Forever Cash Real Estate Podcast 031

How to Make Better Offers to Get More Deals

Hosted by: Jack and Michelle Bosch

Intro: Are you ready to transform your financial future? Here's your chance to see inside the mindset of self-made millionaires, Jack and Michelle Bosch as they go back the curtain on secrets that can make you rich. Discover how everyday people are breaking the norms and building empires from the ground up using a little low yet proven and time-tested wealth building real estate strategies. It's my pleasure to welcome you to the ForeverCash.com podcast and introduce you to our hosts, serial entrepreneurs, investors, educators and best-selling authors, Jack and Michelle Bosch. Strap yourself in for the ride of your life.

Jack: Hello everyone, this is Jack Bosch speaking.

Michelle: And Michelle Bosch.

Jack: We are excited to come to you again today with a brand new episode of the…

Michelle: Forever cash tax delinquent podcast.

Jack: Right, the Forever Cash Real Estate Investing podcast specializing on tax delinquent real estate investing. And today I think it's time again for us to jump right into our techniques, and share with you a little, but very important part of the deal that a lot of our students are getting wrong if they don't pay attention. And that part of the deal is how to get more offers accepted or basically the typically mistakes that people make in their offer making process where they literally calculating themselves out of a deal right?

Michelle: Absolutely.

Jack: That's what we are going to talk about so…

Michelle: Sorry I was just taking a sip of water in the moment.

Jack: And I did that on purpose, no I didn't of course, so yes, I hadn't known this, your bottle was hidden behind the microphone good. But before as always if this is the first time you come to a podcast, this is run by husband and wife team or wife and or…

Michelle: Wife and husband.

Jack: Wife and husband team, Michelle and Jack Bosch. Both we are immigrants from... I'm from Germany.

Michelle: I'm from Honduras.

Jack: And we have been in the United States since 1995, Michelle 1997, Jack here myself. Since 2003 we are in the real estate business and we have flipped over 3200 pieces of land going at 3500. We have done a bunch of houses... house deals. Rehabbed houses, flipped houses, I have a rental portfolio; I have some commercial property experience. So we have almost done it all in the real estate space expect for building from scratch that's just not our cup of tea.

However, we do have some pieces of land and we consider doing that in the future, so then we'll have it done it all, right? But in the meantime, we are... really our sweet spot of doing deals is by finding people who haven't paid their property taxes for whatever reason, and they often are willing to let their properties go and sell their properties for pennies on the dollar, to literally anyone that comes along and makes some decent offer.

Michelle: And this is all well circumventing the tax auctions, which are very popular.

Jack: We learned initially about tax liens, tax deeds and so on, but then we realize that the better faster way to get these deals is to actually not attend the auctions, but instead go directly to the owners and buy the properties exactly from them, because they no longer want that. So we have a total of five techniques that we follow in that area and as a matter of fact if this is the first time you are listening to us, if you have listened to us before and you've never gone there, I would like for you to go to www.ForeverCash.com/Freedom.

And on that place you will find a free five part audio, actually video course that shares with you the basics of the five different tax delinquent real estate investing techniques that we use. It gives you an overview about how they work and it's all completely for free just as a thank you for listening to this podcast. So now with that though let's jump into the subject of today's podcast okay?

Michelle: And toady I would love for us to discuss, how you can get more deals by making better offers.

Jack: Right, more deals by making better offers and how to avoid not getting deals because you basically calculated it yourself out of an offer.

Michelle: Yeah.

Jack: So every time we talk about the best practices and some of the mistakes that people make that we see frequently. And those people that are in our coaching program, if they make those mistakes obviously we are there to help them. But those that are not in our coaching program, well if they make those mistakes I want to be here and give you a few hints and tips, we want to be here and give you a free hints and tips on how you can fix those mistakes.

And how you cannot make them in the first place and do the best practices instead. Now the best practices all in our courses already, but they know how people are, they don't pay attention, they don't look at our... or watch it out to the end. Or it's just so much information that at the end they forget about a few things. Or they are just plainly nervous.

Michelle: Yeah, absolutely.

Jack: Right, they are nervous about their first deal and they want to earn across the site, and as a result they don't get as many deals accepted as they should. So here is how we get started, the thing is when you make offers, there's a couple of perimeters that play into your offer. These perimeters are number one, the value of the property, obviously one of the biggest perimeters. Not only the value, but also the desirability of the property and obviously the desirability plays into the value, but what happens is sometimes there's a sub division, there's a hill or something like that.

