did you love, Scott?”

”I thought the kitchen layout was great. It had a great view out into the yard.”

“What about the kitchen layout was so important to you?” At this point David stepped out of the role-play and turned to the group. “Did you all notice that even when my buyer wanted to jump ahead and talk about price, I resisted this and instead focused the conversation on Scott’s reasons for wanting this specific house. By doing this I make it much harder for Scott to come back later and try to negotiate a lower price because he’s already verbally committed not only that he loves the house, but what specifically he loves, and why that was so important to him. In fact, if there is one thing to remember in any negotiation that will do the most to help you negotiate the best deal, it is this.” David turned to the board and wrote:

Always build motivation BEFORE ever getting into the money!

"Always, always, always spend time on the other side's emotional reasons for doing a deal with you before you talk about the money. This is true whether you are buying or selling. In fact, this is critical in any real estate negotiation. Any questions so far?"

"Yeah David," Nancy raised her hand. "I can see how this works when you are working with a seller or buyer, but how would it work with other situations? It just seems that if you were dealing with a contractor, for example, they just wouldn't get why you were asking them all these questions, and it wouldn't work."

"That's a fair comment Nancy. Let's put it to the test." David turned to Scott. "Are you willing to do one more role-play with me?" Scott nodded yes.

"Let's say Scott is a roofer you are negotiating with to replace a roof on one of your rental properties. Now the average investor asks straight out what the roof is going to cost. If you do this without building the roofer's motivation to get the job, you lose your biggest advantage to getting the best price and service possible. Here's how I would handle it if I were you." David turned to Scott. "Let's pretend that you've already gone up on the roof and done your calculations and now you've come to me with your bid."

Scott hiked up his pants, getting into the role-play. "Well Mr. Finkel, let's talk about the pricing options for your new roof."

"Scott, please call me David. You say 'Mr. Finkel' and I start looking around for my dad! Actually, before we talk about the money part, I'm a bit hesitant to even bother going through pricing with you. I get a sense that you won't even have time to really focus on this project." As David used this reluctant buyer technique he combined it with scrunchy face. "You're probably so busy right now with other jobs that there is no way you could even squeeze in this job, huh?" David said this last part with the negative phrasing with big eyes.

"No, I have time to do this job. In fact, now's a slow time for me and I can focus on this roof and get it done fast."

David used scrunchy face. "Now's a slow time for you?"

"Yeah, for some reason we are having a bit of a lull right now."

David used big eyes, "Yeah, but you probably still have your guys spread over two or three jobs right now, huh? I mean there is no way you could get to my roof right away, is there?"

Scott replied, "I could get to it right away. My guys are sitting at home waiting for me to give them a call that I have a job for them to come in for."

David turned to Nancy and asked, "What do you think, Nancy? Do you think Scott is more likely to give you, the investor, a better price and better service on this roof because you spent the extra few minutes building his motivation, or probably not?"

Nancy answered, "I can totally see that now that Scott's told you about how he needs the job you'll get a much better price and he'll do the work faster. You make it look so easy though."

"It will become easy and natural for you too, *if* you just work on using these techniques over the next three to six months until they are internalized. Then you'll find yourself using them without even trying to. It will just happen. All right, on to the advanced negotiation techniques!"

BRIGHT IDEA

14 Advanced Negotiating Secrets*

Advanced Negotiating Secret 1: Bilateral Negotiation—Dancing with Both Halves of the Other Party's Brains

In any decision-making process there is both an emotional and a rational element. It's critical in your negotiations that you understand this need and feed it accordingly. It is a deadly mistake to think that we negotiate with our rational brains. Usually most people will make the real decision *emotionally*, and then rationalize their decision with the "thinking" half of their brain. When you understand this, you can focus first on the emotional level of the negotiation. What needs are you satisfying? What fears are you either tapping into or helping the other side avoid? To touch the other side's emotional brain, speak in the language of pain and pleasure, of desire and fear. When speaking to their rational brain, understand that it's not actually driven by logic so much as by the need to look good and avoid embarrassment. So feed the rational brain sincere compliments about its thinking process and the questions it asks. Remember, the rational brain is actually driven by emotion too, the emotions of vanity and insecurity.

Advanced Negotiating Secret 2: The Power of Labels

The labels that are used in a negotiation control the context of that negotiation. The context of the negotiation controls both sides' expectations. The parties' expectations control the course of the negotiation. Therefore, a master negotiator must be a master labeler.

*See Appendix A for details on the FREE online negotiating workshop you get as part of the Investor Fast Track Program™ at **www.InvestorFasttrack.com**.

