

Tips For Real Estate Wholesalers

Intro: who the hell am I and why should you even listen to me?

I'm a 41 year old workaholic former engineer who loves owning rentals. Most of the time I had a corporate job and I used my salary to put into real estate. I bought my first house in 2005 when I was about to get out of the army and I planned to flip it but the contractors screwed me over and I wound up living in it while it was still condemned. I've bought around 30-40 houses since then. Some flips, some rentals. I've tried every single angle to find deals multiple times: direct mail, drive for dollars, MLS, pre-foreclosures, bandit signs, door knocking, etc. etc. The majority of my tries were utter failures and I wasted thousands of hours and thousands upon thousands of dollars. I don't personally have time to do wholesaling but if I did I'd use the same techniques as I do to find the deals I buy and hold. That's the reason for this Google doc. I wanted to put it down on paper and maybe somebody else could use it to jump over the time and money wasters and just skip to what works. And who knows? Maybe they will bring me a deal or two.

Talking to sellers

If you only remember one thing, it is this: not everybody selling their house is a wholesale deal. I run into this all the time with newbie wholesalers. They bring me a "deal" where the owner is asking 80% of the market price. The quicker you pass up on these the quicker you can get to the real deals.

When you get on the phone with a seller you want to know if they want to sell or if they NEED to sell. If it is a "need" then find out why. If it is a "want" then say bye.

How you find out is by asking open ended questions. For example "what makes you want to sell your house?" If they start telling you their life story and all their problems you're on the right track. PAY ATTENTION. You want to know about all their problems. Then summarize and repeat it back to them with something like: "It sounds like your dog dying was a real blow. Now that you need to move it's like losing him all over again since he's buried in the backyard." If they come back with something like "that's right" or a 5 minute story about their dog, then you have an emotional connection. They feel like YOU GET THEM. Now price doesn't matter as much when you make an offer.

Side note: I didn't make up the dead dog example, it actually came from Sam Zell (Am I Being Too Subtle?). Also, credit to Chris Voss (Never Split The Difference) for the "That's Right" strategy.

Not every seller is going to spill the beans to you, so keep the big picture in mind. Probably only 2-5% of sellers you talk to are going to be a deal that you can get to closing.

Why wholesale?

I do rentals because I can. If you have the cash and credit score it's the best way to do real estate. Yes, you put in a lot of work doing property management and repairs but you also make money while you sleep: appreciation, cash flow, debt pay down, etc. Wholesaling and flipping are also good ways to make money, they just require a ton of continuous work or else the income stops cold. If you are jumping into real estate without cash, credit, or a high paying job then you need to do wholesaling.

Wholesaling takes an insane amount of hustle. Most people will fail. Hardly anybody is cut out to be self motivated enough to make hundreds of phone calls per day for no guaranteed payoff. If you are cut out for literally anything else you should probably not do wholesaling. For example, if you have the cash and book smarts to become a real estate attorney people will pay you hundreds of dollars to simply Control-H (find and replace) the names on the same documents over and over. Or if you become a licensed structural engineer you get a literal rubber stamp that you put on the plans for buildings when you approve them. That pays about \$1,000 for each time you stamp your stamp. I'm serious. Even if you're not crazy book smart you can become a welder or a plumber or a house painter and charge around \$100-\$200 an hour. No sales hustle needed, just wait for the phone to ring and go do the job.

Wholesaling is just sales

Not sales in the sense that you work in a shoe store and people come in and you help them. That's INSIDE sales. I'm talking about OUTSIDE sales, which is where you have to find your own prospects. Cold calls, pounding the pavement, etc. etc. You can find outside sales jobs in lots of industries. For example, I got a job offer out of school from Trane, the company that makes air conditioners. Their pitch was we'll pay you peanuts for salary but once you hustle for a few years and build your client base you will be raking in the commissions and you will

probably make \$200k per year by playing golf with your regular customers. Not bad, but you have to suffer and sweat to get to that point.

