

SPECIAL REPORT

“The 6 Critical Keys to Short Sale Success”

****What you Need to Know to Succeed!****

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“The 6 Critical Keys to Short Sale Success”

Short sales are the HOT topic right now in the world of real estate investing.

Go to any news website, open your local paper, turn on the radio, and all you hear about are the record numbers of foreclosures in our country and the ‘sub-prime meltdown.’ And the media says this trend will continue well into 2010.

The government’s response to what’s happening in the housing market right now is to lower the interest rates. And the Fed did just that. And more rate cuts are expected. Lowering rates usually tends to spur investor confidence. The government lowered rates after 9-11 to inject much needed cash into the economy. And it worked. To a degree.

What no one counted on was the backlash. Even though the infusion of investment money fueled housing and automobile sales growth post 9-11, investors loosened their lending guidelines to where anyone with a pulse could obtain a loan.

AND, the terms of those loans were destructive in the form of **ARMs...** Adjustable Rate Mortgages. ARMs kicked in and homeowners couldn’t cope with the higher monthly mortgage payments.

Through refinancing, homeowners and investors pulled out every dime they could, leaving the home fully or over-financed. Homeowners didn’t have the income to support the monthly payments, and investors can’t get the needed rent to cover the monthly mortgage payments. And because over 50% of loans originated the past 5 years were adjustable, we now we have meltdown.

Add to that the declining housing market, the government’s \$700 Billion bailout, the credit crisis, and the massive bank failings, and you’ve got a great stew for more a lot more foreclosures...as well as other economic hardships.

What’s Happening in the Housing Market

Let’s look at some national statistics.

More than 1 out of every 100 households is in trouble financially with their mortgages. That means you can step outside your door, look up and down the block, and you can be assured that one of the homes you see is in some stage of loan default.

There’s a 91% increase in the number of foreclosures this year over the same period last year. And the trend shows no sign of slowing down.

Among REO filings – houses that were taken back by the bank at foreclosure auction-there are many states with TRIPLE DIGIT INCREASES over this same period last year.

*The mortgage crisis will only get worse.
This means tremendous opportunity for
the savvy short sale investor.*

These figures are astounding. And it will get worse. More than \$50 Billion in adjustable rate mortgages are set to adjust each month.

Flat and declining home sales aren't helping the foreclosure rate, either. Construction and residential development is declining. Commercial homebuilders are in deep trouble.

With most homes fully or over leveraged, there's no room to reduce the price of the house to get it sold prior to the foreclosure auction. Declining home sales and the increase of homes for sale flooding the market only adds fuel to the number of homes going to foreclosure auction.

And with some of the country's biggest lenders such as American Home Mortgage, Countrywide, Washington Mutual, Citigroup and other majors already in BK, in dire straits, or acquired by the solvent few, the mortgage crisis will only get worse.

This country is truly facing a housing and foreclosure CRISIS.

SOLUTIONS TO THE PROBLEM

So, what can a homeowner do if they're behind on payments and in danger of losing their home to foreclosure? They are several options:

1. **Foreclosure...**
Let the house go to auction

2. Deed in Lieu of Foreclosure...

This is voluntary foreclosure. The borrower deeds their house back to the bank prior to the foreclosure auction. It still shows up on the credit report as a foreclosure.

3. List the House with a Realtor...

Not a viable option for houses that are fully or over-financed. The house will sit on the market with little or no chance of attracting an offer. It will eventually end up at the foreclosure auction.

4. File for Bankruptcy...

False hope for those believing or even worse—ADVISED—that a BK stops foreclosure. A BK 7 will wipe out the borrower's responsibility to pay back the loan and any debt they have, but it DOES NOT stop foreclosure. BK 13 doesn't stop foreclosure, either. The homeowners must make the mortgage payment established by the BK courts if they wish to stay in the house. If they opt to NOT pay their mortgage, the house will go to foreclosure.

5. Forbearance...

This is a repayment plan where the back payments are made up in installments. Monthly mortgage payments INCREASE until all back payments are brought current. The arrearages are ADDED to the regular monthly payments. 85% of the people who are lucky enough to qualify for a forbearance default in the first 3 months.

There are also other WORKOUT programs, such as Loan Modifications and Loan Deferments. Each bank is different, and not all programs are offered at each bank. All workout programs, including forbearances, depend on the borrower's income and expenses. The LENDER determines whether or not the borrower qualifies for a workout.

6. Rent or Lease Option the House...

If you're lucky enough to get rent to cover all or most of your payments, this could be an option. But the borrower MUST make certain they use the rent money to pay the mortgage(s) and not for their other bills or expenditures.

7. Subject To...

This is a strategy whereby you, the investor, take over the homeowner's loan payments and the homeowner deeds you the house. In essence, the homeowner owns the loan, you own the home. You agree to reinstate the loan, bring it current, and promise

to make the borrower's mortgage payments. This strategy only makes sense if there's either equity in the house, if you can get it to cashflow as a rental, or both.

8. Short Sale...

A short sale is the bank's willingness to accept LESS for a payoff than what is owed on the mortgage. A short sale is THE BEST OPTION to a foreclosure.