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14 Advanced Negotiating Secrets *(continued)*

For example, imagine you are buying a $500,000 house with owner-carry financing but the sticking point is that the seller wants a down payment. With the proper use of labeling, you can shrink the amount of down payment you'll need to do the deal.

> *Investor:* "I understand that you need some money up front [the labeling has begun—notice you do not say "down payment" but rather have already made the shift to "money up front"] so that you know I am serious [you just labeled the reason why the seller needed that money up front, which further sets the context within which you'll negotiate this up-front payment] and that you can feel secure in the deal [shift is occurring from money up front to security, the *real* reason the seller would want that money up front]. Now if you needed some huge amount of money up front [notice the label "huge" here] like $20,000 or $30,000 it's probably not going to be a fit for me. But at the same time I want to respect your need to feel good about this too [notice how you are again defining the seller's needs in the deal with your own label]. What's the least amount of money [label] you need up front so that, while it wasn't perfect, at least you could feel whole about it?"

Advanced Negotiating Secret 3: The Most Powerful Shift to Guarantee Positive Cash Flow Negotiating an Owner-Carry Deal
Imagine you are negotiating with a seller on an owner-carry deal when the seller starts to ask you what interest rate you will pay them. Any discussion of "interest rates" with the seller favors the seller. Use the following language pattern to shift the context of the negotiation in such a way that it is a given that the property must cash flow.

Example: Seller just asked you what interest you'll pay them on the owner-carry deal.

> "Well, I'm not sure what the *property* can afford to pay."

Notice the critical shift here is to talk not about what you are willing to pay (which opens up several cans of worms) but about how much the property can afford. The implied given is that of course the property will need to pay for itself. After all, it's an investment. This shift will make it much easier for you to negotiate your payment amount with the seller to guarantee you get positive cash flow from the deal.

Advanced Negotiating Secret 4: Create Competition in the Negotiation
The fear of loss is the single biggest driver to spark the other side to say yes. Wherever you can in a negotiation, subtly and organically inject a little scarcity and competition into the mix. It's like baking powder and yeast, it causes your profit margin to rise.

(continued)

14 Advanced Negotiating Secrets *(continued)*

Example One: When you are buying a property.

> "Remind me again Mr. Seller, how many bedrooms does your house have? I've been talking with so many home owners this week that sometimes all these houses start to run together."

Example Two: When you are hiring a contractor to do a repair.

> "May I ask you a question? If you were me and were looking at all the companies and contractors out there who are scrambling to get this job, why would you choose you over all these other companies?"

Advanced Negotiating Secret 5: Getting the Deal to Stick—Why You Need Friction to Close the Deal
Many investors mistakenly assume that any friction in their negotiation with a seller will kill the deal. Nothing could be further from the truth. In fact, friction is the traction that helps you close a deal. And it's the sticking force that keeps the deal closed once you do get it done.

You need the other side to struggle with some of your requests, and they need to see you struggle and hem and haw at their requests so that they feel satisfied with the deal they got. If there is no friction it's like walking on ice, so smooth that you're likely to slip on your backside. So always help the other side feel like they had to work for the deal you orchestrate, so that the deal you close stays that way.

Advanced Negotiating Secret 6: The Principal of Momentum
Imagine a big funnel. At the top end it's wide and open, with sloping sides that get closer towards the bottom. In your negotiation your goal is to get early agreement from the other party using broad, nonspecific language, and then as you pick up some momentum guiding them down the funnel, you get more and more definite in what you are agreeing to.

The key is to create motion in the direction you want, no matter how small. Once you have that motion it is 10 times easier to direct the other side further into your funnel. If you can get the other party headed in the direction you want, you are much more likely to keep them going that way. The way that you apply this theory is by getting agreement on the big picture *first*, and then and only then narrowing down the conversation and dealing with the tougher issues.

For example, you could ask a seller:

> "I don't know if we could do this Mr. Seller, but what if we were able to get you a chunk of money up front, and then pay you the rest as monthly payments over time. Is that something we should even talk about, or probably not?"

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14 Advanced Negotiating Secrets *(continued)*

Notice how broad that "what if" statement is. If the seller agrees you should talk more about it, then gradually start to narrow down to the specifics, slowly and incrementally. It's like clamping down a vise one turn at a time.

Example: Negotiating with a rent-to-own buyer.

> *Investor:* Now tell me again about where you are living now?
> *Prospective Buyer:* I'm renting over on Oak Avenue. It's a small house there.
> *Investor:* Okay, and why is it you're wanting to move out of such a nice area? [scrunchy face]
> *Prospective Buyer:* The owner I'm renting from is selling the house.
> *Investor:* Would you share with me what it was about my property that had you so excited to have me show it to you? [Notice how the questions are building the buyer's motivation to buy, which is one form of gathering momentum into the negotiation.]