Or there's a dry wash, or depending on where you are, and you might evaluate some property values, but you try to find your coms, then you are taking the wrong properties as a com because yours is a much nicer property. And there's... or yours is much worse property either way. So basically the point is that the value relies on finding good comparables.

Michelle: So land is completely different than houses.

Jack: Right.

Michelle: So do you want to talk about land first and then houses and…?

Jack: Sure yes, let's talk about... I would like to talk about land first because land is our first love is our... of course you are my first love.

Michelle: Yeah, you better say that.

Jack: But land in the real estate spaces is our first love and we... so let's talk about land first and then relate that to houses a little bit later. So in the land area the thing is that every piece of land, if you are in a subdivision every single house is the same, or every single lot is the same. Then finding the value is very simple, you just look at what other properties in the neighborhood sold for, and that's your comp.

But you do want to obviously take into consideration for a slight value differences, is one of them is a view lot on a hill, the other one is right on the busy street. Well, the one on the hill is worth more than the one in the busy street, but usually if you are... depending on where you are.

Michelle: Well, that's based on really the use, because depending on the use the one on the... Oh, okay, great, okay, thanks for clarification.

Jack: You have a very good point, yeah, so it's a sub division with all residential lots. So one of the things, to play say it in this way, one of the things that most people... a lot of people do wrong if they make a mistake is they underestimate the value of the property in the land area. And therefore they end up making too conservative offers and they basically offer below the threshold of where the buyer, where the seller is willing to accept. Now funny enough in the housing area, the exact opposite happens.

They overestimate the value of the houses very often as a result they offer too much and then the deal is not a deal that is profitable. But in the land area what often happens is that people go and basically say, they see, they run comparables let's say it's a large parcel and unzoned agricultural zoned 40 to 20 acre parcel, and they find three other parcels like that in the area. And one of those and that's like rural area prices are really low.

And let's say one of these 20 acre parcels is for sale for $30,000 and another one sold for $20,000, and yet another one sold for $28,000. And yet another offer digging a little bit more, they found a few more sold parcels in the $26,000 to $30,000. But one of them was sold for $18,000. So what overly cautious students of ours still in this case, or what the mistake people make, is they take the $18,000 one as a com.

Because they are like basically well, one sold cheap, so if I might only sell for $18,000, so I need to access it at $18,000 and do my calculations on what they are going offer based on that value. And while that is generally speaking a proven thing to do to take the lower value if its only one out of five or six that you found then everything else is in the $26,000 to $30,000 range, the $18,000 one is the exception and you need to eliminate it and really look at the other ones for your comparables.

Michelle: Yeah.

Jack: Another one what looked different if they would there of them that sold for $18,000, and three for 26, or three for 30 then you want to dig a little deeper and see what makes those $18,000 ones different form the other ones. And what you'll probably find is roll the excess, excess utilities and things like that that keeps them separate.

Michelle: Yeah, now another thing I think to consider is also and I hope that whoever is in charge is taking notes basically as you are receiving the inbound call from the seller. And basically you want to jot down the level of motivation based on your conversation, based on the questions that you ask the seller. And also that plays a role into offering, at least for me I definitely look at those notes.

Jack: Absolutely yes, they do play a role even if you outsource it to a call center make sure that you add one of the questions which we have in our call scripts in our programs that basically says any other comments you have for the property, level of motivation and things like that. Because a motivated seller will obviously not need as much money to sell a property as an unmotivated seller, somebody once is not motivated and wants $30,000 for their property and that's a sale price, they are not going to let it go for five.

But if somebody basically owes $3,000 in back taxes already, properly is about to be sold at an auction, they really don't care about it, they inherited the property and they tell you that they don't care about it, you can just offer them $5,000 or $6,000 for that $30,000 parcel. Buy it and then flip it again for $18,000 or $24,000 or $30,000 depending on how you are going to sell it. So those are all things that play into the picture of what you ultimately going to offer.

But what happens when somebody makes a mistake is that they discard those, they just don't look at them, they offer everyone the same. Now if we combine it with what I said earlier that they took the wrong com or they took the far lowest com even though evidence show that most of the other coms are higher, then they take that and based on them they now take their percentage of what they offer, and as you know from other podcast we never offer more than 25% of market value.

And if the property is worth only a little, we might offer only five or 10% of market value. So a $10,000 property we might only offer 10%. Or we might even offer only as little as 7% or 6%, we might offer $600 to $1,000 on a $10,000 property. A $20,000 property we probably not just going to offer $1,500 to $2,000, we are probably are going to offer $3,000 or $4,000 for that property. And a $50,000 property we are not just going to offer $5,000 or $7,000, we probably are going to offer something going for the full 25%, which in this case is $12,500 something like that yes.