*Short sales are THE BEST
Alternative to a foreclosure.*

BENEFITS FOR THE BANK

Let's look at this from the bank's point of view, and why Short Sales are an excellent alternative to REO. REO stands for Real Estate Owned. It's the bank's term for a house that comes back to the bank after the foreclosure auction and then listed by a real estate brokerage for resale.

On average, the banks lose \$80,000 for every house they have to take back at auction. The average amount banks lose is certain to rise as more and more homes are foreclosed at auction.

With record numbers of REO's in inventory, the processing time is no longer 30 days from auction to listing with a real estate agent. It's more like 2 to 6 months. Now you've just added another 6 months to the already non-performing asset...a minimum of 12 months that the investor backing the mortgage is not getting his money back.

But it doesn't end there. The property goes back on the market, and now it's sitting there waiting to be sold with hundreds of other homes on the market...at a price the bank thought the house was worth before it went to auction...which is at its fully leveraged mark. Now add *another* 6 to 9 months before the house gets sold. In reality, the mortgage on this house can go unpaid for 18 months or more!

Wait...there's more! With housing prices declining at a record pace, the time it takes to sell will increase AND the home value decreases the longer it sits. A double whammy.

So it only makes sense...financial, economic sense--to short sale the house.

Short Sales are a great alternative for banks. Yes, banks take less than what's owed on the loan BUT they get a defaulted loan off their books. This is big. The lender can now move that money forward into other investments. They take it in the shorts now, but they save money in the long run.

It's pretty obvious that Short Sales are usually the best solution for the bank.

BENEFITS FOR THE HOMEOWNER

There's no describing the feeling you get when you stop a foreclosure and the homeowner calls you with tears of joy and gratitude in their voice. You honestly feel that you've truly done something wonderful for somebody. You're responsible for giving that individual, that family, a whole new start in life. And this feeling never gets old.

I'll never forget one of my coaching students calling to tell me how he received a phone call from a homeowner he was helping. He completed a successful short sale and stopped a foreclosure. After receiving word from the bank that they had approved his short sale, the student called the homeowners to break the good news.

The homeowners broke down in tears. They couldn't believe it was true. They couldn't stop showering him with words of praise and thanks and appreciation, and 'Bless you' and 'We'll never forget you. You saved our family.'

Even the student was moved to tears.

A successful Short Sale holds tremendous benefits and value for the homeowner.

First, with a successful short sale, the foreclosure is stopped. This in itself is HUGE for the homeowner. So many people feel ashamed or embarrassed that they even got into this situation. They live for months stressed out, their lives turned upside down. They're consumed with finding a way to solve their problem. So when they're finally free from the burden of foreclosure, they're relieved and ecstatic.

Second, the borrower's credit is preserved. It's banged up a bit, but it's still repairable. They retain their buying power. Their financial options are salvaged. They now have the opportunity to start life fresh. Once they get back on their feet, they can begin credit repair. They can soon qualify for other loans. Take care of outstanding bills. The worry of a mortgage payment is off their back.

“6 Keys to Short Sale Success”



As with any business or endeavor, there are always key elements to success. It's no different with Short Sales.

Where do you begin? How do you start? What's the foundation? What steps do you take? These are all necessary questions to ask AND answer as you prepare to build your short sale business. Whether you choose to do this part time or full time, keep distractions to a minimum.

Before you start, make it a point to focus on short sales. I mean truly FOCUS. It's easy to get distracted. I can guarantee you'll be pulled in several directions as you go along. Other investors or friends or associates will tempt you with other opportunities to invest in other niches.

I clearly recall this happening to me when I first started out. I began my investing career in wraps and lease options. One of my associates called me up to tell me about a great fourplex deal. I politely declined. I had a chance to buy raw land and also partner on an apartment building. Again I resisted the temptation.

*Avoid distraction.
Focus.*

I focused strictly on a single niche. I didn't want the distraction. And it paid off big time. In a relatively short period of time, I acquired 50 rental and lease option properties, simply because I kept my eye on the ball refused to waver.

The person who offered the apartment building deal was in the same wrap niche I was. But within a year, he was broke. He bounced from wraps to land deals to apartment buildings to foreclosures...all in less than a year! He lost total focus.

He thought one niche was better than the next, more lucrative than the next. And in the end, it destroyed him.

To make certain that you have the best chances to get your short sale business off on the right foot, you need to be aware of these **6 Key Critical Elements:**

Key #1

“Market for Leads”

It all starts with Marketing.

You want to get sellers and homeowners who are in default or behind on payments to call you. Marketing for sellers who are in default is critical to your short sale success. With no leads, there're no deals. With no leads, there's no business. So how do you get your phone to ring?

First, you need to let people know what you do. Tell anyone and everyone you meet that you are a short sale specialist, that you can help folks who are in danger of losing their homes to foreclosure. You gotta start talking it up.

You Gotta!

If you're shy, quiet, reserved, or uncomfortable talking to people, take a step out of your comfort zone and start talking. Believe me, I know what this feels like.

