

## **Beginners Guide to Finding Wholesale Real Estate**

*Explore this often overlooked approach and get sellers coming to you!*

by **Lex Levinrad**

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Many beginning real estate investors make the mistake of starting out with foreclosures. Just about every new bird dog that I have trained asks me about foreclosures.com or some other foreclosure service.

Typically you pay a monthly fee to use these services and then you get a list of foreclosures in your area. The idea is that you will find a “foreclosure deal” and be able to make some money with it.

This approach is how I and many other people started out in this business. When I first started out, I had subscribed to “Real quest” which cost over \$300 a month for Palm Beach County, Florida. I used to visit homeowners at their houses and talk to them about their foreclosure and how I could offer to help them. The most common scenario was a homeowner that wanted to avoid foreclosure and was willing to “walk away” from the property.

The problem with this approach can be summarized by the following:

- Too much competition – I was not the only one knocking on their door
- Too slow – someone got to them before I did
- Uncooperative and hostile homeowners – wouldn’t you be if every one was banging on your door?
- Hard sell – approaching homeowners in foreclosure is a very aggressive tactic
- Home owners are often not home during the day since they work

***An often overlooked approach by beginners is to utilize the***

## ***classified ads both online and offline.***

Search for words like “owner financing”, “owner will carry”, “must sell”, “make offer”, “any offer considered”, “handyman special”, “needs work”, “investor special” and so forth. *You need to be looking for distressed sellers.*

When I first started looking at the classifieds it took less than one month of trying out this approach for me to find a wholesale deal. It was not one house but three houses which were located in Port St Lucie, Florida. All of these houses were for sale by a wholesaler that had signed a contract to purchase all three houses and wanted to “flip” the contract. The houses were worth around \$140,000 but had sustained some roof damage from one of the hurricanes. I agreed to buy the houses for \$95,000 a piece and after paying for the roof repair and some basic cleanup I figured there would be around \$90,000 in equity. We still own those houses and they have been great rentals.

You can also advertise your services to potential sellers by placing a classified ad in the newspaper. Simply place an ad that says ***“I BUY HOUSES FOR CASH”*** with your phone number. The phone will start ringing immediately and you might get as many as 3-5 calls per day.

You might find that this soft sell approach will work better for you. The home owners will be calling you so psychologically you are in the drivers’ seat. They are calling you because they want your help. They want you to buy their house. It is up to you to decide if you want to or if it is even feasible. You can write down the address and pull up the “comps” (comparable sales). Then you can give them a ballpark idea of what you could probably offer for the house (usually around 65% of after repair value). At that point the homeowner would usually either tell you that they were not interested (no deal) or they would ask you to come and take a look at their house (deal).

At that point, once you have the house under contract you can decide whether or not you want to keep the house yourself or assign the contract to another buyer for a fee.

In addition to classified ads, I have found the following to be very useful:

**Car Magnets** – We Buy Houses For Cash and your phone number

**Yard Signs** – We Buy Houses For Cash and your phone number

**Postcards** – mailed to your target area or zip code

**Letters** – mailed to your target area or zip code

**Attorneys** – contact local probate, foreclosure, bankruptcy and real estate attorneys

**Network** – Title companies, mortgage brokers, wholesalers, anyone related to real estate

**REIA** – go to meetings held by your local Real Estate Investment Club and network with buyers and wholesalers

**Bird dogs** – hire other people to do all of the above and pay them a percentage on the deal or pay them by the hour.

***When you have sellers coming to you, you have all the control. You decide which deals are worth pursuing and which are not.***

You won't be dealing with hostile homeowners, rather with people looking for your help. Be honest and sympathetic to their needs and let them know if you cannot help them. Don't let them think that you will buy their home if you will not.

You also need to make sure that you are aware of local new laws such as CS/HB 643 and CS/SB 992 which are part of Florida law as of October 1<sup>st</sup>, 2008. If you buy a house from a homeowner in foreclosure and they claim after the fact that they didn't know that they would lose their home then you will have a big problem. Make sure that you have an attorney prepare or review any documents that you intend to use.

Taking some of the steps that I have mentioned above will mean spending some money on advertising and marketing. Distressed sellers will not find you if you don't advertise. Most beginners don't want to take this first step. That is the difference between finding a deal and not finding a deal. If you made \$5,000 on an assignment fee that would pay for a few years worth of all of the above advertising. If you are serious about being a real estate investor then you should be prepared to spend some money advertising yourself and your services to potential distressed sellers.

**Lex Levinrad** has been a full time distressed real estate investor since 2003. He has been involved in buying, rehabbing, wholesaling, renting, and selling hundreds of houses in South Florida. Lex is the founder and CEO of the Distressed Real Estate Institute, which trains beginning distressed real estate investors about how to find wholesale real estate deals. For more information about the Distressed Real Estate Institute please visit [www.lexlevinrad.com](http://www.lexlevinrad.com)

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