

It's **FINALLY** here ...

**Discover the Top Ways
to Invest in Real Estate
with No Money Down ...**



And How You Can Find Properties in a Flash!

~ **TABLE OF CONTENTS** ~

Each hyperlink will take you to that specified area of the book. Each phase is enabled to print out separately. Please send us an email if you have any problems, to zerodownforeclosures@foreclosuretraining.com.

[Author's Foreword](#)

- [PHASE 1](#): Legal Advice and Knowledge
 - What it is and how it can help you with real estate

- Top company to deal with, proven to work over 30 years
 - How to get started today

 - **PHASE 2**: Finding Properties
 - Pre-foreclosures
 - REO's
 - Landlord Properties
 - Realtors
 - Delinquent Tax Investors
 - Listing Services
 - Finding Buyers for Your Properties
 - Probates (**BONUS!)

 - **PHASE 3**: Using the Lease Option Contract
 - Finding the Right Property
 - Learning the Interviewer's Mentality
 - Examples
 - Various Ways to Buy Properties

 - **PHASE 4**: Foreclosures at No Money Down
 - Wholesaling
 - Advertising
 - Wholesale Flip
 - Getting started today!
 - Examples

 - **Course Conclusion**
-

~ FORMS ~

Each hyperlink will take you to that specified form; each form is enabled to print out separately. Remember to have your attorney look over all of your forms to make sure they adhere to the laws of your particular state.

- [Tenant Information Form](#)
 - [Investor Information Sheet](#)
 - [Assignment Form](#)
 - [Estimate of Repairs Form](#)
 - [Purchase Agreement \(sample\)](#)
 - [Option Agreement for Purchase of Property \(sample\)](#)
 - [Real Estate Lease \(sample\)](#)
-

Please send any and all questions to zerodownforeclosures@foreclosuretraining.com.

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[Legal Disclaimer](#)

Author's Foreword

Dear Friend:

First let me start off by thanking you for investing in yourself, and investing in this course. Nowadays, so many people are unhappy in their current economic situations and want to place the blame for that on everyone else, instead of actually doing something about it. You are among the people **actually doing** something for your future, and you should be proud!

I can say right here, I feel a connection to all of you. The reason I say that is, you've taken yet another step forward in order to achieve what you want out of life, which is what I constantly do myself. And for you to be reading this means you are serious about what you want for yourself and your family; and I have nothing but respect for you for feeling that.

To succeed in business, there really is no magic secret. The only thing you need to do is learn the right way to begin from someone who's already succeeded the same way you would like to, and simply begin repeating what they have done over and over. You need to implement what you learn right away, so you can see it work for you right away. That's what keeps you motivated to keep moving forward and constantly improve in the business world.

This course is a model for success in real estate. Remember, every area and every market is different, so it is your own responsibility to implement these principles to your specific areas. I will of course help you in any way that I possibly can. Just promise to me and to yourself right now to **never** let this course just become a paperweight on your desk or wasted kilobytes taking up space on your computer. I encourage you to absorb this information to your fullest potential and utilize it, even if that means stepping out of your comfort zones, and I want you to *make success happen* for yourself. In other words--*no excuses!* Any and all questions you have, please send directly to me at zerodownforeclosures@foreclosuretraining.com and I will get back to you ASAP.

Let me end this with one of my favorite motivational quotes, which is written below on the very picture hanging on my office wall:



(courtesy of Successories, Inc.)

OPPORTUNITY: You'll always miss 100% of the shots you don't take.

Keep that in mind as you begin another journey into the world of real estate with me. I want **you** to be the next success story on my website!

Your Partner in Success,

Lou Vukas

[CLICK HERE](#) to begin the course.

Phase 1: Legal Advice and Knowledge

As most of you may know after reading my last book, I endorse PrePaid Legal's services 100%. I've seen so many investors in the past and present get burned by screwing up a contract and ending up in court, which costs them more than the profit they would have made in the deal. It doesn't make sense. PrePaid Legal is necessary, unless you currently have your own real estate attorney on retainer, because regardless of your experience level in real estate you are going to need good legal advice, and you will need it often.



The legal advice they give you is second to none; I personally use them at least two or three times a month now. So again, I will start off by recommending this step and I can only hope you will see the value behind it. I get volumes of support questions on a daily basis and so many times I've been asked to help a new investor understand the legalities of a contract or asked advice pertaining to real estate law that I am simply not qualified to answer because I am not an attorney. You will need to ask a qualified attorney familiar with the laws of your state for specific legal questions.

Go to <http://www.prepaidlegal.com/info/vukas30> for more details and to get all the information you need to get familiar with the plan and get started right away. The provider law firm assigned to you will review all of your contracts and documents and advise you on the laws of your state, since many states have differing laws regarding real estate forms and papers. You will also be able to use all other provider firms across the country at no extra charge, which is extremely helpful if you live in one state but invest in another. The forms I have in this book may not be applicable to each individual state; it would be impossible for me to supply you with enough contracts to meet the laws of your state exactly when I have customers from all over the US, Canada and overseas countries as well. What you can do is fill out my provided forms and submit them to your attorney, who can look them over and suggest the changes that need to be made to allow them to be consistent with the laws of your area. This will be done at no extra cost to you.

****PLEASE NOTE: Benefits and specific plans vary by state and province.**

There are plenty of other worries you may have along the way with your investing, so let's take care of a

potentially big one right now; do your research into the PrePaid Legal corporation if you like, and at least fully learn what the product has to offer for you so you can make an informed decision in the matter.

Before I get into the next phase, let me say that one technique I will be using a lot in this book for no money down real estate is a lease option. A lease option kind of works like a rental contract. These contracts **have** to be set up properly; it is a **must** for you to have an attorney review the finished contract. Also, this contract will protect you if someone decides to sue you, because if they *do* default, and they lose their option consideration, chances are they will take you to court. You want to make sure you are covered; remember, the PrePaid Legal service will cover you for up to 75 hours of trial defense time at *no extra cost* to you.

All in all, don't have anxiety about this; just choose to legally cover your basis and then you can spend your time doing more productive things like searching for properties! Let your attorney handle the legal aspects for only \$26 per month; it is well worth the cost and will save you from many future migraines.

Phase 1 Mental Aptitude Questions

Obviously you are aware that legal aide is not only beneficial but absolutely needed for your future real estate transactions. Obtaining this kind of assistance in the past has always cost more than most people wanted to (or could) spend. A company like PrePaid Legal is extremely reputable and has built their 30-year-old solid reputation off of everyday people who needed quality legal help at a decent price.

Of course, if you know a real estate attorney in your own family or currently have your own on retainer, then you most definitely have more than most people do when it comes to legal assistance. However, most people *don't* have that luxury, and most simply do not know that a service such as this one is out there.

1. *If you do not have current legal assistance, who are you going to go to for help with your real estate contracts, documents, closing papers, questions, etc.?*

2. Do you currently have between \$50 to \$75 to spend each time you need to consult with an attorney about real estate related issues?

Yes No

3. Have you researched into the PrePaid Legal Plan to see for yourself the benefits and how it can help you in your investing future, for as little as \$26 per month?

Yes No

For any more information or questions about plan benefits, please send me an email at vukas30@prepaidlegal.com and I will get back to you with your state-specific plan. Also, don't forget to check out more details at <http://www.prepaidlegal.com/info/vukas30>.



Onto Phase 2

Phase 2: Finding Properties

This is what everyone wants to know--where to find properties! It's really not hard or complicated to find them; I guarantee a good amount of them are essentially staring you in the face, in your local MLS, your Sunday paper's real estate section, etc. I'll go step by step how to locate these properties; I'm NOT going to describe how to BUY these properties. This book is going to be structured differently; I'm going to tell you where to locate these properties first, and in the next few steps you will learn how to profit from these properties using various techniques and different types of investing vehicles to your own preference. So, the first type of property I will discuss are the **pre-foreclosures**.

1. Pre-Foreclosures:

I usually average about 55 support emails daily asking specifically about finding pre-foreclosures. I do not rate finding pre-foreclosures to be difficult. In virtually all states, you can go to your local county courthouse, go to the clerk's office, and ask to see the foreclosure documents. In my state (Indiana) it is called the Fee book; however, each state is different so just ask the clerk to show you where the foreclosures are filed. This is all public information; you'll have access to the owner's name, the mortgage companies name and how much they are foreclosing on. This is good, because you can get an idea if the house has enough equity for you to even spend your time with it.

Let's now recap on pre-foreclosures:

1. Go to your county clerk's office, and ask to see the foreclosure files.
2. Locate the owner's name and property address, and how much is owed on the property.
3. If you are not familiar with where the house is located, jump onto an online map service (such as <http://www.mapquest.com> or any other yellow pages directory, and type in the location so you can get driving directions.) Drive past the house and take a look at it so you can better make a decision about the deal, at least from an appearance point of view.

You need to remember that houses going into foreclosure sometimes have different liens on them, and the liens will show up on the foreclosure documents.

Once you find out this pre-foreclosure has enough equity to work with and looks to be a pretty good deal, then we can move on. There are actually some sample letters to people in pre-foreclosure that you can send out to them directly; you can even simply knock on their door. Personally, I prefer letters; I know a lot of other people do too. However, you make the decision. I'll include a form letter below that you are welcome to use, just plug in your own information:

Dear Sir or Madam:

I would like to offer some help to you with your current pre-foreclosure situation. I am a private investor who buys homes for at or near full price, with cash or terms. I can help to solve your problem, whether you are in a foreclosure, without equity, facing tax sale, or any other situation.

If you would like to discuss how I can help you, please call me on my private line at your convenience, 212-555-1212. I assure you that I keep all calls and information strictly confidential.

Sincerely,

John Doe

First of all, let's get a very clear understanding of what a foreclosure really is. I'll give you an exact definition, straight out of a real estate textbook:

Foreclosure: A legal procedure whereby property used as security for a debt is sold to satisfy the debt in the event of default in payment of the mortgage note or default of other terms in the mortgage document. The foreclosure procedure brings the rights of all parties to a conclusion and pursues the title to the mortgage company.

OK, in plain English: if you don't make your mortgage payment for several months, the bank will take your property back and try to resell it for the money owed. What this means to you is that you can offer the owner of the property that you can buy his house for "X" amount of money. Remember, if the bank takes the property back, the owner will get nothing.

It gets even worse. Let's say the bank took the property back at the foreclosure auction for \$100,000 (which was the amount they bid for the property.) Well, a few months or years later, the bank sells the property for \$80,000. This means, of course, that the bank is out \$20,000. This also means the bank

can get a judgment for the \$20,000 and attach it to the prior owner. So, not only did the previous owner lose their home, but possibly will get stuck with a judgment for the amount of money the bank lost. This is called a **deficiency judgment**.

Not a good situation, huh? One thing I should point out for you is to target the properties that need work and offer the owner's accordingly. One thing that bothers me about pre-foreclosure investing is that some investors take advantage of elderly, misinformed, or desperate homeowners. I don't agree with that, not one bit. These investors will basically bully the owner to sell their property at ridiculously low prices. Their main sales pitch is telling the owner that the "sheriff" or someone could come and throw them out onto the street at anytime they want.

Then the desperate homeowner finally caves in and gives away a perfectly good house, for pennies on the dollar.

I think this is immoral and wrong, and I refuse to be a part of any of these kinds of deals. No matter what the profit would be. And I sincerely hope you are the same way. Taking advantage of people in a desperate situation (or even a pleasant situation, for that matter) just to make a buck isn't worth it, and will always come back to haunt you. Just do yourself a favor and target pre-foreclosures that need work so you can offer a good deal to the home owner and in return you can make a good profit in an honest way. That's just my opinion, but I hope it holds credibility with you.

Now that I got that off of my chest, let's take a look at what a pre-foreclosure case looks like:

To the owners of the within described real estate and all interested parties	
Sheriff's Sale	
Cause No. <u>32K99-9446-HM-7733</u>	
State of Indiana)
)SS:
County of Lake)
Lake Circuit Court, continuous term, 2001	
APPROVED MORTGAGE COMPANY	

VS.

JOHN DOE

By virtue of an Order of Sale, directed to me from the Clerk of the Lake Circuit Court, I expose to public sale to the highest bidder for cash in hand, at the Office of the Sheriff of Lake County, in Hampton, Lake County, Indiana, on _____, the _____ day of _____, 200__, at ten o'clock a.m., the fee simple together with rents, profits, issues and income or so much thereof as may be sufficient to satisfy said judgment, interest, cost and accruing cost of the following described real estate, to-wit:

Lot 2 in Block 7 in Ridgewood Addition to Hampton as per Plat thereof, recorded in Plat Book 55, page 92, in the Office of the Recorder of Lake County, Indiana.

More commonly known as 2337 Jefferson Avenue, Hampton, Indiana 44577.

Said sale will be made without relief from valuation or appraisement laws.

Taken as the property of JOHN DOE.

At the suit of APPROVED MORTGAGE COMPANY.

James K. Smithe
Smithe, Wagner & Johnson LLP
55 Main Street, Suite 8
Anytown, Indiana 44577
(219) 555-1212
ATTORNEY FOR PLAINTIFF

Roger Wilson
Sheriff of Lake County

For example, the preceding letter is always tacked up on the wall in my county courthouse. These are properties nearing the auction date by going to the clerk you get a list of newly filed pre-foreclosures.

TIP: You will see the physical address of the property and the legal description. You will also see what company is foreclosing on the property.

I personally like seeing only one mortgage company suing rather than two or more. It's much easier to deal with one bank, even as opposed to two. Another thing I like to see is only one person getting sued. (I know that sounds kind of strange.) But you always would rather deal with a person one-on-one than having to find time to work with ten people who's names are on the title.

Also, refer back to the foreclosure notice. You will see at the top right-hand corner a cause number. This is the number you can take directly to the clerk's and use to look up that specific file.

Example:

You go to your county courthouse. You ask around and see where the current foreclosure notices are posted. You find one of interest, and remember, the address is listed right on it.

You'll then write down the cause number and take it into the clerk's office. Tell them you would like to see this file (then hand them a piece of paper with the cause number written down on it.)

The clerk will return with the file. What you are going to be looking for is the amount the mortgage company is foreclosing for. Let's say for example the amount was \$50,000. It looks to be a good deal because you know houses in that area are priced between \$100,000 and \$175,000.

So, what you need to do is write down the mortgage company's name and how much is owed. Also, check if there are any other liens or creditors listed in the foreclosure docket..

For example, we will say that there are no other liens. In reality, there probably will be some, and you will have to handle them the exact same way I'm going to show you how to handle the mortgage company. But for now, get the owner's name and address and the mortgage company's name, and then you can be on your way.

Next what you will need to do is drive by the property. Determine if the property looks to need work and estimate about how much it could be worth fixed-up. Of course, the best way to get an accurate estimate is to call your realtor and ask for comps.

Let's say the place you look at is in bad shape and definitely needs work, and will then sell for about \$100,000.

Now you would need to contact the owner. Let's assume that you sent him a letter, and he called you back. (More on that letter situation later in the chapter.)