So we are going to go for the full amount. So now what happens instead of getting to a value of 30 you get to a value of 18 in this case? You now instead of offering the full 25%, you decide to only offer 15% of market value, so instead of offering 25%, which is let's say $7,000 on a $30,000 property. You offer 15% on an $18,000 property which is something like $2,500. So instead of offering 7, you offer $2,500 and that's used, that's very likely to be below the threshold of what that buyer is willing to accept.

The seller, right. Thank you very much Michelle, what that seller is willing to accept. So as a result you basically screwed up the offer by doing the coms wrong, and that's a big piece.

Michelle: But don't panic because how do we know this?

Jack: From experience.

Michelle: From experience, from basically calculating ourselves out. And what we have noticed is that in certain areas we have gotten lucky where the motivation was so high that in spite of it being extremely low they'll still accept. But what we have done is, once we have purchased a property and we sold it and have noticed that we are able to sell it well as go back to all those people that we had originally made offers, and basically go through a second wave of offers where you say Mr. Seller I have actually gone back and evaluated values in the area again, and I would like to go ahead and actually submit a revision to my original offer. And you would be surprised by the number of acceptances that we've had basically using that tactic if you've made that mistake before. So that's something that you can do if you realize that man all of these people seem they are motivated, but very few accepted my offer that's basically…

Jack: Right, so exactly don't panic, accept the processes, go back, look at your values again. If you send out let's say you send out 1,000 letters, with our program as we mentioned in earlier podcast we get up to 15% to 20% response rates from our letters that we send out. So you got 150 phone calls back on a thousand letters that you send out. And now you are making let's say 140 offers of that. 10 of them said if you don't want to offer me market value don't even bother, it's okay that's fine, so you don't make offers to them, but everyone else you make an offer.

So you make 140 offers and let's say God forbid, you do not get a single acceptance. Now if that ever happens you know... I want you to know that it's not the program that doesn't work. What happens is exactly why we are doing this podcast right now, what happened is that you got probably the values wrong and because you got the values wrong you got the offer wrong. And that's the thing that happens again and again.

So therefore, how do you get more offers accepted? You go back; you really make sure you get your values right in the first place. You evaluate, you don't have to go detail property by property value analysis, but particularly if multiple properties come in one neighborhood that it looks all the same.

Michelle: Yeah, subdivision and maybe it just be... maybe different units, but the same subdivision.

Jack: Right, exactly or you might have five very long street there's 50 properties on that road, and on that road you get phone calls from four people. Well, you only need to analyze one or two of them and if they all seem to be the same, the same size and the same route, or the same everything well, then you have your analysis done. But then you make... in this case you really dive in to make sure that you get the values right. And once you have the values right, you calculate your offer amount and you send out the offer.

If you do not get the offer accepted even then, even if you have the property value right, look at what the percentages that you offered have you gone to the bottom end of the range? If basically you should have offered between 15% and 25%, did you only offer 15? If that's the case, make that's second offer that Michelle just talked about. Go back and basically say hey, Mr. Seller we made a mistake or after revaluing the properties, we came to a conclusion that the first offer was too low, we would like to make you another offer, and you offer them the full 25% now.

And now you will be surprised, because you'll get some additional offers, but if you make 140 offers you should be getting a few acceptances and then actually what can, what happens is another path that I want to talk about for just a couple of minutes. Scenario one was you didn't get any acceptances or very few acceptance and it's because you got the offer amount wrong. You got the offer amount wrong because you got the value wrong. Scenario two is now you send out your bunch of offers and you do get some acceptances and you actually get those deals and you flip them and you make a ton of money on those deals. How now do you get more deals from that?

Michelle: Well one option would be going back and offering more, you know.

Jack: That's right.

Michelle: The other option would be okay if you already fond of these properties came from as tax-delinquent list and they sell very well you know and it's in a sub division in a rural subdivision or in the out scats of town and so on and so forth. I would go back and actually get all the neighboring lots, property owners and their mailing addresses and even though they may not be tax delinquent I would still go ahead and basically send out letters and that's exactly what we have done in the past and that's how we've been able to call harvest an area.

Jack: Right, we call it harvesting, we literally go back that's one of our biggest secrets that we've just disclosed here of how to get a tone of profitable deals done. Here's exactly the scenario want to lay it out one more time. That is you send out a bunch of letters and you get a bunch of phone calls back, and you, let's say you get one deal in a subdivision. There's let's say 500 lots I don't know 100 houses on them, or 200 houses on them 300 empty lots. You get one parcel and you buy it for let's say $2,000 and you sell that thing for $20,000. You just made yourself $18,000; let's say it's a cash sale. It's a good day in paradise, right?

