

Short Sales Profits 101

A beginners Guideline



A beginner's guide to short sales profits

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The depths of Short sales and the way to succeed

There are many Hot topics right now in the world of real estate. By far, the most logical one at this time is Short Sale. Unless you have been living under a rock for the past months it is hard not to notice our country's economic situation. The auto industry is close to going out of business unless the government does something. Job loss is at an all time high in 14 years. Foreclosure is at an all time high, and homeowners are losing their homes left and right.

If you browse through any news website, flip through your local news paper, turn on the radio, and tune into any news broadcast, all you will hear about are the record numbers of foreclosures in our country and the "sub-prime meltdown." This economic situation has turned into a three-headed monster. First, unemployment rate is at 8% right now. Second, most banks have tougher guidelines, and many of them are unwilling to lend, which causes a stagnation in the credit market. Third, Foreclosure is soaring at an unbelievable rate. Economist, renowned analyst, the media, and pretty much everyone, are predicting that this trend will continue well into 2010.

The government's response to what's happening in the housing market right now have been dismal, the most effective thing they have done so far was lowering the interest rates. They have tried countless bailout, but it is not injecting the much needed cash in our economy. Homeowners are still losing their property, the argument out there is did the Government bailout Wall St, but forgot about Main St.

A fraction of what's happening to homeowners can also be blame on the rapid declines of home prices. Through countless refinancing, homeowners and investors pulled out every dime they could out of their property, leaving the home fully or over-financed. Homeowners didn't have the income to support the monthly payments, and investors couldn't get the much needed rent to cover the monthly mortgage payments. And because over 50% of loans originated the past 5 years were adjustable, we now we have meltdown because those ARMs kicked in and it became difficult for Homeowners to cope with the new payments, we should continue to see this happening for at least the next two years unless the bank comes up with a tactic and renegotiate certain loans, to help the homeowner.

There isn't a trend that shows that foreclosure will start declining in the near future. In fact, there's a 93% increase in the number of foreclosure this year from the same time last year, and there's a tremendous amount of REO fillings around the Country, which accounts for all the banks going down. Part of it is because they have too many REOS on their portfolio and they just can't get rid of all of them in a quick manner, and yet foreclosure is not helping them, so folks within the industry have been talking about a three months foreclosure moratorium to help some homeowners. The simple truth is, a 3 months moratorium will not help homeowners to the point they need, it will only stop the bank from reporting foreclosure filling for three months. Most folks in foreclosure will not be able to come up with the necessary funds to get their mortgage in good standing.

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Some simple facts regarding our current economy, we know that the mortgage Crisis will only get worse in the upcoming year, which also mean that all you need to do as a Savvy Short Sale investor, is to offer a solution that will turn into a win-win situation for all parties involve.

We are getting closer to the worst economy meltdown since the great depression, incomes are down, the unemployment rate at an all time high since 1982, most homes are over leveraged, there's a incredible decline in home sales, plus the number of homes for sale in the market just fuel the number of foreclosure that is happening everyday.

Remember a hero always rises on every crisis, and it is an Understatement to say that this country is facing a FORECLOSURE CRISIS.

Foreclosure is the Problem and you have the SOLUTION.

There are several options for a homeowner facing foreclosure:

Option 1: Loan Forbearance or Modification - A strategy worth pursuing is called loan forbearance. The loss mitigation department of the mortgage company may make arrangements with the homeowner to pay some of the back payments now and the balance within a certain time period. A typical example – Homeowner owe \$9,000 in back payments, attorneys' fees, etc. The mortgage company may accept \$4,500 now and \$750 per month for the next 6 months. Of course, the homeowner would have to resume making their normal monthly payments. A loan modification is a permanent change to your mortgage that may lower your payments and the delinquent payments may be added to the mortgage balance. A loan modification or forbearance is easier to arrange prior to the Mortgage Company filing a foreclosure lawsuit. Some lenders will not consider this after filing, but it's worth trying.

Option 2: Reinstate Your Mortgage - Homeowners have up to and including the morning of the auction to catch up on their payments. Perhaps they could borrow from friends or family, credit cards or retirement program. They may be able to arrange a second mortgage to catch up the back payments and fees. Check in the Yellow Pages under "Mortgages". There are a number of companies listed that claim they can help in these situations.

Option 3: Refinance – Once behind Homeowners probably received letters from mortgage brokers and lenders saying they are already pre-approved for a new mortgage. The fact is that it is very difficult to arrange new financing when they're already in default on their existing mortgage. Be very cautious about sending advanced fees of \$300.00 to \$600.00 to lenders or mortgage brokers. Usually it's a ploy to take advantage of the homeowner financial situation.

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Arranging new financing will depend on their income, credit report, value of the home and the amount of equity.

Option 4: Chapter 13 Bankruptcy - A viable alternative if their financial situation has improved, filing bankruptcy prior to the auction will stop the sale. Unfortunately for most people, it only postpones the sale for a few months. Immediately after filing a Chapter 13 Bankruptcy, the homeowner will have to file a repayment plan with the courts. This plan has to show that they have sufficient monthly income to pay basic living expenses such as food and utilities and other monthly payments such as credit cards, car payments etc. In addition, the homeowner's income must be sufficient to resume making their monthly mortgage payments. All past due amounts are usually spread out between 24 and 60 months i.e. If they owe \$9,000 in missed payments, attorneys fees, etc. if spread out over 48 months would be an additional \$187.50 due each month to the court appointed trustee.