I was the guy who didn't ask questions or open my mouth for fear of looking foolish or stupid because I wouldn't have the answer. I didn't want others to know that I didn't know. I was shaking and waiting for my world to collapse the first time I did open my mouth.

I'll never forget the day. I had just taken my first real estate bootcamp. Spent \$5,000 to learn about real estate investing. I knew nothing about real estate at the time. Zip. Zilch. Nada. I couldn't even spell the word 'house,' that's how little I knew.

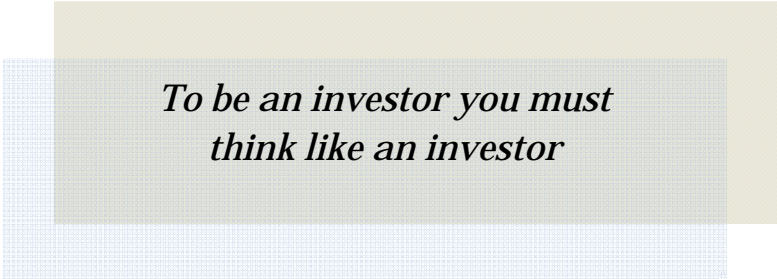
I came back from the bootcamp depressed and feeling like I just wasted my money. I didn't understand half of what was being taught. Why? I didn't know the language of real estate. I was doing my best to convince myself I knew what the speakers were talking about...lease options, foreclosures, wraps, assignment of contract, promissory notes. On Day 2 of the event my head exploded. I barely made it through the rest of the program.

I promised myself, though, (and my wife) that I'd stick to the action plan they handed out at the bootcamp. Because if I did what the instructor told me to do, I'd make \$10,000 within 90 days.

Well, I really didn't have a choice because I was broke and needed to do something. Being broke is one helluva motivator. Also, having a wife and child with health issues and needing to do something...well, THAT is an even greater motivator.

One of the assignments in the action plan was to talk to 3 title officers and tell them I was a real estate investor, and that I was looking for motivated sellers. If they would give me leads, I would bring them the title business.

WHAT?! How could I say I was an investor? I haven't invested in anything yet! But I realized it wasn't about having invested in something. It was a MINDSET. It was about BELIEVING that I was an investor. It was about knowing that I AM AN INVESTOR. This is what I do. This is who I am.



*To be an investor you must
think like an investor*

Once I got that message to sink in, and once I started repeating it to others over and over and over again, the butterflies disappeared. I truly FELT like an investor, and my confidence grew. I believed it. I believed in myself. Saying I was an investor over and over inspired me to take all the action steps and do all the things an investor does to become successful.

Guess what? The first day I got back from the bootcamp I walked into a title company and asked to see a title officer. It was in Glendale, CA. My legs were shaking and my palms were sweaty. The fact that it was a hot summer day in Southern CA didn't help much. The deodorant was wearing thin.

The receptionist showed me into one of the offices. I sat down with the title officer, nervous as could be. I introduced myself. "Hi. My name is Dean Edelson, and I'm a real estate investor. Do you work with investors?"

I said it! The words came out and I didn't throw up. She said, "Yes we do. We work with lots of investors. How can I help you?" I couldn't believe it. I couldn't believe she didn't say, "Are you kidding me? You? A real estate investor? You wouldn't know the difference between a house and a tree fort! Hey, Bill, get in here! This guy says he's an investor! Tell the whole office to come in here so we can all have a laugh!"

*Tell everyone
you know
what you do.*

I was there for 45 minutes. She took me around the office and introduced me to the other title and escrow officers. She even gave me the phone numbers of other investors to contact! She didn't ask how many deals I did, she didn't ask to see my portfolio of properties, she didn't ask to see my resume, she didn't say, "Prove to me you're an investor."

The message here is: Don't be afraid to open your mouth and tell people what you do. Yes, it's nice to have a track record, but what's most important is to BELIEVE in yourself and what you do. And no one will laugh at you because you don't have the answer, or because you're a beginner, or because you don't know what to say.

The first time you open up is the toughest. But once you start, it gets easier and easier...until no one can shut you up!

So where do you start talking it up and letting people know what you do?

Family and friends are a great start. Your local real estate investment group is an excellent place to network. Become the 'go to' person for short sales. Talk to other investors. Take a realtor to lunch. You'd be surprised at how many people will want to use your services.

Here's more way to generate leads and get sellers to call:

Create a simple 'Avoid Foreclosure' ad in your local newspaper, Pennysaver, or advertising supplement. Put up a website. Direct mail marketing is a fantastic way to attract homeowners in foreclosure. Send out postcards, letters, announcements, and flyers.

Place flyers in your local and Sunday newspapers. Door hangers are terrific ways to generate leads. Magnetic signs for your car bumper and side door panels attract a ton of attention.

In today's subprime meltdown and banking crisis market, Realtors are a phenomenal source for leads. Call the real estate offices in your area and set up an appointment to speak with the broker. Explain to the broker what you do and how you can work together in helping the seller unload the house and get out of their situation. Ask the broker to put the word out to the staff that there is a solution to help their clients who are behind on payments, and YOU are that solution.