You agree to meet. He shows you the house and you determine it would cost about \$20,000 to bring the place to marketable condition. This only leaves about \$30,000 to pay closing, the mortgage company, and the owner. And also to pay your own profit. The owner tells you he would love to leave, but needs \$10,000 to move back home (out of state or something.)

Great! We got a good fixer-upper house that needs work. We also have a motivated owner who does want to leave. This is a great situation and fits right in with our morals of not bullying anyone into leaving their property, too. Now we need to begin the deal to make everyone happy.

The only problem is that the numbers just don't work.

Potential Value:	\$100,000
Amount owed to mortgage, attorney fees, etc.	\$50,000
Owner needs:	\$10,000

Repairs:	\$25,000
Miscellaneous legal and closing costs:	\$4,000
<u>Potential Profit:</u>	<u>\$16,000</u>

This may seem okay, but it's actually not. A few mistakes and holding costs can wipe away a \$16,000 profit in no time. Not good enough. For pre-foreclosures, you want to see a minimum of \$25,000 potential profit. Preferably \$30,000 to \$40,000.

So is all lost? Not by a long shot. Next you tell the homeowner you will see what you can do. You have him sign an authorization to release his information, otherwise the mortgage company that is foreclosing won't even talk to you.

This letter is for example only; ask your lawyer for the proper form:

Authorization to Release Information	
I, _____ (owner), authorize _____ (you, the investor) to have access to my mortgage and credit information for the purpose of helping me with the above stated items.	

Investor	

Owner	

Notary	

So the next thing you do is contact the mortgage company about the property. The first thing they are going to ask is if you are the homeowner. You'll say no and they will probably say they can't talk to you. You then very nicely inform them you have an authorization form from the owner and you will be more than happy to fax it over to them.

You call the lender an hour later and ask what the total amount is that is owed. They look it up and tell you it is \$51,393.13. Remember, the bank is still adding delinquent payments to the property amount. You then thank the lender and ask if they can please fax to you a payoff. They do.

***NOTE: Never give the bank the entire payoff amount.**

You will then call the bank a few days later and tell them that in order for you to buy the property, they will have to lower the payoff. You offer \$30,000 to buy them out. This is called a "short sale."

You're probably wondering why in the world the bank would agree to lose \$20,000 by accepting that deal. Easy . . . it saves them tons of legal fees and countless time. And they won't have to worry about the property after foreclosure, possible vandalism, and trying to resell the property with the chance of still losing \$20,000. Banks aren't always the best at selling their properties. They usually sit on them for months or even years before selling them to the open market. The holding costs alone could end up being \$20,000.

Anyway, back to our deal. The bank ends up calling you back and rejecting your \$30,000 offer. They counter-offer \$45,000. You go back and forth and finally settle on an agreement for \$35,000. This will bump your profit potential to \$31,000.

Next, talk the situation over with your lawyer. Have him/her review the documents and schedule a closing. A good idea is to have your lawyer contact your title company during the process. Some title companies don't deal with many pre-foreclosures, so they might give you the wrong information. A lawyer will be able to spot that kind of mistake right away. This is why it's so important to have a lawyer

that you can ask these questions to.

Not too bad of a deal, don't you think? The bank was able to rid themselves of a foreclosure. The owner is happy and was able to move back to his home state with \$10,000 in his pocket. Heck, he may just want to be your new best friend!

You got a good deal that you could either fix-up and sell with a hard money lender, or flip to another investor. It's really your choice.

2. REO

In this section we're going to talk about REO. Basically, REO stands for "real estate owned." This is the term banks use for homes that they took back from foreclosure.

This is also the most popular type of foreclosure. Most, if not all, of the foreclosures we are going to deal with are going to be REO's. I've touched on this subject a few times in the past, but in this section I'll explain it more thoroughly.

First of all, lenders do not like REO's. Lenders are in the business of originating loans, not retailing real estate taken back in foreclosure. Most banks do not have the knowledge or the time properly dispose of real estate.

What that means to you is potential profit. To the best of my knowledge, there are hundreds of thousands of REO's available nationwide. And you are sure to find some in your area without a problem.

So, how do you find them??

Again, there's really no magic to this part. There are only a few ways to find REO's in general, and the ways to find them are not hard at all.

1. Listing Service:

There are a lot of online foreclosure listing services out there; some are better than others. One I particularly like and recommend is <http://www.foreclosureworld.net>. It's easy to navigate through and you'll get all kinds of information from them. By using their service you can see foreclosures listed in your area without having to deal with realtors until you are ready to look at the property.

2. Banks:

Contact the banks directly. Ask to speak with their REO department. Don't be surprised if they seem hesitant at first; some might claim to not know where to direct you. From knowing a few bank workers personally, I can tell you that REO's are usually something most banks want to keep quiet.

A lot of REO's are from high interest, high-risk mortgage companies. A ton of REO's sitting on their books doesn't look good to their investors and stockholders. So, if you have some spare time, contact them anyway and ask for a list of their REO properties. You just may get lucky!

You can also use a little psychology with the people who work in the REO department. Instead of asking if they have any REO's or foreclosures, you can simply ask for the person in charge of bank properties, and ask if they have any homes available in such and such city, at a certain price. If you have the confidence to do that, then that is another avenue you can take when speaking to banks.

When you *do* speak with them, usually you will hear something like "Yes, we do have a couple of properties available in your area." Then you nicely ask for a list of those properties and you will go down to the bank to pick them up personally. As I stated in my last course, don't get anything mailed to you if at all possible; it just takes too long and is too easy for them to put off actually doing.

3. Realtor:

The last way to find REO's is through your realtor. If the banks won't deal with the general public, they have to go *somewhere* to get rid of these properties. Just give your realtor a simple phone call. You'll be surprised at what a good realtor can do for you!

3. Landlord Properties:

The next type of property to discuss is **landlord properties**. I've gotten some of my best real estate deals from disgruntled landlords that couldn't wait to get rid of their property. One of the things I'll mention here (and I sincerely hope I don't offend anyone!) but about 90% of landlords out there right now do not have the personality type compatible with what they need to be a landlord. They decide to get into this part time, they have another job (or maybe two) and maybe a family, and then they run into some troublesome tenants who may not pay their rent on time or cause other types of problems. This may help to explain why most landlords with problems continue to have problems until they decide to liquidate their properties. Lucky for the rest of us, this is a really good way to find potentially the best deals.

This is exactly how I find **landlord properties**:

I pick up my Sunday newspaper (always better than weekday editions) and under the real estate section I look up "Houses for Rent." In some ads, you can almost read the desperation in the text! "House for rent, immediate occupancy" and similar wording can give you an idea that this landlord is ready to move on. These types of properties will be using a "no money lease option;" more on that later.

What you want to do next is call the landlord. Ask them to arrange a showing of the property. You will also want to ask them when the property was last rented, how much it was rented for, was the tenant evicted, and you will get an idea of where the landlord stands in that aspect. Don't be too surprised to hear him/her call their ex-tenants names and rant about the problems they gave him/her. But, this is a good example of a property that you will want to keep in your arsenal.

Once you've located the landlord and scheduled your showing, you will then want to try and determine which problems of theirs you can solve:

- Are they not making their mortgage payments?
- Did they try listing their home before renting it?
- Did the tenants destroy the house?
- Would they be willing to sell this property?

Other questions you can ask the landlord are, how many properties do they own? And do they do this full-time or part-time? (Most part-time landlords with troublesome tenants will give their left arm to get rid of the properties.) Surprisingly, most investors are just not looking in this specific area of disgruntled landlords, so you can rest assured to have very little or no competition in your area.

Another important point about finding properties from landlords is for you to **not** answer ads reading "Rent to Own, Easy Terms" or other similar to that, because usually those landlords are more sophisticated and are looking to do with their own property just what you are looking to do for them--do you follow me here? It doesn't make sense to deal with a professional investor on their part; you will do much better dealing with ads that don't read rent to own.

Another way you can find properties is to put a classified ad in your local Sunday newspaper. You can try an example like this:

**Selling your home?? I will pay full price for
your home, if you are flexible on terms.
Call 212-555-1212**

You can put an ad under the "rental properties" section. Plenty of landlords place their ads here to rent out their properties, and you will probably get quite a bit of incoming calls. You can try this example:

**Rental Problems? I will solve your rental
problems, guaranteed!
Call now for info, 212-555-1212**

That one should bring quite a few calls from landlords who are tired of their tenants!

Also, you will know from my previous book that you need to target a particular city and try to operate in that specific city only. This just makes for less hassles for you in the long run, not running between three or four different cities to work on your deals. And when you focus, or specialize, on one particular area you will always become an expert in that field.

Place an ad in the paper going to this city saying:

"I buy homes, top dollar guaranteed! Call now 212-555-1212"

or

"Selling your home? I'll pay full price! Call now 212-555-1212"

Always include a contact number you will be accessible to; I highly recommend using a cell phone or pager and listing that number; I don't recommend listing your home phone number even if you are always at home, because if the market is really hot you can expect your phone to be ringing off the hook day and night.

4. REALTOR:

Another way to find properties is through your **realtor**. You will be asking them to help you locate these same type of properties (pre-foreclosures.) You really shouldn't bother with bank-owned properties; banks will not take a lease option contract. Stick with individual-owned properties. If you are doing no money down deals, you can contact a hard money lender that I will list in this book (in [Phase 5](#).)

If you are looking for a home that isn't a total handyman renovation, be sure to tell your realtor that. Let them know if you want homes that need some basic improvement like a little painting or minor renovating, or the seller has moved, etc. I know this sounds really simplistic and almost too easy, but that's exactly how I still to this day find my own properties to work with.

****Now, if you are going to be wholesale flipping the contracts to different investors, you will also want your realtor to get a list of bank-owned properties. Wait, did that throw you?? I know, I just told you *not* to bother with bank-owned properties, but I want you to do the above step first, THEN get a list of bank-owned properties, and I'll teach you how to wholesale these contracts for a profit in later chapters.**

5. Delinquent Tax Investors:

The next type of property to look for is pretty rare, but if you can get them is a great deal. There are a lot of companies that purchase **delinquent taxes** on houses nationwide that end up taking title back through the redemption period. It sounds a little confusing and I won't get into tax sales, because most people don't have enough time, funds or contacts established to make the deals worthwhile. There are large corporations who buy maybe \$16 million dollars worth of tax certificates and redeem these properties after the waiting period. Every state is different, but one common place we see is these properties, once redeemed through the investor, go to a local real estate company.

One way to identify that happening is they will usually not offer a warranty deed; it's usually a quit claim deed. (That's not carved in stone as always happening, but it is a good indicator.) These types of deals need to be investigated by your realtor; these properties can be obtained at a much better bargain than a foreclosure.

You can also find out by this method who is buying the properties; you can get the name of the tax sale company, take it to <http://www.anywho.com> to get a contact name and phone number, and you can call up and ask them for a list prior to submitting it to a realtor. Keep in mind, these companies aren't like banks; these are companies that don't have to give their properties to a realtor, they just don't have any local contacts. So a good way for you to become their local contact is to initiate contact with *them*. Again, with this type of property you will be looking for:

1. A vacant house
2. Offering a quit claim deed, which will be in the listing agreement
3. Ask your realtor who owns the property; they'll give you a name
4. Look up that name at <http://www.anywho.com> or any other online yellow pages directory and get a phone number to contact them
5. Call them up, tell them you're a real estate investor looking for a list of properties, you're looking to

buy the types of properties they have, and you'd appreciate anything they can do for you. If you are friendly and respectful to them, you can develop a very strong contact that can help you tremendously in the long run with obtaining a large flow of properties.

6. Probate

The next area of finding properties that I'll discuss is **probate**. Probates offer a huge, untapped section of the real estate market that most investors don't work. This can mean BIG PROFITS for you! The best part about it is that you can do this without having to use your own money; and if any of your own money is absolutely necessary, it will be under \$50. So, what exactly *is* probate?

Well, before we really get into the lesson, first I want you to become familiar with the following terms. Don't let them confuse you; they are really not difficult, and if you take the time to clearly learn them you will find them to help you tremendously in this area of investing:

1. **Decedent:** This term applies to the deceased person.
2. **Executor:** This is the person in charge of the deceased person's assets. Also they are in charge of distributing the deceased person's possessions.

What probate is is the process of distributing the estate of the decedent to its rightful heirs. Or in other words, making sure the estate is given to the family or friends or whoever is listed in the deceased's will. This doesn't just apply to real estate, either. It also applies to personal property such as cars, jewelry, etc. Not really as complicated as it seemed, now is it? Remember, the person you are always going to be dealing with in this situation would be the executor.

Where do the big profits from probate come from? Well, you have to be looking at the right kind of property, to begin with. It doesn't make any sense to go after foreclosures, pre-foreclosures, HUD's or probates unless you are looking at the right kinds of property. Just because a house is in probate or foreclosure doesn't necessarily mean it's a good deal. I've seen too many beginning investors go crazy when they find a foreclosure or a probate and then over-bid on it just to get in on the auction.

Remember, these are just techniques to make our investing easier and more profitable. If you are familiar with construction and the building trades (like I personally am) then you can compare foreclosures and probates to an air nail gun versus a hammer. The air nail gun makes life much easier and faster, but you still have to put the pieces together to make anything happen.

OK, enough philosophy from me! Let's talk about what kind of properties you should be on the lookout for in probate.

To start with, look for single-family homes. Preferably 3 bedrooms, 1-2 bathrooms. This isn't necessary in all areas, but in most working-class neighborhoods, it is the preferred choice. Also, let's take two average houses of identical square footage, one being 3 bedroom and the other 2 bedroom--the 3 bedroom home will always be valued at about 20% higher than the 2 bedroom. On a \$100,000 home that comes to an extra \$20,000.

Now, having said that, let me say now that a 1 bedroom, 1 bathroom residence in a desirable area of downtown Chicago (about 20 miles away from me) will sell *very* quickly at prices of \$250,000 and up. But most areas aren't like that, and so I'll just stick to the "bread and butter" properties in this chapter.

Next, you will want your probate property to be in need of updating and repairs. I guess if you're a super salesman and a great negotiator, that won't be totally necessary. But to keep it easy on you, that's what you should look for. Some investors only go after market-value homes and try to purchase them at a steep discount because of the situation. Now, there is nothing illegal about that or anything; business is business. But personally, I would rather go after the fixer-upper and make my profit on the improvements and speed of financing. I can make the general assumption that most of you reading this right now would definitely agree with me on that end. Most people would like to keep the negotiating and selling to a minimum and just purchase the property, where *everyone* has a win-win situation:

- The executor, who gets a good value from a house that was too run-down to sell in the open market and fulfilled his obligations.
- You, after updates, you can walk away with huge profits.
- Your buyer, who will get a remodeled house at a good price.

That's the way I like it; everyone is happy! No one feels ripped off, and there are no problems. I personally do not like problems of any kind!