Option 5: Sell the House on the Open Market - This is probably the most under utilized option available to Homeowners. The fact is selling their home will give them the most money in their pocket. The market is very active and we've all experienced significant appreciation in the past few years. Your home may be worth a lot more than you think! Except at this moment we are in a Foreclosure crisis, therefore most homes are over leveraged, it is near impossible for the homeowner to make a profit, or even sell the house for the loan amount.

Option 6: Rent or Lease Option the House...If the homeowner is lucky enough to get rent to cover all or most of their payments, this could be a great option. But the Borrower MUST make certain they use the rent money to pay the mortgage(s) and not spend it on their other bills or expenditures.

Option 7: Let the Home Be Sold on the Courthouse Steps or in front of their house - By far, the worst option available to a homeowner! Many people feel "I have no equity, let the bank take it", but homes that are sold on the courthouse steps typically sell between 50% and 70% of their fair market value. Moreover, if a bank suffers a loss due to the pending foreclosure action against the owner, they also have an option. They can file a deficiency judgment against the homeowner and pursue you for the amount of their loss.

Typically ten days after the foreclosure auction, a certificate of title will be issued by the courts to the new owner. If you have not voluntarily vacated your house at this time, you could be forced to move out within 24 hours.

Option 8: Short sale is when a bank or mortgage loan balance due to an economic hardship on the part of the mortgagor. The home owner/debtor sells the mortgaged property for less than the outstanding balance of the loan, and turns over the proceeds of the sale to the lender in full satisfaction of the debt. In such instances, the lender would have the right to **approve** or **disapprove** of a proposed sale. A short sale is the best alternative to Foreclosure.

Option 9: Deed in Lieu of Foreclosure is the last resort, where borrower voluntarily gives back their property to the lender in exchange for forgiveness of debt, but rife with tax and credit reporting problems; This is customarily use where borrower is deceased and estate wishes to transfer property, or borrower has filed for bankruptcy, otherwise lenders require that property has been listed for sale at market value and all attempts to sell the property have failed and there are no junior liens.

The Bank Perspective

Let's review this from the bank perspective, and illustrate why Short Sales are excellent alternative to REO, and why every single bank will always say yes to a good short sale Packet that makes sense to them. REO stands for "Real Estate Owned". It's a term banks use to describe a house that comes back to them after a failure to sell it for an acceptable price at the foreclosure auction; Most REOs are then listed by a real estate brokerage for resale on the market.

On average, a bank loses approximately \$80,000 - \$90,000 for every house they have to take back at a fail auction. This number is up from \$60,000 one year ago. The average amount banks lose is certain to rise, as more homes are taken back by the bank. Promoting record numbers of REO's in inventory, with a processing time varied from auction to listing with a real estate agent.

The amount of time it takes the bank to get rid of an REO tends to increase in this foreclosure crisis, that "lame duck period" for the bank could be around 3 to 6 months. Now you've just added another 6 months to the already non-performing asset...a minimum of 10-12 months that the investor backing the mortgage is not getting his money back. But through that time the lender may incur additional costs of insurance, attorney fees, utility service, taxes and commission upon resale to third part;

This is not where it ends. The property goes back on the market, and now it's sitting there waiting to be sold with thousands of other properties on the market, at a price the bank thought the house was worth before it went to auction, and that price is usually too high due to the excess of houses on the market. Now we can add another 6 to 9 months before the house gets sold. In reality, the mortgage on this house can go unpaid for 24 months or more! Now imagine you were that institution wouldn't you love to find other alternatives that can save you some of the cost.

This is the proven reason why Short Sales are a great alternative for banks. Yes, banks take less than what's owed on the loan, 24/7 because they get a defaulted loan off their books and they can focus on their job which is to lend. They can also move that money forward into other investments. They take it in the shorts now, but they save money and time in the long run. It is simple to understand why short sales are the best remedy for the lender. They save thousands sometimes hundred of thousands by doing a short sale instead of taking the property as an REO.

How does the Homeowner benefit from a Short sale?

Words can't express the feeling of a Homeowner, who was facing foreclosure and suddenly the house is sold, relieving most of their pain and stress. Simply because you as a savvy investor helped them stop the foreclosure process and move on with their lives. When you are the investor who stops the foreclosure the homeowner will call you with tears of joy and gratitude, thanking you for helping them out of the situation, and they will refer any friends or colleagues who are facing difficulties to you. Now you can call yourself a problem solver.

When dealing with a homeowner in foreclosure it is wise to disclose to the homeowner, the difference between a foreclosure and a short sale and how each affect them. When a foreclosure is file and goes through, **it will reduce the homeowner credit score by 250-300 points**, and will require a minimum of 4 to 7 years, for the homeowner to be able to qualify for a conventional loan, Throughout that period it will be extremely hard for the homeowner to qualify for any type of loan using their name. The homeowner should go to a strict credit cleaning process that can help ease the burden of the foreclosure on their credit

With a short sale, the biggest benefit is that you sell your home and you are headache free, and if you don't satisfy the mortgage amount the bank may forgive the deficiency. A short-sale is positive for both as we've discussed previously, the homeowner may walk away after going through the short sale and feel the burden relieved off their shoulder. Since the homeowner was already behind on their mortgage. When a short sale occur that will not change the past payments the homeowner missed, but its very simple for the Homeowner to get back on their feet, it can take a matter of a few months to help that homeowner clean their credits and start a new life, it is also very wise for you to provide the homeowner with a few notes on how to avoid foreclosure.