Referrals are a great source for leads, probably your best source. Realtors, Investors, and folks who've used your Services can keep your pipeline full.

Also let the broker know that you'd like to come in and speak to the staff about your program. All you need is 15 minutes to get your message across. Right now, as of this writing, 80% of our business is referral based. 80%! The leads we get in our office are from realtors and investors. So pick up the phone today! Start talking. Network. It doesn't cost a dime.

Word of mouth and referrals are the best and easiest ways to get your phone ringing with motivated sellers and keep your pipeline full.

There are many other ways to get sellers to call you. Bandit signs work extremely well. Place ads in the classifieds. Run a toll free 'Foreclosure Awareness Consumer Hotline' ad in the paper. This secret strategy is great because it's non-threatening. The caller is simply listening to a pre-recorded message that tells him or her how the foreclosure process works and gives them options to their problem. Leave your direct connect number at the end of the message. Many homeowners will be extremely motivated to speak with you right away about their situation.

Key #2

“Tell the Truth”

I can't emphasize this enough. Your sole objective when talking to sellers is to offer them solutions to the problem. Since you're the one with all the options, you're the one they're going to choose to work with.

Be open, honest, and always tell the truth. Give the homeowner the 'straight dope.' We've already discussed what the seller's options to a foreclosure are:

Deed in Lieu...File for BK...Workout/Forbearance...Rent the House

Lease Option...List with a Realtor...Short Sale.

So when you discuss with the homeowner their options, let them know the advantages and disadvantages to each option. When you do this, they will come to their OWN CONCLUSION that a short sale is the best option.

DO NOT--under any circumstances--DO NOT GUARANTEE that you can stop a foreclosure.

The bank will determine what they're willing or not willing to accept on a short sale. If that payoff doesn't meet your criteria, there's no way you're gonna pay it or buy the house. If you can't fund the deal or don't have a buyer lined up, how are you going to pay off the loan and stop the foreclosure?

The only way you can guarantee stopping the foreclosure is if you show up with a bag of cash and payoff the loan(s).

Our company often receive calls from wary homeowners who've been 'taken' and 'hoodwinked' by companies and individuals who 'guarantee' that they can stop a foreclosure. Not only that, they take a \$500 to \$2,000 fee upfront, only never to be heard from again by the unsuspecting homeowner. These companies and folks have a career that is undoubtedly short lived.

What some companies and individuals do and claim is dishonest. It's bad business and it's unethical. One woman called us crying because a 'Foreclosure Help' individual she was working with took a \$900 fee and guaranteed her he could stop the foreclosure. Well, after he got her money she never heard from him again.

She was very skeptical about us, and that we'd do the same thing to her. And understandably so.

We said to her, “We’re so sorry this happened to you. But our company doesn’t operate that way. Here’s what we do and how we can help you...”

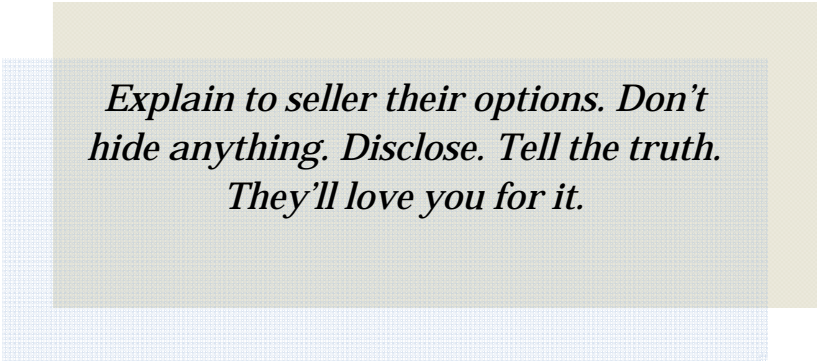
We explained exactly how we work and how we could benefit her...how we CAN help and that we don’t make any guarantees of stopping the foreclosure. What we do guarantee, though, is to keep her informed and to do our best.

One student at my life Short Sale Summit shared that she was in a market where there was a lot of competition from other foreclosure investors. She didn’t know how to set herself apart from the others. She wanted to know how she could be the one the homeowner chose to work with.

Telling the truth and full disclosure will always set you apart from your competition. Always. Be yourself.

Do what you say you’re going to do. Don’t make promises you can’t keep.

Explain all their options. There’s no need to hide the bitter pill. If they know it’s coming upfront, they’re prepared for it. And it’s their choice of whether or not they chose to work with you.



*Explain to seller their options. Don't
hide anything. Disclose. Tell the truth.
They'll love you for it.*

Remember, the people that you’re helping are under a lot of stress. They have families, just like you and me. They’re hoping that you’ll be the answer to their prayers, so by all means be straight with them. They’ll love you for it.

One of the main reasons people and companies bend the truth is due to fear. They fear that giving bad news or unpleasant alternatives to the homeowner will ‘kill the deal’ for them. Or that the homeowner needs to be suckered into something because the truth will scare them. The focus becomes the deal, without seeing the big picture...which is: there’s a world of opportunity out there.

