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Flip2Freedom Podcast

How to Make a Fortune Working with Realtors

Hosted by: Sean Terry

Sean Terry: Welcome to the Flip2Freedom Podcast, I am your host Sean Terry.

Sean Terry from the Flip2Freedom Podcast. We are on episode number 119. Today we're going to talk about how to make a fortune working with Realtors. If this is your first time listening to the podcast I want to welcome you. Maybe you were searching around on iTunes and trying to find something to listen to ... This show is about wholesaling, about flipping houses, about day trading houses for huge cash. That's exactly what I do here in Phoenix, Arizona. If you don't know what wholesaling houses, or flipping houses is, it's basically where we target a very small segment of the marketplace, about 3%-5%.

These are people that do not want to sale in a traditional mean, they do not want to list with a Realtor, what they want to do, is they want to unload a property fast. It might be a divorce situation, a bankruptcy, a tax default, a pre-foreclosure, might be an inherited property, an absentee owner ... Whatever the case may be, you can target that specific niche and these guys want to just sell. They don't want to wait 90-120 days, and they don't want to have to fix up the property. They contact guys like us. What we do is we get the property under contract. In the contract we have a price, let's say for theoretically of a \$100,000 price of a property, we get it under contract for \$50,000.

I do this all day long, twice and sunny, 20 deals a month. We get it under contract for \$50,000. On there is the purchase price of \$50,000 and a closing date, typically 30 days. Now we have something incredibly important, we have equitable interest. What we do now is then we can market the property to buyers, we can market them to cash buyers, put them on Craigslist, whatever the case might be to move the properties out. We have an email blast and we blast them out to our buyers list. What will happen is buyers will call in and they're going to ask and inquire about the property. They're going to want to see the property, they're going to want to get access to the property, and then they're going to want a price.

Let's say we put that property out for \$60,000. Buyer calls and says, "I will take it." They're going to buy it cash, they typically buy it as is, no inspection period, seven day close. Now the buyer



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says he commits and says, "I want to buy it." He signs a contract with you for \$60,000, he puts a \$2500 non-refundable earnest money, and now you have two contracts, one for \$50,000 with the seller, one for \$60,000 with the buyer, and now you bring them to what's called a closing agent, a title company, escrow company, an attorney, depends on what state you're in, and you instruct them to do either one of two things: Either a double escrow, or an assignments. That's how you get paid.

What happens is the buyer brings in 100% of the funds! They will bring in \$60,000, plus closing costs, of which \$50,000 goes to the seller, he's excited because he nets \$50,000. Then, the difference goes to you, \$10,000 goes to you. The cool thing about this is you can do this over and over and over again. You can do one a month and make an extra \$10,000 a month. What would it take on your current job to get a \$10,000 a month raise? The great thing about it is you can scale it and build the business to have complete autonomy, it's amazing. You can come and go as you please, it's killer. For me, I am in Phoenix, Arizona. I have a staff and a team and we pump out, we do a ton of deals here, on average around 300 properties a year. We're turning properties, it's literally like day trading properties, it's a blast.

I've been working on some killer stuff that I am going to talk about at the end of the show. Some stuff about 2015, planning for 2015, I put together this killer spreadsheet that I'm going to share on a webinar. I am going to show you exactly how the numbers work for projections, how many leads you need, the expense ratio, it's going to be killer. ROI projections, staff and team, how they play in, if you have a team member, one of your outside sales reps that's working, how they get paid. I will talk about that at the end of the show right here, tell you what I've got planned for 2015. I really want to give you a blueprint.

Some of you might be listening and you're brand new and you're just getting started in real estate, just getting started in wholesaling, might be a little bit more advanced, but it will give you a basis and a starting point to where you can say, "Here's a crystal clear plan that I can use on what to focus on to go out and get the most amount of results." That's what we're going to cover in the webinar. If you want to get more from me and you want to learn more about when this webinar's going to happen in 2015 go to Flip2Freedom.com. If you go there you'll see a video of me and there's an orange download button, click that, and you can download my book. It's 129 page book. I've had people tell me they spent well over \$1,000 for the same information I give away for free. Go there, get the book, read it, you'll be fully prepared. It's going to be killer.