You are in the business of helping people who are in a bad situation, you must always disclose everything to the homeowner, like if you are going to sell the house, or using a trust, and so on. As an investor the worse thing that could happen to you, is watching a deal fall apart at the closing table because you did not disclose certain criteria to the homeowner. Be truthful and always be honest to all parties involved in the transaction.

They might be some obstacles to the short sale, 2nd mortgages on the property can fill the short sale deal and it can be an obstruction if the lender won't compromise or remove their lien. Taxes

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on forgiveness of debt or the unpaid deficiency on the mortgage (which is taxable income to the homeowners) can cause homeowner to flee the deal if not explain well.

The first step we are going to cover is how the discount works; you want to be a savvy investor, not a mediocre who keeps sending any type of short sale Packet to the bank. When you send your short sale Packet the negotiator should have no problem at all.

The Mechanics of Short Sales:

Every real estate or business endeavors have key factors to succeed, so it is okay for you to ask yourself. Where do I start? Can I succeed doing short sales? What steps should I take? What is the foundation of my short sale business? These are simple questions that should be roaming through your mind as you think about embarking this life changing journey to financial freedom.

Before you even think about it, make sure short sale is your priority, real estate investment is a vast field, there are different niche, you will encounter investors who are selling different courses on different part of Real estate investing, you should disregards those other classes until you fully understand short sales, and you are successful with it. A very common problem among real estate investors is the simple thing call FOCUS, most unsuccessful investors took on too many niches at once, so instead of educating themselves and becoming a Savvy investor in one niche, they tend to learn one chapter on every niches, this can easily cripple your real estate investment career. So before we go any further, you have to promise me that you will not let yourself fall into that trap, you must FOCUS on short sales for the time being, educate yourself in short sales, make money from it, when it become second nature for you, it should be time for you to learn a different niche and evolve your real estate investment career.

So you are a beginner in short sales, the first step for you to do is exactly what you are doing now “ educating yourself on the subject” the second thing I would recommend is for you to attend your Local Real Estate investment Association club Most “REIA” clubs meet at least once a month. You want to connect with different Investors, and also try to really connect with investors who are focusing on short sales as well.

Remember this, you are in the business of Marketing, Marketing is everything.

A core of short sale is to market for leads, you want to market to homeowner facing foreclosure, that period is known as "pre-foreclosure” those are owners who have defaulted or behind on their mortgage payments. One of the most critical parts of your short sale business is marketing to sellers who have defaulted on their loan, without marketing there’s no leads, with no leads you have no deals, and without any deals your business is worthless. So you need to work on marketing, your phone should be ringing 24/7 with deals flowing in your pipe line.

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This next step will require some of you reading this book to step out of your comfort zone, from now on you must turn yourself to a walking short sale specialist, you must tell everyone you know, or everyone you meet that you are a short sale specialist, you help folks out of bad situation, if they are facing foreclosure you are the person to call, so after you start with word of mouth, make sure you create a business card stating what you do, so upon starting a conversation give your card away. Again tell everyone what you do, from the mail carrier, the Garbage man to your co-workers.

To prolong your business you must learn direct marketing, this entail of you finding different options of marketing. You can mail a letter or a postcard to the homeowner in default. There's various way for you to find the list of homeowner in default, you can go to land court or the recorders office and ask for the lis pendens, make sure you don't ask for the foreclosure list, because that is just a List of REOs. You are going to the Court or recorders office so you can save your money, but you can also sign up for one of the pre-foreclosure list, these sites usually include a monthly payment. This is a list of a few that are good: <http://www.realtytrac.com/>, <http://www.foreclosurestore.com/>, <http://www.defaultresearch.com/>, (if you would like more sites just go on google.com and type in pre-foreclosure list). Upon receiving or downloading the list, you want to make sure that it is current, because it is futile for you to be spending your money marketing to an old list that is a waste of money and your time.

After gathering a list, you now wants to advertise to it, send a sequence of letters and postcards to the homeowner stating that you understand their situation and all you are trying to do is help.

Sample Letters:

The first letter can be a list of tips telling the homeowner how to avoid foreclosure; you want to create rapport with the homeowner so you do not appear as a vulture looking for your money.

Sample First letter

Tips on How to Avoid Foreclosure!

Are you having trouble keeping up with your mortgage payments? Have you received a notice from your lender asking you to contact them?

- **Don't ignore the problem.**

The further behind you become, the harder it will be to reinstate your loan and the more likely that you will lose your home.

- **Contact your lender as soon as you realize that you have a problem.**

Lenders do not want your house. They have options to help borrowers through difficult financial times.

- **Open and respond to all mail from your lender.**

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The first notices you receive will offer good information about foreclosure prevention options that can help you weather financial problems. Later mail may include important notice of pending legal action. Your failure to open the mail will not be an excuse in foreclosure court.

- **Know your mortgage rights.**

Find your loan documents and read them so you know what your lender may do if you can't make your payments. Learn about the foreclosure laws and timeframes in your state (as every state is different) by contacting the State Government Housing Office.