Scarcity thinking and poverty consciousness can drive greed. If your sole focus is your wallet, you may want to rethink your motives. It's totally unfair to the homeowner, who's counting on you to help them out of a dire situation. There's a whole lot of money to be made in short sales, and there's no need to make it by being deceitful or misleading.

There are ALWAYS other deals waiting in the wings, so avoid hanging your hat on any one deal. By letting one go if necessary, you open the door for other opportunities to enter.

Now before we go any further, it's important to get one things clear:

ONLY WORK WITH MOTIVATED SELLERS

I can't stress this enough. Please don't waste your time trying to convince ANY seller to work with you. The sellers who want to work with you will show themselves. You'll know who they are. And the more you talk to sellers, the faster your 'motivated' radar antennae will go up.

Present the options, be truthful, disclose, and let the seller decide. If you do these simple things, I promise you the chances they'll want to work with you will increase exponentially. In fact, there'll be NO hesitation on the homeowners' part to work with you. Don't chase the seller. Avoid it at all costs. If you follow the steps I just laid out, you won't have to chase. They WILL choose to work with YOU.

Key #3

“Submit a Complete Short Sale Package”

First impressions count. By submitting a complete, professional short sale package to the bank, you show the lender that you know what you're doing. You're someone to be reckoned with. You're someone to be taken seriously.

Banks are so inundated with foreclosures that they don't have time to deal with incomplete short sale packages. They don't have the time to call you and say, "We don't have the hardship letter from the borrower. Can you please fax it so we can review your offer?" This will rarely happen. Loss mitigators are handling anywhere from 50 to 500 files at any one time. They're gonna focus their attention on the files that look professional and require the least amount of work.

Keep in mind that most of the short sale packages and offers submitted are incomplete. Why? Because they're put together by newbie investors or inexperienced realtors who've never done a short sale. They haven't been taught how to put a submission together.

What happens if the package is incomplete? It will delay your offer getting reviewed. Or it won't get reviewed at all. It will sit in a pile with hundreds of other incomplete submissions. In most cases you won't get a phone call telling you that pay stubs are missing, or that they only received two pages of the purchase agreement. So you'll never get a response from the bank. Newbies will assume that they're just not interested in their offer, or that the banks are jerks because they don't call you back.

All it takes is knowing which documents are needed for a complete, professional package. It's that easy.

So...what does a complete short sale package and offer look like?

- Cover Letter
- Purchase and Sales Agreement
- HUD-1 Settlement Statement
- Hardship Letter
- Financial Worksheet
- Pay Stubs
- Tax Returns
- Bank Statements

This package is the same for every bank. They all need the same information in order to make an assessment for the short sale. Some lenders will want certain information on their own specific forms, but this does not change the information needed. Show the banks you can make their job easier by giving them what they need. It will fast track the review of your offer.

Faxing is the way to go. There's no need to overnight the offer or send the lender original hard copies of your offer. Every lender I've worked with is fine with a fax. A small few will even take scanned email copies. Always keep the originals for your own files.

Once you do submit your offer to the bank, you need to call them to see if they received it. Call to see if they got all pages of your short sale package. *Follow-up is crucial.* Get in the habit of following up. Get in the habit of creating good business habits.

Key #4

“Influence the BPO”

Influencing the BPO is the most critical factor in determining the success of your short sale. The BPO can make or break the deal.

What is the BPO?

BPO stands for Brokers Price Opinion. It's the banks' appraisal of the property. It's not the appraisal that was done when the homeowners bought the house. Nor is it an appraisal ordered by the homeowner or any other party to find out what the home is worth.

The BPO is ordered by the bank when the house goes into default. The bank needs to determine what the house is worth in its CURRENT AS IS condition.

A true BPO includes an exterior AND interior inspection of the home. This is important: make certain that when you negotiate with the bank that they are basing what they will accept on an interior BPO.

See, sometimes the lender will say they did a BPO. But in actuality, all they did was an exterior drive-by of the home. Or not even that. One bank I was negotiating with said they did a BPO. When I pressed them for how they got the value they said they did a market analysis. That means they didn't even send someone out to look at the house! They simply went online and pulled data from the Internet!

The BPO is the benchmark for all short sale offers.

What the banks will or won't accept on a short sale is contingent upon the BPO so you can see why it's important to influence this value in your favor.

Banks will accept anywhere from 75%-95% of the BPO on a short sale offer.

The percentage of discount is contingent upon the bank and lending investor's guidelines. Keep in mind that all banks are different. And each loan has its own guidelines.

Sometimes banks will tell you the BPO value, and sometimes they won't. So anytime you speak with the lender, ASK what the BPO or appraisal value is. It always pays to ask. And they just might surprise you by giving you that value. Knowing this value will help you greatly in your negotiations with the lender.

It's important that *you* are the contact person for the BPO. So when you submit your cover letter to the bank, make sure you give them your phone number and to call you to schedule a time to do the BPO. By doing this, you control the process. You now have a great advantage. You now have leverage to increase your chances for a successful short sale.

