REIClub

Interviews

Mike Collins

Wholesaling Houses for a Living

REIClub.com

www.REIClub.com
1-888-683-3052 Toll-Free
Support@REIClub.com

Tim: Hello, this is your host, Tim Randle, and I'd like to welcome you to another episode of the REIClub Interviews. As most of you know REIClub is a fantastic online resource for real estate investors. There are lots of community tools, tips and good educational resources for you there. Each month the web site is updated with new articles and information to help you learn and grow your investing business.

With us today, we have Mike Collins from Tampa, Florida and neither Mike nor I are legal advisors or financial advisors so make sure that you check with your own counsel for anything that we say today. I am very excited to have Mike with us today and he has been a real estate investor for the last 20 years and has done almost 700 single family home deals. In addition to that in the last four years he's been using the Internet to create leads and lead systems and doing that he has purchased almost 70 houses personally.

So with that, if you wouldn't mind, if you would tell us more about your background and how you got started, that would be great.

Mike: Sure, I moved to Florida about actually almost 25 years ago and I've been doing investing a little bit more than that. I did the kind of normal shtick that everybody else does. I got a real estate license and I got a real estate broker's license and I thought that was the way to do it. I thought that was the way everybody did it but I quickly found out that realtors and investors kind of are at odds some times. Back then they used to call investors low ballers and they still do a little bit, but it was really kind of a nasty term. They didn't like investors at all in the offices that I worked at.

So I started taking some things just like everybody else and I got my education and I was lucky in Tampa to have some of the really great national educators who live right here in Tampa. So I just followed them around like a puppy dog basically and I went to all the REI club meetings and that kind of stuff. Then eventually I made the break but it's really been the only job and I worked in night clubs a little bit while I was trying to get my licenses and stuff when I first got here in restaurants and basically when I learned how to do this, wholesale houses has pretty much been the only job I've had for about 20, I don't know, 21, I forget 21 or 22 years.

It's been a little bit of a ride. I mean I was doing it before it was cool, before there were any courses written about it and wholesaling has been really, really good to me. I've had other little businesses along the way but I always came back to wholesaling houses. I did do the rental thing at one point in time. I had 16 houses and back then that was really the only way that people did investing. Wholesaling really wasn't really part of the deal, since I had about 16 houses. I really could even pay the bills, I mean I couldn't pay the rent and I couldn't pay the mortgage and couldn't pay the diaper bills and that kind of stuff. I theoretically had money, I was building wealth, but when I combined wholesaling with it, it just really took off so that I actually had some cash and cash flow.

The beauty of it is for me and always has been is very early on I realized that wholesaling was not a way to make, for me anyway and it is different for everyone, to make a ton of money. But it was a way to pay my bills and live nice while I kept an eye out for quality rental properties. It has treated me well over the years, Tim. It's been a fun ride.

Tim: Is that still kind of your methodology and thought process today? That you are primarily wholesaling but also keeping your eye out for cherry picking deals?

Mike: That's it. I mean I don't, yeah, I mean I don't do it for cash flow much anymore. I mean it really is—I wholesale to keep the machine alive; the keep the advertising machine alive, to have a couple people in the office that hunt properties for us and it's really just to pay the bills, pay a nice salary, pay the rent, whatever. And to keep an eye out for those long term keeper rental properties that you find, that the machine uncovers, the wholesaling machine uncovers.

And you can do it either way. I mean you can keep more or wholesale more or whatever. But for me, it makes more sense to find those great quality, long term income properties and keepers.

Tim: Did you ever start out as a bird dog or did you go straight into wholesaling?

Mike: No, I went straight into wholesaling. Back when I did it there were very few guys who understood what it was. And I only had literally two buyers back in the late '80s and early '90s. Two guys who actually understood what an assignment of contract was and they had really big operations, these guys. One guy ended up with 400 single family homes and 1,200 apartment rental units and the other guy ended up with like 60 shopping centers. But they all got started in single family homes and their main job, day to day, every single day, was hunting properties. So everything else worked out; all their rehabbers and their land lording and management, what have you.

Their main job was to, and they did the exact same thing as me, except they fixed things up and resold them and kept the best ones that they liked for rentals. But their main job, 70% to 80% of their day was spent hunting properties, hunting deals. So they were very happy when I came along and that was 20 houses they didn't have to look at. They were willing to pay me, and they paid less back then because they basically made the market because I didn't have any other customers because no one else understood it. So they always wanted to see my closing statement and they always wanted to—they paid me what they told me they were going to pay me, which was normally they were never going to pay me more than $3,000 or $4,000 and $4,000 was a lot for a deal. So they would pay me $2,000 or $3,000 for a deal. But that was okay because it taught me the business and then I went on to obviously making a few more dollars after that. There were more than just two customers.

Tim: What do you see as kind of the short version of the pros and cons of wholesaling?

Mike: The short version of the pros and cons? There aren't a lot of cons, to be honest with you. Its one of those things where what would you do if you knew you couldn't fail. If you do it right and you get educated and you know how to do it there is very little risk in it because you have exit clauses if the due diligence doesn't work out. So you are out there hunting the deals and if you find one that works you can wholesale it off for X amount of dollars.