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What are we talking about today? We're talking about working with Realtors ... Making a fortune working with Realtors. Here's an interesting story ... Back in 2004 the market was going crazy and I started acquiring a bunch of properties, literally with seller financing. We target pre-foreclosures. There would be a seller that has a property that's in foreclosure, they'd owe say \$60,000, the house was worth \$100,000, and they're behind on payments six months of to the tune to say \$60,000 theoretically. What we do is we'd agree to give the seller some cash, a couple thousand dollars, and we bring the property current and we'd leave the existing loan in place for a three to five year term.

We literally can come out of pocket with little cash, we go in and fix up the property, we'd rent it, and then hold onto that property. We basically accumulated 120 properties in that manner, about \$36 million worth of properties between 2004 and early 2005. I've told this story before... I was getting a haircut, I was sitting in the chair, and my hairstylist lady was talking. She's bubbly and she's talking about 100 miles an hour. She goes, "Oh my gosh, I just got this property, it's a new build, we got a contract on it and we turned around and we sold it, we made \$40,000." It was a new construction build on a property they signed a contract with. By the time it was done and built several months later they were able to sell it and make a \$40,000 profit.

The amazing thing was, at that time, early 2005, the market was going nuts here in Phoenix. It was going nuts across the country as well. Inventory levels were at record low, houses were getting three, four, and ten and fifteen offers for every property that went up on the market, it was insane. At that time we smelled the writing on the wall ... How can you smell ... Can you smell the writing on the wall? I don't know ... Whatever the dumb statement is... we decided to sell the properties at that point. What we did is we hooked up with a Realtor. This Realtor had a connection with a group of buyers out of California that were looking to scoop up Arizona properties.

What he did was they would do presentations out in California and they would take all of our inventory, not all of our inventory ... They would take large chunks like 20-30 properties at a time. They'd be on a flyer, they had basically the entire performas on all the properties, they'd have pictures, they'd have write-ups, they had flyers about all of these properties, they'd prepare everything. They'd bring it over to California and have presentation in front of the room and they would basically sell these properties to California investors across the country. They were scooping them up because there was no inventory. You can't buy them off the MLS because there'd be 10-12 offers on them. These were off market deals and they were like, "Holy cow." They were scooping them up like crazy.



The cool thing is we were able to unload all 120 properties between March early 2005 and November of 2005 and sell them all! It was crazy. All working with one Realtor that was able to, and his team, to be able to move all these properties during that time period. It was amazing. From that standpoint I was like, wow, I've got to build good relationships with Realtors and find Realtors that have a buyer base that can help us move these properties. Here's the thing, there are basically many benefits from a wholesaler standpoint of what we do to work with Realtors. One is that they know the process inside and out, you don't have to teach them how to write a contract, you don't have to teach them how to get earnest money and open up escrow, you don't have to do that, they know the process.

When a Realtor calls and says, "I have a client, they're really interested in a property, how do we get access to it?" We give them the lock box code if it's vacant or we schedule a meeting if it's occupied to go down and look at the property. Now, guess what, they're selling their client to get the deal done. That's what an agent does, they sell. They go down there, they go look at the property, they bring all the comps, they talk to their client, the buyer whose looking to purchase a property, and basically get them to commit. They write up a contract, they collect the earnest money, they bring it down to the title company, and they open up escrow. They know the process and they understand it, which takes a lot of the burden off you.

Think about it, if it was your buyer you would have to meet them down at the property or you would have to get them access and you would have to sell them on the property essentially through the comps and the work that needs to be done. Then you'd have to collect the contract from them and get the earnest money and bring it down to title. The cool thing is, an agent will do all of this. We will talk about how the agent gets paid here in a second. The second thing is, these agents cultivate buyers. Think about this, let's say you have 100 people that are cash buyers on your email database, which is the holy grail of wholesaling. Having an email database is the holy grail. The larger your email database, the more properties you can move, the more revenue you can make, then you can totally focus 100% on acquisition and then you can dispose the properties or email them out and sell them quickly to your email database.