To sum that up, you want to look for single-family homes with 3 bedrooms, in need of repairs, in your target city. If you have questions about what is considered a good deal in your area, refer back to Real Estate Uncovered to find the value of properties. ****HINT**** Locate three comps, within a 1/2 mile radius, that sold fast. Get a request for value from your appraiser.

How to Find Properties in Probate

This is the section that can get a bit complicated. I'm about to reveal how to find probates in your area.

You really should be a qualified real estate attorney to understand this, so if you aren't, just forget about it.

Just kidding!

Actually it's very easy to find probates in your area. Remember, my motto is to *keep it as simple as possible*. The last paragraph was just to make sure I had your attention! My inspiration for that was from talking with countless new real estate investors who had all the answers and information they needed staring at them right in their face, but they refused to do anything with it because they *thought* it just sounded too easy to be worthwhile. Realistically, any successful investor will always tell you to find the simplest way to solve a problem and repeat it, or use the same simple formula over and over again for success. It's completely true. I've been involved with enough businesses in the last decade to say that the simplest ones are always the most profitable.

For example, I know an investor in the beginning of his career who would only target pre-foreclosure houses. That's all this guy talked about and lived for! He swore that pre-foreclosures were the only way to make money in real estate, because very few people in the area we were in were involved with them. Needless to say, he spent huge amounts of time with pre-foreclosures, only to close one deal in six months. That's not too good. It gets even worse, though. After analyzing that, I went back to the MLS computer and looked at what was offered and sold in the aspect of distressed properties.

I was amazed. My investor buddy (who shall be nameless, even though he knows who he is!) missed out on at least nine killer deals in that period of time, which EACH could have landed him at least \$20,000 to \$38,000 profit after repairs. Even if he looked at a few of them, he'd have been in great shape. A heck of a lot better than six months of his life wasted in the pre-foreclosure files. And the only thing he had to show for it was a \$4,000 profit minus expenses and paperwork. I bet he only profited a few dollars, if any.

So what is the moral of my long-winded story?

Keep it simple and don't just use one method of locating properties. For example, in the next few minutes I will get into how to find probates. This will be new to most people and likely sound like the

magic bullet to shoot them to success. It honestly *can* be just that, but if it isn't, you need to move on to the other strategies in the book for locating properties. Don't let yourself turn into my investor buddy in the above example (who gave me his permission to use his story but probably hates me right about now!) and only be driven towards one method!

So, the secret to finding probates . . .

Easy! All the information is located at your local probate office. How many of you even knew you *had* one?? Depending on how large your city is, the probate office is usually located in your city or county office building. I know in my area, all records are located in the county offices. All it takes is calling up the county building and asking them to please transfer you to the department that handles probates or wills and probates. Just find out what hours they are open, and directions if you need them. Probate files are public records, so you can always have access to them.

Then your next step will be to take a drive out to the probate office. Once you get there, tell the clerk you would like to see the most recent probate filings, from about two month's back. It's a good idea to get there first thing in the morning; this is when the clerks will be the least busy and will be able to better help you.

Once you have the files in your hands, you will need to look for probate files that have real estate properties listed. Not all probates do, just keep that in mind. Once you have sifted through and found the files with real estate, start going through each of them to determine if it is in an area that you are familiar with and you would consider working/investing in.

This will come naturally to you, if you've done all your assignments from the last e-book or if you just practice for a while. For example, you should know just by looking at an address in your target city about how much the property will be worth. Now, I don't mean exact to-the-penny numbers; you're not a walking MLS computer, but you should have a ball-park figure of what properties in your target area are worth.

OK, so once you're in the files, you will see something like the below example. Now, I know that things are different in every area, but you at least can use the examples to get a general idea of what to look for.

The file will state the address to the property and an estimated value of the home. Remember, these are just *estimates*. But if you see an estimated value of a property at \$100,000 and you know in that area that will be the most the market can support, you should put that file back. On the flip side, if you see a property listed with an estimated value of \$50,000 and you happen to know that in that area you can sell it for between \$100,000 to \$150,000, you have a file that warrants further investigating!

This isn't rocket science, as you can clearly see. All you are doing is sorting and making basic decisions on what to look into. Think of yourself as an employer sifting through potential employee's resumes. You can sort through 50 files for every one that you set aside to look at more closely.

Once you locate a few of those properties, it's then time to contact the executor. Now, you're probably asking, "Well how do I do that?"

His or her name will clearly be listed on the probate file, with an address or phone number right next to it. I think, personally, that it's best to contact the executor with a letter of your intent, rather than just cold calling them out of the clear blue sky. But that's your preference.

What you'll do is gather together the names and addresses (be careful to keep the right names with the right addresses!) and start sending out letters like the one I will include below. This is just an example, you can use it exactly or modify it in any way you prefer.

****NOTE**** Make sure you leave a private number for the executor to contact you; preferably a cell phone or pager number, that has a professional sounding voicemail message. It just doesn't make you look very serious if in your voicemail you have music blaring in the background, or people yodeling, or whatever. I think those types of voicemails are rather entertaining, but just not appropriate for what we're looking to do.

Example letter:

John Doe Investments
123 Any Street
Anytown, USA 12345

Dear Sir or Madam:

My name is John Doe; I am a investor with my own real estate business, and I am interested in purchasing a property that you may have recently inherited.

We buy properties in all conditions, and would be happy to make you an offer in which we can close and distribute funds within two weeks.

Please call me at your convenience and I would be happy to discuss this situation in detail with you, 212-555-1212. If I am not available, please feel free to leave a message and I will get back to you right away.

Sincerely,

John Doe

As keeping with my prior motto, keep the letter simple and to the point.

The next step is to wait until they call you. If they are interested, they will call. There's a fine line between being persistent and being a pest. Considering the situation they are in, meaning a family member or other loved one has recently passed away, your ONE letter to them is sufficient.

Once they do call, what do you need to ask? First, keep the conversation brief and friendly, and ask the following questions:

- **"Does the property need repair work?"** (You want to hear a Yes, and if you did your homework, the properties you are calling for will ALL need work! Listen to what they say and take down notes.)
- **"Is there a mortgage on the property?"** This is probably the most important question and answer in the whole conversation. You should already have a ball-park estimate on the property; let's just say, \$50,000 to \$70,000. During your conversation, the executor states there is a \$100,000 mortgage on the house. What would this tell you? That this is obviously not a good deal.
- **"Is there a good time for me to come and take a look at the property so I can make an offer?"** Now, you would only need to ask this question if the deal passes the last two questions, that the property needs work and has a low or no mortgage. If it doesn't, kindly tell the executor that you will contact him later if your partners are interested. If you like what you see, then you can arrange a showing of the property.

A day or so before you go to the showing, get some comps from your realtor to get a more solid idea of value. Since the realtor isn't going to be making any commission, you may want to offer them a fee for the comps, or a larger fee if you close the property. Take care of them and they will take care of you. Now, a lot of realtors work that way; if yours doesn't, just thank them and tell them you need to find one that does. By knowing your property's estimated value, you can present an educated offer to the executor.

Once you are in the property, make a list of the repairs and costs associated with them. This is standard for any type of properties before you make an offer.

If after you go through these steps and it looks to be a good deal, then it's time to make an offer. Remember, I personally like to see at least a \$20,000 profit, just to be on the safe side. Don't offer on properties that only have a \$5,000 to \$10,000 profit margin, because after expenses are paid you will be likely to lose money.

So it's now time to make an offer; you will need to present the executor with a contract. A useful contract point to keep in mind: always use **your name** and/or **assigns**. Just in case you want to flip the property to another investor. Also, if you do want to flip the contract, you better make sure you have an addendum to the contract that states you can have access (or keys) to the property prior to closing. How else can you show the property to other potential investors?

What if you want to buy the property, fix it up and then sell it for a profit? That's easy; remember the hard money lenders? Take a look at the updated list below:

Hard Money Lenders:

NOTE: Some of the lenders listed below do NOT work in every state in the US; I've included ones that have an outstanding reputation along with other great ones who make loans nationwide. If you cannot find a lender on this list to work with you in your state, I suggest to try the following website:

<http://www.realestatelink.net/hardmoney.html> and enter in your state. You will then be given a list of lenders in your area or nationwide lenders who loan in your area. (By the way, I have nothing at all to do with that website, I am not paid for promoting it, I just do because it's extremely helpful to all my customers.) You can also go to any major search engine (like Overture or Google) and enter "Hard Money Lenders + (your state)" and see what comes up. Make a list of ones you've tried, what they've told you and if they worked out or not for you--keep this as organized as you can.

If you still have problems finding a lender, please email me and let me know who you have tried so I can better help you find one.

Hard Money Lenders (in listed states only:)

Name of Lender:	Loan to States:	Phone #:
Statewide Capital, LLC	Texas, Ohio, Florida, California, Indiana, Illinois, Missouri, North Carolina	(281) 332-2009 Toll Free: (800) 460-1890
Lafayette Financial	California, Nevada, Arizona	(888) 576-6534
Financial Real Estate Services, Inc.	Pennsylvania, Florida	(888) 283-0905
ChicagolandProperties.net	Chicago area, southern Wisconsin and northern Indiana	(847) 948-7717

Carbo Investments, Inc.	Colorado and Wyoming	(303) 693-1462
CitiCredit	California & Nevada	(800) 935-6266

Nationwide Hard Money Lenders:

Ready Mortgage Corp.	(972) 889-7323
Sunvest Corp.	(707) 939-9450
Mortgage Bankers, LTD.	(800) 854-9077

Canadian Hard Money Lenders:

Millennium Mortgage Trust SES Fund Corporation of Canada	(416) 485-1669
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or you can visit <http://www.fundingedge.com> for more lenders in Canada.

Probate houses can make good candidates for hard money loans.

I can almost guarantee that most probate homes are in need of kitchen and bath repairs. Take a look at some inexpensive ways to spruce up the kitchen and bathrooms to add value and, most importantly, aid in the speed of selling the property after it is fixed up.

BATHROOM:

1. Bathtub Refinish: This costs about \$300 and makes the tub and shower look brand-new. Check your local yellow pages for companies that offer this. I just had this done on a buddy of mine's \$350,000 house. It made a huge difference and saved a ton of money.
2. Toilet/sink Vanities: If they're in bad shape, just replace them. In today's age of the super home improvement centers, you can pick up these items for so cheap, it costs less to replace than repair. Also, it looks a hell of a lot better.

KITCHEN:

1. The number one way to turn off any buyer is having ugly, outdated cabinets in the kitchen. I have never, ever sold a house at market value with ugly cabinets. Again, the big home improvement stores come to the rescue! A cheap and quality way to change cabinets is buying the assembly-required cabinets. If you are familiar with these, you know what I mean by getting a great deal. A kitchen that would have cost \$6,000 with built-in cabinets can be replaced for about \$1,000 worth of materials. All you do is assemble the cabinets, like one of those put-together entertainment centers.

Well, what do they look like?

Actually, they look very good. I installed them in a \$180,000 house, and they actually look *better* than most cabinets in houses of that price range. Now don't get me wrong; they aren't quite as good looking as custom-built, cherry wood cabinets built by a master craftsman. But on the bright side, they don't come with the \$20,000 price tag, either!

You just gotta love those super home-improvement centers of the 21st century. They make our jobs as investors so much easier and more profitable!

Finding Buyers for your Properties:

Let's get into discussing how to find the buyers for your future properties. Trust me, it's even easier than you may think!

BUYER #1: The Tenant:

You can place an ad under the rentals section that will be noticed by people in the city you are working in; here's an example:

"Don't rent! Why rent when you can afford this home for only \$2,000 down! Call now for details!"

to be more specific, you can write:

*"Rent to own, beautiful 3 bedroom, one bath, huge kitchen, great schools . . .low down payment and no bank!
Call now, 212-555-1212."*

"FREE rent! Beautiful 3 bedroom, 2 bath, large yard, ready to move in/immediate occupancy . . . Call now 212-555-1212"

Now, those ads are assuming that you already have properties. But right now a lot of my customers don't, so you can say something to the effect of:

"Rent to own; several properties available. Call now for details, 212-555-1212."

or

**"Rent to own, properties in (name of city,) low down payment and easy terms, no bank financing.
Call now, 212-555-1212."**

These are compelling words to people, and that is what you are looking for. You want to pull people's interest in with what you have to offer to get your phone to ring. Again, use a cell phone number or pager and be efficient in writing down the names of people who call in.

So you've placed your ad in the paper and your phone has been ringing. What do you do next?

START SORTING!

You are then going to need to sort through your prospects; a lot of people will call in basically as curiosity seekers, people who may not have a job or any money at all, and realistically you don't have the time to deal with that. You will get a feel for interested prospects just by speaking to them and hearing what they have to say; many of your conversations will go something like this:

Prospect: *"Hello, I'm calling in response to the ad you placed about renting to own, I'm interested in finding a house in (name of city)."*

You: *"OK, can I have your name?"*

(Here you will begin filling out the [tenant information form](#) included with this course. Make sure you get all the required information--essentially, this information you will be collecting is your gold. If you are talking to someone who refuses to answer your questions, then that's probably a person who isn't serious about buying your house anyway, so you need to politely inform them that collecting this information is necessary and you cannot go any further into details with them unless they are willing to comply.)

The types of deals we are looking at need to be coordinated perfectly. To be really simplistic, you can't sell someone an apple when they're looking for an orange.

So you'll collect information, probably from a good 30-40 people who call in. Once you start going through what people have told you they want in these forms, you will start looking for properties in that city that are seemingly popular; i.e. property on a lake, 2 bedroom condos, etc. It's important that you try to stick with the general idea of what people tell you they are looking for, because in most cases people will tell you the best case scenario (everything) that they want, even though they really would be fine without some things they mention. But they want the most for their money and will tell you what to look for; try not to cloud their answers with your own opinions, because they're just not necessary at this time.

BUYER #2: The Investor:

The actual type of buyer you are looking for is an investor; these will always be your favorite ones! Generally they are looking for a better deal. A lot of them won't go with a lease option; however, many will go for a wholesale flip (which we will talk about in later chapters) and those will put cash in your pocket quick.

You'll want to put an ad in the paper, using terms such as "Handyman fix-up, ready to move can't do

work, must sell now" or "Investors wanted--several single family homes for sale, call now and save money" or if it's a fixer-upper you can say "Rehab home for sale," which will get your phone ringing like crazy from investors.

One thing I hear a lot from my students is "But the area I live/work in is too saturated with investors." Even if it is too saturated with investors, you can use this technique to make money off of them. If handymen fix-ups and rehabs are THAT much in demand in your area, you need to start locking in those contracts before other investors get them and make your profits off of that. Also, I know a lot of students ask legalities about different states not allowing certain flips. Well, you're not running a scam here, and hopefully you can use your PrePaid Legal attorney to review your deals for you. This way everything is legal and you don't have to worry about legal technicalities that may delay your deals going through. Similar terms we will go over in later chapters related to this are finder's fees and contingency fees (depends on your state or what your lawyer refers to them as) but again, more on that later with the wholesale flip information.