Advanced Negotiating Secret 7: Be Generous with Psychological Currency
In just about any negotiation there is one party who gets the financial payoff and another party who gets the psychological payoff. You've already learned the importance of slow and simple. One very important way you can let your seller win is to give them all the psychological feel-good for being smarter, brighter, more articulate, and more worldly than you are. Gosh, I guess you'll just have to settle for making a ton of money. I bet you're probably disappointed with that notion, huh? (You can inject some scrunchy faces and big eyes where they belong in the preceding two sentences.)

Advanced Negotiating Secret 8: Don't Outsmart Yourself—Slow and Simple Gets Paid
Wouldn't you agree that you'd much prefer to sell your property to someone who you didn't fear was smarter than you, so that you could relax and feel that this person wouldn't take advantage of you? Of course. Just about any seller you ever work with will feel more at ease if you allow them to feel a bit sharper and a bit faster than you are. And when a seller is at ease, he is a thousand times more likely to give you a great deal on the property. So remember *not* to have all the answers. Instead of persuasive and sophisticated answers use simple questions and a little bit of old fashioned naiveté, with a healthy dose of scrunchy face and big eyes, to get the results you want.

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14 Advanced Negotiating Secrets *(continued)*

Advanced Negotiating Secret 9: Whenever You Give, Make Sure You Get
Never make a concession in a negotiation without getting something in return. No matter how small the value you get in return, it's critical to stop the other side from continually asking you for more, and to clearly establish that every time they ask you for something you are going to expect something in return. This is your way of conditioning the other side to always expect that they will have to give you something to get anything.

Example: You have negotiated a great price on a property, but the seller is asking to close 30 days faster than you wanted. You're willing to do this, but you know you need to make sure to get something in return so that the concession give-and-take is consistent.

> *Seller:* I need you to close 30 days faster than that.
> *Investor:* Hmm. That may be a problem . . . [pausing to create doubt and friction]. I may be able to agree to that, but if I do, I'm going to ask that you include the patio set as part of the sale, is that fair? [The patio set isn't critical for you to get, you just need to get something in return so that the seller doesn't keep asking for more and more.]

Advanced Negotiating Secret 10: Shrink Your Concessions over Time
A concession is just a fancy name for any time in a negotiation where you give the other side something that they want that you did not previously include in your offer or counteroffer. Think of making a concession like putting a poker chip into the pot. That chip might be more money, a lower price, a longer term, or lower interest, or any of an infinite number of possibilities. The pattern with which you make concessions subconsciously trains the other side as to what to expect if they hold out for more. This means that savvy negotiators always shrink the units of concessions they make so that it *feels* to the other party that if they hold out for more they are only going to get less and less.

Example: You are negotiating an owner-carry deal with a seller and you are working to reduce your down payment.

(continued)

14 Advanced Negotiating Secrets *(continued)*

Seller: I'd need at least $40,000 up front.
Investor: Whoa! That much! I may be able to get my partner to go along with a payment up front of $10,000 or $15,000* [$5,000 unit of concession], but $30,000 to $40,000 is a huge amount of money to put up front.
Seller: No way I'd take anything less than $30,000 up front.
Investor: I can understand that you want to know I'm serious, which is why you want to get a huge chunk up front like $20,000 to $30,000, and who knows, maybe that will be what kills this deal. Look, I want to be fair here, but I've also got my partner to deal with. What if we gave you $16,000 or $17,000 up front? [Notice how the units of concession went from $5,000 down to a $1,000 unit.]

Advanced Negotiating Secret 11: Hypnotic Negotiating Patterns™
You may already be aware that there are certain word combinations that, by their very structure, work below conscious awareness to effect powerful negotiation results. I call these combinations Hypnotic Negotiating Patterns™. Here are some potent examples.

Example One: As you may have already been aware . . .

"Mr. Buyer, as you may have already been aware, this area has been appreciating at 10 percent a year."

This phrase makes it very likely that the other party will just accept your statement that the area has been appreciating at 10 percent.

Example Two: At least you don't have to be worried about . . .

"Well Mr. Seller, I know you are living two hours away from the house now, but at least you don't have to worry about vandalism or damage to the empty house. I mean, with an area as nice as this, at least no one would ever break into the place when no one's there and cause major damage."

*I threw in the "Range Technique" in this example. For more details on this powerful negotiating technique, see *Buying Real Estate without Cash or Credit* (pp. 108–109), and go to the Investor Fast Track Program™ where you'll find a complete online training course on negotiating profitable deals. Details in Appendix A or at **www.InvestorFasttrack.com**.

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14 Advanced Negotiating Secrets *(continued)*

This pattern directs the other party's attention to think and worry about the very thing you tell them they don't have to worry about. It's an advanced form of negative phrasing.