The upside is I really believe, Tim, that its job one in real estate. I mean I do. A lot of people become our students here and they've done what I did; they did the rental property thing and they've done rehabbing and they've done other type Subject 2, pretty houses, ugly houses, commercial deals. They've done just about everything but they starved for a long time or they couldn't make it work.

In wholesaling what you really learn is the deep, deep discount, cash value of properties in your area or whatever area you can do it. The popular thing is the virtual wholesaling, but I would suggest that people do it in their backyard first because you learn the deep, deep discount for cash prices that mostly and I tell this story a lot, but some people come to me and that have been in the business two and three years and they've only done two and three deals; one rehab, one rental and what have you. Neither one did they get a very good deal on. So if they would just wholesale, like I say 10 houses, but 5 or 10 houses, and make a little bit of money.

The guys like my two mentors or my two buyers mentors, those guys are going to tell you whether you got a deal or not by literally writing a check for you. So that schooling becomes the major upside of starting your career or even adding to your existing career as a wholesaler. So I think that's a really important place to or really important ingredient for a real estate investor. Put it that way.

Tim: You mentioned creating wealth long term and wholesaling being the job number one. You also mentioned was kind of a risk free way of getting started. Were there times where you had to go find money to keep the wholesaling arm alive or were you able to kind of shoestring it?

Mike: Yeah, almost never. I don't think ever really. I mean I might have had to take a couple of shifts as a bartender or manager at night, but I never—there were a lot of times where and I tell this story, I had to empty my penny jar to get the gas to go down to collect the $3,000 I was due at the assignment but I didn't have any money when I signed the thing up a week prior or two weeks prior. So it does lend itself to bootstrapping or getting started with very little money when you get started.

Tim: Let me ask you this; what are your three to five favorite ways to find deals?

Mike: Well, that is a good question. People may think this is a little antiquated or they may think this is ridiculous, but I'm telling you if you listen and you follow it, it'll get you started right. I made and still do make great money on gorilla type advertising. I call what we do advertising driven wholesaling. Probably better said is marketing driven advertising or marketing driven wholesaling.

The number one couple ways that I, 2, 3 and 4 probably, I used to do a lot of bandit signs and obviously bandit signs are falling out of favor a little bit because of the municipalities and stuff. But they still work and there are areas of suburbs and stuff where they're not a zoning violation and stuff, they still work. I did a lot with bandit signs.

But there are a couple ways that were really, really good to me early on and still work today. Those are bulletin boards in Laundromats and where ever there are public bulletin boards. Laundromats treated me very, very well and I literally had a route where, and I challenge people to go look in the Yellow Pages or the White Pages, and they don't really advertise, in the White Pages they are there, but hard to find because you don't need to advertise a Laundromat. It's a local phenomenon; it's a neighborhood phenomenon and you're not going to travel across town to do your laundry. I used to put them up and still do put them up on the bulletin boards in Laundromats with the little cards you can take out. A lot of times when the washer is not working, the house is not working, the lights are not working and there are deals in there.

The second one is door hangers in that same vein. I did a lot of door hangers and I don't have a trusted delivery system or person right now. I tell the story I really, really loved this time and it was about two or three years running, whereby I had this lady who, she used to walk, I think she was addicted to walking, I really do. But her family had a little pizzeria in an area that was perfect for my investing, the pricing structure was perfect. So I knew that things would get delivered and she was a very honorable lady and so for a nickel a pop, she was delivering hers and so she would put mine with it and I bought a ton of houses that way. If you can get those things out, it hard sometimes because college students sometimes they don't get them all delivered and stuff. But if you can get that done and get that operational in that area and the beauty of it is you can put it in the area that you want.

There are three but you know, right now to be honest with you, Tim, and it's all moving this way, I'm pretty focused on the Internet as you know. Things are getting so unbelievable on the Internet that you can literally draw a line on a map on a computer with your mouse around and area, geographic neighborhood, that you want your ad to show up and because Google or Yahoo, MSN, knows where you're sitting through your ISP, your ads will only show in that area. That beats the heck out of door knocking, door knobs and Laundromats because heck, if someone is going to search on the Web to sell my house and over the years I've belonged to over 20 of the paid services that the guys, you know, I give them money and they give me leads. Plus I have my own sites now where we really have it perfected so that we know what areas to target.

There is the saying out there, Tim, 50% of my advertising works I just don't know which 50%. That used to be the case back in the day. I mean I'm not telling the folks the stuff I used to do which are television, billboards, and it used to cost us a fortune. I wouldn't recommend that to anyone and again, 50% of the time I didn't know whether it was working. I'd ask people where they heard about us and they'd say Channel 5 and I'd think we're not on Channel 5, you know what I mean? They didn't even know where they heard of us.

But on the Internet you can literally narrow it down to what word they used to search and you can perfect your marketing. That's what is coming and almost every town in the United States has openings for people who learn this stuff.

Those are quite a few of the ways I've been doing it and it's basically been marketing driven the whole time. Very rarely have I ever chased deals. People have always raised their hand and asked me to buy their house because of my marketing.