Again, your information sheets will contain personal information about your investors, what they are looking for, what they are looking to spend, how they are willing to pay, etc. These people are the ones you will be looking to do business with for a fast flip.

Most of the investors (at least in my area) are willing to pay cash for properties and are willing to close immediately. This is what they do for a living; the longer a property takes to close, the more he/she will lose interest in it. So, if you have the luxury of a database filled with all cash-buying investors you can rest assured they will make your time much easier.

[Click here to get your Investor Info Sheet](#) to use when speaking to investors to gather their information.

Phase 2 Mental Aptitude Questions

Let's take this chapter piece by piece, and we'll sort of test how much we can write about it by answering the following questions. Remember, the more you can write/explain about it, the better you know the material, and the faster you can start using it to make money!

1. *On a piece of paper, write down the following subheadings and try to explain as best as you can the*

methods used to locating properties in each of them. You will start to get a feel for which methods you are more willing to try first. If you are having trouble, please send me an email for help at nomoneydown@realestatefortunes.com:

- Pre-foreclosures
- REO
- Landlord Properties
- Realtor
- Delinquent Tax purchase
- Probate

2. When finding buyers for properties, what are the two types you will be specifically looking for, and what methods will you use to go about finding them?

3. Think of a short but catchy ad or two that you would place in the newspaper to attract potential buyers (either of the two types you are looking for!) and write them out below:

4. What is the preferred property type to look for regarding probates?

5. Where is the "secret" place for finding probates in your area?

6. *Review the example regarding probate above along with the sample letter, along with the questions you will need to ask the executor if you are going to be pursuing this avenue of investing. Also spend some time reviewing each of the methods described throughout the entire book, so you will become more familiar and more comfortable with the methods when it comes time to apply them to your individual situations.*

Onto Phase 3



Phase 3: Lease Options

*Definition) **Lease Option:** A lease purchase, a rent to own agreement, rent with the right to buy. A lease with the contingency that gives the tenant the right to buy the property.*

This is where we will get into a popular technique with no money down real estate, lease options. This is used to get a monthly cash flow and build equity and large sums of money upfront. It's a powerful tool if used properly; please make sure you have not skipped the prior phases of this course before you decide to get into lease options.

Lease options are NOT set up like standard rental contracts; you don't want to play landlord here. This is much more involved, so take this information in carefully. Basically the tenant/buyer pays the landlord or the seller (that would be you) a non-refundable option deposit that is applied to the purchase price of the home. The tenant/buyer then pays to the landlord or the seller (again, you) to compensate the landlord/seller for the tenant/buyers use of the property. What that means is that rent payments are usually paid on a monthly basis, and a portion of that rent is applied to the purchase price or down payment of the home. During the term of the lease but **before** the option expires, the tenant/buyer has the exclusive right to buy the home under the terms which both parties have agreed on.

Don't worry; I'll get into detail with that one later!

The lease is separate from the option, but added together gives you a lease option purchase agreement. All that the option is is the amount that the buyer puts down for the right to buy a property. It works just like a down payment; you probably would want to collect a couple thousand dollars as option consideration, and this is not refundable.

If the buyer of your property defaults, then that is legally your money. **It is *not* like a security deposit.** They are giving you money for you to give them the right to own this property in the specified amount of time which you both agree.

Usually the option term is between one to two years, or however fast you want this person to buy your

property and take the title from you. In the option contract, it should clearly be stated what actions are necessary for the buyer to exercise that option. It can simply be a letter to the seller (you) stating that the buyer wants to buy the property.

Buyer's Credits:

The last part of the option agreement are the **buyer's credits**. That is the monthly payment they make towards principle of the property and towards renting (or optioning) the property from you. For example, if their payment is \$600 per month, a good idea is to give them \$100 a month of that towards them purchasing the property.

Seem kind of confusing? Maybe to you right now, but it really isn't. Once you take a look at the lease purchase forms in this book and get familiar with them, you will really start to understand how all of this is a benefit for you.

For example, a benefit to you with a lease option is that you can get full asking price for your property (no negotiating). Another great plus is that you'll receive option consideration, which is actually the option deposit. Again, this is non-refundable and it can be any amount that you wish.

Usually it's a few month's worth of rent; I recommend at least \$2,000 or so, because then it puts an interest into the buyer/tenant for that house, and they don't feel like their renting it because they have a larger amount of money into the property.

Not to mention, you'll have a much higher rent coming to you. For example, if you would normally rent the house for \$600, you'd probably get around \$900-\$1000 advertising an option to buy. You'll realize a positive cash flow; however, you may already know that I'm not too crazy about the positive cash flow. But with lease optioning, it will benefit you tremendously because of the different equity you can gain from this property.

Also, one of the most important things with lease optioning (this is some of my own personal opinion) is that you will attract top-quality tenants, people looking to own a house, not just people looking for a roof over their head for the time being. These are the types of people who will maintain and take care of your property. Also, you are tapping a much larger market with a lease option when trying to sell a house.

You will have much more people who you will appeal to with this type of contract, just for the fact that

they think they don't qualify for a mortgage so you will be able to move the houses much more quickly, probably within a weekend or two.

And my favorite part is no maintenance and no land lording, either! There is nothing worse than doing maintenance work on rental property; I've been there and I've done it more times than I could recall, and it's just not worth it. With lease optioning, the buyer is responsible for all the maintenance of the house, because they are the homeowner. That means no more calls at 2am to you to fix a plumbing problem; it is their responsibility.

******Please make a note to include that stipulation in all of your contracts--that the tenant/buyer is personally responsible for all maintenance to the property. Your lawyer can help you out with that.***

Obviously there are many benefits to the lease option; but I would like to show you the entire side of the situation by also explaining some downfalls and risks involved with this type of real estate. But just like anything else, if you learn to manage your risk, follow these directions and listen to the advice of your attorney, you'll be okay.

Let's take a look at some risks involved with lease optioning. Let me also say that if you cannot follow any of these guidelines, don't even consider lease optioning for a long time. If you don't follow this precisely, your tenants will have the upper hand over you in your own business.



WARNING!!
EXTREMELY IMPORTANT INFORMATION:

- One thing you need to become familiar with is "equitable title." If a person defaults on their lease option deal, they can take you to court on the grounds of equitable title. They will try to make the court feel as they are the homeowner, and that means instead of you evicting them you would have to foreclose on them. See the difference?
- Never allow the person/tenant more than 20% equity of the property. Always use a separate lease

agreement with an option to purchase attached. You can use this as an addendum; your attorney can help you with that.

- In this situation, don't refer to the person as the "buyer," refer to them as the "tenant" and refer to yourself as the "landlord."
- List the option consideration as a security deposit.
- Don't give your buy option for more than one year at a time.
- Be aware that you need to be the one to pay the taxes and insurance on the property. Tenants don't do this; you don't *want* them to pay that. What you need to do is increase the rent a little higher in order to cover those expenses, but you absolutely want to personally cover those expenses.
- You also have to worry about your tenant paying the bills. I wholeheartedly do not endorse renting properties, but *lease option* renting is a different story. You'll have a large, upfront option consideration (which is non-refundable), your rent will be much higher than standard rental costs which means your positive cash flow is higher. If the person defaults anywhere on this agreement, you are entitled to evict them from the property. And, no maintenance.
- Always be strict with your contracts, and don't allow leeway. When you give an inch, in most cases tenants will take a full mile. You are running this as a business, not as a hobby. A few late payments and no reply is grounds for eviction; there should be no negotiating on your part and you need to be very clear about this upfront. I know to some of you this seems too harsh, but that is the type of personality you need to have in order to make this business successful for yourself.

Now we're going to learn how to apply the lease option to your investing. You're probably going to need to read this over a few times before you completely understand, but it will be well worth your time.

Using a lease option maximizes your leverage--unbelievably. Right now I'm going to show you how to purchase and control several properties with basically **no out-of-pocket money while increasing your net worth!** Pay careful attention to this next section.

Assuming that you followed the last few steps, including building your database of tenant/buyers and landlord/sellers, we will try to use this technique to find a pre-qualified tenant/buyer and match them with a pre-qualified landlord/seller. Then we will write a lease option contract to profit from. Let's take a look at some examples.

EXAMPLE 1 :

Locate in your database a good prospective tenant/buyer. Let's say for example, you choose John Doe. You already know that John is looking for a 3-bedroom, 2-bathroom house in City X. Right now he is paying \$600 per month in rent and he is looking for a house to buy. His credit is okay; he's got a few late payments but also has a pretty secure and well-paying job. You get the idea here. He tells you he would be interested in a rent to own kind of deal. He tells you that he can afford the following:

Rent	\$900/month
Option Deposit	\$2,000
Rent Credit	\$150
Sales Price	\$100,000

Find the Property

Your next step is to locate your flexible (and probably disgruntled) landlord. Remember, you are looking into your already made list in your database. The landlord you choose is named Tim. He is dying to rent out his house to a qualified tenant. He just doesn't have the time to locate good tenants. He works another job, 40 hours per week, and lives over 15 miles from his property. His property is a 3-bedroom, 2-bathroom house in the exact city that your buyer is looking for. Tim tells you that he would rent his house for \$800 per month. He also said he would be willing to sell the property on contract, if necessary. Heck, he's ready to rent, so you don't have to convince him to accept monthly payments.

Next, call your realtor and get some comparables on Tim's property, and get a good idea of what the property is really worth. This is very important, so please don't skip over this step.

Next, drive by Tim's property and determine with your own eyes if it's in good shape. Make sure you calculate the numbers of any potential repair work to secure a profitable deal.

Now you'll arrange a time with John (the prospective home-buyer/tenant) to show him the property. Make sure that he likes it; answer all questions he has. You will present the following option to John:

Rent	\$900/month
Down payment option	\$2,000
Rent Credit	\$100
Sales Price	\$90,000

**Rent credit is simply the amount of the monthly payment that will be credited towards the purchase price of the property.*

John agrees to the deal. You're almost there!

Your Contract Offer

The next step is to negotiate a deal with Tim, the disgruntled landlord. Remember, he already said he was interested in selling the property on contract. You offer to him the following:

Rent	\$750
Rent credit	\$200
Option deposit	\$1,000
Sales price	\$80,000

Those numbers are not set in stone. It's your job to negotiate the terms that both parties will accept. Let's assume that Tim accepts this deal.

Now you need to set up a closing with John, the tenant/buyer. You want the closing to be the same day but at a different time with the new tenant/buyer and the landlord/seller. So in other words, you will have two closings the same day. In this example, it would be as follows:

Closing #1: October 2, 2002 at 3 pm	You close with John the buyer.
Closing #2: October 2, 2002 at 5 pm	You close with Tim the landlord.

What would you do differently at each closing? Let's take a look:

Closing #1 at 3pm: You close the deal with John the tenant/buyer and collect your money. This is the best part! The money you collect will be:

Option payment	\$2,000
First month's rent	\$900
Total:	\$2,900

You will then inform John that you will meet him at the property that night at 7pm. This will give you plenty of time to close the second half of the deal and get the keys from Tim the landlord to give to John.

Closing #2 at 5pm: You will now close the deal with Tim the landlord/seller. You pay him \$1,000 option consideration and one month's rent.

Option	\$1,000
First month's rent	\$750
Total:	\$1,750

You will then get the keys and \$1,150 cash in your pocket for about a total of three hours of paperwork. Not that bad, but it gets even better!

\$1,150 cash at hand

\$150 positive cash flow; this is positive because you didn't have to do any maintenance or repairs.

You've also gained an extra \$1,200 equity position because of the spread of rent credits.

And, if and when John the tenant/buyer exercises his option to buy the property, you will make about another **\$10,000**. Will the tenant always exercise their right to buy the property?? No, but about 60% of them will. Just look at it as an extra \$10,000-\$15,000 back-end profit, depending on the deal. **Do you see the power behind this type of investing?** You didn't use any of your credit or money to get the initial \$1,150 cash, the extra \$150 per month and possibly another \$10,000 profit within the year.

How many of these deals can you do in a week?

It depends; one, two, three . . . the possibilities are endless. It's really up to you. It doesn't matter if you have no money and/or bad credit; you can start doing this type of investing *immediately*--like tomorrow morning!

If your tenant defaults, you still keep the option money and the rent credits, and then you just go out and find another buyer from your database. You can do it over and over, collecting your option money again and again. You'd of course rather have the tenant buy the house, but if they don't at least you get the option money for your efforts.

Anyone confused??

If you are new to this, you probably are right now. But don't worry; let's just take another look at the same kind of deal but a different example. And if you are new, please understand that it will probably take a good five times of reviewing before you really understand it, so please be patient with yourself! This will be a skill you can use the rest of your life.

EXAMPLE #2:



123 Main Street

Let's say you located the above property at 123 Main Street; it is a modest property with a lot of potential in a neighborhood you already know has tons of ready and willing buyers. **Bob the landlord** works 60 hours per week at his regular job and lives over a half an hour from this property.

How do I know this?

Well, I had called Bob and asked him some questions about himself without getting too personal, and in a way that didn't seem like I was prying. Questions to ask would be something like these:

"Bob, this a great neighborhood. Do you live around here?"

"Does this house need some work?"

"Did you do any repairs yourself?" ***99% of landlords will say yes; that is then the perfect time to see what kind of work he does.**

Then you can ask things about the work he does; like, is it hard for a do-it-yourself type person? How did you learn to do repairs? Do you do this for a living? You can see that if you are friendly and considerate

that nine times out of ten, you will have every landlord telling you their life story at this point.

A little lesson to you about human psychology: to find out information you need, always get the person to talk about their favorite subject: **themselves!** That is simply human nature, and every person alive is like this, whether they admit it or not. That's just the way it is. When you see a group or family picture of yours, *who's the very first person you look for??* Exactly; it's human nature.

Now, is all of this necessary to work the real estate market? You bet! Think about it--anytime you submit an offer to purchase for real estate, **the only way it will ever get accepted is if you are going to solve the seller's problems.** If you don't find out what their problems are, how are you going to solve them? It can be anything, like:

- Two mortgages*
- Bad tenants*
- Divorce*
- No time*
- Sick of being a landlord*
- Etc., etc.*

So, by talking with Bob the landlord is how I found out his problems. I know he doesn't have the time because he works so much, he's had deadbeat tenants for the last three years and he lives to far from the property. Now, let's get back to Bob's property at 123 Main Street.



123 Main Street

3-bedroom, 2-bathroom

Owner:	Bob
Rent:	\$600/mo
Security:	\$600

**House
Value: \$70,000**

This is what Bob is asking for. We already know that by offering him a lease option, he'll get more money per month, a larger down payment, no tenant hassles, no maintenance hassles, and no more wasted time (that he doesn't have) with his property.

Again, let me reassure all of you of this by reminding you that I personally was a landlord for three years, and I hated every single day of it. That's a total of 1,095 days spent hating my life, and I'll never get that time back again! (Sorry for being a bit over-dramatic, but you get my point.) And the point is, I wasn't alone--I knew a lot of other people just like me, and it seemed like the only ones who could benefit from and actually like being a landlord were the big apartment owners with a property management firm representing them.