Example Three: Obviously . . .

> "Obviously, Mr. Contractor, we'll need to establish what happens in the event you don't finish the work on time . . ."

This is one of my favorites. Whenever you hear the "O" word in a negotiation, know that something that may not be obvious is coming your way!

Advanced Negotiating Secret 12: Use the Power of Imagination to *Instantly* Make Money!
In your next negotiation, think about how you can guide the other party's imagination to help make a better deal for you the investor. Here are two quick examples of what I mean.

Example One: You are selling to a buyer.

> "Imagine you found the perfect house. I mean it was *exactly* what you were looking for. But it required a larger up-front payment. Should I even bring the house to your attention [notice the funnel going on here?] or should I go ahead and give your house [label] to someone else?"

Example Two: You are working with a seller.

> "A thought just occurs to me. If a realtor came to you and said they could get the house sold for you in 30 days' time, and you *knew* they could do it—and heck, let's say they could even get you your full $280,000 or so. You'd probably turn that down, huh? Or maybe not . . ."

Advanced Negotiating Secret 13: Turn the Tables on Them—Getting the Other Side to See the Deal from *Your* Perspective
Here is another tangible way to use the other party's imagination to help you close a deal. The Hypnotic Negotiating Pattern™ for this one is, "Imagine you were me . . ."

Here are some examples of exactly how this works.

(continued)

14 Advanced Negotiating Secrets *(continued)*

Example One: With a seller.

> "If you were an investor like me who was looking at several houses each week to buy, what would you think would need to happen to make this a deal you would even want to take over another one?"

Example Two: With a real estate agent.

> "If you were an investor like me who was looking at several houses each week to buy [see the embedded presupposition that you are in fact looking at several houses each week], what would you think would need to happen to make this a deal you would even want to take over another one?" (A bit of competition thrown in to light the fear-of-loss fires in the realtor's emotions.)

Example Three: With a buyer who is balking at giving you an up-front deposit to hold the property.

> "Imagine you were me and you met someone who said they loved the house and that they really wanted it, but they hesitated for a moment before they gave you a deposit to hold the property, what would you be thinking about saving the house for this couple versus giving it to another family?"

Advanced Negotiating Secret 14: Using Negotiating Markers™
Negotiating Markers™ are a way of nonverbally influencing the other side. It's a way in which you link up a nonverbal cue with the words you are saying. You can use a gesture or a tone of voice or an expression as a Negotiating Marker™. The key is to practice a few key Negotiating Markers™ so that you can do it effortlessly and naturally in the flow of your conversation with the other party.

Example One: You use an auditory marker like lowering your voice to prompt the seller to lower her price.

> "Tell me Ms. Seller, what did you [voice dropping lower now] *realistically* expect to get for the property?"

Example Two: You can use a gesture as a marker to subconsciously label yourself as a "good" investor, and to label those other investors out there as "bad."

> "Why Ms. Seller, it sure sounds like some of the investors you've talked with [pointing away to the side] really weren't too up front with you. But I'm guessing that if you're open to it, you'll eventually find a buyer you can trust and feel good about selling your property to [gesturing towards yourself as you say this].

“Now that we’ve just spent the last few hours talking about the Advanced Negotiating Secrets, let’s shift and talk about how you can handle some of the other most important negotiations as an investor.

“I’ll put it out to you as a group. What situations have you faced that are the most challenging when you are negotiating? What can I share with you that you feel would give you the greatest value about how to handle a specific negotiating situation?” David asked.

Tim raised his hand. “For me, I love the Instant Offer System when I’m sitting face-to-face with a seller, but what I’m struggling with is that many of the deals I’m looking at are for properties listed with a real estate agent. How do I negotiate through a real estate agent when I’m trying to buy a property they have listed?”

As David looked around the room he could see that many of the other students were nodding their heads, showing that they too had felt stuck with how to handle this. “I’ll give you two answers to your question Tim. And then I’ll role-play how I’d do the negotiation through the real estate agent.

“The first answer is that if you are working with an agent of your own and making a ton of offers on multiple properties and playing the numbers game, then it’s not essential that you worry about negotiating using the Instant Offer System at the start. You’ll simply have your agent make all your offers as quickly as she can so that you get the law of large numbers working in your favor. Once one of your offers has been accepted, however, at that point I think it makes sense for you to meet the owner and agent together at the property you made the offer on. I’ll go through exactly how to do that in just a minute. The key for now with my first answer is that if your strategy is to flood the market with quick cash offers on multiple properties, the real leverage point is the speed and accuracy with which your buyer’s agent can find properties to put offers on, help you figure out the right price to offer, and get the offer in fast to the listing agent. Does that make sense? When you are playing a numbers game, it’s less about negotiating skill—initially—and more about speed and volume.”