For example:

You're doing a short sale. The house has a Fair Market Value in nice condition of \$150,000. You meet with the homeowner at their house to sign the short sale paperwork. With digital camera in hand, you walk through the house and take photos. You determine that it needs \$12,000 in repairs...paint, carpet, and some new kitchen cabinetry. SO now the value of the house is \$138,000 'as is.' This is in a GOOD market.

But since you're in a market where sales are slow (which is the case in most of the markets around the country at this time, the BPO value you're shooting for is actually around \$120,000. You also know from doing your market research and due diligence that you can sell this house for \$125,000 pretty quickly.

So now you know you need to influence the BPO to get a value of \$120,000 or less. The lower the better. The banks will take anywhere from 75-95% of this value, depending on the lender guidelines.

You submit an offer to the bank for 78% of \$120,000 = \$93,600. Is this aggressive? Yes, it is. You can always come up in your offer if you need to. There's lots of room to make the deal work.

You go back home and put your offer together and fax it to the bank. Your offer triggers a BPO to be performed.

The bank calls you to schedule the BPO. You set a time with the BPO agent to meet her at the homeowner's house the next day at 10a. While on the phone with her you let her know the borrower's situation and that you're helping to stop a foreclosure. Also, call the homeowner to let them know the bank needs to determine a value for the house, the appointment is scheduled for 10a, and to leave the house for an hour while you meet with the agent.

At the house the following day you meet the agent. Bring her all the proper paperwork. This includes your offer to the bank and low comps. Then let the agent do her thing. Don't be a pest. Hang back while she goes through the house and inspects it. When she's done, thank her for her time.

A couple days later, call the BPO agent and ask her if everything went okay. Be friendly and cordial. Ask her if she arrived at a value. She tells you it came in at \$122,000. Beautiful! You did it! You just influenced the BPO!

And the great part is, the lower you can influence the BPO, the more profit you create for yourself. When you know how to favorably influence the BPO, you're on your way to closing a successful short sale.

Make sure the bank does an INTERIOR BPO if the property needs repair or has wear & tear issues. If it's a pretty house inside and needs no work, then avoid forcing an interior BPO.

Key #5

“Effective Negotiating”

Loss Mitigators will always fight to get the most money for the bank. And why shouldn't they? It's their job. They have to live up to their namesake...

Loss Mitigator.

The loss mitigator's responsibility is to mitigate--or minimize--the bank's losses. And they do this by trying to get the most money for the short sale payoff.

Your goal, on the other hand, is to pay as little for the house as possible. Your purchase needs to make financial sense. And the greater you can discount the loan, the greater your PROFITS!

Once the BPO is done, your negotiating skills come into play. Again, it really isn't that hard. You simply need to know what questions to ask and how to leverage what you know about the house.

Knowing how to negotiate with the lender is critical to your short sale success. This step in the short sale process--lender negotiations--is the biggest stumbling block for most investors. Many new investors freeze like deer in the headlights when it comes to talking and negotiating with the mitigators. There are several reasons most investors fall short in this area.

The pitfalls to negotiating are:

1. **Not knowing what to say.** This may sound simple and trite, but in fact it's the biggest reason of all. Many new investors lack negotiating experience. This is not just with short sales, but in other areas of business and life...whether it's with a boss or superior, negotiating a better price with a salesman in a store, or even negotiating in a relationship or with a family member. Don't feel bad. You're not alone. Most people are uncomfortable asking for something. And when it comes to money matters, it gets even more uncomfortable. There are some very basic and simple tools and strategies you can use for any negotiation. All it takes is knowing the right information combined with a bit of experience, and the butterflies disappear.

2. **Not knowing how to handle objections.** What do you say to a loss mitigator who tells you your offer is too low? What do you say if they tell you they're closing the file? What do you say if the mitigator says they've done a BPO and you know they haven't? How do you postpone a foreclosure auction to buy more time to get your offer reviewed? What do you do when the foreclosure auction is just 3 days away and you need to get the auction postponed? What do you do if a loss mitigator won't budge on their net acceptance and you definitely know the house isn't worth what they say it's worth? If you know to handle these lender and loss mitigator objections, you're golden.

Great negotiators do more listening than talking. Great negotiators ask great questions. They also remain fairly calm. There's no need to raise your voice, get overly excited, or especially get over-emotional. Great negotiators leave their emotions at the door. When it comes to making decisions and effective negotiations, you must leave emotions out of the equation. It's strictly an intellectual exercise.

*Great negotiators ask great questions.
Leave emotions at the door.
Know your bottom line.*

Many new investors have this notion that negotiating a short sale is an 'us versus them' proposition. Your goal in any negotiation is not 'Win-Win.' Nor is it to bury the other guy. Your goal, as my business mentor taught me years ago, is to do better than your alternatives. Your goal is to come to an agreement IF the deal makes sense.

The loss mitigator has certain guidelines and rules they have to follow. Your job is to uncover their bottom line, what they are willing to take. Sometimes finding out what that bottom line is can be easy. Just ask. Other times, you'll be challenged with a mitigator who won't play ball. So be it. There are ways to get around the roadblock to find out your answer. Know the right questions to ask.