- **Understand foreclosure prevention options.**

Valuable information about foreclosure prevention, call us at XXXXXXXX Option can also be found on the internet at www.yoursite.com or call me directly at XXXXXXXX

- **Prioritize your spending.**

After healthcare, keeping your house should be your first priority. Review your finances and see where you can cut spending in order to make your mortgage payment. Look for optional expenses-cable TV, memberships, entertainment-that you can eliminate. Delay payments on credit cards and other "unsecured" debt until you have paid your mortgage.

- **Avoid foreclosure prevention companies.**

You don't need to pay fees for foreclosure prevention help-use that money to pay the mortgage instead. Many for-profit companies will contact you promising to negotiate with your lender. While these may be legitimate businesses, they will charge you a hefty fee.

- **Don't lose your house to foreclosure recovery scams!**

Be aware of the Vultures out there practicing foreclosure scams, many firms will claim that they can stop your foreclosure immediately if you sign a document appointing them to act on your behalf, you may well be signing over the title to your property and becoming a renter in your own home! Never sign a legal document without reading and understanding all the terms and getting professional advice from an attorney, a trusted real estate professional.

Sincerely

(Your name)

P.S. Hopefully by the time you receive this letter you would be able to bring the mortgage current, but please don't throw this letter away, put it in with your mortgage and other valuable documents, if the day ever come again where you have not been able to make your payments I would be very interested in talking to you on that basis or any other basis on buying your house.

Sample second letter

We Buy Houses Fast, and Pay CA\$H
SALE US YOUR HOUSE WE CAN MAKE IT WORK!

Dear: (Property Owner) or (first name)

I understand you have had some recent Personal changes in your life and that you may need to sell some of your properties **I Buy Houses Fast, and Pay CA\$H** and I will be more than happy to make an offer on your property. Most likely you are taking care of your situation, but **just in case** something happened and things fall apart just **consider this as a back** up plan, if you are interested and ready to get rid of the house please call at your earliest convenience. Remember, **Time is of the essence do not let the Bank take your home from you, even if your equity is gone We can help you save your credit and get rid of the headache.** When you are ready for help, please pick up the phone and call (your name) at xxx-xxx-xxxx, we can set up a time where we can talk.

Sincerely

(Your name)

xxx-xxx-xxx

P.S. Hopefully by the time you receive this letter you would be able to bring the mortgage current, but please don't throw this letter away put in with your mortgage and other valuable documents, if the day ever come again where you have not been able to make your payments I would be very interested in talking to you on that basis or any other basis on buying your house

P.P.S. Remember, time is of the essence. When you are ready for help, please pick up the phone and call me at xxx-xxx-xxx, and we can set up a time where we can talk. “

Make sure you do not waste your time on terrible leads, only deal with motivated sellers, the worst thing you can do is waste your time dealing with a homeowner in denial. Your goal is to attract motivated sellers, schedule an appointment with them and explain how you can help them out.

There are many other ways to market and have seller calling you. Bandit signs work extremely well, you want to target a certain area and place your bandit signs up. One more marketing vehicle you can use is to place ads in the classifieds of your local paper. Make sure to run a toll free Foreclosure Awareness Consumer Hotline' ad in the paper. This strategy will keep your pipeline flowing with deal because it is non-threatening and people in distress are simply listening to a pre-recorded message that tells them how the foreclosure process works and it should also gives them options to their problem. Make sure to leave your direct connect number

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at the end of the message. Many homeowners will be extremely motivated to speak with you right away about their situation, because this places you as a professional and not some regular Joe without any experience.

The Discount:

You find a homeowner facing foreclosure that has little or no equity in their home. You explain you may be able to buy the home if you can convince the lender to give you a break on the amount due on the loan.

You must be upfront and tell the homeowner exactly what is going on and have he/she/them sign a sales agreement. If the homeowner knows (or think they know) the amount due on the loan you can use 50% of that number as your purchase price as you fill out the purchase contract. That number can be adjusted with an amendment to the agreement after you talk to the mitigation rep and find out the true payoff figure.

At this point you just want to get the homeowner committed to the deal. Get everyone who is on title to sign the purchase contract before you contact the mitigation department. These homeowners are under a lot of stress and you don't want to depend upon a verbal agreement and then have them back out just as the deal is ready to go into escrow. To protect yourself, the purchase agreement you prepare for the homeowners' signatures must contain a clause like "This agreement is contingent upon the lender accepting a discounted loan payoff acceptable to the buyer."

You should always try to get the Deed from the homeowner, it is a usual M.O. that most investors use, as we discussed homeowners often get cold feet, change minds or want to renegotiate after several hours spent in obtaining favorable term for a short sale. To explain this in Plain English get the Deed records it or hold it in escrow. I have seen investors fail to get the deed work on the short sale just to find out, someone else have recorded that deed and is buying the property.

After you collect all the information from the buyer, make sure to fax the Authorization to release Information to the bank, it usually take 24 to 48hrs for the bank to process this information, once they received you must call and ask for a short sale packet, some banks may have some other documents that you must send, talk to a rep from the Loss mitigation Department get their name fax#, their email address and mailing address, Make sure you fax a complete Short Sale Packet to that person. When you are on the phone with the bank, make sure to introduce yourself as the homeowners representative or the buyer. Remember they receive short sales Packets everyday, so make sure you know what you are sending, if you send a mediocre Packet it will go in the garbage, and that will be the end of your deal.