Wholesale real estate is the same thing. You make 100 calls / emails / texts a day for a few months until people start calling YOU, then business is rolling in and you just try to keep up with it.

What is your why?

Part of me just wants to own and run the biggest business I can manage to grow. I also really dislike having a boss. My goal since I was 18 has been to have \$250k a year in income even when I'm not working, and a house with a 2,000 square foot metal working shop so I can tinker and build things. 250k a year is 21k a month. Divide that by an average \$400 cash flow per rent house and you get 52 rentals. Right now I'm about halfway to that number. That doesn't mean it's going to take another 15 or 20 years to get there though, because I'm (hopefully) smarter and more experienced now than I was at the beginning.

The point is you need to quantify your goal. If you want to make \$250k per year wholesaling that means you need to do 2 deals a month at about \$10k profit each. After a while you'll know that it takes, say, an average of 300 phone calls to sellers and buyers to close a deal. That means you need to make 600 calls a month or 20 per day. I'm just pulling those numbers out of thin air but you get the idea. Quantify everything down to the per day number so that when you get out of bed in the morning you know exactly what you have to do.

The wholesale circle jerk

Call me a curmudgeon but I think you have to do your own push-ups to get in shape. The thing I noticed in recent years is that people who are starting out in real estate wholesaling tend to do the circle jerk (excuse my french). They go on Facebook investor groups, find somebody offering a house out for sale, and then offer it via text message to other people they know (who are also probably on the same Facebook group). Ugh. If you're doing this you are missing the whole point. Ask yourself where does the word wholesale come from? It was when you buy from the manufacturer and sell to the retailer. You were the middle man because the retailer CAN'T buy direct (for whatever reason). If your buyer HAS THE ABILITY to easily bypass you and go direct to your seller, then you will lose. Don't waste your time inserting yourself into deals where there is more than one middle man.

What do I mean by do your own push-ups? Find the deals that nobody else knows about. I.e. offline. No Facebook groups.

Tracking prospects

This is the beating heart of your business for the first year at least. Remember that every marketing book ever will say it takes from one to seven contacts before a person will remember you. That means for the seller who is on the fence you might have to call them every 2-4 weeks for six months before they're ready to sign a contract.

You must have a foolproof way to track all this. I'm here to tell you to ditch all the technology at first and get two old fashioned spiral bound notebooks: one for sellers and one for buyers. Each page is for a different person. At the top you have their name, mailing address, phone number, email, Facebook, Instagram, age, birthday, kids names, profession, everything you can find about them. It helps to know things like age and profession because if it's a 40 year old dentist putting money into rentals you know they're looking more for long term passive income properties vs. a full time flipper who is going to try to squeeze you down on price as much as they can.

Below that you have the addresses of properties they own and then you have a list of the times you attempted to contact them.

I'm talking spiral notebooks to keep it simple. You won't have to worry about opening an app on your phone and getting distracted by tik tok and burn 30 minutes watching dance videos. Also you will know exactly how much progress you have made just by looking at them. Have a ton of blank pages? Then quit slacking and get to work! It's a lot easier to see than if you use a spreadsheet or google doc or some fancy CRM software.

Finding buyers

Finding buyers is just as important as finding houses / sellers but a lot of newbies don't focus on it. Most people go on Facebook and post something to the effect of "who wants to be on my buyers list??" But think about it. How do you know the other Facebookers are not just a bunch of other newbie wholesalers with no money?

Skip the FB groups and go to the county deed records instead. Start looking through the deeds and write down names of buyers where the mailing address is different from the property address. It's a dead giveaway for people buying investment property. Make a note too if it says warranty deed WITH vendor's lien because that means they got a mortgage. Otherwise they likely paid all cash. Both are good but it's valuable information to have. Also look at the deed of trust to see what the lender's name is. If they used a mega bank like Wells Fargo they are probably getting a residential loan at a low rate so it's a long term rental but they're limited to just a few properties. If it's a local community bank it might be a higher rate but they can probably buy dozens more houses using that lender. A hard money lender will have a company name like Investmark or Centejas which might mean the house needs work and they are flipping it.