Tim: I know we probably want to come back to more of the Internet type stuff later, but let's continue on for now. You said finding the right pricing structure for a neighborhood. How would you go about that, how would you know that you're in the right zone, so to speak?

Mike: That I think, along with getting wholesaling, getting started in wholesaling as your first job is probably the least asked but the most important question of this whole thing. I see so often people wanting to do deals in fancy houses or areas that they might want to live in and put granite countertops in. The bottom line for this and this industry and the business of wholesaling houses is this is a commodity brokerage business. Like milk and bread and eggs. If you remember

Eddie Murphy in *Trading Places*, this is soy beans and pork bellies and orange juice futures. This is a commodity and that commodity which is the answer to the question, is a three bedroom, one, or three bedroom, two bath home. It can be two bedrooms in some areas, but mostly three bedroom, one or two bath home, between 900, which is a little small, and a 1,000, which is better, to 1,600 or 1,700 square feet. The usual average is somewhere between 1,000 and 1,500, three bedroom, one or two bath house in an area that is below the medium price value in your neighborhood. Meaning if your medium price is $115,000 near town, you are looking in the area that is between $0 and $130,000 or $120,000. You are always looking below the medium; you are looking for a blue collar area that is a rental type area that is great for the rental landlord that you're going to be wholesaling to and the rehabbers; they both like the same commodity.

So it really turns out that you are hunting the same game, you are hunting the same thing every single time. That rental available price structure-wise in your neighborhood that will rent out at a positive cash flow. A lot of people, Tim, tell me you can't do this in California and I have lots of students doing it in California and Connecticut and areas where you wouldn't think you would be able to do this. Regardless, 85% to 90% of the country has price structures within a stone's throw of their house.

And people are afraid of these neighborhoods; these are just above the hood, and if you've got the—and I don't even think this, because I've never had an issue in the hood, a friend of mine says it's all good in the hood. I made a lot of money just brokering little rental houses to the landlords who have 200 to 300 of these small houses in rougher areas. That's the commodity, it's always been the commodity and it always will be the commodity. I don't think—I think people eventually can grow their business to do bigger houses and prettier houses and they do come along from your marketing and you shouldn't neglect them if they do, but if people would just focus on the commodity that is the one that is turned the most or the one that is desired the most as a rental or rehab in that price range and price structure and size of home that I've described they will do much better. Believe me, this is probably the biggest error that people make; not understanding what they are looking for. That was a great question.

Tim: I learned that one the hard way myself so I—

Mike: Me, too, actually.

Tim: But just to kind of summarize; because it's a commodity you want to do high volume and in order to do high volume you have to be in the most popular part of population which is 1,000 to 1,500 square foot, three one, three, two, 75% to 80% of medium price. Is that right?

Mike: You've got it. Another thing, too, is that people realize that you're doing these deals and out from that marketing pops a bigger deal, you know what I mean? Either a big deal in one of those houses or a big deal on a bigger house. The marketing runs that machine and then you get your big deals where you make a lot of money or keep one good, nice house.

Tim: Great information. How do you come up with your, and let me ask you some deal analysis type of questions, how do you come up with your comps?

Mike: Well, we've got a couple different systems. Basically, Real Quest, you know that kind of—you got to have the best; it's kind of like being a carpenter and going to work without your hammer or saw. Comparable sales, radio search comparable sales are probably the most important tool that you have. A lot of people try and use comp. services that don't have radio search so they are dealing with stuff that's linear, meaning you know it's the same street but two miles away or whatever. I tell people they need to become a transaction analyst. Really if you set your business and your life up right, you're seeing a whole bunch of deals all the time and you're analyzing and then you're analyzing just for what we're talking about which is what is this thing worth? The most important question that people neglect is everybody always knows what it's worth retail.

I find anybody that listens to these kinds of calls or anybody that's interested in real estate they have a basic, general knowledge of the value of the homes in their area but what they don't have is what we talked about early on which is they don't know what a wholesale deal is and they don't know exactly how much it's worth or what someone would pay wholesale. So without these kinds of really quality services and they aren't that expensive, I mean most counties you can get for $50 to $100 a month. Without this kind of quality analysis you're going to be like I said, that carpenter going to work without his hammer and saw.

One of the things I like to tell people, and it's a little bit hard to describe verbally, but it's basically I call it the second one back, it's called the previous sale rule; a lot of times you're looking for the sales in the last six months to a year, but if you can set up your fields on Real Quest or there's a bunch of them and there are several comp services that you can use. I know Real Quest will do this; you look for one that where the previous sale was within the year.

So let's go back to the example of the medium priced homes below the medium price value there; say a house has sold for $180,000, that's kind of the retail area, right? And then you see a house that was sold for $100,000 then resold within the year for $180,000. So now we're talking about not only that $180,000 sale you just found, but you found another one right behind it that was $100,000. Well, now you know that the area is in play. If you find two like that, you basically have found a wholesale number that you can work off of, okay? And you'll find the areas that I just described and those things exist. You will never, almost never, find that in another area or retail area that is the average price or above.

The comparable sale thing; have the best of the best if you can and then really be good at that, really be good at analyzing the data and that will help you a lot.