You just take your money and then made it, and increased it 20 fold. Actually 10 fold, sorry. Yes, my math is off this morning, so 10 fold, you've taken $2,000 and made it into $20,000, awesome. Now what you do is you, wouldn't you want to have more lots more deals like that? Exactly. Now perhaps what even, what didn't happen is that deal you sold it in a matter of 10 days and you get five people asking you about the property wanting to buy it. Now you have buyers' lines up. You have four more people that want properties like that. You didn't even do a hard, good job perhaps marketing it, you just started marketing it, and they saw it right away. Wouldn't it be a good idea to go back to that same neighborhood, there're 299 other vacant lots.

They might not owe property taxes just like Michelle just said, and go back and get some more of them? Absolutely and that's what we've also done many times. Just to repeat what Michelle just said we basically went to get somebody, a virtual assistant, a 16-year-old kid somewhere, an 18 year old that will say at home mum that we basically said go here get us the mailing addresses of all naked lots in that subdivision we pay you, I don't know well pay you we estimated it takes you five hours to do this so well pay you 50 bucks for that. Go ahead here's the link here's the thing, here's the spread sheet email it to us when you're done well send you the 50 bucks, and…

Michelle: And if you are a detail oriented person and you want to know well how you to go about doing that. Well it's very simple, either you go to the website of the county that you're working in, and it depends on the county. Some of them have very good you know mapping stuff online. Another way to do it is which most of them have is to go back to the assessors website you know they usually have a parcels option there and for example if your parcel was parcel number 30140120, you know the one that you sold really well, you ask your VA or whoever is going to help you can you please go up you know 30..., all the parcels that are 30140121, 122, 123, 124 you know everything that is on that area.

Jack: 19, 18, 17, everything around them exactly. There's in many states parcel numbers actually have such a, are actually named their parcel IDs are actually our APNs, are actually numbered sequentially from one to the next. If that's, if you're operating in a state where that's the case it's as simple as that. Just plug in the next parcel number in there and so on. Now if you live in a state where that's not the case you just do what Michelle just said is you go to the geographic information system of the county and you can just click on the next parcel and it comes up with the owner information and it's a little bit more involved than, but to get that.

You can also go to the county and basically if you already have a relationship with their information technology department to ask them 'hey give me everyone that lives in that subdivision or that owns property in that subdivision. Multiple ways to the same goal, there are always many ways that will lead to Rome, right? Many paths that lead to Rome and the bottom line you get 299 property owners records. You send out 299 additional letters probably even less than that because some owners probably own multiple parcels in it.

Let's say it ends up being 250 letters that you sent out and I virtually guarantee you that out of that you will be able to buy a few more properties. Now here's the key, you probably won't be able to buy them at $2000. You probably might have to offer them $5000 for their parcels, but is that still a good price that you can still make a profit with knowing that you have buyers lined up willing to pay 18 or $20000 for this.

Michelle: Absolutely.

Jack: Absolutely your property is a little smaller, but therefore is a very much safe profit. You just buy as many as you can in that area and you just flip into the same people again and again and put them out there and you start making $18,000 on the first one perhaps 15 on the next five and then perhaps 12 and 10 and all the way up you can offer more and more for these properties until it's not worth your time anymore which would be I don't know at what level, once you make perhaps less than $5,000 on a deal it might not be worth it anymore, or perhaps it's still worth it to you and you go even higher than that, knowing if you have a ready base of buyers ready and you know that you can pro... sell these properties for around $20,000, you can start offering five, seven, nine, 10 , 11, 12, $15,000 for these properties and keep selling them for $20,000.

It's a really cool way to get more deals done based on just a single mailing where you get a filling for the area and where you get a couple of deals done. Now we showed you how to avoid the mistake and how to actually leverage the success of our just one or two parcels and with that, that's really all we pretty much wanted to cover. Is there anything else Michelle?

Michelle: Well, I wanted to cover a little bit about higher priced properties, but we can do that in a different podcast or…

Jack: Okay. Well, what do you want to cover about that? Perhaps you'll give us a little sneak preview of it.

Michelle: Well, we still need to talk about houses a little bit more.

Jack: Oh yes, I forgot. Let's talk about houses first and then let's do another podcast, and then the other one let's dangle the carrot here for our audience so they come back and listen to more of our podcast.

Michelle: Okay.