Lots of investors use LLCs to buy property so keep an eye out for business names too. Cielo LLC, Double Barrel Properties LLC, Eli Eden LLC (people like to use their kid's names for some reason), Waco Hike LLC (not sure if they are outdoorsy or what). These are all examples. Use Taxable Entity Search or Texas SOS Direct to find the business owner's name, or just go on the CAD site and search by the mailing address and you might find they own their residence in their own personal name.

Angles for finding properties

There are lots of ways to find properties and the one that works best for you is going to depend on where you live, market conditions, and your own personality. You have to try out different ones and see what works and what doesn't. The spiral notebooks will be like your diary so later you can look back and objectively see what gave you the best results and what was a failure.

All I'm going to say is no matter what angle or strategy you try, bootstrap bootstrap bootstrap. The quickest way to fail is to burn cash using lead gen services. Think about it. If you spend \$500 on some company that promises leads, you have no idea what the quality is because you didn't do any of the research yourself! Second, I guarantee they're not just sending those leads to you. Thirty of your closest competitors are probably getting them all at the same time. Third, if you have hundreds of dollars to burn you have to ask yourself why you're doing wholesaling to begin with. Keep your overhead low and do your own push-ups.

Angle 1: driving for dollars

This is where a house is so ugly or abandoned-looking that it's an eyesore and you notice it when you drive by. Then you find the owner and send them a letter or call them. The reason it's an eyesore is usually because of one of the life events like bankruptcy, death, divorce, sickness, etc. DFD is an angle every newbie wholesaler does so it is stiff competition, plus you are finding the house at a later stage in those life events instead of when it's fresh.

Angle 2: Wide blast direct mail

Some people mail postcards to an entire zip code saying they buy houses. Keep in mind the #1 rule of marketing is you have to contact people up to 7 times before they remember you, so this one will cost a ton of money before you start to get results. This is similar to what Homevestors does. They know they will get X dollars in revenue for every Y dollars in marketing, but the franchisees have to spend tens of thousands out of pocket every month to make that happen. So you need to be RICH before you even start this model. If I had this much cash to burn I would not spend it on a marketing based business I would just buy hard assets like rentals. That's my personality though.

Angle 3: Virtual wholesaling

I am super extra not a fan of this. Here's an example of why. A wholesaler from NC saw me on a Facebook group and messaged me about a house in East Waco (76704) he wanted to sell me. I don't even think he had it under contract. I looked up the owner and saw it was Amerigo, whose owner, the late Jerry Holly, had been in the business for 50 years and was well known to me but nobody outside of Waco would ever be aware of him. Jerry would always be willing to sell those little junky houses but always asked top dollar for them. He didn't need to sell it for cash. His main business was to sell on owner finance and then get the house back in a couple years. There was no way for the wholesaler from NC to be aware of this, so he was just spinning his wheels trying to broker a deal on this house.

Bottom line if you don't know the local market you probably won't succeed. Virtual wholesaling is like trying to play catch with a blindfold on.

Angle 4: Hyper local farming

One of the ways to really keep your overhead costs low is to narrow down your geographic focus to a tiny, tiny area. For example, you could pick one single street to focus on and get to know the owner of every property. Say you decide on Reuter Ave in Waco which goes from 15th to 33rd St. That's 18 blocks with about 14 houses per block so about 250 houses total. You can walk that entire 18 blocks in one or two afternoons and leave a flyer on every door that says you're looking for a house to buy. Better yet just a simple, double spaced letter "to whom it may concern" that says you are interested in buying a house on Reuter because you have family nearby and if they know anyone interested in selling to please call you. Play up the awe shucks factor. This is not the time to try and come across as a slick business operator.

You can also talk to anybody who happens to be outside hanging around and ask them "hey, do you know anybody who is looking to sell a house around here?" Don't laugh, I've done this. 99% of the time they will say no, but occasionally you get a hit.