“Yeah,” Tim replied, “that makes sense to me.”

“Good. Now let me give you my second answer. This is for situations where you are either looking at a handful of deals versus a bucketful, or you have one of your initial ‘volume’ offers accepted and you are looking to go back and renegotiate the deal. I think it’s critical that you get yourself face-to-face with the seller so that you can transform the dialog from an intellectual conversation about price into an emotional connection dealing with personal circumstances and real needs. If you stay at arm's length from the seller and the emotional and relational components to the deal, then it's very difficult to get the best deals. You still can make money that way, but you'll be forced to make a whole lot more offers until you get one accepted that way. Plus, if your only contact with the seller is through a written offer handed to the seller by the agent, there is very little you can do to differentiate yourself from the other investors out there. Now some of you may be thinking that all a seller cares about is your offer. Well, if you do your job right and meet with the seller, you can help expand the context of conversation so that the seller sees the bigger picture in terms of their personal situation, you as a person and investor, and finally the relief, rewards, and certain solutions you can give them. The key is to get yourself face-to-face with the seller."

"But David," Tim blurted out, "How do I get past the agent?"

"What a great question. Rather than answer that, let's look at what that question reveals. 'How do I get past the agent' presupposes that the agent is some blocking factor that is in your way in the deal and who you need to find some way around, either through sneaky back roads or through powerfully pushing past. But what if instead you could convert the agent into your *ally* in getting the deal done? What if you could actually ethically co-opt the agent to be on your team, working to get the seller to say yes to your offer? Wouldn't this make your job negotiating a win-win deal that much easier?"

"That sounds great David, but how am I supposed to do that?" Tim asked.

"First you need to understand the three forces that drive a listing agent to keep you at arm's length from her client. The first and biggest force is fear. The listing agent is afraid that you are going to try an end run to get past her and deal directly with her client in a way that will cut her out of her commission. The reason why she is afraid of this is probably because she's either had that happen or heard of that happening to other agents in her office, or down deep she is afraid she isn't bringing enough value to the table and that if you and the seller met and dealt directly, she wouldn't be bringing enough value to the table to warrant her earning her commission.

"Stop for a moment and think. How does just identifying the listing agent's biggest fear help you as an investor?" David asked the class.

"It lets us know we need to reassure the agent," Vicki answered.

"That's right, but how do you go about doing that?"

"Can't we just tell her that we won't go around her and that we're happy to make sure she'll get her commission?" Tim chimed in.

"You tell me. If you were the agent and an investor said to you, 'Hey, trust me. I'll see to it that you'll get your commission. I really am a man of my word,' what would you be thinking?" David asked.

Tim's voice was soft as he said, "I'd be thinking that I better cover myself because this guy is going to try something on me."

"Exactly! Rarely does it work to directly tell people you're honest or that you're credible, because the very fact that you say that is a warning sign in their mind that calls it into question. Instead you need to be more subtle about it, yet still accomplish the same goal. I'll role-play how to do this in just a moment.

"Let's talk about the second force that pushes the agent to keep you at arm's length from the seller—the agent's desire to save the seller's time. Isn't one of the reasons a seller lists the property in the first place so that they can have the agent do all the work? So it makes sense that the agent wants you to go through her. Also, they've probably learned from experience that many so-called investors aren't really credible or that they just want to make some lowball offer on the property. The agent is afraid that if she lets an investor get direct access to the seller, somehow the agent will be embarrassed or look unprofessional to the seller.

"Which brings us to the final force that pushes an agent to keep you at arm's length from her seller—she's afraid that it will end up damaging her reputation in the community. One of the most valuable things any real estate agent has is his or her reputation and goodwill in a particular community or area. They will guard and protect this reputation from any perceived threats.

"Okay, now that we've identified the three forces that push the listing agent to keep you away from the seller and only working through her as the conduit, let's role-play how I'd handle that situation. Tim, will you be my listing agent?"

"Sure," Tim answered.

"To set the stage, imagine Tim is the listing agent on a four-bedroom house I want to buy. From things the agent has said over the phone and from the listing information, I get the sense that the seller is a motivated seller. First I'll call up the agent and find a way to meet with the seller directly in such a way that I *indirectly* reassure the agent that I won't try an end run, and then I'll role-play part of the negotiation with the seller and the agent together."

David turned back to Tim. "So Tim, can you help me with the listing on Granny Avenue?"

"Yes I can."

"Great, my agent told me about that property and a few others in the subdivision and I am very interested in buying one or two of them. May I ask you some questions about the property?" David asked.

"Sure."