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You must take your time as the Savvy investor that you are and prepare a good short sale Packet to send to the bank, your short sale Packet should consist of:

- 1: A purchase and sale agreement sign by the seller.
- 2: A Hud-1 Settlement statement; some bank might refer to it as a net sheet.
- 3: A hardship letter sign by the seller. (*The hardship letter basically tells the lender why the homeowners are not making their mortgage payments*)
- 4: An Authorization to release information is basically an authorization so the bank can talk with you.
- 5: The seller's financial, (*Financial worksheet statement plus documents two most recent tax returns, the sellers last recent pay stubs, seller's last two bank statements*). **Homeowner must be without great amount of cash flow such as investments, trusts, liquid retirement funds or other accessible funds.**
- 6: Three to six recent MLS Real Estate comparables
- 7: Contractor estimates of repairs needed with digital photographs of damages.
- 8: A proof of fund, or a Loan Pre-approval letter.

The stage must be set at the initial meeting with the homeowner by compiling as much as much negative facts of the property, from exterior and interior photos focusing on the major damages. It is also good to compile derogatory information about the neighborhood from local newspaper articles to statistical data. In the hardship letter, must personalize the homeowner dilemmas with information on their story and how the short sale will allow them to move their lives forward; this sympathy factor work as well since it is the truth, plus loss mitigators are human as well.

Once you have everything, submit the offer and all requested documents to lender ASAP, as it can take several weeks to get an answer from the lender.

Proper Negotiation is the key to short sales success:

After you compile the forms from the list you want to attach a cover letter to it, and fax it as well mail a copy of it to the bank, you should contact the bank 7 days after you fax and mail everything, and ask them what is the status of the short sale, you want to check if a Negotiator have been assign to it. That person will be your point of contact. And that is when the negotiating game will start. Always communicate in writing and by fax, so there is a written

record, a short sale can involve as much if not more paper work than an original mortgage application.

First thing for you to know is that a Loss Mitigator job is to fight and get the highest price possible for the bank. A mitigator want the highest price because they work on a performing basis the higher price they get from you the more money they save the bank, and the higher their bonus will be. So with that in mind the mitigator is negotiating with you trying to get the most money for the Short sale pay off, but you on the other hand want to pay the least because after all you are looking to profit from the deal as well. Always remember the greater the discount the higher your profit

Most of the Negotiation will be base on the Brokers Price Opinion (BPO), the Mitigator might ask you for a Number, never be the first one to mention a number, if you are force in a corner, tell them that you have to get your contractor in the house so you can work some numbers out before you can give them one. You should not be afraid to negotiate with the Mitigator, do not keep talking back and forth like its an argument, The best way to negotiate a short sale is by your Packet and what's in it, so you want to get the best comps that represent the price you are offering. Request a CMA (Comparative Market Analysis) from your realtor, and attach it with your short sale Packet.

I can tell you now, most Mitigator will in fact tell you that your offer is too low, so if you do not know how to handle objection the deal will fall apart, because the Mitigator will sense that you are a rookie who attended a Seminar and heard of short sales and now you are trying to do one. If it is your desire to profit in short sales you should learn to leave your emotion out the door whenever you are on the phone with a Mitigator, you must stay calm and collective, in some case the bank negotiator might lie to you and say they have done a BPO and they think the House is worth this or that, when in fact you know that they haven't, there is a simple answer to that statement.

Now let's say you are working on a deal, after you sent your Packet you call and the Mitigator told you that your offer is no good, due to certain guideline the bank can only accept Fair Market value for this property. Most rookie investors would simply walk away from the deal, because they do not understand the short sale process. The only way you should ever answer that question is ask the Mitigator, What is the fair market value price? Once the loss mitigator gives you an answer you can work on that number to send them a counter offer.

I have seen countless investors succumbs in their journey to wealth because they lack composure and negotiation skills, before you start your short sale business you must get the premise of us versus them out of your repertoire. As we mention in the first chapter this should be a win-win situation, before you get into the deal you should know your bottom line i.e. the most you would pay to buy that property, and you should keep all emotion away, therefore if you and the bank

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fail to work a deal out if both parties can't come to an agreement where it's a win-win situation, you should be able to walk away and move on to your next deal, always keep in mind that this is business, do not get emotionally attach to the property you are working on.

You should always be in charge never falter to walk away from a bad deal where you won't benefit from it, and you should never be needy for a deal, if you are, you most likely will break your guidelines and you will end up with a property over market value, where you can't find an end buyer for it in worse case scenario if you keep approaching your deals with such emotion, you will end up being the person in foreclosure.

How to Influence the BPO

Throughout the negotiation the bank will want to know the market price for the property, they will do what is call a "Broker Price Opinion" BPO this is usually a rookie real estate agent visit the home look around write a few stuff take a few pictures and looking at some comparable they determine the price of the home. You want to make sure they conduct an interior BPO; many lenders will state that they did a BPO where in actuality all they did was drive by the house and take picture of the outside. It is up to you to tell them you want a full fledge BPO especially if the property need repairs. A BPO is standard in all short sales, and if you use it correctly it can be your leverage as well. The lower the BPO the better; but it needs to be a trustworthy analysis. Ask the Loss Mitigator to have the BPO agent contact you before going to the property, it can be "fatal" if BPO Agent goes to the property without you, the worst thing that can happen if for the BPO agent to meet the homeowner without you present; homeowner tend to convey positive or ambiguous information.