A lot of people on a street like this are going to be renters and that's ok. If you want, you can ask them who their landlord is and if the house needs work. Collect all the intel you can and put it in your spiral notebook. Don't forget that you also have to look up the owners on the CAD site. The owner who lives on the other side of town might stop by and see your flyer on the door, but you are also going to want to contact them via phone, text message, Facebook message, or snail mail.

Now that you've spent 4-6 hours walking around, you've met some people and handed out a ton of flyers. You've gotten some exercise and some fresh air. How much money did that cost? Maybe \$10 to print your flyers and close to \$0 for gas.

Next you are going to rinse and repeat. Come back in a week or two and do it again. Then again, and again, and again. Soon people are going to recognize you as the go-to guy who is buying houses in that neighborhood. Same with the owners who don't live there. You need to contact them over and over again as well. Once you have gotten to saturation on this one single street then maybe think about expanding to another street.

Angle 5: Probates

Probate is the legal process that people go through when their family member dies and leaves some property and a will stating who it goes to. Basically you have to file the will and some other paperwork with the court so a judge can review it to make sure you're on the up and up (i.e. you are actually entitled to the stuff). A person designated in the will as executor does all the actual work of carrying out the will. They're in charge of paying bills and selling things and distributing whatever money is left over.

In the case of somebody dying who owns real estate, a lot of times the estate will need to sell the house to pay off debt and / or to split the money between multiple heirs. The executor might hire a realtor to sell it, but if the property is in rough condition there is a good chance you can get a good deal.

Probate cases are public record, so you can go on the county clerk website, go to the civil court cases page, and search by name or filing date. This gives you a list of cases with the names of the deceased and the name of the executor. Take the decedent's name and plug that into CAD and see if they own any real estate. Then you have to find out how to contact the executor.

Finding the executor might be a little tricky but it's similar to finding any other seller. Use Google, all the social networking sites, whitepages.com, and the CAD site to try to find them. Worst case you don't find anything online, go down to the county clerk's office and they have the actual probate court records there. You can see the actual court filings which contain names and addresses of the executor and heirs.

Angle 6: Obituaries

Everybody knows what obits are. You die and they post a blurb about you in the paper (or online these days). The difference between probates and obits is that everybody dies but not everybody goes through probate. Also, it could be that years go by between the time somebody dies and the time their heirs probate the will. For this angle you are simply taking the names of people in the obituaries and running them through the CAD site to see if they own any real estate. If yes, then find the heirs names (usually in the obit) and start sending letters.

Some people will feel icky about this like you are doing something wrong by contacting the heirs to buy their deceased relative's house. If so, good. Less competition for the rest of us who are willing to get to work and make money.

Angle 7: Affidavit of heirship

Coming soon

Angle 8: Power of attorney

Coming soon

Angle 9: Bandit signs

On the overhead cost scale these are relatively high because you not only have to buy the signs, you also have to burn a lot of gas driving around to go stick them in the ground everywhere. Then you have to do it all over again a week later because they all got picked up by code enforcement and whoever's land you placed them on.

Back when I was starting out in real estate I think there was much less saturation of bandit signs and I attribute that to the early success I had with them. In December 2005 I put out my first batch and got a really good deal under contract a couple of days later. I kept doing signs as time permitted and got a couple of good deals over the next few years but I got burned out of driving so much and getting phone calls from angry people yelling at me because I placed a sign where they didn't appreciate it. I also tried paying others to put the signs out, but the cost of that really adds up faster than you would think.

Angle 10: Bankruptcy (active)

Offentimes when a homeowner is facing foreclosure, they will file Chapter 13 bankruptcy, which has the effect of immediately stopping all foreclosure proceedings. The basic idea of Chapter 13 is that it is a payment plan. If you're behind on your mortgage by say, \$10,000 you can take up to four years to pay it back (as long as you keep up on your regular payments as well). For example, if your regular mortgage payment was \$800 / month, you would pay that plus an extra \$208 for the next 48 months and then you'd be discharged from bankruptcy.