Okay, so we know Bob is desperate and ready to sell, rent, whatever. He just wants out.

Tenant/Buyer Database

Now I'll have to find in my database a good candidate for the tenant/buyer part of this deal. So I come across Mary, a good person with some bad credit luck in her past. She has a good job, a down payment, and she really wants to own a house as opposed to renting. She also loves the area that Bob's property is located in, and she's ready to move ASAP. Let's take a closer look at Mary's stats:

Current renter, paying \$750 per month

Amount she is willing to pay to own: \$900/mo

Down Payment: \$4,000

Total amount she can afford to buy the house: \$80,000

How did I get that information?

I filled out the buyer questionnaire by telephone the very first week I launched my business. You don't have to get all kinds of creative information about a buyer; it's not necessary. The buyer wants something specific from you--**a house**. So questions only need to be centered around that area. Don't get too personal; most people don't like that. You don't want to come across as a weirdo or a stalker.

Interviewer's Mentality

One thing to keep in mind when interviewing buyers is to always have the **interviewer's** mentality. Just like a bank officer has when they interview you. They never seem desperate, and are always direct and to the point. Think about how happy you are when you've been approved for a loan. (And if you've never been approved, just work with me here and pretend!)

You then turned around and recommended the bank or finance company to everyone you knew. When you think about it, **why did you do that?** Yes, you may have got the \$100,000 loan but you will still have to pay it back, and probably pay back *three times* that amount. If anyone should be dancing in the streets, it should be the banker! OK, think of it this way: If you could deposit just \$100 into your bank account, then turn around and withdraw \$300, would you be happy?? Of course you would be. However, we are not conditioned to think of deals in those terms.

Or think about a job interview you've had and you actually got the job. You were ecstatic! Your salary will be about \$30,000 per year. Your employer, however, has no outward emotion about the situation. He knows in the back of his head that he will be able to pull about \$70,000 worth of effort and profits out of you and only pay you \$30,000 in return.

What in the heck is the whole moral of this story, you are asking? And some of you are wondering why you are reading the ramblings of a crazy man. Well, my point to you is to try and not sound like a salesperson when interviewing your buyers. Act like an employer or a banker when you interview your buyers. Enough on that now; let's get back to the example.

OK, we have a motivated buyer and a motivated landlord/seller. Next, we need to figure out what the property is worth. A very simple way to do that is to call up your realtor and ask for three comps in the area.

***NOTE:** Some people ask, "What's in it for the realtor to help me? The house isn't listed, so they won't get any commissions." That's true, but you can offer to pay the realtor \$25-\$50 for just 15 minutes of work. Most will go for that if you just ask them.

Next you will arrange to show Mary the house. She loves it, and decides to take it. Remember, Mary has been paying rent for years with nothing to show for it. Even if the house isn't perfect, chances are she'll be happy to take it. It will just be her starter home, and a chance to own something all to herself.

After Mary says yes and she wants the property, you will set up the deal as follows:

Option Deposit	\$3,000
Rent	\$800
Rent Credit	\$150
Total price of house:	\$70,000

Look at how easy you made it for Mary to buy the house. Less than she expected to pay for a down payment, and a monthly payment of less than she had thought. Best of all, \$20,000 less for a house that she likes, in an area she hand-picked. She's totally sold now--great! Now we need to deal with Bob the landlord.

Bob's pretty easy; he's ready to get this done and over with. You offer Bob to lease his property, take over maintenance repairs and hassles, etc., and will buy the house in one year. You can say rent to own or lease option; it's really all the same. You offer:

Option Deposit:	\$1,000
Rent:	\$700
Rent Credit:	\$100
Total price of house:	\$60,000

Now Bob is happy too! He's got his time back, he doesn't have to worry about deadbeat tenants anymore and still received \$1,000. After rent credit, he's still getting \$600 per month and sold his house at the same time within a year.

Your last step in this example is to set up a closing with Mary and Bob; Mary at 2pm, and Bob at 4pm (or whatever exact times work for you.) You will walk away with a couple thousand dollars in cash, some residual income and probably a pretty good payout within a year.

What you need to do now is figure out how much money you made on this deal, if the deal were to last the year. Don't skip this; it's important for you to know how this works! You can just write it like this:

123 Main Street



My profit from this deal is \$ _____

(figure the numbers below)

It's really not hard; you just need to read through it a few times. Don't worry, if you are still having problems and you need extra help, just send me an email to nomoneydown@realestatefortunes.com.

Another think I want to do is take a look at how we could make some quick cash on this deal and completely wash our hands of it, after the closing. It's important to remember that this next method won't

bring you the large back-end income you would get if you followed through with the contract. But, if you're new to real estate, I would use this method whenever possible.

You'll gain

- more time
- up-front money
- no ties to the property
- no quick turn-around

Looking at the last example, all you would do is (sell) your option using the [Assignment Form](#) included with this book; simply [click here](#) to see and print out your copy .

Who would want to buy this type of agreement? Lots of people. Maybe even the landlord! Why not? Look at the front-end income (the positive cash flow) and the back-end income. Not to mention the down payment (option payment) from the new tenant/buyer. Believe it or not, most landlords would like to buy the contract. Heck, they're already getting some money down from you anyway, which came from the tenant/buyer. You can successfully price those deals at anywhere from \$1,000 to \$6,000, depending on how much profit will be accumulated. Another great place to look for buyers of your lease option is your list of investors in your area. Make some phone calls and don't be shy; you can make a few thousand dollars for about three hours of work that you can do on a relaxing Saturday afternoon.

Phase 3 Mental Aptitude Questions

1. *Have you begun to build your database of tenants/buyers and landlord/sellers?*

- Yes No

2. *What popular no-money-down technique requires the potential buyer/tenant to pay the landlord/seller a non-refundable option discount applied toward the purchase of the home?*

3. Can you think of some advantages and disadvantages to the method of investing listed in number 2 (above)?

4. At this point, I highly recommend simply re-reading the above material and going over the examples in your mind until they start to make sense, from start to closing. Please remember, don't focus so much on the actual numbers I used in the examples; I am fully aware of the differences in the cost of living around the country, so just notice the profit margins, not the numbers themselves. And you can practice by using your own database and start filling their names in to match the examples above.



Onto Phase 4

Phase 4: Foreclosures at No Money Down

Before I really get going with this section, there are some things you need to know. First of all, banks will not take creative real estate offers for their foreclosures. It just doesn't work that way. The reason I say this upfront is because I've had countless students and associates asking me how to buy foreclosures with no money down.

Well, first you can use a hard money lender; we went through that in Real Estate Uncovered. Also, I'll give you some more examples on that in a later chapter. Anyway, my point is, don't even think about offering a lease option with a bank; it's just a waste of time.

Now let's take a look at a way we can buy foreclosures with no money down. What we are going to call it is **wholesaling**. The benefits for this type of investing are rather numerous:

- It requires very little time; about 4 hours per week.
- It requires no money.
- It doesn't require any building experience.
- It doesn't require any licenses.
- It uses none of your own credit. You could have 100 collections, bankruptcy, and foreclosures on your credit report and still wholesale properties as easy as the person who has perfect credit.

There are no excuses as to why you can't start profiting from wholesaling properties right away. As long as you followed the directions in the beginning of this book, you should have no problem with the technique.

The first thing you have to do is have a good database of investor/re-habbers. This should be pretty easy to find. These are the types of people that can buy properties all cash. Cash buyers mean fast closings, which means quick money in your pocket!

Next, you have to locate a prospective property. For argument's sake, since we're talking about foreclosures, you located a good foreclosure in an area that investors like to buy in. The property is a bank foreclosure listed by a realtor. It needs a lot of work, but has a profit potential of \$30,000 (to be

conservative.)

How did I know it had \$30,000 profit potential? I got three comps from the realtor before I even got a showing on the property.



Let's use this home's address as **678 Main Street**.

The deal looks something like this:

3 bedroom, 2 bathroom

1700 square feet

Price: \$40,000

****NOTE:** I get a lot of questions regarding the prices of properties in my area. For example, some people write in and say they can't find a house listed for under \$100,000. The prices I give here and in Real Estate Uncovered are only examples. In your area, a rehab might go for \$10,000 to \$500,000; it really all depends on where you live. Your only concern should be the profit--not the numbers on the house.

Back to our example:



678 Main Street

Price: \$40,000

Condition: Needs rehab

And here are our three comps below:



712 West Street

Price: \$80,000

Condition: Good



513 Maple Street

Price: \$78,000

Condition: Fair



441 Oak Street

Price: \$82,000

Condition: Good

So we can now estimate that it will take about \$10,000 to get 678 Main Street pack up to par so it can sell for \$80,000. The other comps are all within one mile, roughly the same square footage, same age, and same style.

Now we've found the right property in an area, we have a list of qualified investors and a perfect wholesale property that just came onto the market. A good realtor will be watching for those types of deals, or you could get an online service that finds these properties for you.

The next step is to make an offer on the property. This is the tricky part. You have to keep greed out of the picture and keep your customer (the rehabber/investor) in mind. Using the above example, you know any seasoned investor will look at the comps and say "OK, it will appraise for eighty but how fast

can I **sell** it at \$80,000?" So the first thing you have to know is in his mind, he's thinking \$70,000; whether it's worth \$80,000 or not in the future isn't the point here. Ever hear the saying, "The customer's always right"? That's what you need to keep in mind when you put an offer on a property. So be very conservative on the market value; even though we see comps for \$80,000, think \$70,000 instead.

Next, keep in mind the investor's holding costs:

1. Fix-up time
2. Electricity
3. Water
4. Unexpected repairs
5. Realtor commission, etc.
- 6.

So in this example, I would keep my wholesale fee at \$4,000. That's plenty of money for a few hours of work, don't you agree? This is the type of thinking that goes through my head when I am working a deal.

Next I offer \$32,000 on the property and it gets accepted the very first time. Usually they will give a counter-offer, but to keep the example simple let's assume they didn't.

IMPORTANT! When you *do* offer, make sure you take steps to cover yourself so you are not responsible if the deal falls through. Also always remember when you fill out the contract to write in your name, followed by "and/or assigns." You can add clauses in the offer, such as "Subject to partner's approval" or something to that effect. This is where you will want your lawyer's help, without a doubt!

Also, tell the realtor that's listing the property that **you will give them earnest money after the offer is accepted.** And don't let them play games with you and tell you that you can't do that, because you absolutely can! Unless you want your money tied up, please take my advice. Sometimes banks will take anywhere from two days to two weeks to approve or decline an offer.

Depending on your budget, you can run an ad for buyers that aren't in your investor database, or you can just call those on your list. I would call the list first, then run the ad if you need more buyers. The ads you can run should look something like this:

Handy Man Fix-Up

\$80,000 fixed up, only \$42,000!
This one won't last, call 212-555-1212

Attention Rehabbers!

Fixer-upper, won't last, call 212-555-1212

And you can see that in my first ad, I priced the house at \$42,000 when I really only need \$36,000, to meet my profit requirement of \$4,000.

Remember, most investors are not going to pay the asking price and they will try to negotiate you to come down. That's why you initially put a large premium on what you are asking. It also gives you a chance to make more money than you expected, which is always nice!

Keep in mind that a lot of full time investors **only** rehab properties for a living. When they don't have houses to work on, they don't make any money. I can tell you from personal experience that I have offered properties that I shouldn't have just to have work going. Some investors are used to making \$10,000 to \$50,000 per month rehabbing, so if they don't get that amount of income consistently, then their lifestyle suffers significantly. Those are precisely the investors that might give you the asking price or even \$2,000 less. Now, that doesn't mean they are desperate and would give you everything they have for the property, but a few thousand more than they would like to pay is not out of the question.

Obviously you will now come to an agreement with the investor. This is where you will go back and forth and finally come to an agreement on what the investor will pay. Let's now say that you came to an agreement of \$38,000. That would be \$6,000 to you, if the deal closes, for only a few hours of work. Not that bad, wouldn't you agree? One thing you have to make sure is that the buyer can really buy the property; after they make the offer, make sure they show you proof of funds. It's sometimes hard to ask, because it's certainly an awkward question, but you really should do that. You don't want to waste all of your time with a buyer that can't buy your property.

Now comes the good stuff!! After you verify their funds, meet with them and execute a **sales contract** or an **assignment**. In that agreement, collect a deposit (also called **earnest money deposit**.) Then the last thing you need to do is submit the contract with the original seller and the sales contract/assignment with your buyer to your attorney for review. And then you will now need to schedule a closing with your lawyer or title company, depending on your state. You will then go to the closing and pick up your check of \$6,000 for just a few hours of work.



When wholesaling properties, all you are getting paid for is finding the right deals. Just about every part of the country has tons of rehabbers and investors that would jump at a chance to buy fixer-uppers. If your own credit is bad and you are low on money, then you too should jump at a chance to buy wholesale properties!

Wholesale Flip Example 2:

Let's take a look at another example of the wholesale flip. What I'm going to do is walk you through the entire deal from beginning to end. So if some of the previous steps were confusing to you, please don't worry because we will go through it all again very carefully. Remember also that if you are confused at anytime it's completely normal, because some of the techniques are very complicated to learn in the beginning but will get easier as you keep trying.

Now, I am assuming that you have done your reading of the other chapters and answered your mental aptitude questions as well, and I also assume that you have in place your investor/rehabber list. Without that list, you really will not be able to accomplish what I have in store for you. **Again, just to clarify, you need the investor/rehabber list to have qualified people ready to buy your properties after you find them.**

Next you will need to locate a property and an investor who will be interested in buying from you. Always remember to keep your numbers conservative when offering; the investor/rehabber will always want to negotiate. Now you will need to call up troubled landlords and/or locate foreclosed properties from realtors.

Let's now assume you called your contact list and no properties were available at the time. What should you do? Easy; remember in Real Estate Uncovered when I told you to target your area?

Hopefully you took that advice, and you know your target like the back of your hand. So what you can do is take a few hours on a Saturday morning and drive around your target market searching for properties. Keep a log book with you, and write down any that look interesting that are available. (Just remember to pull over and stop driving when you do this!)

What are you looking for? The "For Sale By Owner" signs in the neighborhoods. If you find these, take the number and address down and give the owner a call to get some more details about the property.

Subject Property:	(address & phone #)
Price:	\$ _____
# of bedrooms	_____
# of bathrooms	_____
Square footage	_____

This may not be a good deal for a wholesale flip, but it can be used as one of your lease option deals. Always keep building your database and add potential properties when you can.

For argument's sake, let's assume you did just what I advised (contacted the owner) and decided the property just wouldn't make a good deal for the investor/rehabber. You decided this by looking at all factors; because there were just not enough repairs to make and the property was just about at market value. So you take the info like I suggested and enter into your lease option database.

So you start driving around the next block. Bingo, you found a vacant property! Write down the address in your log book and in your other notes about the condition of the property.