Here's the thing, what if you had 100 buyers, just buyers, on your email blast? Now you have 100 buyers. What happens is a buyer can only purchase a certain amount of properties because they're either buying, fixing, and selling, or buying and renting. There's a limited, basically capacity, for each buyer, unless they have a fund behind them and they're just going to buy a bunch of properties, and sometimes that happens. In this particular case, what if now, instead of having 100 buyers, you had 100 Realtors on your list? Realtors, especially cash buyer Realtors, and that's why I call cash buyer Realtors where they are a Realtor that cultivates cash buyers...



Let's say each Realtor had 10 people on their list, what is your reach now? You have a gigantic reach, you have a huge reach, you have 10,000 basically buyers on your list because those agents are now going to turn around and talk to their 10 buyers and they're going to want to try to sell a property. The reach is way more dramatic than actually just having 100 real cash buyers. The other thing too is what's great is as you build the relationship with these agents, you're able to get what's called pocket listings. What's the incentive for an agent to bring a pocket listing to you? The incentive for them is they're going to get the full commission, the full 6% commission. If they do a listing and the listing is a full 6%, they would list it on the MLS, 3% will go to the buyer's agent and then 3% as the listing agent, they would get 3%. If they bring it to you and you're essentially unrepresented they can get 100% of the 6% commission, which is awesome. There's a massive incentive to bring it to someone they know can close the deal.

Here's how I work with Realtors in my business. Every single day Realtors are a gigantic part of our business. First thing is that in my email list I have a ton of buyers and I have a ton of real estate agents. When you have a ton of buyers and you have a ton of real estate agents, majority of our transactions, the properties that we sell, about 90% the buyers are represented by Realtors. People go, "How do I pay a Realtor out of a wholesale deal?" Here you go, what we do is we put out the property at a price.

In our example that we talked about, let's say \$60,000. We get it under contract for \$50,000 and now we're going to turn around and sell it for \$60,000. What we do is we tell the Realtor, "Listen, that house is worth \$100,000, there's 40% equity in the deal, there's enough room for you to tack on your fee on top of my price." On a \$60,000 property, 3% is \$1,800 bucks. If you're looking at it and you're sitting there going, \$1,800 where they could make if they were going to basically bring a buyer to a listed property, here what they can do is tack on their fee on top of their price. An agent can tack on \$3,000, \$5,000, \$10,000, whatever. \$10,000 is a little stiff but a lot of what the agents will do is they will tack on \$3,000-\$5,000 on a per deal basis because they bring the deal. It still makes sense to the buyer because it's below market.

The bottom line is that these agents have the ability to sell the property. What I do is we market our properties on our email database. An agent calls us up, asks for access. What we do is we tell them, they go, "Hey how do you work with agents?" I say, "Here's our net to us price is \$60,000, all you've got to do is tack on your fee on top of our price, and then when you send the contract, send the commission instructions, and we'll send them over to the title company." That's the number one way. The next one is I actually hired a Realtor in house as my outside sales rep. This is incredibly important because when it comes to monetizing leads ... we're trying to monetize leads.



In this webinar I'm going to be doing coming up here January 8th, and make sure you go to Flip2Freedom.com to be able to get on the email list, just put your email in and that download button there. They will give you updates of when the webinar's coming up...

But on this webinar we're going to talk about how to monetize leads. That's the big thing, as the market becomes competitive there's more wholesalers entering the market. What are you going to do to monetize leads? Here's the thing, there are different people listening to this, there's people that's never done a deal before, there's people that have done one or two deals, there's people that are listening that do 10 to 15 deals a month, and there's people that do a lot more than that. There's all different types of people that are listening to this right now.

For me, someone that does 15 to 20 deals a month, what we look at, and we're going, "Hey what can we do to monetize the lead and be able to generate revenue off every single lead?" Someone calls in on a marketing we do, we send out postcards, Google Adwords, whatever the case may be they are raising their hands saying, "Hey I am either, a) Take me off your list, don't ever call me again, or, Hey I am considering selling my house." If they're considering selling their house we want to be able to monetize that the best way we can. What we've done is we've hired an in-house Realtor. What they do now is they have four different options working with the seller.