Since your offer to the bank will be under market value, **in this market I will say to offer the bank from 65% to 95% of the BPO**, which is why you will want to influence the BPO down. When conducting the BPO make sure you point out everything that is wrong with the property, point out every single default on the property from old roof to terrible bathroom and so on. In a short sale deal your goal is to influence the BPO or appraisal down, so you can have a great deal. So you must do your due diligence and show the agent everything that is wrong with the property

If you want to be safe and get the BPO number simply ask the BPO agent around what numbers are we looking at, in my experience most agents will give you a broad estimate. If you are dealing with an agent who's not budging and will not give you any information: Well I have a solution for you, the first thing you need to do is grab that agents business card, call his company the next day and request a BPO on the property this will cost you from \$60 to \$100. Most company will send you the previous BPO if not just ask for the same exact agent to do the BPO. Note you can also do this with appraisal as well. This is by far the easiest way to influence the BPO to your advantage.

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For example:

Let's pretend you're doing a short sale deal. The house has a Fair Market Value of \$250,000. You meet with the homeowner at their house to sign the short sale paperwork. You have your digital camera in hand; you walk through the house and take pictures. Upon your pictures you determine that it needs at least \$25,000 in retail repairs...paint, carpet, and some new kitchen cabinetry and a new bathroom to be resalable. But you have a handyman who can do the work for \$15,000. So now the value of the house is around the ball range of \$225,000 'as is.' This is in a good market.

But you know for a fact this property will not sale for this price, because you're in a market where sales are slow (which is the case in many of the markets around the country at this time), so the BPO value you're shooting for in this market is actually around \$200,000. After conducting your due diligence and doing market research you come to the conclusion that you can sell this property very fast for a price of \$215,000. So now your job is to influence the BPO to a price of around \$210,000 but less is what you're shooting for. The banks will take anywhere from 75-95% of this value, depending on the lender guidelines and how well you present your Packet.

So You submit an offer to the bank for 80% of \$210,000 = \$168,000 this is a very aggressive way to approach short sales offer because you want to make sure there's room to work, because 9 out of 10 the bank will counter your offer, but since you are a Savvy investor you left room to make this deal work.

Exit strategy

As you may know by now Short sales are thrilling, fulfilling and profitable transactions. In a short sale, the homeowner sells a property for less than what is owed on it. The remainder of the debt is forgiven. This happens because the property is over-mortgaged, the homeowner is insolvent and it's the lender's best option.

Negotiating short sales definitely requires expertise. The homeowner and the lender are locked up into an unpleasant situation. The homeowner is unable to pay the mortgage. The lender is not getting paid. The job of the short seller is to positively unravel this awkward situation and be rewarded for it.

The longer it passes, the worse it gets. With time, the debt increases and the property fall in disrepair. As this trend continues, matters only deteriorate further. Sooner or later, the homeowner will lose the property. Very often, the homeowner still owes on the property after the foreclosure. By the time this happens, the creditor will have a great financial loss. The creditor will have a lesser loss the property if sold at the foreclosure sale. If not, the lender will end up

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owning the property. If this happens, losses will keep growing until the property is sold. It is the expertise of a short seller that provides an amiable solution to this situation.

Short sellers are real estate agents, investors or both. Either way, the set of skills needed for negotiating short sales is basically the same. The difference is in how each makes a living. Agents earn commissions. Investors earn by re-sale profit or rental property income.

So it is imperative that once you find a homeowner, and a property you should start working on your exit strategy, think of ways to get rid of the property. In short sales we want capitals, so we rarely hold on to a property. The main thing you are trying to do is flip the property through a short sale.

A lot of people these days are preaching about the buying and holding method of gaining wealth with real estate. There indeed may come a time in your life or business when you'll want to hang onto a piece of property, although you'll only be interested in keeping certain types of property. If you're just starting out, flipping a house may be an ideal way to get started.

Basically, there are many ways to flip a house; these are three easy ways that you can flip a short sale property, although each one has its own terms, motivation, and type of property. The first method is known as retailing. What this means, is that you purchase a house in bad shape, do the repairs to fix it up, then turn around and sell it. There are a range of houses in need of repairs out there, and several ways that you can quickly flip a house to net profit. All you need to know are the techniques that will get you the most money in the least amount of time. I do not recommend this method for you in this market.

The second way and best way you can flip a house is through wholesaling. Wholesaling involves finding a home for sale work on the short sale then flipping it to an investor for a fast, yet small profit. To do this, you'll need to know the real estate investors in your area, the types of homes that flip the best, and how to fund your property so you can flip it to them. If you live in a big area or a city, you'll find that using the wholesaling method of flipping houses is actually easier to accomplish. I strongly recommend this exit strategy to you, all you need to do is network with a group of Real estate investors so you can advertise all your property as wholesale to them.

The third way to flip a house is by assigning the purchase. Using this method, you will commit to purchase the property. Instead of closing the deal yourself, you will assign the contract to a real estate investor - of course the fee will vary depend on the quality of the home. That investor will take the contract over from you and close the purchase themselves - flipping the house. This exit strategy can be very profitable, especially if you invest in the right home. You don't need to have your contract worded any special way to be legal, although you will need to determine the assignment fee. It is easy and simple to assign your short sale deal to a third party.

You must also find a knowledgeable real estate agent who understands working with an investor, that means you will have to interview quite a few before you find one who is competent enough to work for you, the agent job detail is to find you qualify buyer for your properties. Beware of agent that does not understand the short sale process, if it looks strange to them they might claim that you are doing something illegal, so the best thing to do is to only work with competent real estate agent, I am stressing that because bad agent can cause you a great deal.

