

MAKING OFFERS

General

Be friendly

Pre-qualify sellers over the phone (essential to ask questions to find out their motivation, needs, wants, & desires)

Use the magic words of Ron Legrand

Have “empathy”, not “sympathy” (i.e., don’t let their problems become your problems)

Don’t be afraid to tell sellers you’re an investor who buys at wholesale prices, fixes up the properties, and sells them at retail prices – and you expect to make a profit doing so

Try to work out solutions that meet their needs (If you can’t, be straightforward and tell them why)

Leave the door open – time & circumstances change all things

Don’t be a little professor by trying to impress them and teaching them what you know

Avoid real estate jargon (e.g, you will provide them an annuity or monthly payments instead of them carrying back paper)

Frame your offer in words that address their motivation, needs, wants, & desires

Make 2 or 3 Offers

All Cash Offer

Make your cash offer so low it’s embarrassing to you

Short-term Split Funded Offer

Higher offer with:

Lower cash payment

Balance paid in one year or prior sale

Long-term Owner Financing

Highest offer with:

Lowest cash payment

Balance in set monthly payments until paid

Example

Facts

Seller’s Property is free & clear

Seller wants \$70,000

Estimated Sales Price (After Repair) = \$100,000

Estimated Rehab Costs = \$17,000

You determine your maximum cash purchase price (based on the buying formula previously discussed) is:

Est. Sales Price	\$100,000
Rehab Cost	- 17,000
Other costs	- 20,000
Desired profit	<u>- 15,000</u>
Maximum purchase price	\$48,000

Your Multiple Offers

Cash Offer - \$25,000

Short-term Split Funded Offer - \$37,500

\$10,000 cash

Balance of \$27,500 paid in one year or prior sale

Long-term Owner Financing - \$70,000 (what the seller wants for the house)

\$7,000 cash

Balance of \$63,000 paid \$300 a month until loan is paid off (21 years)

Present value of \$300 a month for 21 years is

\$33,900 at 9% interest

\$27,600 at 12% interest

You win no matter which offer the seller selects!