This is great in theory, but let's face it: people who end up in bankruptcy are there for a reason. Half the time it's not because of some sort of one time hardship but because they suck at managing money. Maybe it's not their fault, I mean our culture encourages us to splurge and spend constantly and gives us exactly zero personal finance training in public schools.

What happens many times during a Chapter 13 is the debtor will come to realize they can't afford to keep up with all their payments and they will opt to sell the house to pay off debt. It's a fairly simple process. As long as the price is high enough to pay off the mortgage, the court will likely approve the sale. The other reason a debtor might do this is if they have a ton of unsecured debt. Because once the house is sold, they can convert to a Chapter 7 bankruptcy and they can ask the court to reduce the unsecured creditors to pennies on the dollar. This is better for the debtor than if they spent years and years paying off the unsecured creditors (in addition to the mortgage) in Chapter 13.

There is a federal website called PACER that contains all federal court cases. Unlike county courts which still dwell in the stone age, you can access all the filings and pleadings directly on the PACER website. The downside is that you have to pay something like \$1 a page for any documents you view. Avoid the costs by simply viewing the names on the case and cross referencing with CAD. Since all bankruptcies are federal cases, you can just go on there and select the bankruptcy court in your region of the country and start browsing for prospects.

Angle 11: Bankruptcy (discharged)

People who successfully catch up their payments under Chapter 13 are discharged by the court (picture the judge saying ok time to fly away and leave the nest little birdy) but they are not immune from Murphy's law and often find themselves in financial trouble again. If you search PACER for discharged bankruptcies and carry out a targeted marketing campaign aimed at these folks you can set yourself up to be in the right place at the right time when they fall behind on their payments again.

Angle 12: Bank owned foreclosures

This is not exactly related to wholesaling because foreclosures are inherently going to be listed with a realtor, but it's worth a mention. When the general public gets together at Christmas parties and talk about house flipping they always say something like "yeah I want to do house flipping, I'm going to get one of those sweet deals on a foreclosure and fix it up." What they don't realize is that since they are inexperienced and afraid of major repairs they're going to call up a realtor and say they only want properties that need paint and carpet. Realtor is going to show them a couple of bank owned houses that are priced barely below full retail, and they have to wait until the "first look" period for first time home buyers is over before they are given the privilege of entering into a bidding war with several other investors who all want the same house. The sound you hear right now is me vomiting. I've bought a few of these. They took up a lot of my time and I usually broke even.

Angle 13: Preforeclosures

If you can find a house before it gets foreclosed on this is where you might be able to make some money. Foreclosures are public record but that information doesn't get posted until just a few weeks before the bank sells it on the courthouse steps. That's a pretty tight window where a

whole bunch of investors are bombarding the poor homeowner with offers to buy their house. If you have the gift of gab and you don't mind knocking on doors this can be a good opportunity though. Some of these properties have a lot of equity. Once you have a deal with the seller, you have even less time to turn around and find a money bags buyer who can either pay off the mortgage or catch up the payments BEFORE the foreclosure. This means you need a CASH buyer. Not one of those "cash" buyers who has to scramble to call a bunch of hard money lenders to try to get a loan (there is no time to get an appraisal here). I mean a dentist or somebody who can log onto their brokerage account, sell some Apple shares, and wire the money by lunch. This is why your buyer spiral needs to be just as fat as your seller spiral.

Angle 14: Appointment of substitute trustee

In Texas, when the bank is getting ready to foreclose they hire a lawyer to do it, and they file a document in public record called an appointment of substitute trustee. This will happen a month or two before the actual foreclosure sale notice gets posted, so it's like a pre-pre-foreclosure. Search for these on the deed records website.