More importantly is to know YOUR bottom line. You need to be able to walk away from the deal if you can't come to an agreement.

If you know the most you're willing to pay for a property, and you're unemotional about the outcome, then there should be no problem walking away from the deal if it doesn't work out. Why? Because you're not attached to the outcome. If you come from a place of LOW NEED, you're in HIGH POWER. You're in the driver's seat.

If you NEED to do the deal, if you NEED to have this particular property, your ability to negotiate effectively decreases.

Remember, there are always more deals out there waiting for you. Always. Avoid hanging your hat on any one deal. Have multiple short sales in your pipeline at a time.

Let's re-visit the deal you were working on when you influenced the BPO. You know you can sell this \$150,000 house for \$125,000. In fact you already have a buyer lined up with a contract at this price waiting to move in. Your short sale offer to the bank was \$93,600.

Now it's time to negotiate. You call the bank to find out if they've made a decision on our offer. You get the loss mitigator on the line. She tells you they need to net Fair Market Value.

How do you respond to this statement?

Most new investors and realtors unfamiliar with short sales will take this as a final answer. They'll assume the bank has to net Fair Market Value. And why shouldn't they assume it? Because the Loss Mitigator, the BIG BANK, the Almighty Lending Institution, declared it so. And so it shall be!

And what most new investors and realtors will do is either walk away from the deal or they'll automatically increase their offer. Or they'll start arguing their case with the loss mitigator. The investor doesn't even bother to take the next step. Why? Because they don't know what to say. But now you do know.

Your response is, "Please tell me...what is the Fair Market Value of the house?"

This simple, logical question is key when a loss mitigator responds with this pat statement. The mitigator makes this statement because they know it gets results. The bank gets a counter offer equal to what the investor ASSUMES is fair market value. And all because the investor failed to ask a simple question.

By asking "what's the FMV of the house," the mitigator will give you the value. Now you have something to go by. Now you have a starting point for the negotiations.

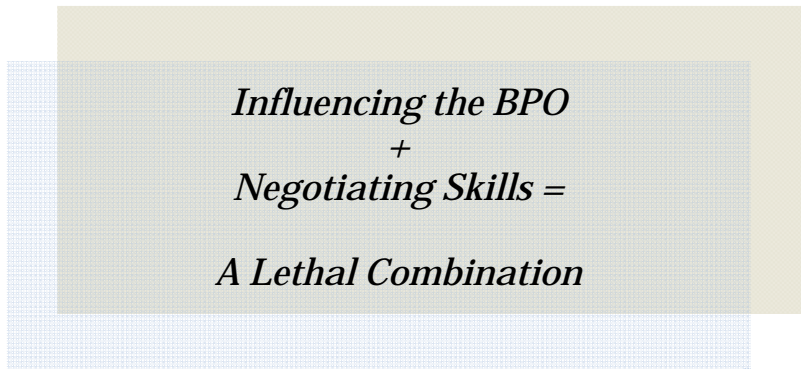
Again, this scenario may sound simple, even trite and obvious, but it's a common one and one that's often overlooked and taken for granted.

I've negotiated hundred of short sales. I can't tell you how many times lenders have opened the conversation with "we need to get fair market value for the house." Countrywide, Washington Mutual, Wells Fargo, Chase, Ocwen, Wilshire, Homecomings, HSBC, and countless others. And as long as mitigators continue to get results from telling newbies and realtors "we need to get fair market value," they'll continue to use it as a strategy.

So now, let's go back to the deal we were working on. As an experienced negotiator, you now know what to say and what questions to ask. After some back and forth negotiations, the mitigator finally tells you that they need to get \$103,700. Fantastic! This is 85% of the BPO (85% x \$122,000 = \$102,000).

That gives you a gross short sale profit of \$125,000 - \$103,700 = **\$21,300**.

There are only a limited number of scenarios, objections, and roadblocks the bank can throw your way. Once you know what they are and how to handle them, the fear of negotiating dissipates, your confidence rises, and you place yourself in a position of power.



Influencing the BPO
+
Negotiating Skills =
A Lethal Combination

One of my coaching students recently told me that Washington Mutual was being very difficult. They told her that her short sale offer was too low. WaMu said they needed Fair Market Value (imagine that!) and if they couldn't get it, they'd close the file.

The student told me what the numbers were, the true value of the house, and what her bottom line was. From this information, I suggested she not go higher with her offer. (New investors have a tendency to increase their offer just to get an acceptance...even if it doesn't make financial sense).

I suggested to her to let WaMu close the file. This scared her. She thought this would kill the deal. I assured her it wouldn't. And even if it did, and she wasn't willing to offer FMV, what difference would it make? The deal was dead anyway.

I told her to compile comps, a CMA, and a repair list to substantiate her offer. Wait a few weeks, and then resubmit the offer...the same offer. She did.

The student sent me an ecstatic email saying WaMu accepted her offer! They faxed her the short sale approval letter to confirm the acceptance. She double closed because she already had a buyer for the property. She made \$10,600 on the deal!

To negotiate effectively, know what questions to ask, how to posture yourself, keep emotions at the door, and act from a place of low need.