Tim: Do you use inspectors and appraisers or do you just do everything yourself?

Mike: No, I don't use those guys really. You really have to be able to do it yourself. You have to be able to eyeball it yourself. You have to be able to know what the value of or what the repair costs are and that kind of stuff.

You're wholesaling this thing so the person who is buying it from you is doing the due diligence pretty much on whether or not there is structural damage or what have you. We try not to have that but to be honest, in 700 houses I've never had that kind of issue come up. It's really not that often that there is some kind of like settlement issue or I mean you can see that. So the inspections have to meet the $10,000 and everything kind of thing; if it doesn't meet $10,000 than it's probably not a good deal anyway. It's got to need paint, and roof and windows and air conditioning. I mean it's got to need—that's where we make our money is forcing the value up so you're going to look for the house that's roughed up. You have to be able to do it yourself, you have to be able to eyeball yourself and do your own comps.

Tim: What would make you walk away from a deal, if anything?

Mike: The structural stuff; I don't want to mess with that. I call them cut up houses, too. Houses that ramble on forever that were added onto a lot. They just sit forever, and they don't sell. People don't like them. It's best to just get a roughed up and dirty upped house—I call it a straight back house; a house that was original, that was originally 1,000 square foot. A lot of times you can add onto a garage or something like that, but I just like straight, regular 1,000 square foot, 1,100, 1,200, 1,300 square foot houses that were built that way.

But anything that has had any structural damage or anything that is massively added onto or that kind of stuff. I call it cobbed up and I don't know if that's a phrase you use over there. It's all cobbed up. We don't like those kinds of houses.

Tim: The terms we use over here is constipated, it doesn't flow very well.

Mike: There you go.

Tim: You have to go through a bedroom to get to the bathroom.

Mike: Right, you don't want that. And they sit and that's the problem. The guys who are pros, they won't buy them from you. They know that because they've bee

stuck with two or three in their lifetime.

Tim: Right. How do you go about determining your offer price on a property?

Mike: It's backwards math, basically. You go from the retail price, you subtract the cost to cure, we call it, which is what is it going to cost to fix it back up again, and then basically this is the cool part about it; you get to figure out your paycheck. What do you want to make? And you also have to figure in a profit for the guy who is going to flip it, fix it up and flip it. So you subtract what it costs to fix it, what the profit and the profit usually a lot of people go by percentages, but once you get a house above $60,000, $70,000, $80,000 the guy who is fixing it has got to make $20,000 or $25,000, right? I mean that's just kind of a flat number. It doesn't usually go by percentages, I don't think, because the percentages get bigger as you get higher in price range and we don't want you getting higher in price range.

Anybody is going to take time out to do one of these commodity houses they are going to want to make $20,000, that's a minimum, so if they make a mistake they make $10,000 or $12,000 or whatever. Then you have to figure yourself in for a minimum of $5,000 or $10,000 or whatever. You know I tell people now that wholesalers are now taking 30% to 50% of the deal so and I think that's a little bit high, but still it's happening because they're becoming professionals, but it's just a backwards subtraction from retail. And the part that usually people a little confused with is how much is it going to cost to fix it. So you really have to know that these guys can do this pretty cheap, but you can't be ridiculous on them. They can't say, "Oh it needs $5,000," when it really needs $10,000, you have to know. Because they won't keep coming back to you if you keep telling them it needs $5,000 and it really needs $10,000 because they know better.

Tim: Do you add in there some sort of contingency cushion for the repairs or do you just kind of give it your best guess?

Mike: Yeah, I always try and go high. I always go for volume; I'd rather do a deal and curry favor with the buyers and make sure they make money so that I have—I have this saying that says: You need to reduce selling to a clerical event. If you're worried about selling houses all the time your business is going to cave on you.

You really need to be worried about the hard part and the part that takes the time which is the buying, the finding and not worry about the selling. When I first start out and I tell people and people are just starting out I say, "Look, give the guy a deal. Make him take your call the next time. Get paid to learn and build the relationship." I always err on the side of the side of the investor and I never have any problems selling houses.

Tim: Let me ask about your paperwork. Do you use a standard realtor contract or do you use your own contract and what sort of protection clauses do you use?

Mike: Yeah, we use our own contracts that have been developed over the years from different lawyers and everybody looking at it and different ones I've found that I've liked.

One of the things I'd like to impart to your listeners is that, and they probably know this a lot of them, but I'll clarify it; the standard real estate contracts that realtors use are weighted towards the seller and they know that even if they're buying a house through a realtor that realtor represents not you, but the seller. So our contracts represent the buyer and that's okay. I mean for 100 years these types of due diligence contracts have been in commercial real estate, and they just now have been moved into the single family home wholesaling arena whereby if we make a contract with a seller and for some reason our due diligence proves that we don't want the deal, and that's totally up to us, then we don't have to buy the house, but they still have to sell it to us, okay. So it's weighted towards the buyer.