Angle 15: Divorces

When two people fall in love they sometimes go halves on a house, often times it's borderline more than they can afford, and they also run up their credit cards living above their means, then they argue about money, then they decide they don't actually love each other, then they file for divorce. The problem is they smoke, their dogs destroyed the house, and it needs foundation repair but they can't afford it so here you come to the rescue. Sure it means they take a big haircut but at least they get to extricate themselves from the situation.

Angle 16: Absentee owners

This one is simple and wonderful. Owning real estate is hard but it's really hard when you live three states away. Just try hiring a handyman to fix the toilet. How do you know it got done right? What about tenants trashing the place? Or you inherited the house you grew up in but now you have a stressful career and want nothing to do with it.

The easiest way to find these prospects is to just park yourself in front of the computer and enter a street name into CAD and then click on every house until you find one where the owner

lives in California, Oklahoma, Canada, or wherever. You can offer to buy with cash or take over payments, there are a dozen ways to do it, but you're helping to relieve them of a headache.

Angle 17: Expired listings

Search Zillow for listings that are getting close to 180 days and then come back in a month and see if they still have the same owner. Sometimes the reason it didn't sell is because the mortgage balance is too high and there is no equity, but you can offer to take over payments (buy it subject-to the seller's mortgage).

Angle 18: Evictions

Unfortunately eviction filings are not online, but you can go down to the Justice of the Peace and ask to see recent cases. I personally have not done this but if I ever had some free time, I would be all over it.

Angle 19: Unpaid property taxes

By itself unpaid taxes are not a big motivation for sellers but when combined with another angle you start to get some real leverage. E.g. a house is in ugly condition AND behind on taxes; or the owner has health problems AND behind on taxes; or the owner is out of state AND behind on taxes. You get the idea.

To find these, just go on the county tax office website and plug in addresses until you find one with unpaid taxes. In Texas, property taxes are due in November and they start charging interest after January 30, so if you are searching during that part of the year (Nov-Jan) keep in mind they are not past due if the amount is less than a year's worth of taxes.

For example, Sally Smith owns 123 Walnut Street and taxes on that property are \$1,000 per year. If you check on it in December and it shows \$1,000 taxes due that's normal (not past due). If it says \$2,000 due that means she is a year behind (prospect). If you check in July and she still owes \$1,000 that means she is several months behind (prospect).

After a year or two of unpaid taxes, the tax collector will file a lawsuit and get permission to foreclose and sell the property on the courthouse steps. A lot of the time people will catch up

their taxes the day before the auction. I don't recommend trying to buy on the courthouse steps unless it's a deep recession like 2009 all over again.

Angle 20: Hard money loans and private money loans

Coming soon

Multi-family properties

Sometimes you will come across small apartment buildings that look run down or where there are eviction notices on a couple of doors. These might be owned by out of towners or somebody who bought it thinking real estate was a good investment, but it turned out they were just not very good at managing the property. You can look up the owners of these just like you would any house. There are tons of buyers looking for this kind of property because of all the real estate gurus who have been selling training on flipping apartment buildings in the past decade.

Keep in mind you don't value these the same way as houses. Instead of comparables, you use NOI (net operating income) and cap rate. NOI is rents minus all expenses except the mortgage. Then you take NOI and divide by cap rate to get the market value. Cap rate is variable depending on the building and the market conditions. For example, an 8-unit apartment with \$76,800 per year rents minus taxes, insurance, maintenance, and vacancy of \$35,000 has an NOI of \$41,800. Divide by a cap rate of 0.09 and you get \$464,400 property value. After you buy it, you raise the rents \$100 and do some repairs and upgrades. Now the rent is \$86,400 and expenses are the same so NOI is \$51,400. Cap rate is now say 0.08 because it's a little bit nicer after your repairs, so your market value is \$642,500. Voila you made \$200k.

As a wholesaler you're not the one making the \$200k, but you could probably snag a \$30k assignment fee on this one.