Stepping back from the role-play, David said to the class, "To put the agent at ease, I ask a few harmless questions about the property. Then I tell him that I'll drive by it or have my agent check it out later that day and give him a call back. Later that day I call him and continue my conversation."

Now David stepped back into the role-play. "So Tim, my agent Pam did go past the house and she said it fits my criteria. I'd like to set up a time to meet with you and the owner so that if I'm comfortable I can make my offer to buy the property. Now if for some reason you *can't* make the time to be there then, to be frank, I'm not interested in the house. I've learned through experience that as the listing agent, you'll have some key information that the seller and I will need to rely on to find a win-win fit on the property, and if you can't be there then it's a waste of my time too. What time later tonight or tomorrow would work for you and the seller to meet me at the property?"

"Well," Tim said, trying to make things tougher on David, "Why don't you just put together your offer and I'll present it to my seller and we'll let you know if we want to accept it."

"I could do that, Tim, but as old-fashioned as it sounds in today's world, I'm just not comfortable buying a property from an owner I haven't been able to meet in person. It's important to me to shake their hand and get to know them a little bit so that I can get a sense of what they are like as a person. I'm just not comfortable buying properties blindly without ever having met the previous owners and feeling that they are good people. And I've found over the years that the properties I end up buying are the ones where the listing agent, the owner, and I sit down and go through the property and the numbers to find a fair and reasonable fit. It probably seems crazy to you that I'm such an old-fashioned person to actually want to meet with the people I am doing business with, huh?" David asked, using negative phrasing.

"Wow!" Tim responded, who in his excitement forget his part in the role-play. "Can you say that again so I can write it down word for word? I know I was the agent, but all I could think when you asked me that last part was no, it wasn't crazy that you wanted to meet the people you are doing business with. I felt very comfortable with the idea when you put it that way."

David repeated the scripting for the class, then continued. "Let's move to the actual face-to-face with the seller and the listing agent at the property. First, I don't think you should bring your buyer's agent with you because chances are they'll butt in and say something that will hurt the flow of negotiation. But if you do want to bring them with you, make sure you plan with them exactly what role you want them to take. If it's me, I'd let them know I want them to be totally quiet and maybe later on in the deal, once the seller and seller's agent can taste the deal going through, your listing agent can play the 'bad cop' role—gently—of introducing a little doubt into your negotiation to help you close the deal. But that's just me. I feel that I'm a much better negotiator for me than any agent ever could be. You have to decide on how you want your buyer's agent to play it. Just make sure you clarify this with them before you meet with the seller and listing agent.

"Ready to get back into the role-play, Tim?" David asked. "We'll need a seller to do this too. Nancy, would you be our seller? Thanks.

"So imagine we've walked through the house, built rapport with both the seller and the listing agent, and now we are ready to move into Step Two of the Instant Offer System—setting an up-front agreement."

David stepped forward into the role-play, "So Nancy, you're really lucky to have found an agent as good as Tim to work with. Not only is he well respected in the community, but I have to tell you, he's really impressed me with his professionalism. Every time I had a question about the property, he was really quick to get me the information I needed and always promptly got back to me. I have to tell you, that hasn't always been my experience with *other* agents. May I ask, how did you first meet?"

David stepped out of the role-play and turned to the room. "Never underestimate the power of a third-party compliment like this to help begin the process of getting the listing agent on your side emotionally.

Nancy said, "I actually met Tim through my daughter's soccer team."

David stepped back and turned to the class. "I think you all spot the opportunity to build on this personal connection by asking both the seller and the agent about their daughters. I'll jump ahead in the negotiation," David said, turning back to the role-play.

"Tim, Nancy, I don't know if we'll be able to find a fit or not. But I am going to ask that if you think the ideas we talk through here are obviously not a fit for you, would you both be willing to tell me that?"

Both Tim and Nancy nodded their agreement.

"Great, I appreciate that and promise you won't be hurting my feelings. I've been buying houses long enough to learn that sometimes it's just not a good match." As David said the words "good match" he tapped the center of his chest. "On the other hand, if what we talk through looks like a good fit for you, are you both willing to let me know that here today too?"

Again both Tim and Nancy said yes.

"I appreciate that. I'll be doing the same thing. If I don't think I can buy the property in a way that meets your needs and still makes me a conservative profit as an investor, then I'll let you know that today. On the other hand, if I think I can meet your needs and feel good that I'll be able to make a fair profit for my effort, then I'll let you know that too. Only if we both feel it's a good fit will we take any next step, okay?"

David stepped out of the role-play and said, "How many of you recognized that the scripting of that up-front agreement was just a slightly modified version of the one you have been using for a while now as part of the Instant Offer System? The key difference is to involve the listing agent in the dialog as soon as possible."