Now, how did I know the property was vacant? Well, here are a few telltale signs to look for:

- Tall grass and overgrown weeds
- Tons of newspapers scattered all over the place
- Flyers and coupons stuffed in the doorways
- Boarded-up windows

The next logical step is to knock on the neighbor's door and ask if they know who owns the house. Find out if they lived there or if it used to be a rental property. Now, some people don't like knocking on

stranger's doors, which is completely understandable. You make the call; maybe you should always have at least one person accompany you for your own peace of mind. OK, OK, you STILL don't want to knock on stranger's doors. What else can you do instead?

The next logical step you can take is to check the tax records of the house. Some city tax offices will give you the owner's name and address with just a phone call. Although, in my area and in many other areas, you will have to visit the county courthouse for more information.

Let's assume you located the owner and you've now got his name and address. Now you look up his phone number, in a phone book or online phone directory system. Sometimes you won't be able to locate the owner by telephone, so you can send them a nice letter stating you saw their property and are interested in purchasing it.

For the sake of this example, let's assume you did find the owner's phone number and you are ready to contact them. What kind of information should you ask about the property?

1. "Is this house a rental or was it a rental?"
2. "How long have you owned the house?"
3. "What kind of repairs are needed?"
4. "Is there a current mortgage on the property?"

You should get enough information from this short conversation to know whether the house is a good investment or not. Ideally, you're looking for a landlord that let the house go vacant due to tenant problems and large repair costs. Most of these properties were bought cheap and repaired cheap. Also, this usually means the owner owes very little or nothing on the property. You'll get that answer from Question 4 above. For example, if the house is only worth \$50,000 fixed up and he has a mortgage for \$40,000, you know it is not a good deal and you should probably look elsewhere.

What you are looking for is a **minimum** of a \$20,000 profit after repairs. Anything else is just not worth your time. Don't let a \$10,000 potential profit steer you the wrong way; \$10,000 can disappear very quickly, leaving you with little or no profit. I know this from having to deal with some un-thought of repairs in the past that hammered my profits down to nothing.

For this example, let us assume that the owner of the vacant house is named John. John owes nothing on the property, and is just letting it sit because of too many repairs. So you inform John that you are a real estate investor and are always looking to buy properties (assuming that you already know the property will be worth a fair amount fixed up.) Now you have to arrange a showing with John to inspect the property. Simply ask John when would be a convenient time for him and make an appointment.

When you purchase a vacant house, you are buying it in as-is condition. You know as well as I do that there is no way the owner of the vacant house is going to put any kind of warranties on the property. So just pay close attention to what you may potentially have to fix. Even since we're discussing flipping contracts to other investors, you might want to consider hiring a home inspector to accompany you during the showing. Or, if you are low on cash, inspect the property first by yourself and then prior to writing a contract, hire the home inspector. You can put a clause in the contract later. More on that in a little while.

Now that you're at the house, it is important for you to inspect the house and estimate the repairs as accurately as possible, this is because the investor you flip the contract to certainly will. **You don't want to underestimate the repair cost.** If you are not experienced at estimating repair costs, what you can do is spend a weekend or two looking at your local home improvement store (like a Home Depot, if they are in your area) and fill out the costs of buying materials/renting tools to make the repairs that you need. You really can't come up with an offer to the investor/buyer until you know what the repairs are going to cost you. You can simply [click here to get your Estimate of Repairs Form](#) to use to help guide you through the process; my Real Estate Uncovered students also had this form available to them. You can add sections to it and just keep it on hand to use as a guideline.

There are some important things to keep in mind when trying to estimate repairs. Take a look at some signs of damaged parts of the home, and how to spot if you can repair them by some simple guidelines below:

- **Roof:**
 - More than 2 layers of shingles.
 - Worn or broken shingles.
 - Leaking into the living quarters of the home.

- **Electric Box** (usually in the basement)
 - Make sure it is up to date with your city's code. For example, my city's code is 100 amp service required for single family residences. You can just call up your local city's building department and ask for the code guidelines if you don't know. If you find out the property doesn't meet the code, you need to figure that into your estimate of repairs.

- Take a good look at the **walls**; do they look in need of new drywall and new plaster? Or just some new paint?

- Inspect the **foundation** of the house. Make sure you don't see any sitting water. Take a look at the basement walls; are they bowed, cracked, etc.

- A cool and inexpensive way to test the **electrical outlets** of the house is to pick up an electrical outlet tester from any home improvement store, plug it into the wall and you will see if the current

is working fine.

- Check the **plumbing**. Try the faucets in the tub, shower, etc. Also take a look at what types of water pipes were used. If the old galvanized steel pipes were used, you might want to consider adding anew water line job to your repair list. A lot of investors/rehabbers still might want to rent the property out after fixing it up, and the *last* thing any landlord wants to deal with is leaky water lines. They destroy everything.

Once you have inspected the property, you will need to figure out how much total it is going to cost you to bring the house up to par. Actually, how much it will cost the *investor*, if you are flipping the house.

After taking your notes, tell the seller you will contact him in a day or so. Also, as you are walking out the door, you should say casually, "By the way, how much do you think this place is worth?" and just hear him out. Believe it or not, a lot of sellers just simply don't know. Some of the time a seller will give you a price far lower than what you were expecting. If, however, they give you a number much higher than you anticipated, don't worry, the vast majority of these types of sellers are negotiable.

Now, let's say that Jim the seller just told you to make him a reasonable offer. ***How do you come up with a reasonable offer??***

Easy! Let's take a look:

Vacant Property



Property Owner:	Jim
Estimated Repair Value:	\$60,000
Estimated Work Needed:	\$9,000
Our Offer:	\$25,000
How much money you want to make:	\$5,000

****Note**, these numbers are never carved in stone; just come up with a reasonable number based on the values in your area and what you feel you deserve for this deal. It could be anything, \$1,000; \$2,000; \$10,000; whatever.

Just make sure your numbers aren't too high; you need some to flip the contract too that will agree to your terms, or you will end up making next to nothing.

In this example, you will need to flip this property at a price of at least \$30,000. This will give the investor/rehabber about \$21,000 to play with for a profit. This may seem like your getting shafted, but really you aren't. The investor/rehabber has to deal with the repair costs, carrying costs, closing costs, new appraisal, insurance, taxes, marketing costs, etc. And if he uses a reliable realtor, he could pay 6% of the home's future selling price.

And so now we are ready to make our offer. Am I skipping a step? No, I already have my list of qualified investors ready and willing to buy investment properties from me. Remember, I got my list from following all the steps in the previous chapters. Also, we are going to put some stipulations in our contract that will protect us from a defaulted investor. Now, if you're still new and not particularly comfortable yet with your investor database, you can give them a call and just ask the following questions:

- Do they have a verification of funds and /or a pre-approved letter from a bank stating they can actually buy the property.
- How long will it take them to close? You don't want to be waiting around for months for someone to buy your property.

Once you are comfortable with the answers they give you, then it's time to make your offer. Depending on your state, it may vary, but some states require you to make an offer, the seller must sign and accept the offer, and you have to exchange some sort of consideration. In other words, **money**. On a vacant property, you can sometimes secure a contract with only \$10 to \$100 consideration. You gotta love this business!

Some tips to remember are . . .

- In your offer, you should make sure your attorney reviews your contract and if needed you can add some of the clauses listed below, if you are going to flip a property. This is obviously an example of a flip, so take notes and review the examples on the following pages.

- Make sure when the contracts require your name, you use the clause ")Your Name) and/or assigns." This just means that you can assign the contract to someone else, which is what you will be doing. Easy enough, huh?
- Also, always have the clause "Subject to the approval of my business partner within 3 days of signing this agreement." Who is the mysterious business partner?? Well, it's your investor/rehabber. Heck, if he doesn't want it after he initially said he did, you don't want to be stuck in a legally binding contract with no buyer. This way, you will have three days to get your buyer in to take a tour of the house and lock him into a contract of your own.
- Your last clause should be about you wanting possession of the property before closing. Why? Because you will need to have access to the property to show your investor/rehabber the inside of the house. You can bet that he won't make an offer without at least inspecting the property.

You will be adding all the above mentioned clauses to your **addendum** . An addendum is an execution of the contract with special conditions.

OK, let's say now that after all this, your offer has been accepted. One more step and then you're in the money!

In reality, you will probably go back and forth with the seller until you come to an agreement on a price, which a lot of you may already know. I'm just keeping the examples to the basics of what you need to do when everything *does* go through, because I know that a lot of you want to get solid information that you can start applying right away. That's why I keep my information short and to the point; I'm not trying to write "*Gone With the Wind Part II*" here! Enough of my b.s., let's keep going!

Now, you've decided on Bill the landlord, who's ready to move. He's in the rehab business and is just waiting for another deal to come along. Well, let's make that deal **yours**, shall we?

With this type of investing, you are only getting paid to sign over all of your rights to the contract. This gives Bill the right to purchase the property at the terms you and John agreed on, after paying you a fee, of course. Can you believe it; you can control \$5,000 profit for just a few dollars you gave for consideration! The best part is, it probably only took you less than five hours worth of work.

Bill Gates would be jealous of you!

Well, maybe I'm being a bit dramatic, but it's still a nice chunk of change for very little work.

OK, so your last and final step is to assign to Bill the landlord the rights you have in the contract, once he agrees to your terms of course. You can basically state something very simple, such as "I, (your name), assign my rights under this contract to Bill (last name) for \$5,000 to be paid at closing." *That's it.* And once again, it would be advisable to have your attorney review the contract just to make sure it's fine with your state's laws, as well as all other contracts you have before making offers or assignments. Your attorney will be the one to guide you through the steps needed to protect yourself and your investment.

"But Lou, why don't you just tell me now?" I know a lot of you are asking!!

Because I am not an attorney and every state has different laws regarding real estate. What works in my own state may not be acceptable in all states; you may have to make just minor changes to your contracts but your attorneys will let you know that. Don't worry; people flip properties in every state, but it's important to always keep your business legal.

Your last step is to go to the closing with the property owner and the investor/rehabber. Don't be shy; this is where you will get your check!

Flipping properties is probably the easiest and fastest way to see profits in real estate. It is completely possible to set up one of those deals in one weekend. I don't know about you, but making a possible \$5,000 for a few hours of my time on a weekend sure beats sitting at home watching figure skating or Saturday morning cartoons and not making anything!

Let's get to work!

Phase 4 Mental Aptitude Questions

1. List two ways that you can buy foreclosures with no money down, as discussed at the start of this phase:

2. *If you couldn't find any properties listed in your contacts, what would be an alternative way for you to go about finding some? What would you specifically look for when doing this?*

3. *List what you would consider to be a good deal (i.e., profit) below and why:*

4. *Again, spend some time carefully looking over the above examples and try to think of what you would do in similar circumstances. By going over the process in your head a number of times, you will become more confident to actually apply this knowledge when your time comes.*

Onto Course Conclusion:



Course Conclusion:

Can you believe it; here we are, at the end again! I sincerely hope you've enjoyed this book and that it's helped to enlighten you on various areas of real estate investing that you will now be more interested in looking into. I had so many requests from customers of mine, asking for a "sequel" to Real Estate Uncovered that included more advanced areas of investing, and so here it is.

Whether you are a novice and this is your first course or if you are a seasoned investor, I hope you learned new ideas from me or found information in here that helped you understand certain areas of real estate better. Regardless of your experience level, we can all benefit just by keeping an open mind and hearing out other's ideas. It's never wise to put a limit on your learning!

Please don't hesitate to contact me if you have any questions at all, or if you need some help getting a deal together. I'm here for all of you at anytime, and I encourage you to bring your questions to me.

Until next time,

A handwritten signature in black ink, appearing to read 'Lou Vukas', with a stylized flourish at the end.

Lou Vukas

[Click here](#) to return to Table of Contents

Tenant Information Form

Name: _____

Phone #: _____

Are you married? Yes No

Do you have any children? Yes No

Do you have any pets? Yes No

Employer: _____

Employer's Phone #: _____

How long at job? _____

Annual income: _____

Total household income: _____

Credit References:

1. _____

2. _____

3. _____

4. _____

Credit Score (FICO): _____

*****Find out their credit score after you know they are a good prospect.*****

Amount of Rent Paid: _____

Max. amount of monthly payment for house: _____

Down Payment: _____

When do you want to move? _____

Tenant Information Form

OPTION AGREEMENT FOR PURCHASE OF REAL PROPERTY

THIS OPTION AGREEMENT ("Agreement") made and entered into this ___ day of _____, 200_, by and between _____, whose principal address is _____, hereinafter referred to as "Seller" and _____, whose principal address is _____, hereinafter referred to as "Purchaser":

WITNESSETH:

WHEREAS, Seller is the fee simple owner of certain real property being, lying and situated in the County of _____, State of _____, such real property having the street address of _____ ("Premises") and such property being more particularly described as follows:

(Insert Legal Description)

and, WHEREAS, Purchaser desires to procure an option to purchase the Premises upon the terms and provisions as hereinafter set forth;

NOW, THEREFORE, for good and valuable consideration the receipt and sufficiency of which is hereby acknowledged by the parties hereto and for the mutual covenants contained herein, Seller and Purchaser hereby agree as follows:

1. DEFINITIONS. For the purposes of this Agreement, the following terms shall have the following meanings:

(a) "Execution Date" shall mean the day upon which the last party to this Agreement shall duly execute this Agreement;

(b) "Option Fee" shall mean the total sum of a down payment of (____%) percent of the total purchase price of the Premises plus all closing costs, payable as set forth below;

(c) "Option Term" shall mean that period of time commencing on the Execution Date and ending on or before _____, 200__;

(d) "Option Exercise Date" shall mean that date, within the Option Term, upon which the Purchaser shall send its written notice to Seller exercising its Option to Purchase;

(e) "Closing Date" shall mean the last day of the closing term or such other date during the closing term selected by Purchaser.

2. GRANT OF OPTION. For and in consideration of the Option Fee payable to Seller as set forth herein, Seller does hereby grant to Purchaser the exclusive right and Option ("Option") to purchase the premises upon the terms and conditions as set forth herein.

3. PAYMENT OF OPTION FEE. Purchaser agrees to pay the Seller a down payment of _____ percent (____%) of the total purchase price of the Premises plus all closing costs upon the Execution Date.

4. EXERCISE OF OPTION. Purchaser may exercise its exclusive right to

purchase the

Premises pursuant to the Option, at any time during the Option Term, by giving written notice thereof to Seller. As provided for above, the date of sending of said notice shall be the Option Exercise Date. In the event the Purchaser does not exercise its exclusive right to purchase the Premises granted by the Option during the Option Term, Seller shall be entitled to retain the Option Fee, and this agreement shall become absolutely null and void and neither party hereto shall have any other liability, obligation or duty hereinunder or pursuant to this Agreement.