And as far as clauses there are a lot of them in my contract and I don't mean to say it in a mercenary kind of way, but again, it's been this way in commercial real estate for 100 years. If a guy writes a contract on a big, giant office building and something he doesn't like comes up, he can walk away from it and get all his money back, too, for the deposit. It's now moving it's way into residential real estate and you need to be able to protect yourself with all of the clauses and there are bunches of them that center around the repairs, the contract itself, the financing.

And they use this actually, in commercial terms, and it's called The Free Look. If you get a signed contract with one of my contracts or most contracts that you find out there that are written by wholesaler, written with the wholesaler in mind, it's pretty much a free look for the buyer. They have it tied up or wrapped up and then they can do their due diligence and bow out gracefully if they don't really want to do the deal.

Tim: Of course all of that is up front with the seller, the seller is aware of it and there's not anything—

Mike: Yeah, it's all disclosed to the seller. It's all disclosed to the seller.

Tim: So lining up, like I said earlier, because of the exit clauses in the paperwork, having back up funding is not a big deal in the way that you run your business because you can get your free look and walk away if everything isn't right?

Mike: Exactly. It shouldn't—go ahead.

Tim: Go ahead.

Mike: Well it shouldn't revolve around the financing, you know? I like to tell folks at the beginning that you are looking for people that can write checks. So if you're staying in the commodity range these guys are going to write the check for a rental property and throw it in inventory or write a check for a rental.

Now eventually you will get to people that are doing fix up and what have you and you'll have to hand hold and you'll make a little bit more money. But at the beginning I would suggest you deal with straight cash, deep discount commodity houses to people who can write checks. A lot of people say, "Well, there's not that many people like that around." I tell them that's just not true. In every metropolitan market there are guys like that and gals, anyone that can write a check for a house if the deal is there. So that's what I tell people to focus on first.

Tim: Okay. That's lead right into where I was going next which is what are your favorite ways to find buyers?

Mike: Yeah, I mean again, it's the same—I think once you get going with this you'll never have to worry about buyers because I always say to people if I make three phone calls I didn't buy a very good house. But I will tell new people a couple of really cool ways that are kind of more newer ways to do it.

Besides the basic networking, going to your REI meetings, asking who is the big fish or silverback or big player in the area, go to the courthouse and these guys are bidding on houses that probably they have never even seen the inside of. So these are really players and if they lose the bid, if they win the bid, it doesn't matter, just walk right up them and get a business card and say, "I'm looking at a couple houses to get under contract and would you be interested?" Of course they're going to say yes. And don't waste their time.

But that is one way but another way I really like that is really coming into favor, it takes a little bit gyration, but it's not really hard, is you get a list broker in your area and tell them to search the areas that we've been describing, kind of a geographic area that is that commodity area, the blue collar or rough neighborhood kind of area, and you tell them to find any property that has been purchased in the last year that does not go—the tax bill does not go to the property, meaning it's a landlord, someone else owns it. And on top of that, don't just pick the ones that have one, because that could be a fluke. Pick the ones that have two or more going to the same person. So now what have you got? You've got someone in the last year that's purchased two properties or more in your given area and is taking that tax bill at their home or business. So they are buying

investment property or they are buying houses to rehab and resell.

And it doesn't cost that much really because you're essentially, the list gets kind of small when you add that second property to it and so you get 40 or 50 to mail to, you mail them out and you get three or four, three or four people that have bought two properties in the last year in your area. And that's really good for right now's time, Tim, because people are really gun shy to buy so if they've done it in this last couple of years, or this last year they are really players for now, for right now.

Tim: You mentioned that you make phone calls. Is that your primary method of communicating with your buyers or do you have other ways?

Mike: When I say make phone calls it's they are calling in and then the email from the email leads kind of thing. But I want to clarify a couple things about phone intake. To answer your question, yes. It's very difficult number one to buy a house over the phone so you have one major objective when you're talking to them on the phone and that's to take them off the market. Make sure that they don't talk to anybody else. You do that conversationally and building rapport with them and you become the problem solver for them, you know, solving their problem.

In searching for that you have to get the folks to—when you call them and can't grill them, when they call in you can't grill them. That intake person is very, very important. I schooled the secretaries here to do it conversationally; how many bedrooms, how many baths, do it conversationally. Don't grill them and go down a list. And I tell people when I was doing all that and I was a member of all those lead gen services and actually yours was one of them, Tim. I would get two and three and four different leads from different services thinking they were going to different companies, so I'm telling you, when somebody starts the process to sell their house quickly because it's roughed up and at a deep discount they are going to do it fast, so you need to act fast.

I never suggest people do the answering service thing because people will not leave messages. I tell the story back when caller ID first started I was in business and I said what is going on here? I had three calls since I'd been out and not one message. So I started calling the folks back, the telephone numbers back, the caller IDs. I would just open the conversation with, "Hey, it's Mike calling about the house." Oh yeah, and then they'd start talking. But they didn't leave a message.

So please, if you're going to spend money advertising don't not pick up the phone; put it to your cell, put it to your granny, put it to an answering service, whatever it takes, but pick up the phone.

Tim: That is all great information and I wanted to let you keep going. What I want to find out is how you communicate with your buyers—

Mike: My buyers?

Tim: Yeah, I assume you have—

Mike: Oh, I just pick up the phone. I just pick up the phone.