"But David," Leon asked, "How in the world do you do the Motivation Step of the Instant Offer System with the agent there?"*

"Good question. Let's demo it here." David turned to Tim and Nancy.

"Nancy, may I ask you a question? What was it that initially prompted you to even want to sell your house?" The class instantly spotted that when David asked this question he scrunched up his face to get that uncertain, questioning tonality into his voice.

"Well, when I came to the decision to sell my house, I thought about the different agents I knew and decided to call Tim," Nancy answered.

Nodding his head, David said, "That makes a lot of sense. I would hope that if I were you I would have had the good sense to call an agent like Tim, too. May I ask

*For the exact languaging of the entire Instant Offer System, see *Buying Real Estate without Cash or Credit* (pp. 93–116).

you," David paused and his voice pitch and volume dropped, "why would you ever decide to sell a beautiful home like this?"

"On just one income this home was just too big for me to support," Nancy said.

"On just one income?" David asked, letting the question hang in the air, drawing the seller forward to explain.

"My ex-husband and I lived here for almost five years. Last June, after he and I split, I did my best to manage staying here on my own, but the property is just unfeasible for me on my single income."

"Oh, that makes sense. I think this makes it even more important for you to work with a top-notch agent like Tim," David said, nodding his head up and down.

Turning to Tim, David asked, "Tim, are you also then helping Nancy find a smaller house to buy in the area?"

"Actually," Tim answered, "We've already found her a beautiful two-bedroom house near the park district."

"Wow! That's great," David responded. "Congratulations on finding that next house, it isn't always so easy. May I ask, when is it you close on that other house?"

Nancy chimed in, "Oh, as soon as we find a buyer for this one."

"As soon as you find a buyer for this one?" David asked using the scrunchy face expression and looking at Tim.

"The sales contract on that house is contingent on Nancy selling this one," Tim explained.

"Oh, that makes sense." The class now saw David's eyes open wide and his face take on the simplistic expression they had previously learned was called "big eyes." "So whenever this house sells, this month, or next month, or a few months down the road, then at that point, in a month or in six months, you'll just close on that other house and move in." When David said this last part he was looking at Nancy.

"No, we can't wait that long. We need to have this one close so that my lender on the next one will let us close in the next month, or I lose the house to another buyer."

"Oh, well that makes sense." David turned to the class and stopped the role-play. "I hope you all noticed how critical it is that you involve the listing agent in the conversation on your side. How do you do this? You make sure to reinforce your third-party compliments of the agent to the seller. After all, if you are complimenting the agent, there is a subtle pressure on the agent to agree with your ideas, at least initially, since one of your ideas is that he is a great agent. Once the agent starts down this road, the principle of consistency will keep him on it. Remember, each time the agent shows himself to be agreeing with you or listening to you is another small step carrying him and the seller down the road to being open to your later offer, whether it be a cash offer or a terms offer. And that's all you really can ask for—for them to be open-minded and have a positive frame when you get to the 'what if' step of the Instant Offer System."

BRIGHT IDEA

Five Questions Your Real Estate Agent Will Ask That You Should *Never* Answer

Remember, your agent, while he wants to do his best for you, is fundamentally incentivized to make sure the deal gets closed, any deal. Most agents have learned that part of their job is managing their client to help them complete the deal. I recommend that you never tell your agent anything you wouldn't want him to convey to the other side of the negotiation. While your agent would never intentionally tell the other side confidential or costly information, very often your agent will inadvertently give away a crucial piece of data, either by directly saying something foolish, or indirectly through body language or tone of voice. The key is to share information with your agent on a need-to-know basis. If you don't tell, neither can he!

Here are the five questions your real estate agent will probably ask you that you should never answer, along with your scripted response to handle each question.

One: Your buyer's agent asks you, "How do you feel about the house?"
"I'm not really sure yet how I feel about this house. The most important thing for me as an investor is to make sure the numbers work out so I am making a smart business decision when I choose to buy. I won't ever fall in love with a property like other people you work with might. For me, it's just a matter of will I make a conservative profit if I buy the house or not."

Two: Your listing agent asks you, "Why is it you wanted to sell your property?"
"I'm not totally convinced yet that I do want to sell it. I would like to see what you can get me for the house in a reasonable period of time looking for the right buyer. I guess I'm lucky because I don't *have* to sell the house, so if we don't find someone who is willing to pay what we are asking for it, then we can either keep it on the market longer, or maybe I'll just take it off the market."