How do you go about finding your money source, for you to close on your short sale deals you need a private lender, I can tell you the best way to find a private lender is by going to your local REIA club meeting and network with everyone you see in there, explain to them how they can get a good return on their money in one day. It's one day because you want to do double closing or simultaneous closing on your properties, so explain to that person that their money will be out just for a few hours.

You can also find private lender by going to Angel investor network, remember you have to take action, anyone and everyone you know with an IRA, a 401K can be your private lender, and you can give them a better interest on their idle cash then the stock market.

The second thing which is essential to your short sale business is to create a buyers list. it is very annoying to go to the whole process then your deal fall apart because you don't have an end buyer, so the simple solution for that is to create a buyers list by advertising properties as " Rent to Own", you can place an ad like this one on your local paper and on the internet.

"Bad credit okay, No bank involves, and you can still own your home, looking for a nice person Call win now @ xxx-xxx-xxxx" this is a very simple ad but it will drive traffic to you.

You have to question everyone who call you make sure they qualify by asking them a few question, and you might have to put some of your prospect into a credit repairing program. so you will have to interview a few credit coach until you find a good one, then you would refer your credit unqualified buyers to that person, while their credits are been taken care off you will be out there looking to short sale a property for them to purchase.

It is imperative that you find a lawyer or a title company that can perform a double closing, in order for you to perform a double closing you will need transaction funding from an investor or a private person. The way a double closing work is very simple. First thing is to find a transaction funding firm, and investor, or a private person, the best way to do that is to go on google.com and type transaction funding, after you do your research, you should call each one and ask them how much they charge. Most transaction funding firm charges between 3-6%. On their money,

So you got your deal, you have negotiate it with the bank, and You receive the fax that your short sale have been approved, and the bank gives you 30 days to close. So what is next, by now

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you should already have an end buyer, which is someone who will purchase the property from you at closing.

Let's look at this scenario:

You have an approved short sale letter from the bank for \$195,000.

You have an end buyer in line to buy the property from you for \$220,000.

Like most short seller you do not have \$195,000 to perform the first closing, which is where you buy the property and the bank receive their \$195,000 check.

That is when the transaction funding company comes in hand, the way it works, the funding person will be in communication with your closing attorney or Title Company, after the transaction funding firm receive the form require from you: P&S between you and the Seller, the bank short sale approval letter, P&S between you and the end buyer. The funding company will wire the fund to your title agent or lawyer with instructions and guidelines.

Note: The funding company money is usually out for a few hours, so both closing must be schedule for the same day, but different hours, in most cases you must close with the bank first.

So this is a typical double closing using a Transaction funding company.

First Closing at 10: 00 AM, funding company wire \$195,000 to your title agent,

Agent wire the \$195,000 to the bank

Your second closing happen at 2:00 PM your end buyer get a loan for \$220,000 to buy the property from you, so the closing is done, so your agent wire \$195,000 + 5%(9,750) of it so a total of \$204,750 back to the Transaction funding firm.

The remaining balance of \$15,250 is your profit minus the closing cost.

Remember that you should always have an exit strategy upon finding a home, make sure you do your due diligence and come up with the best way to get rid of the property and make your profit, and move on to the next short sale deal.

Top ten tips for succeeding in short sales:

Be knowledgeable: Nothing beats good training. In real estate, the more you learn, the more you earn. In this business, education pays off. Knowing the short sale business in and out allows you to quickly assess foreclosure situations and determine whether or not to be involved.

Understand the foreclosure process: The principles of foreclosure are timeless and basically universal. However, foreclosure law varies state to state. Each state has its own foreclosure version. In the least, a short seller must master this.

Know the legal boundaries: There is only so much a short seller can do. Crossing legal boundaries can easily result in judicial problems. This is why the short seller must dominate the local, state and federal regulations of this business. In real estate, the law is most often broken by not being aware, rather than by willful intention. However, the law is not forgiving of ignorance. So make it a priority that you disclose everything and understand your state real estate law when it comes to short sales.

Work only with motivated clients: Pre-disposed clients are open to be helped. It is only fair for the client to ask questions and request references. The short seller's confidence, knowledge and sincerity should be enough to overcome this. However, it is waste of time to have to convince people to work with you so you can help them, you should set up a system where you can dispose and stop wasting time on clients who are only wasting your time.

Be helpful, not judgmental: Clients needing a short sale are providing a financial opportunity in exchange for your help. The short seller needs to be grateful to have this chance. Not only that, the moment the short seller passes from being helpful to being judgmental, the business relationship will become strained. Judgmental thoughts negatively affect interactions with clients. Like this, inevitably, attitudes will create problems. Too many problems and the transaction will not close. Incomplete transactions are a waste of time, energy and emotion.

Make sure the client understands the benefits of a short sale: A short sale is always better than a foreclosure. However, this is not always evident to the client. The main benefit of a short sale is reduced credit rating damage. Damaged credit through foreclosure will result in the homeowner having to pay high interest rates for years and years. Not only that, if a short sale is not negotiated, in many instances, the homeowner will remain owing on the home despite no longer owning it. Home equity loans or cash-out second mortgages not fully paid by the foreclosure remain the homeowner's responsibility. Not owing after the foreclosure is definitely a short sale benefit. Other benefits to the seller:

- In some cases seller can remain in the property during the sale.