5. CONTRACT FOR PURCHASE & SALE OF REAL PROPERTY. In the event that the

Purchaser exercises its exclusive Option as provided for in the preceding paragraph, Seller agrees to sell and Purchaser agrees to buy the Premises and both parties agree to execute a contract for such purchase and sale of the Premises in accordance with the following terms and conditions:

(a) Purchase Price. The purchase price for the Premises shall be the sum of

_____ (\$_____); however, Purchaser shall receive a credit toward such purchase price in the amount of the Option Fee thus, Purchaser shall pay to Seller at closing the sum of _____ (\$_____);

(b) Closing Date. The closing date shall be on _____, 200__ or at any other date during the Option Term as may be selected by Purchaser;

(c) Closing Costs. Purchaser's and Seller's costs of closing the Contract shall be borne by Purchase and shall be prepaid as a portion of the Option Fee;

(d) Default by Purchaser; Remedies of Seller. In the event Purchaser, after exercise of

the Option, fails to proceed with the closing of the purchase of the Premises pursuant to the terms and provisions as contained herein and/or under the Contract, Seller shall be entitled to retain the Option Fee as liquidated damages and shall have no further recourse against Purchaser;

(e) Default by Seller; Remedies of Purchaser. In the event Seller fails to

close the sale

of the Premises pursuant to the terms and provisions of this Agreement and/or under the Contract, Purchaser shall be entitled to either sue for specific performance of the real estate purchase and sale contract or terminate such Contract and sue for money damages.

6. MISCELLANEOUS.

(a) Execution by Both Parties. This Agreement shall not become effective and binding until fully executed by both Purchaser and Seller.

(b) Notice. All notices, demands and/or consents provided for in this Agreement shall be in writing and shall be delivered to the parties hereto by hand or by United States Mail with postage pre-paid. Such notices shall be deemed to have been served on the date mailed, postage pre-paid. All such notices and communications shall be addressed to the Seller at _____ and to Purchaser at _____ or at such other address as either may specify to the other in writing.

(c) Fee Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of _____.

(d) Successors and Assigns. This Agreement shall apply to, inure to the benefit of and be binding upon and enforceable against the parties hereto and their respective heirs, successors, and or assigns, to the extent as if specified at length throughout this Agreement.

(e) Time. Time is of the essence of this Agreement.

(f) Headings. The headings inserted at the beginning of each paragraph

and/or

subparagraph are for convenience of reference only and shall not limit or otherwise affect or be used in the construction of any terms or provisions hereof.

(g) Cost of this Agreement. Any cost and/or fees incurred by the Purchaser or Seller in executing this Agreement shall be borne by the respective party incurring such cost and/or fee.

(h) Entire Agreement. This Agreement contains all of the terms, promises, covenants, conditions and representations made or entered into by or between Seller and Purchaser and supersedes all prior discussions and agreements whether written or oral between Seller and Purchaser with respect to the Option and all other matters contained herein and constitutes the sole and entire agreement between Seller and Purchaser with respect thereto. This Agreement may not be modified or amended unless such amendment is set forth in writing and executed by both Seller and Purchaser with the formalities hereof.

(i) This option shall not be recorded. Recording of this option will result in termination of this agreement. Optionor shall retain all monies.

(j) Once the optionee is in possession of the property under a valid lease agreement at the time of the exercise of the option. \$_____ of each rent payment will be credited towards the purchase price of the property. No payments after _____ (date) shall be applied. Failure to make any lease payments by the ____ day of each month will void this option at the discretion of the optionor. This option is not contingent upon the optionee's ability to obtain financing for any reason. Optionor and optionee agree that this agreement is not a land contract, contract for deed or equitable mortgage.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed under proper authority:

As to Purchaser this ___ day of _____, 200__.

Witnesses:

"Purchaser"

As to Seller this ___ day of _____, 200__.

Witnesses:

"Seller"

NOTICE:

The information in this document is designed to provide an outline that you can follow when formulating business or personal plans. Due to the variances by many local, city, county and state laws, we recommend that you seek professional legal counseling before entering into any contract or agreement.

Estimate of Repairs

CATEGORY	ITEM	EST. COST
Roof:	Repair leaks	
	Replace singles	
	Total re-roof	
	Flashing	
	Decking (the wood under the singles)	
		Total Roof:

Paint:	Interior	
	Doors and trim	
	Ceiling	
	Drywall repair	
	Tap and bed	
	Scrap	
		Total Paint:

Flooring:	Carpet clean	
	Carpet replace	
	Vinyl	
	Wood refinish	
	Tile repair	
	Tile replace	
	Sub floor repair	
	Sub floor replace	
	Other	
		Total Floor: _____

Windows:	Repair	
	Replace	
	Other	
	Screens	
		Total windows: _____

Plumbing:	Toilet	
	Sink	
	Tub faucet	
	Tub	
	Faucet (Kitchen sink)	

	Kitchen sink	
		Total Plumbing:

Heat and A/C:	Condenser	
	Furnace	
	Thermostat	
	Duct work	
	Grills	
	Filter	
	Service call	
		Total Heat & A/C:

Appliances:	Range	
	Oven	
	Vent hood	
	Cook top	
	Disposal	
	Dishwasher	
	Water heater	
		Total Appliances:

***Note:** I never supply appliances; if there are none, the future buyer is responsible. I discovered that appliances are not a factor when selling a house. They're nice to the future buyer, but not a deciding factor.

***Note:** Only supply a dishwasher if the cabinets are set up for one. In other words, don't put in a dishwasher unless there is an open space in the cabinets where one belongs.

<i>Electrical:</i>	Wiring repair	
	Breaker	
	Outlet switches	
	Light switches	
	Switch plate	
	Fixtures	
		<i>Total Electrical:</i>

<i>Carpentry:</i>	Interior door	
	Locks and handles	
	Exterior door	
	Interior trim	
	Exterior trim	

	Kitchen cabinets	
	Bathroom cabinets	
	Medicine chest	
	Garage door	
	Fence	
		<i>Total carpentry:</i>

Add up all subtotals and miscellaneous expenses and list here:

Expenses:	Totals:
Roof	\$
Paint	\$
Flooring	\$
Windows	\$
Plumbing	\$
Heat & AC	\$
Appliances	\$
Electrical	\$
Carpentry	\$
Miscellaneous Expenses	\$
Final Total of Repairs:	\$

PURCHASE AGREEMENT

Date: _____

Purchaser agrees to buy real estate (the "Property") known as _____

In LAKE County, _____, Indiana, _____ Zip Code in accordance with the terms and conditions set forth below in this Purchase Agreement (the 'Agreement'):

A legal description for said property shall be attached and made a part of this agreement.

PURCHASE PRICE: _____ DOLLARS (\$ _____)

CONDITION OF PROPERTY: Property is or may have been acquired via Tax Deed. Buyer acknowledges and agrees that the condition of the property may have changed substantially from the time period between acceptance of this Purchase Agreement and closing. Buyer understands and agrees that property is sold "AS-IS" at the time of closing.

METHOD OF PAYMENT: *Mark R in appropriate box below*

- 1. CASH: The entire purchase price shall be paid in cash by certified or cashier's check at the time of closing the transaction. No financing is required.
- 2. NEW MORTGAGE: Completion of this transaction shall be contingent upon Purchaser's ability to obtain a first mortgage loan upon said real estate. Purchaser shall pay all costs of obtaining financing, except seller shall pay any applicable discount points/service fees not to exceed _____% of actual mortgage amount

TIME FOR OBTAINING FINANCING: Purchaser agrees to make a diligent effort to secure any financing necessary to complete this transaction. Within 3 days of the execution of this Agreement, Purchaser shall make application to ABLE Mortgage Corporation or any other approved lender for the financing necessary to close the transaction.

CLOSING DATE: Closing date shall be within 5 days of funds being available. In the event of a cash transaction, closing shall be within 21 days of the date of this Purchase Agreement. Reasonable extension of time shall be allowed for correcting any defects in title, for Purchaser's lender to disburse funds, for correcting defects in the Property noted in any inspection report, and for correcting any encroachment problem revealed in the survey.

POSSESSION: Seller agrees to surrender possession of the premises on or before closing.

MISCELLANEOUS PROVISIONS: The transaction shall be closed in accordance with the following:

1. Conveyance of this Property shall be by general Warranty Deed / Quit Claim Deed (*Circle choice*).
2. Seller represents and warrants that Seller is not a "Foreign Person" (individual or entity) and therefore is not subject to the Foreign Investment in Real Property Tax Act.
3. If a party to this Agreement, his agent or his lender, requires that this transaction be closed by a title company, a mortgage broker, an attorney, or any other third party which will result in a fee being charged for the settlement/closing, such fee shall be paid by Purchaser.

TAXES AND ASSESSMENTS: Seller shall pay all real property taxes up through the next due date for real property taxes after acceptance of this agreement. That is to say, Seller shall be charged with and pay taxes on the real estate and improvements and personal property (if applicable) covered by this Agreement that are due and payable up to the next installment due date for such taxes after the acceptance of this Purchase Agreement and Purchaser shall pay all taxes subsequent thereto. Water and sewer charges, ditch assessments, and dues and assessments of the Owners' Association, and interest on assumed mortgage indebtedness, if any, shall be pro-rated as of the date of closing unless otherwise herein provided.

TITLE EVIDENCE: Purchaser shall be furnished a commitment for an owner's title insurance policy in the current form of an Owner's Policy. All expense of obtaining such title insurance commitment and policy shall be paid by Seller. All expense of obtaining a mortgagee's title insurance policy required by Purchaser's lender shall be paid by Purchaser. Seller shall make a reasonable effort to remove encumbrances and cure defects in title which make it unmarketable, but if such reasonable effort is unsuccessful, this Agreement shall be deemed terminated with no further liability on either Seller or Purchaser. In the event of a Contract Sale, Seller shall provide evidence of title at time of closing or shall deliver said binder for title insurance upon delivery of General Warranty Deed.

RISK OF LOSS: All risks of ownership and loss, whether by fire, vandalism, theft, casually or otherwise, shall belong to Seller until closing, as well as all rights of Seller's insurance. It is the Purchaser's responsibility to provide hazard insurance coverage as of the date of closing.

TIME PERIODS: In the event that either title insurance policy, fire & casualty insurance policy and/or survey to the above listed property are not available as of the Day of Closing both Seller and Purchaser agree that the Day of Closing shall be extended until such time that title insurance policy, fire & casualty insurance policy and survey are all available for the above listed property.

TERMS BINDING: No verbal agreements shall bind the parties. All terms and conditions of this transaction are included in this Agreement, and this Agreement shall inure to the

PURCHASE AGREEMENT

benefit of and be binding on the parties hereto, their heirs, personal representatives and successors.

EARNEST MONEY: Purchaser submits herewith _____ as earnest money which shall be applied to the purchase price. If this agreement is not accepted by Seller, Seller shall return earnest money to Purchaser.

DEFAULT BY EITHER PARTY: If this Agreement is accepted and either Seller or Purchaser shall fail or refuse to close the transaction, without legal cause, such party shall pay as damages, and not as a penalty, an amount equal to fifteen percent (15%) of the purchase price to the other party. In the event Purchaser or Seller breach the accepted Agreement and fail or refuse to close, or in the event that they mutually agree not to close or to rescind this accepted Agreement, the breaching party or parties shall be liable to the Broker for the professional service fee that would have been earned had the sale been consummated, together with reasonable attorney fees, costs and interest. If either party sues the other to enforce the terms of this agreement, the unsuccessful party shall be obligated to pay the successful party's reasonable costs and attorney fees as part of any judgment recovered, all without relief from valuation and appraisal laws.

PARAGRAPH HEADINGS: The headings of each paragraph in this agreement are for informational purposes only.

FAX REPRODUCTION: This Agreement may be executed simultaneously or in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Delivery of this document may be accomplished by electronic facsimile reproduction (FAX). If FAX delivery is utilized, the original document shall be promptly executed and/or delivered, if requested.

ACKNOWLEDGMENTS: By signature below the parties verify that they understand and approve this Purchase Agreement and acknowledge receipt of a signed copy.

EXPIRATION AND APPROVAL: This Agreement is void if not accepted in writing on or before Midnight, _____.

PURCHASER	Date	PURCHASER
PURCHASER (Printed Name)		PURCHASER (Printed Name)
Mailing Address		Mailing Address
Telephone Number		Telephone Number

EARNEST MONEY RECEIPT: The undersigned hereby acknowledges the receipt of the earnest money payment from Purchaser in the amount of

_____ Dollars (\$_____)

Name of Recipient	Date	Name of Recipient
		Date

RESPONSE TO PURCHASE AGREEMENT

The above terms and conditions are ACCEPTED this _____ day of _____, 20_____ at _____ AM / PM

PURCHASE AGREEMENT

SELLER

Date

SELLER

Date

SELLER (Printed Name)

SELLER (Printed Name)

Mailing Address

Mailing Address

Telephone Number

Telephone Number

ASSIGNMENT OF CONTRACT FOR PURCHASE OF REAL ESTATE

For value received, I, _____, of _____, as assignor, hereby transfer and assign to _____ of _____, as assignee, his heirs, legal representatives, and assigns, all my rights and interest in that contract between _____ of _____, seller, and assignor, as purchaser, for the sale of the following described real estate, subject to the covenants, conditions, and payments therein contained:

[legal description]

I authorize and empower assignee, on his performance of all the above-mentioned covenants, conditions, and payments, to demand and receive of seller the deed covenanted to be given in the contract hereby assigned in the same manner and with the same effect as I could have done had this assignment not been made.

Dated _____, 200__.

ACCEPTANCE BY ASSIGNEE

I, _____, accept the above assignment of that contract dated. I agree to perform all obligations to be performed by assignor under the contract, according to the terms and conditions therein stated, and to indemnify assignor against any liability arising from the performance or nonperformance of such obligations.

Dated _____, 200__.

CONSENT BY SELLER

I, _____, the Seller named in the contract herein assigned, consent to the assignment.

Dated _____, 200__.

NOTICE

The information in this document is designed to provide an outline that you can follow when formulating business or personal plans. Due to the variances by many local, city, county and state laws, we recommend that you seek professional legal counseling before entering into any contract or agreement.

REAL ESTATE LEASE

This lease agreement made this <DATE>, is between Columbia Group, Inc. (hereinafter called "Lessor") with a mailing address of <CITY, STATE and ZIP> and <TENANT NAME> (hereinafter called "Lessee") for the premises described as <PROPERTY>. The Term of the Lease shall begin <BEGINNING DATE> running for a period of 2 years and shall end Noon <ENDING DATE>.

In consideration of the mutual agreements and covenants herein stated, Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, for a private dwelling, the Premises designated above, together with the fixtures and appliances belonging thereto, for the above Term.

1. RENT: Lessee shall pay to the Lessor or Lessor's agent each month the following rent:

_____ dollars (\$ _____) on or before the first day of each and every month in advance at Lessor's address stated above or such other address as Lessor may designate in writing. The time of each and every payment of rent is of the essence of the Lease and the obligation to pay rent is an independent covenant and cannot be deducted or set off.