Jack: So houses yes, the house funny enough the exact opposite happens. In houses the number one mistake is to overestimate the value of the properties. What the key is if you want to get the value of a proper... house right is to really find the exact like-kind properties in a like-kind neighborhood. That's really a key part because often I sometimes get people in our flip it fast formula program where students can partner with us on deals we teach them how to find the deals, lock them up put them on a contract and then pass them on to us. We take an assignment of the property then we flip it and sell it to somebody else and we split the profit with our students.

It's a very popular program that you can find more a lot about in the www.FlipItFastFormula.com and of course all those links are in the show notes. In that scenario I get weekly multiple deals submitted to us and while we accept a lot of them sometimes we he to also reject them and the number one reason we have to reject them is that the comps were too, that they took too high of the comps. They estimated the value too high on the property and therefore they calculated themselves out of the deal. Now when they say they calculated the value too high, they calculated the after repair value of the property too high.

Michelle: Too high, yeah.

Jack: And the after repair value is what we will be able to, what the property will be able to be worth once it's all repaired and rehabbed and so on. That's the basis for the calculation, now if that's the basis, if that calculation... if that all or if this after repair value comes out the $2000 we still need to subtract from that the cost of the, the back taxes if there's any, the cost of rehab, a profit for the rehab, or who we sell the property to, because he wouldn't want to buy it from us unless he can make a profit. Then also the profit that the student and us make together. Then we get what's called a mail, which is the maximum allowable offer, so and ideally the student would, you want to buy this property below the mail.

Now here's the thing if this property is really in the reality, let's say if it worth, if we come to a result that this the mail, that the house is $200,000, and it has $10000 in back taxes, were now at 190. It needs $20000 of repairs, were now at

170. Then we need to build in a profit for the rehab or let's say that's $30000, so now we're at 140. Then we need to still build in let's say $25000 for you and us to split now we are at 115. The very maximum that you can buy this property for is 115. Let's say you buy it for 110, great. We've got a $30000 merging if the house is $200,000.

What if you got the wrong properties in the wrong, because what if you got the wrong properties as a comparable and the property is really only worth 170? Now we go 170 minus 10 is 160, 160 minus 20 is 140, minus the $30000 in repairs for the rehabber. That means our sale price to a rehabber would be 110 exactly where you bought the property, where you have the property in the conflict zone.

Michelle: There's no profits for you.

Jack: Therefore there's no profit left for you and there's no certainly no profit left for us if you want to split this deal together. As a result in getting the comparables wrong and in this case too high, you just calculated yourself out of a deal. You offered too much money for the deal.

Michelle: So you want to be very conservative on you know…

Jack: So you want to be very conservative on the ARV, and the number one mistake I see is that they picked the wrong mistake for the ARV, because they pick them outside of the neighborhood that is applicable for a comparable. For example there's one, sometimes you see there is a natural barrier like a big road like a big highway, and the property is to the south of that, while all properties to the south of that might only be worth 160, 170. The properties on the north of it were built by a different builder while I a different year. They're newer, their bigger, they're nicer, they're better constructed and they are 200 to $250,000 houses. Well there is only a road between them and the literally a physical distance might only be 300 feet, but it's a different neighborhood.

If you use a comp out of a different neighborhood you're screwing yourself and in this case that is often the reason. When I look that up the comps that the student use are just not qualified to be real comps, they are in better nicer neighborhoods that are close by, and that's the problem. Therefore make sure you done do that and that's my tip to the housing area. That's a really very important tip here, alright? Anything else did I forget anything Michelle?

Michelle: I think we covered what we should on this one.

Jack: All right so we've covered it, so with that let's say good bye again. All the notes are in the show notes, the links that we mentioned are in the show notes. As always we would like your feedback.

Michelle: Yes, definitely. Give us a five star rating if you could please and I know you can do that on iTunes. You can also go to our website and rate us there. Can you? Yeah.

Jack: I believe so. I think there's a link to that, to iTunes where you can rate us. If you don't find it just go to ForeverCash.com/Podcast, go to this episode and there's a link to iTunes where you can rate us.

Michelle: Yes, and we would like to hear your feedback if you know when you want to ask any questions, engage, we would love that.

Jack: Absolutely and for that you can go either to our Facebook page which is Facebook.com/ForeverCashLife or you can also go obviously to the podcast which I just mentioned ForeverCash.com/Podcast, you can post comments right there. The last thing again the five part course about our roles investing technique that is subject to all that we've just talked about right now. You can get that on the ForeverCash.com/Freedom, so a lot of links, might want to rewind just right them all down, but in the meantime, I want to say thank you and we'll talk to you next week.

Michelle: Thank you.

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