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- Seller may be released from liability with the loan.
- Seller has time to make other living arrangements.
- Seller can avoid a foreclosure on their credit history.
- Seller may be able to avoid bankruptcy.

Clearly explain what needs to be done. Short sales take time, effort, have a protocol and require the client's full collaboration. Clearly and properly explaining to the client the short sale process delineates expectations, responsibilities and outcome possibilities, not only that, tough choices may have to be made. An educated client tends to be emotionally and mentally prepared. The payoff of a few minutes invested in educating the client is a smoother transaction.

Fully disclose to the client and the bank: Tell exactly what, how and why things need to be done. This will keep the client from having any doubts. Doubts lead to discomfort. Discomfort leads to lack of trust. Clients that do not trust soon think that the agent or investor has something to hide. Once this happens, despite the best intentions, matters are questioned. The end result is usually an incomplete transaction. Incomplete transactions are a waste of opportunity. Disclosed to the bank what you are doing, you don't want the deal to falter at the closing table. You must also disclose to the end buyer lender so they could know that this property might have been close on three hours or two days ago.

Ensure earnings: Short sales take time, effort and expertise. This needs to be rewarded. To make sense, a short sale transaction needs to be win-win-win. The homeowner avoids foreclosure and its ongoing negative ramifications. The lender recovers more of the loaned principal sooner. It is only fair that the short seller be rewarded for this. Whether the short seller earns through commission, re-sale or rental income, that profit is the result of others benefiting. If others benefit the short seller should benefit too.

Get testimonials: Testimonials are a great referral basis. Nothing beats evidence of satisfied clients. Testimonials are proof of competence, experience and honesty. Only satisfied clients write testimonials. What is the key to obtaining testimonials? "Ask and you shall receive". Happy clients will gladly testify in favor of persons that helped them out of a bad situation. Lenders often provide testimonials too. Asking is for free. The best way to obtain a testimonial is to ask for it immediately after the transaction has been finalized. Better yet, right prior to closing, ask the client if so far they are happy how things are going. If they are, ask them to, after closing, write a little note you to show others. This will pre-commit the client. After that, the longer it passes, the lower the quality and the lesser the likelihood a testimonial will be created.

Short sales are very interesting transactions. Plenty of well-trained real estate professionals make a good living with them. Following these ten tips will ensure continued success in your real estate endeavor.

Take Actions

Once you start, do not look back, don't spend your free time reading this book understanding the knowledge then just sit down and do nothing about it. You didn't get to where you are today without taking some sort of action. So, it makes sense that if you have a vision in your head about where you would like to be in the future, it will require action. The problem with most people is, even though they contain the knowledge to do some meticulous thing, they lack putting the necessary action behind that knowledge. We find that People at the top of virtually every profession have an overwhelming desire to do whatever it takes to get things done. Seems easy enough, right? Yet despite the simplicity of this concept, there is a perpetual shortage of people who excel at getting results. These are the "passive" entrepreneurs. They live every day pursuing their dreams very safely and hoping something good will happen. They never take a risk...never push the envelope...and therefore never realize the success they could achieve.

It happens to the most determined of us. After we make a firm decision on some meaningful goal that we want to accomplish. We have even set down on a nice clean sheet of paper a marvelous and well defined way to attain that goal. But then for some incomprehensible reason we falter, doubts creep in, and we usually come up with some great explanations regarding why we cannot succeed, and some even better reasons for not doing anything at all. Someone may have whispered a word of warning in our ear, or laughed at our ideas. We begin to see only the darkness and the shadows, and suddenly the attraction of the goal begins to fade away.

We often hear the phrase that "knowledge is power." But in reality, knowledge is really only great information, because it remains useless if it's not tapped into by applying action. Knowledge that is not put to action remains just plain knowledge in your head and provides no benefit. It's completely wasted. The best way to have great results is to couple our knowledge with the necessary action needed to attain the best results. It all boils down to our belief system and the desire that drive us towards what we want.

“In life and business, there are two cardinal sins. The first is to act precipitously without thought and the second is to not act at all”. [Carl Icahn](#). There are plenty of factors and obstacles that keep one from believing, but the main factor that won't allow most of us to take a step forward is fear. It ranges from fear of failure to fear of rejection.

“I think there is something, more important than believing: Action! The world is full of dreamers, there aren't enough who will move ahead and begin to take concrete steps to actualize their vision”. [W. Clement Stone](#). The very first step is to take a small step of action then it all will seem easier. The law that governs action is like any natural law, it is not biased at all, just like the law of gravity if you jump up you will come down and there'll be an impact, when it comes to the law of action so if you do nothing, nothing will happen; if you are the type to take the minuscule of actions expect minimal results. If you are the type who's taking the same type of action every time and expecting different results, I want you to look at this quote by Einstein: Insanity is doing the same thing over and over again and expecting different results.

In life if you want to be successful, then you must go back to think like a child, you must think of rejection as nothing, just take the action necessary. A child will ask you something 20 times until they get the answer they want, they take action and see rejection as a learning experience. You basically have to start at the beginning because most beginning appears very trivial but it's easier to take those small steps for they will shape your future huge steps and success, let's see what else we can do to help you focus on taking actions. So take action toward your real estate business grab the bull by the horn and be bold and step out of your comfort zone and proceed to success.

Happy investing and enjoy your success

Winder Alexandre

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You can call 1800-884-7439x4 to inquire about our Short Sales Mentoring Program