Their primary focus, and where they as the employee can make the most amount of money is through a wholesale transaction, that's when they can negotiate the lowest price possible and they can negotiate that low price and then what happens is we can get that property under contract and we can turn around and wholesale it and flip it. The first thing is a wholesale transaction, the next thing is an option. Basically they first go after a wholesale deal, the next thing is an option. With the option they basically, we can option the property and give us the opportunity to market it and try to get the property sold. Here's an example of how this works, let's say we have a seller and the seller wants \$150,000, our wholesale number, what we have to be is \$130,000.

You do whatever you can to try to negotiate that price down from \$150,000 to \$130,000. They will not budge off \$150,000. \$150,000 is their absolute bottom line. You've got two different options, you can either, a) You can walk out and be like, okay where's the \$20,000 differential and it just doesn't work and you walk out and you can't make the deal happen, there's no meeting of the minds. Then you basically lose that opportunity, you lose that deal. The other way to do it is to then do an option on it for the \$150,000. You say, "Okay Mr. Seller ..." Even try to get them even less like, "Why don't we try to do \$145,000. If we can get it down to \$145,000



can we make it work?" Sometimes they will budge. Sometimes they won't, they're just going to be stuck at \$150,000, that's the number, make it work, whatever the case may be.

You say, "Great, listen Mr. Seller, our price is \$130,000 cash, that's where we feel comfortable and we can get the deal done. That's where we're confident we can make it work. You want \$150,000 so obviously we've got a \$20,000 difference here, but instead of me walking away, I think you've got a good house, I like you, we have an investor network that we work with. These investors are either from Canada, they're international buyers, and they sometimes, not in all cases can pay more than we can pay on this property.

"What we can do is we can secure a 15 day," you can make it a 30 day, "Non-exclusive option, we will sign an option with you, it will give us the ability to market the property because we're not Realtors," in this case he is a Realtor but essentially, "It gives us the ability to market the property out to our buyers, these buyers. If they come in and they want \$150,000, guess what, you get to do it, you get \$150,000 net, you don't have to pay any commissions or closing costs or anything like that and you're good to go, does that sound fair?"

They're going to be like, "Sure." They get their \$150,000 and if they have a buyer that comes in, they get their number, great. Essentially you could have walked away from that deal. On our side you put it out to the market, maybe you put it out for \$155,000 and you never know what happens, there might be someone, a Realtor that has a cash buyer looking for a house, and they're on your list, that wants to purchase a property in that neighborhood for whatever reason and the numbers make sense. I've had deals that I thought there was absolutely no way it was going to sell, and I put it out to a list at \$150,000 when I thought we had to be at \$130,000 and the thing flies off the shelf. Weird, but you never know what a buyer on the other side's going to purchase a property for.

Worst case scenario is what happens is you that you get a buyer that calls on it that says, "I can't do \$150,000 but I can get the thing done at \$143,000." I say, "Great, can I get a commitment at \$143,000? You can close this sucker no problem at \$143." You say, "Great, what I'm going to do is go back and try to renegotiate with the seller to see if I can get it down below the \$143,000 so we can make this deal happen." You go back to the seller and say, "Listen, \$150,000 didn't work, but I got a commitment to close this thing, I got the commitment to get this thing done at \$137,000" Now what happens is you're creating a spread. They're either going to say 'yes' or 'no,' or 'pound stone' whatever and they go, "Nah, I just don't want to do it."



Your other option, if you have, like I have a Realtor on staff now, that what happens is now he can list the property. Remember, we've got option number one is a wholesale deal, option number two is an option, option number three is you're going to do a wrap transaction, that's only if they have an existing loan and it makes sense to sell to another investor where you wrap the underlying loan. The fourth option is where you do a listing. Now the seller says, "Forget it, I want \$150,000. \$150,000 is it. That's all I am going to take, \$137,000 doesn't work." You say, "Great, well listen, I talked to my buyers, it doesn't make sense, but what I can do, I think we can move it fairly quickly, why don't we list the thing at \$156,000-\$157,000, whatever the number is, and what that will do, that will net you the \$150,000 after you pay real estate commissions and closing costs, does that sound fair?" Gives another option to be able to list the property.