2. LATE CHARGES: The monthly rent shall be increased \$25.00 if paid after the 5th of the month. Rent shall be considered received, if mailed, on the date of receipt. Further, LESSEE understands and agrees that in the event LESSEE fails to make in whole any payment as required by this lease, on the fifteenth (15th) day after such payment was due and each day thereafter a penalty of thirty dollars (\$30.00) per day shall be added to the amount due and payable until such time as the entire amount of the payment and all accrued penalties are paid. Any forbearance by LESSOR in demanding the payment of the aforementioned penalty shall not be a waiver of or preclude the exercise of such penalty.

3. SECURITY DEPOSIT: Lessee has deposited with Lessor the following security deposit:

_____ dollars (\$ _____) to be retained by Lessor to ensure that Lessee shall fully perform each and every term and obligation provided in this Lease. If Lessee fully performs each and every obligation as provided in this lease and pays all sums due to Lessor, then Lessor, after the Lessee has surrendered possession of the premises and has delivered the keys thereto, shall refund said deposit to Lessee, including interest, if any is required by law less a \$75 carpet cleaning charge. If Lessee has failed to perform or comply with any of the provisions in this Lease, then Lessor shall deduct any damages from the security deposit. The security deposit shall not be treated as an advance payment of rent, and Lessee may not apply the security deposit as rent.

4. POSSESSION: If Lessor cannot give Lessee possession on the date fixed for commencement of the term, this Lease shall remain in full force and effect, and Lessor shall not be liable except that the rent shall be abated until such time as the premises are available for Lessee's occupancy.

5. APPLICATION: The Lessee's application and all the representations contained therein are incorporated as a part of this Lease. Lessee warrants that all the information contained in the application is true, and that if any of said information is false, Lessor may terminate this Lease.

6. CONDITION OF THE PREMISES: Lessee has examined the premises prior to accepting same and prior to the execution of this Lease, and Lessee is satisfied with the physical condition thereof, including but not limited to the heating, plumbing and smoke detectors and the taking possession shall be conclusive evidence of Lessee's receipt thereof in good order and repair. No promises as to condition or repair have been made by Lessor or his agent which are not herein expressed, and no promises to decorate, repair or modify the premises, which are not contained herein, have been made by Lessor or his agent.

7. LESSEE TO MAINTAIN: Lessee shall keep the premises and the fixtures and appliances therein in a clean, sightly and healthy condition, and in good repair, and in accordance with any and all ordinances in such cases made and provided, at Lessee's own expense, and upon the termination of this lease, for any reason, shall yield and return the same back to Lessor in as good condition of cleanliness and repair as at the date of the execution hereof. Lessee shall make all necessary repairs to the premises whenever damage to the same has occurred or repairs are required, and shall replace all broken glass and fixtures. If the premises shall not be kept in good repair and in a clean, sightly and healthy condition by Lessee as aforesaid, Lessor or his agents may enter the same and may replace the premises in the same condition of repair, sightliness and cleanliness as existed at the date of execution of this Lease; the Lessee agrees to pay Lessor for all expenses incurred by Lessor in replacing the premises in that condition. Lessee shall not cause or permit any waste, misuse or neglect to occur to the water, gas, utilities, or any other portion of the premises.

8. USE OF PREMISES: The premises shall be occupied solely for residential purposes by Lessee and those persons listed in the Application for the Lease. Neither Lessee nor any persons residing with or visiting Lessee shall suffer, perform or permit any act or practice that may damage the reputation of the building or be injurious to the Building and operation thereof, or be disturbing to other tenants, be illegal, imrnoral, or increase the rate of insurance on the Building. Lessee shall be responsible for the conduct of all persons residing with, or visiting Lessee.

9. NO SUBLET OR ASSIGNMENT: Lessee shall not sublet the premises or any part thereof, nor assign this Lease, without, in each case, prior written consent of Lessor.

10. NO ALTERATIONS: Lessee shall not make any alterations to the premises nor install any appliances, locks or other equipment of any kind without

the prior written consent of Lessor.

11. **LIMITATION OF LIABILITY:** Neither Lessor nor his agents shall be liable for any damages incurred by virtue of Lessor's failure to keep the premises in good repair, or caused by water, ice, frost, plumbing, leakage, gas, the heating or cooling system, defective equipment, fixtures, or furnishings located on the premises, as well as in, above, upon, or about said premises, nor for any damage to Lessee's property located in or about said premises, nor for any damages arising from acts or neglect of other occupants of the premises, persons on the premises, or neighboring property. Lessor shall have no duty to protect Lessee from criminal acts of other persons.

12. **ACCESS:** Lessee shall allow Lessor and his agents free access to the premises at all reasonable times, to exhibit, repair or inspect the same, and shall allow Lessor and his agents to display "For Rent" or "For Sale" notices on the premises.

13. **UTILITIES:** Lessee shall pay all charges for gas, electricity, water, sewer and any other municipal and/or utility charges incurred for the Premises. Lessee agrees to appoint Lessor as Lessee's agent in dealing with any entity providing the above services to the Premises. At Lessor's sole option, any of the bills for the above services may be sent to Lessor and then forwarded to Lessee for payment. Further, Lessee agrees to pay for an annual inspection of the furnace & hot water heater. The amount of this inspection shall be no more than \$75 and shall be deducted from the security deposit.

14. **RIGHT TO RELET:** If Lessee shall remove a substantial portion of his personal property or otherwise abandon or vacate the premises, the Lessor may immediately re-let the premises upon terms as Lessor may deem practicable; or if the premises become vacant by reason of Lessee's breach, or if this Lease has been terminated by reason of Lessee's breach, or if Lessee has been evicted, Lessor may re-let the premises, and Lessee shall be liable and pay for any and all expenses of reletting and losses to the end of the term hereinabove set forth. Tenant's obligation to pay rent during the term or any extension thereof shall continue and shall not be waived, released or terminated by the service of a five-day notice, demand for possession, notice of termination of tenancy, the filing of a forcible entry and detainer action, or judgment for possession, or any other act resulting in the termination of Lessee's right of possession.

15. **FORCIBLE DETAINER AND WAIVER OF NOTICE:** If Lessee defaults in the payment of rent or any part thereof, Lessor may distrain for rent and shall have a lien on Lessee's property for all monies due Lessor, or if Lessee defaults in the performance of any of the covenants or terminate this Lease, and, if abandoned or vacated, may re-enter the premises. Lessee hereby waives all notice: of any election by Lessor hereunder, demand for rent, notice to quit, demand for possession, and any and all notices and demands which may or shall be required by any statute of this State relating to forcible entry and detainer, or to landlord and tenant. Non-performance of any of Lessee's obligations shall, without notice, constitute a default and forfeiture of this Lease, and Lessor's failure to take action on account of Lessee's default shall not constitute a waiver of said default.

16. **NOTICES:** If Lessor or his agent elects to serve a demand or notice, any demand or notice may be served by delivering a copy to the Lessee, or by leaving the same with some person above the age of twelve years, residing on or in possession of the premises; or by sending a copy of said notice to the Lessee by certified mail. The mailing of same shall constitute delivery; or if no one answers the door, by posting the same on Lessee's door to the premises.

17. **FIRE AND CASUALTY:** If the premises shall be rendered untenable by fire or by other casualty, Lessor may, at his option, terminate this Lease or repair said premises within sixty days. In the event the building has been completely destroyed or Lessor does not within said sixty days repair the premises, then this Lease shall be terminated.

18. **DISHONOR:** In the event that Lessee's rental payment is dishonored when negotiated by Lessor or his agents, Lessor shall have no obligation to redeposit same, and reserves the right to demand that all future rental payments be made by money order or certified funds. Lessee shall pay lessor the sum of \$35.00 for any dishonored payment.

19. **SURRENDER OF PREMISES AND RETURN OF POSSESSION:** At the termination of this Lease, by lapse of time or otherwise, Lessee shall yield up and surrender immediate possession to Lessor, and deliver all keys to Lessor or his agent. If Lessee fails to vacate the premises upon termination, Lessee shall pay a sum equal to double the amount of rent herein set forth as liquidated damages for the time that possession is withheld; and

(A) Lessor may, by giving Tenant written notice thereof, extend the term of this Lease upon all the terms and conditions herein for one year, but with a rental of 20% greater than the rental contained herein; or

(B) If Lessor fails to provide written notice to Lessee of Lessor's election under (A), Lessee shall become a month-to-month tenant, upon all the terms and conditions contained herein. Lessee shall also compensate Lessor for any and all damages incurred by Lessor by virtue of Lessee's failure to vacate the said premises in accordance with the terms of this lease.

20. **EMINENT DOMAIN:** If any competent authority for any public use or purpose condemns the whole or a substantial portion of the premises, this Lease shall be terminated. No compensation shall be payable to Lessee by Lessor and Lessee shall not be entitled to share in the award or compensation received by Lessor.

21. **RENT AFTER BREACH:** The payment or acceptance of rent after it becomes due or the payment or acceptance of any portion of any monies due under this lease, or after service of any notice or the commencement of a lawsuit, or after any judgment, or after knowledge of any breach by Lessee, or

after expiration of this Lease, shall not extend this lease, nor waive or affect said notice, lawsuit, judgment, or the rights conferred therein to the Lessor. LESSEE UNDERSTANDS AND AGREES THAT IN THE EVENT LESSOR ACCEPTS A PARTIAL PAYMENT OF THE MONIES THAT ARE DUE UNDER THIS LEASE, LESSOR MAY INSTITUTE EVICTION PROCEEDINGS UNTIL SUCH TIME THAT ALL MONIES DUE UNDER THE TERMS OF THIS LEASE ARE PAID IN FULL. A history of accepting late or partial payments shall in no way bar LESSOR from instituting eviction proceedings.

22. LEGAL EXPENSES: Lessee shall pay all costs, expenses and attorneys fees which shall be incurred or expended by Lessor due to Lessee's breach of the covenants and agreements of this Lease.

23. SMOKE DETECTORS: Lessee acknowledges that at the time of obtaining initial possession of the premises, all smoke detectors required to be installed in the premises have been installed and are in good working order. Lessee agrees to repair and maintain the smoke detector devices including replacement of the energy source when needed.

24. JOINT OBLIGATIONS: The words "Lessor" and "Lessee" when used in this Lease shall be construed to be plural if more than one person comprises either party to this Lease, and each shall be jointly and severally obligated to perform all of the terms and conditions of this Lease.

25. BINDING ON HEIRS: All covenants contained herein shall be binding upon and inure to the benefit of Lessor and Lessee and their respective heirs, executors, administrators, assigns and successors.

26. REMEDIES CUMULATIVE: The Lessor's rights and remedies under this Lease are cumulative. The exercise of any one or more thereof shall not exclude nor preclude Lessor from exercising any other right or remedy.

27. SEVERABILITY CLAUSE: If any clause, provision or portion of this Lease shall be ruled invalid or unenforceable, said decision shall not invalidate nor render unenforceable the remainder of this Lease.

28. STORAGE: Lessor shall not be obligated to provide Lessee storage, nor shall Lessor be responsible for any loss or damage to Lessee's property that may have been placed in a storage area.

29. INSURANCE: Lessor is not an insurer of Lessee's property. Lessee shall carry sufficient insurance to insure all of Lessee's property located on Lessor's premises.

30. LESSOR'S RIGHT TO CANCEL: Upon 15 days notice to Lessee, Lessor may elect to cancel this lease at any time. Lessee shall vacate the property 15 days from such notice.

31. SUBORDINATION: Lessee will not do any act which shall encumber Lessor's title to the premises, and if Lessee causes a lien to be placed on the title, or premises, Lessor may discharge the lien and Lessee will reimburse Lessor the amount Lessor expended. This lease shall not be recorded by Lessee and is, and shall be, subordinate to any present or future mortgages now, or hereafter, placed on the premises.

32. Disclosure of Information on Lead-Based Paint and/or Lead-Based Paint Hazards

Lead Warning Statement

Every tenant of any interest in residential real property on which a residential dwelling was built prior to 1978 is notified that such property may present exposure to lead from lead-based paint that may place young children at risk of developing lead poisoning. Lead poisoning in young children may produce permanent neurological damage, including learning disabilities, reduced intelligence quotient, behavioral problems, and impaired memory. Lead poisoning also poses a particular risk to pregnant women. The lessor of any interest in residential real property is required to provide the tenant with any information on lead-based paint hazards from risk assessments or inspections in the lessor's possession and notify the tenant of any known lead-based paint hazards. A risk assessment or inspection for possible lead-based paint hazards is recommended prior to purchase.

Lessor's Disclosure (check where applicable)

(a) Presence of lead-based paint and/or lead-based paint hazards (check one below):

Known lead-based paint and/or lead-based paint hazards are present in the housing (explain).

Lessor has no knowledge of lead-based paint and/or lead-based paint hazards in the housing.

(b) Records and reports available to the lessor (check one below):

____ Lessor has provided the tenant with all available records and reports pertaining to lead-based paint and/or lead-based paint hazards in the housing (list documents below).

____ Lessor has no reports or records pertaining to lead-based paint and/or lead-based paint hazards in the housing.

Tenant's Acknowledgment (initial)

____ (c) Tenant has received copies of all information listed above.

____ (d) Tenant has received the pamphlet Protect Your Family From Lead in Your Home.

____ (e) Tenant has (check one below):

____ Received a 10-day opportunity (or mutually agreed upon period) to conduct a risk assessment or inspection for the presence of lead-based paint and/or lead-based paint hazards; or

____ Waived the opportunity to conduct a risk assessment or inspection for the presence of lead-based paint and/or lead-based paint hazards.

Agent's Acknowledgment (initial)

____ (f) Agent has informed the lessor of the lessor's obligations under 42 U.S.C. 4852d and is aware of his/her responsibility to ensure compliance.

Certification of Accuracy

The following parties have reviewed the information above and certify, to the best of their knowledge, that the information provided by the signatory is true and accurate.

_____	_____	_____	_____
Lessor	Date	Lessee	Date
_____	_____	_____	_____
Lessor	Date	Lessee	Date

33. RULES AND REGULATIONS: Lessee shall observe and abide by the Rules and Regulations set forth separately and hereby attached to this Lease. Lessee agrees to be bound by and comply with any further reasonable rules and regulations as may be established by the Lessor.

34. Lessee understands and acknowledges that Jonathan Petersen is a licensed real estate broker in the State of Indiana and the State of Illinois.

35. **LESSEE agrees to provide sixty (60) days written notice prior to vacating the premises.** Further, LESSEE agrees to return premises to LESSOR in essentially the same condition as premises was delivered to LESSEE upon signing of LEASE. (e.g. Walls painted to LESSOR's satisfaction, no holes in walls, *etc.*) Failure by LESSEE to provide sixty (60) days written notice shall result in forfeiture of security deposit in addition to any other charges imposed by LESSOR.

36. Lessee agrees to provide to Lessor the most current telephone, pager, and cellular/PCS numbers available for Lessee.

37. ____ (Check if applicable) ADDITIONAL TERMS, COVENANTS, AGREEMENTS, AND PROVISIONS are attached separately.

_____	_____	_____	_____
Lessor	Date	Lessee	Date
_____	_____	_____	_____
Lessor	Date	Lessee	Date