(continued)

Five Questions Your Real Estate Agent Will Ask That You Should *Never* Answer *(continued)*

Three: Your buyer's agent asks you, "What's the most you'd be willing to pay for the house?"
"That's a great question. I'm not really sure what would make sense as an investment property. Rather than give you an amount to work with as the most I'll pay, I'd rather you take this offer we just wrote up to them and do your best to get them to agree with it. I think it's a real reasonable offer, and if for some reason they feel they need it to be different, you do the best you can do to get the lowest counteroffer you can. Then I'll make a decision of whether it's even worth spending more time on it or not. If they accept our offer like I am hoping, then we'll close on the property right away because it's a fair deal all around."

Four: Your listing agent asks you, "What's the lowest offer you would accept?"
"That's a great question. Rather than even thinking about that right now, what I'd prefer you do is to use all your skill and talent to get me the very best offers you can, and I'll talk with my partner and see if we're willing to accept one of them or if the buyer will have to do better before we'll consider accepting."

Five: Your listing agent asks you, "What concessions are you willing to give to a buyer to make the house sell faster?"
"I'm not sure I'd be willing to make any concessions. Quite frankly, I don't think I'll need to, considering how fairly we've priced the house. If you find a serious buyer who asks you about this, get her specific request down in writing, and also get very clear on what she is willing to give me in return for these concessions, and I'll certainly be willing to consider it."

"What other situations do you find most challenging to negotiate?" David asked the class.

"What if they ask me for references and I've never done a deal before?" Nancy asked.

"Great question. I have a simple answer for you—just tell the truth. Which in your case would sound something like, 'This will be the first property I've bought as an investment property. I've been working for the past 20 years doing

IT management. When I made the decision to start real estate investing six months ago, I went out and did all my research to do it the right way. Since that time I've taken the classes, been meeting with the sellers to find and identify the right house for me to buy, and have been working with my mentor who's been doing this for years. I understand that you want to know people I've done business with over time so that you can feel comfortable about my character and the type of person that I am. I'd be happy to put that together for you if we find a mutual fit here. That way anything we put together here will be subject to you checking through my references, getting comfortable with me as a person, just like from my end I'll have to do my checking to make sure of things like you have clear title to the property, and that there's no big surprise with the house when we buy it.'

"Then sign up the deal subject to their approval on your references, allowing the seller to cancel in, say, 72 hours with written notice if she's not happy with your references. Understand that *no one* has references when they get started, and that is okay.

"We have time for a few more questions before we need to take a break."

"David, I do great negotiating with sellers," Leon said. "But when it comes time to talk with a lender about getting financing on my properties, I get nervous and find myself feeling powerless. Can you help me find a way to be the one in control of that situation, just like the Instant Offer System puts me in control when I'm negotiating with sellers?"

David nodded his head. "I can sure identify with that challenge. In fact, I bet there aren't many people here who have worked to get conventional financing who haven't found the process to be intimidating and mysterious. Let me share with you the single most important shift to make in your negotiating frame when dealing with lenders. If you can make this switch, it will instantly move the power in the situation from your lender to you.

"Leon, imagine you are a lender who I want a loan from. Let's role-play this powerful technique I'm about to share with you. What I do is call you up and say, 'Hi, my name is David Finkel. I'm an investor who lives in the area and I wanted to talk with the best person in your bank who can help answer my questions about lending programs you have. Can you tell me who I should talk with?' "

"That would be me," Leon said.

"Oh, great. I'm sorry, I didn't catch your name."

"I'm Leon."

"Nice to meet you, Leon. As I said, my name is David. I'm an investor in the area who is considering financing several of my properties. What I'm in the process of doing is interviewing several local lenders to see which one I'm most comfortable with to select to give my business to. May I ask you several questions about what your bank offers investors like myself?"

David turned back to the class. "The key is to make the shift from you pleading for a loan into forcing the lender to sell themselves to you in order to earn your business."

"David, that's great!" Leon shouted. "I can already see how the problem was that I had been looking at the situation like I needed them desperately, but what you helped me see is that the lender is really like any other business. The lender needs people like me to lend to if they want to stay in business."

"It even gets better than that when you understand how the game is really played," said David. "Your lender is really several units in one. There is the 'originator' unit. These are the people who hunt up the business for the bank to lend money too. Think of them as the sales and marketing division of the bank. Most of the people are incentivized in some way, whether by commissions or by bonuses or even by quarterly or annual evaluations, to get more loans originated. So here is the key in all your dealings with these people." David turned and wrote on the board:

When dealing with loan "originators," make *them* sell you on working with them.

"Anytime you have a lender or mortgage broker fighting to sell you on working with them, they are becoming more and more committed to having you choose them. They will be much more likely to get you lower fees or better rates, or to tell you about the 'hidden' programs they don't tell everyone about. In a way, this is just an extension of the reluctant buyer negotiating fundamental we've already talked about.