The agreement I have with the employee/agent is that he'll give a large portion of the commission to the company where my wife is a principal in the company and my wife is an agent. An agent can pay a referral fee to another agent, and she's a principal in the company so that transaction can happen. If you're setting up your business you might want to have the ability to hire an agent or you can do it to where you can offset compensation with the commissions he gets from the deals he does. If you are an agent or married to an agent like I am, you can have that referral back to the company through that agent.

That is the second way. Working with basically hiring an outside sales rep to monetize that lead. We've got a wholesale, we've got an option, we've got a wrap transaction, or we can do a listing on the property which will increase revenue to the bottom line of the company which will essentially reduce ... It's not going to really reduce the cost per lead, but we'll be able to monetize that lead in a way that will turn into profit.

Now, what is the third one? Target pending properties. This is huge because as I'm working for my future goals for 2015 and looking at specific numbers that really make an impact on your bottom line, there's basically three numbers. There's the average deal size, what is your average deal size? What is your leads per contract, how many leads does it take to get one contract? What's your cost per lead?

If you look at our numbers right now, when I look at our numbers for the past year, our average deal size is about \$11,100. Our average lead to contract is 24, it takes 24 leads to get the one contract. Our average cost per lead is about \$252. When you look at those different numbers right there, those are the three most impactful numbers that determine the entire business, everything. If I increase from \$11,000 to \$13,000, the ROI goes through the roof. If I reduce for contracts, instead of getting 1 in 24, I get 1 in 20, or if I get 1 in 18, the ROI goes through the



roof! If I reduce my cost per lead, say \$252 down to \$200, \$188, or \$150, ROI goes through the roof. Those are the three most important.

If you're running your business right now, or if you want to get into it, you want to start doing deals, and you're not tracking your numbers specifically, know exactly what those three numbers are, what's going to happen is you're going to be running your business. If you're paying \$300 per lead and you're getting \$9,000 on a per contract basis and you're getting 1 in 30, 1 in 40 deals done, guess what, you can go broke in this business. What I am going to do is I have this spreadsheet, I was telling you earlier, I am going to do the training, the webinar, on January 8th. I am going to go through in detail, I'm going to show you exactly how to use it, and I am going to give it to you for free. It will really give a complete eye opening experience on what these bottom line number is.

This is a key component, targeting pending properties. Here's what I'm finding out, what if you can get deals without spending any money? There's the cost per lead that makes a direct impact to the bottom line and ROI. If you get all your deals done through marketing efforts, whether it be Google Adwords, online, direct mail advertising to multiple different niche, we're in yellow pages, TV advertising, radio advertising, local newspaper ... If you put all those together and you have a blended cost per lead and now those numbers increase and that's where you're getting all your deals, your profit margins are tight. We looked at ours, our profit margins when we looked at it, excluding free deals was running about a 71% expense ratio. That's pretty tight. 71% of our revenue was going out to expenses, out to marketing expenses, employee costs, and stuff like that.

One of the big focuses going forward in 2015 is what can I do to cultivate free deals? There's multiple different ways to get free deals. One of them, and I will talk about on the training, but one of them is targeting pending properties. This is where you have a person, either you or a person, where you're calling a Realtor that has a pending listing on the MLS of a property that fits your criteria. You're going to target that agent and it's a pending property. There is a percentage of properties that are pending that fall out. The percentage is high, it's like 43% I believe it is, don't quote me. I am talking about here in Maricopa County, I am not talking nationwide. Properties that go into contract that are pending and then they fall out.

They fall out at two major points, one is the 10 day inspection period, and two is the closing period. What happens is you can call that agent back on the 11th day after their inspection period and say, "Hey I just wanted to see how the inspection went yesterday, if everything's good to go?" He goes, "You know what, the inspection came back too much; the buyer's going



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to cancel." What you can do is work with them where you can get that property under contract. You talk to the agency and say, "Listen, we're unrepresented, you can represent both sides, what is the minimum cash offer that will get this offer done?" They go, "Well it's listed for \$76,000 I think we can probably get it done for \$66,000 if we can get it down to cash sale, close quickly." Then from there you look at your numbers and you offer the number that makes sense where you can flip it and make a profit. That is a great way to get deal. It's self-generated leads where you're paying no money in marketing. It's a great way to work with Realtors.