Tim: Once you've found the hardcore folks who'll take pretty much any deal you've got, the list is small enough where you just call and let them know about it?

Mike: Yeah. It's just a—in fact a lot of them once to you get to be—I know this sounds crazy and I don't want to be one of those guys that oh, I used to be that way back in the day, kind of thing. Very rarely did we—well, never. I've never even written an assignment contract until just the last four or five years. I made a call and they said, yeah, they'd take it and we'd show up at the closing table. So you build that relationship with them and really that relationship is very important because they might lean in or bend for a deal that's not the best deal for them but they want to get the next one from you if you're doing a good job for them, that kind of thing. You do need to build that relationship with your buyers, and that is very important.

Tim: Okay.

Mike: And you become one of their favorite guys; I'm not exaggerating when I tell you I've got tickets to the Super Bowl, tickets to the Yankees, the pre-season games, keys to their condominiums out on the beach in Clearwater. People will treat you very well if you are bringing them deals.

Tim: Sound like good folks to have on your side.

Mike: Yeah, exactly.

Tim: Let me jump topics here; what are some, say three, four, five tasks that you do daily to grow and/or improve your investing business?

Mike: Oh, good question. The first thing that jumped to mind was the Internet email stuff. I mean I'm always trying to figure out how to get more people and more leads that way. So I'm constantly doing that, but I'm also training folks. I've always got and by its very nature I'm training finders. Kind of quasi bird dogs and they end up being their own man or woman and they end up doing the business themselves after a while, which is fine with me. I kind of like teaching so I've always got somebody who's in the process of the learning curve and that person at the lowest level a runner, checking and eyeballing and getting a photo and what have you. But then eventually they are doing their own negotiating for us and getting a contract and I'm always doing that.

And you can start that right away even at the lowest level when you're just starting out because you're telling folks what you're doing and they are out eyeballing properties. A lot of my properties have come that way where the guy says, "Mike, I remembered you were in real estate and I've got this beat up house down the street." You go drive by it and there is a for sale sign and you buy it.

So internet, training some folks up. See, I guess I'm always focused on the buy because it's the find, and I guess it's the thrill of the chase or the thrill of the hunt, but that is an important part of it so I'm always trying to perfect that, always trying to make it better. My funneler, my way to get deals in the door, whatever else I'm doing seems secondary to trying to perfect my ways of finding.

Tim: Like you said earlier and the old adage, if you guy right the sale is pretty easy.

Mike: Yeah, I mean you got that right on the head. You are making money when you buy and everybody knows that, but somehow they lose that when they are out doing this part of it. They're focused on other stuff and if you keep that foremost and primary in your mind then you'll do much better.

Tim: Do you want to go back into more detail about targeting your neighborhood using Google and how you use the Internet for lead systems and things like that?

Mike: Yeah, I can go over it briefly, I mean I've got stuff eight hours of this stuff, but I mean, the long and short of it is that I try and tell people to work a portfolio approach. A portfolio approach is very simple; you combine systems like your systems, QuickOffers.com and IBuyHouses.com, WeBuyHouses.com, the major players who you give them money and they give you leads. And they all have different ways of doing it; some by ZIP Code, some by county, some exclusive, some not exclusive.

But the long and short of it is you don't have to do any work, you just have to sign up with them and they provide you leads. I've done very well with a bunch of these different systems and narrowed myself down to three or four of them from 20. I did it just to see who was good and to learn it myself.

Which is the second half of the portfolio approach which is what you are looking to do is you are looking to have your own sites. A domain name is $8.00, and hosting is between $10 and $25, right. A month and $8 for domain name is only once. So it is very inexpensive to get yourself a site up and running and to keep it up and running. You only need one site, in my opinion, and people are selling other site, but I think you just need a buying site. Again, just kind of the theme of our conversation.

Basically what you are looking to do is become the owner of that area and I'll give you probably the best tip you'll ever hear; when you're looking for a domain name you want to have the word "sell" in it. A lot of times everybody thought back in the day, "we buy." But because people type into a search engine, "sell my house," or "sell my house fast," you want to match the domain name with the actual search term.

What happens is you put "sell my house, Austin." Now you're going to get these because they're all taken, but if you get one that's like if you're in a smaller town and I've had this happen over and over and over and repeatedly; literally in a couple of months they rise to the top of the search engines with almost no work if you do, "buy sell house Gaston, Alabama," or "Biloxi," or whatever. "Sell house," and then the actual city, and don't bother with the neighborhoods or the state or anything. Just the city or like a small—if there is an area or a small suburb that fits in that commodity play that we've been talking about, get that city. Like we have one out here called Brandon, "sell house Brandon," would be a good one. That kind of thing.

If you do that and get your $8 domain and throw a $25 hosting and these are turnkey sites, I don't know, I think you may even have them, I have them, and you have them. One of these turnkey sites and just get it up and running, okay? Believe me, within a couple of years that $300 a month, that $200 a month, whatever you're spending, I mean a year; excuse me. Will turn into a deal because it will rise up to the top of the search engines. So here you are you've got the national guys and you're paying them a little and getting deals right away, kind of instant gratification. Then you are building equity in your own sites which are "sell house," or "we buy houses," or you know, the generic terms that will go rise fast in the search engines. That's a real tip that I think people should be doing more of.