Pro-tip: don't ask for rent rolls or financials on small multi-family properties. It doesn't matter and you will just piss off the seller by asking. They usually don't have good records anyway. You should already know what rents are going for in your area so do the math and figure out what it should be worth after it is all rented up and then figure out what it is worth today based on how many units are vacant right now. One good way to do this is to look at the electrical meters. If they say CLS it means power is on. OPN means no power to that unit.

Making offers: keep it simple

I used to talk to sellers and then send them long complicated letters with multiple offers to buy cash, owner financing, or take over payments, etc. etc. Being the nerdy engineer that I am, I loved to make complicated spreadsheets to come up with these offers. The thing I forgot about is what the seller needs out of the situation. If they are behind on payments, offer to catch them up. If the house needs a lot of work, maybe make a low cash offer. If they want to keep living in the house, offer to buy it and lease it back to them (and give them the option to buy it back later).

The point is whatever offer you make should be so simple that you can say it over the phone in 1-2 sentences. Don't go into details unless they ask. If they don't ask it's probably because they don't care about the nitty gritty, only about what they get. Don't try and educate people who don't want to be educated.

Price per square foot and repairs per square foot

While you are keeping things simple for the seller, there's a way to keep it simple for yourself, too. Don't worry too much about the various things that make each house different from another house. Figure out the price per square foot of nice, move-in ready houses in your zip code and use that as your reference point. If you're in Waco, you might be doing good to get \$100 a square foot for your house via selling through a realtor. As an investor that means I am going to want to pay maximum \$50-\$60 per square foot if I'm buying cash. Maybe a little more if I'm taking over payments.

Also, I like to know what repairs cost per square foot. I don't like to walk through and make long lists of items to be repaired, and then call around to meet with contractors. My rule of thumb currently is \$10-20/sf for cosmetic repairs and around \$30-40/sf for full rehab including structural work. Obviously you are wholesaling so you are not going to repair it yourself but you need to know how much your buyer is going to wind up spending on repairs.

High priced markets vs. low priced markets

It's easier to make money in high priced markets than low priced ones, in my opinion. The reason is simple. If you take a \$150,000 house in Waco that needs \$10,000 in repairs and plop it in Austin it will be worth \$250,000 but it will still only need \$10,000 in repairs. The profit went up but costs stayed the same.

When I first started out in 2005 I did not realize this. I was driving for dollars all around central Texas looking in different cities for houses to flip. I had just finished listening to a set of Ron Legrand training CDs (Compact discs! Yikes I'm old) for the 10th time. What he was teaching was that you can go into ANY city and ANY market and flip houses by using the formula max offer = 60% of ARV minus repairs. He did not go into detail about structural vs. cosmetic repairs, cost per square foot, how repairs costs had gone up a lot since he started teaching in the 80s, or high vs. low priced markets. Ron just said: find junkers, make offers. Boom. Done.

The reason I started buying in Waco was because it was awash in junkers. Like 10 per block sometimes. I had some money saved up and it was enough so I could pay cash. I did a couple of flips and I think I made \$5,000 on one, \$15,000 on another, and \$20,000 on a third before the subprime market collapsed. That was pretty good money to me at the time.

I am not saying not to operate in low priced markets (and Waco prices have come up a lot since 2005), but you have to realize that it takes the same amount of work to flip (or wholesale) a house at \$5k profit in Waco as it does to flip a house in Austin, San Antonio, or Houston for \$50k profit.

Let's take a second and zoom waaaaay out. I recently read the book What It Takes by Steve Schwarzman who founded Blackstone Group back in the 80s. His partner wanted them to try to raise \$50 million for their first fund to buy distressed companies, but Steve said no, we might as well raise \$1 billion because it will take just as many meetings with just as much paperwork to go big as to go small. Bigger dollars but same amount of work.

The end

This turned out to be an ebook but it started as a one page PDF tipsheet. I keep adding to it because I keep running into situations with wholesalers where some extra knowledge could be useful to them. If you want to contact me with questions or better yet if you have a deal you want help with, my email is hochh1707@gmail.com. Happy hunting.

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