The fourth way about working with Realtors, what if a lead comes in and a lead where the house is worth \$100,000, they owe \$120,000-\$130,000. What we do is we have a referral that goes to one of our girls, Christine, whose a Realtor, and we will send all those leads to her. What she'll do is contact the seller, talk to them about doing a short sale, get them signed up, go through the whole short sale process, and then once that deal closes they'll send that referral fee to my wife, which is obviously a principal in the company. That's another way you can work with a Realtor.

These are all great ways for you to be able to monetize your leads and be able to work with Realtors to go out and make a fortune. This webinar I'm talking about in January, if you go to Flip2Freedom.com, get on the email list, and then you'll be notified of when the webinar dates, time, registration, and stuff like that. We're going to go in detail on two specific things, one, your numbers you need to track for 2015, and the three most important numbers that will either make or break your business. If you're not watching these numbers and your numbers are too low and too high, depending on which number it is, you can literally go broke doing this business.

Maybe you've been doing the business and you're doing two to three deals a month and you're spending money on marketing going, "Why the heck am I not making any money?" It's because of the this reason. The cool thing is I am going to show you how to increase your deal size, decrease your conversion ratio between the 1 contract, 24 leads, and I am going to show you how to decrease your cost per lead. What that will do for you, it will drive your ROI through the roof. It will drive your profitability through the roof. I am going to show you in a spreadsheet and how to do that, plus I am going to give you that.

The other thing, too, is we're going to talk about because there is the mechanics of the business and then there's you. You as an operator, I don't care if your mechanics are phenomenal, and you as the operator, in your off, it's not going to work. What we're going to do is talk about something, what I call the triangle effect. It's basically using law of attraction, using your mental



chronic thoughts, what are you focused on? Are you focused on the glass half empty? What are you focused on? Are you focused on positive versus negative? Are you focused on what you can't do instead of what you can do? What's your chronic thoughts? Chronic means what are you thinking about constantly on a daily basis. Is it positive, is it negative? How does that impact you? How does that impact leads that come?

Interesting enough, and what I talk about the triangle effect is, if you have two investors and they're in the exact same market, and they're mailing the exact same list, and they've got the same phone system, the same message ... One investor tends to get all the deals and the other investor's left empty handed. There's a reason why. It happens to be this triangle effect. It's your chronic mental thoughts, it's the law of attraction and how that works in your life, and the third one is the spiritual laws. Putting all of those together around strategic action you'll go out and get ridiculous results, especially if you understand how to monetize your leads correctly and how to reduce those three numbers in a strategic way where you can go out and basically track it correctly so you can monetize every part of your business.

That's what we're going to talk about. It's January 8th, I am getting everything setup for it, it's going to be great. You definitely want to be able to see that because going forward, to make 2015 great, and here's the thing, you can do \$3 million in revenue. With the current numbers, I looked at it, I said, "If I do \$10 million in revenue, I want to ramp it up to \$10 million." At my current numbers, I'm going to be spending about \$7 million in marketing. After I pay employees, office costs, and expenses, there's basically about \$1-\$2 million left over of revenue. That's not good, that doesn't work for me. I want to do \$10 million and be able to have a 30%-40% expense ratio and be able to generate huge profits.

I'm going to show you exactly how you can do that using the spreadsheet. If you want more from me go to Flip2Freedom.com, go to the website. Go on there, you will see the big orange button that says, "Download now." Click on that, put your email in, I will send you that book for free, and then you'll get more information in the upcoming week or so where you can register for this email coming up on January 8th.

If you're listening after the fact, I will have somewhere, either a post up on there, just look for it for the January 8th webinar, you can search for it and it will be on there so you can look at basically the replay of it, I guess you can say. That's cool, all righty, I will see you guys on the webinar coming up. I will talk to you. Have a great holiday. Go out and meet out some Realtors.

Take care, and God bless.



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