I do see it a lot now, a lot of our students are doing that, but everywhere I go it's wide open, this opportunity to literally own—like if you put "sell house Tampa," in Google you'll see my web site, which is YouSell.com, which is my buying site.

But the only reason that's there and I never did any work on it, it's because it's been sitting there for two or three years. Google likes aged sites and it's not too late to get in the game and do that right now and build some equity for yourself and you're building literally I call it search engine equity, Google juice equity. You're building equity into that site and believe me, even if you're out of the business and you're sitting at your job and a year and a half from now and some deal comes through on your web site--I mean my grandkids are paid up for all the stuff that I've done on the Internet because of these little tricks so, believe me that

site will be sitting there like a bird dog forever.

Tim: Was it worth to get quite a few of these or just primary ones that you focus on or how do you know when to stop? Because I've seen people that have you know a ton of domain names.

Mike: The ones that—I would be working the ones where I'm actually working the business. So I wouldn't go overboard because you actually have to have a site attached to it or it's useless because redirected domains will not help you out so you have to have a site attached to it and then each one is going to have a hosting bill. You can get hosting down as cheap as $10 a month or sometimes even cheaper but you still have to pay the bill and have the site up. It's got to be, again, they have generic sites that you can grab and that kind of stuff.

But I would only work the areas that you plan on actually buying houses or that you know well. I tell you a story; my family was up near Syracuse, I come from Central New York, and they live in a small town so I did one exactly what we're talking about for a small town, and about a year in a deal came across. It was a deal and my brothers and I bought it and we made about $15,000 flipping the house. So I know it works if there is an area that you know well, like your hometown, or the area you are working right now. So that's where I would focus on first until you got some traction.

Tim: Let me ask how many offers do you make in a month?

Mike: Well, it depends; right now there is a lot going on with the REOs so there are more offers to be made. But I tell folks, you know, I buy about every other house I look at. If I get off my chair every time I buy that house because I do so much work initially in the screening. So to answer your question; your numbers, your ratios get much better and at the beginning you really do have to make a lot of offers, that is just part of the deal.

In the beginning, too, in making offers you get that feel of rejection or negotiation or honing in on what the actual price is, what have you. So I couldn't probably even tell you how many offers we make in a month. Right now probably 200 to

300, I'm guessing probably. But as I said, when I see an email I look at them all personally before I pass them on to the buyers to—if it's a deal I know it's a deal. I did the work real quick and you get better at it but you still have to do at the beginning make a lot of offers. I call it reverse sales, Tim. It's like if you do your prospecting and sales and talk to enough people and make enough calls you'll do your numbers. It's the same thing here; if you do that transaction analysis you'll get enough deals in your pipeline through your marketing and you see enough deals, you have enough flow and you make enough offers, you'll buy houses. It's just sheer numbers, that is just how life is, you know?

Tim: Like you said, as you get better you don't make quite as many offers because your offers are more likely to be accepted because—

Mike: Yeah, yeah, you're closer and you know exactly what you're looking for and when you're doing it and when you have done your talking on the phone, your verbal screening, your comp screening, your transaction analysis, you get pretty close at it. You can almost get to telling how people's response to your questions, and where they are in their life and that kind of stuff, whether or not it's going to be a deal.

Tim: Would you—

Mike: Like anything you get better at it.

Tim: Would you be willing to share one or two secrets you use regularly in your business that most people don't know?

Mike: Sure, I'd be glad to. One of the things is a little bit counterintuitive, probably I don't know if I'll even get to two because I think people take this one to heart. They will increase their business ten fold right off the bat or start out in a much better place and it's very simple; it's empathy. I know this sounds strange and I'll clarify it but I'm not exaggerating when I tell you that I have purchased over 200 houses in my life where this was the response from the seller, "I just didn't like the other guy. Mike, I just didn't like the other guy." Okay?

See, what most buyers go in with is this clipboard and attitude and they are focused on the home itself; they are focused the physical property itself. It has nothing to do with the physical property. There is a guy out your way, a very famous guy, the founder of Home Investors, who in 1998 clarified something for me that I kind of knew intuitively, and that was; we are not searching for a financial issue, almost never. We are searching for a repair issue. In order for us to buy a house that we can turn for a profit there usually got to be some kind of issue with the repair. The only thing that the seller of that house wants, Tim, is they want someone to listen, listen, really listen to the entire story of how they ended up in a property that had such deferred maintenance, that was roughed up, that was in a rough situation, that we could purchase at a discount.

Remember, these folks can deed you their house, okay? And you can't do this and this is a big word but it's disingenuous; you can't do this faking it, okay. If you can't do it you need to get a wife or a girlfriend or a boyfriend or a husband or somebody who can listen to the folks and let them tell the entire story by asking open ended questions. People know that when I leave this office to buy a house that they don't expect me back because I am either going to be escorted out of that house five hours later or I'm going to buy that house if the numbers work. Because I'm there to go make a friend, to camp out, to figure out what the personal, human situation is around that house. The house itself has nothing to do it; it's not like a stock or a bond where you can go to a stock market and buy the same thing here as you can in Redman, Washington.