When you couple your ability to influence the BPO with knowing how to negotiate with the banks, you're unstoppable.

Key #6

“Know Your Exit”

A new investor, Allison, recently contacted me for some coaching advice. She was in the midst of negotiating a short sale with a major lender. She lives in California and the property's in Florida. She was awaiting the approval letter from the bank. I asked her to fill me in on some of the details.

She had the funding in place and a decent spread. I asked her what she planned on doing with the property once she got her approval.

Allison said, “I don't know. I was hoping to flip it.”

I asked, “Well, do you have it listed with a good realtor?”

“Not yet.”

“Allison, you're in one state and the property is in another. How do you plan on flipping it?”

“I hadn't thought of that. I thought I'd wait to do the short sale and then maybe find a realtor.”

“Did you do your due diligence before making your offer?”

“Yes. I asked a realtor to send me comps.”

“Did you ask the realtor where you needed to price the property in order to get an offer quickly...a sell-in-one-week price?”

“No.”

“This is part of your exit strategy, Allison. You need to know where to price the house in order to sell it. You need to do this BEFORE you make your short sale offer. Otherwise, how do you know what to offer? You don't want to hold onto the house, do you?”

You also need to begin marketing your property as soon as you get the house under contract with your seller. Give yourself as much time as possible to sell the house. If this house doesn't sell because your realtor prices it too high, you're

going to have carrying costs that will eat away at your profit until there is no profit. Does that make sense?"

Before going into any deal, you need to *Know Your Exit*. What does this mean? It means knowing precisely what you're going to do with the property once you short sale it. Are you going to:

Flip?...Rehab?...Keep it in your portfolio?...Rent?...Lease Option?...Assign the Contract?...Wholesale?...Retail?

Having your exit in place will save you a ton of time and money. And this is what it's about, in any business or service. If you're going on a trip, you need to know your destination. The exit strategy is your destination.

Bring your buyers to the table *before* and during the short sale process, *not after* you close the deal. Start marketing for retail buyers, wholesalers, contractors, and rehabbers immediately. Don't wait until the last minute.

Allow your potential buyers to go out and look at the property. In most cases, you'll have a buyer waiting and chomping at the bit to take the house before you even get the short sale approved.

By following this simple strategy and by knowing your exit, you'll decrease your carrying costs dramatically. You'll reduce your headaches and stress levels, too. You'll be in a position to turn properties more quickly. You won't tie up finding. Your business will run smoother and more efficiently.

*What are you going to do
with the property?*

Putting the Pieces Together

“The 6 Keys”

Now that you have the **6 Keys to Short Sale Success**, it's time to implement what you know. And you do this by **TAKING ACTION**.

Set yourself apart. Make a **DECISION**. That's all it takes. **Commit to taking action**. The reason most investors don't succeed in short sales—or any real estate niche or business—is that they don't take action. They don't do what they say they're going to do, or they give up too soon.

Commitment and Action are, by far, the two biggest factors that separate the successful investor and the wannabe investor. Those that do, get results. Those that do on a consistent basis see phenomenal results. And those that don't continue to get the results they've always gotten.

Today, there are record numbers of homes in foreclosure. And if you learn the skills, how to negotiate with sellers and lenders, how to market, and how to sell the property, you can take advantage of this great opportunity.

Are you looking for quick cash? Then Short Sales are **THE** real estate investment niche for you.

There's a **TON** of money to be made in short sales. All it takes is knowing my simple and easy short sale system that works in any market. It's not brain surgery. In fact, it's cookie cutter. Once you know my system, you keep doing the same thing over and over again. There's no need to reinvent the wheel. It's a proven, time-tested **SYSTEM**. I've already made the mistakes so you don't have to.

See, many new investors fly by the seat of their pants because they try to do short sales piecemeal. They pick up tips here and there, read some posts or an article or two, attend a real estate investors meeting, and then attempt to do a short sale.

While this is commendable in terms of jumping in and taking action, it also proves to be time consuming and frustrating in the long run. There's a lack of strong foundation.

Decide.
Commit.
Take ACTION.

A strong short sale foundation consists of knowing *WHAT* to do and *HOW* to do it. When negotiating with sellers and lenders, you need to know what to say and how to say it. You need a SYSTEM. A System that gives you all the steps and all the components that's easy to use, easy to understand, and easy to replicate.

This is where my short sale system gives you every tool, strategy, secret, and technique you need to do short sales the right way. It will show you exactly how to look at the numbers, evaluate the deal, and what to offer to get your deal accepted. It shows you how to market for leads, negotiate with lenders and creditors, how to raise money for your deals, how to sell your properties, and how to close. But don't take my word for it.

Go to <http://www.theforeclosurementor.com> and see for yourself what others have to say about the most complete, comprehensive, and revealing short sale system out there.

Take action NOW. Whether you're just starting out or already an experienced investor, explode your short sale business by going to:

<http://www.theforeclosurementor.com>.

Set yourself apart from the rest who 'don't do' by making a decision to invest in yourself TODAY.

To your investing success!

Dean Edelson
TheForeclosureMentor.com