This is a situation where you're buying—you have an individual who can deed you a house and what I've found over the years is they want you to be the son they never had, the daughter they never had, the parent they never had, they want someone to solve the problem that they find themselves in. That one thing alone will change your business.

But there is a second one and that second one is real simple; I call it Earned Equity Phenomena and you'll never see this in any real estate course anywhere, anytime. I've listened to them all. What I found is that here I am in the middle of boom, Tim, and I've got $40,000, $50,000, $60,000 a month going out on television and billboards and I gave you that saying that 50% of my advertising was working, I just didn't know which 50%. So what they always tell you in marketing they say, find out who your customer is. And a closed file is about 2 inches thick, right?

So we file 200, 300 files in the conference room all against a wall, on the chairs, on the table, piled as high as a man, trying to figure out who our customer is. Black, white, rich, poor; nothing computed. We had graphs on the board, charts, everything going on and nothing. We couldn't figure out any correlation between sellers. It came down and we finally figured it out and this is what it is; people who give us these great deals did not earn the equity in the property they are selling us. A lot people say, "Mike, that must be an inheritance, a probate of some kind." I'm here to tell you it's absolutely not true, that's not what happens.

There are so many ways where people can end up in control of a property that they didn't paint for 20 years or they didn't pay the mortgage for 20 years. This is definitely a situation where you can start to—when you know all the tumblers to the lock, the three one, 1,200 square foot, the equity you know not to worry—all these little things start to add up and all of these are mistakes and learning experiences I've learned over 20 years, you can start to figure out that your target, the thing you're looking for becomes easier to find.

The Eared Equity Phenomena and the actual empathy when you're actually faced—I call myself a sticky kitchen table negotiator; if you're not comfortable with the people face to face you won't do as well in these scenarios if you want to do lists and foreclosure lists and kind of white shirt and tie dealing with realtors and bankers and that kind of stuff. You're going to have to do a lot more numbers and have a lot more competitors because a lot of other people don't want to do this kind of stuff, either.

Anyway those are the two secrets that have changed a lot of my student's lives because they actually listened and when they saw it, when they recognized it they were able to hone in on it and actually have the house.

Tim: Great stuff. What steps would you recommend someone just starting out take first?

Mike: Just to get the phone to ringing, just get some bandit signs out, get some marketing out. I've got this saying; if you get a deal, and $ .50 on a deal on a house, you'll figure out what to do with it. Pretty quick, too. So just get something out there, get the phone ringing, talk to some folks, you know. And at the beginning people think you've got have a lot of money and you don't have to have a lot of money to do this. This is total gorilla advertising, this is on the street stuff, Laundromats and bandit signs and what have you. And you also get that experience of screening calls and talking to folks. So just get some marketing out there and talk to some folks that are looking to sell their house.

There's a lot of them right now, Tim, right?

Tim: Go take a look. Yeah, any last comments you'd like to share with the listeners?

Mike: No, that's about it. That's about you know I've given a lot of information and I know its generic or general, there are some specifics to be filled in, but if people kind of take those by the horn, I'm kind of a generalist anyway, I don't do the detail parts very well, but I think they can get started.

One of the things I guess probably the only thing and I think I said or alluded to it earlier; what would you do if you couldn't sell, you know what I mean? There is not a risk in wholesaling houses if it's done correctly. I mean its more in the information age, more we're in the knowledge age and if you get the right information, you get the right knowledge and you've always had an interest in this, it really is something you can start by just starting. You don't need a lot of dough; you don't need any real experience. Most the people I find have always liked houses anyway, they always kind of looked at houses and new prices and new construction or whatever. Just start, really, that's what I tell people, just start. A lot of people wait and procrastinate, analysis and paralysis; that's a waste. And I do it in everything, too, I mean I'm a classic procrastinator.

I tell people I've read books for like six years in my 20's before I ever bought a house. Maybe eight years, but at least six years; reading books and going to seminars and stuff and never did anything. So just start.

Tim: Professional academic, huh?

Mike: I'm still that way; somehow I have to know it cold. I think if I was more of a ready, fire, aim kind of guy I would have gotten a lot further. That's what I would suggest to people who are of that ilk; just start.

Tim: I know you've shared a lot of great strategies and tips with the listeners today and those that were taking notes and got lots of actionable tips and nuggets that they can implement. My guess is that some of those folks are wishing they can get back in touch with you to get clarification or additional information. Would you be willing to provide some contact information for them?

Mike: Yeah, certainly. They can reach me at MikeCollins@rehablist.com.

Tim: So MikeCollins@rehablist.com.

Mike: Or just Collins@rehablist.com will get them there, too. Collins@rehablist.com. REHABLIST.com.

Tim: That's awesome. Like I said, there has been some great information and I want to thank you very much for taking the time to share this information with the listeners. I know they got a lot out of it and I am very appreciative.

Mike: No problem, I enjoyed talking with you.

Tim: Thanks a lot, Mike.

Mike: Thank you.