FOREVER CASH

Forever Cash Real Estate Podcast 032

# How To Make Better Offers To Get More Deals - Part 2

*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.

**Michelle:** Hello there.

**Jack:** Hello everyone. Hello, Michelle.

**Michelle:** Hello, Jack.

**Jack:** Hello, you guys listening here. We are excited to bring you a podcast that is actually almost like a continuation of last week's, right?

**Michelle:** Yeah.

**Jack:** Last week, we talked about how to avoid errors when making offers and get more offers accepted and how to make more deals done by making better offers. And today and at the end, we kind of alluded too that we wanted to create a second podcast of something about another way that you can get more deals accepted, correct?

**Michelle:** Yes, and I think it's mainly for higher-priced properties. It's another tactic or strategy if you want to call it. And it's basically offering…

**Jack:** Wait, wait, wait. Don’t let the cat out of the bag yet.

**Michelle:** Okay.

**Jack:** First, I need to do my usual little spiel here, and as always I invite everyone to go to ForeverCash.com/Freedom to get your five-part free course. I think it's probably soon that we create a new course for that because probably most of our listeners already have the course now. So I will look into that and I'll let you know in the next couple of weeks if we have a new course. Even in either case, it would be available at that same place at ForeverCash.com/Freedom. So if you are listening to this a little bit later and you go there, there might already be an additional course or two courses or something else for free.

So even if you have listened to our podcast for a while, go right now to ForeverCashFreedom.com or ForeverCash.com/Freedom. It both gets you to the same place. There's going to be a free gift, the free program for you that explains how we do what we do on an intro level. All right. So having said that, today we are going to talk about how to get even more deals accepted with higher-priced properties. Okay, by the way, we also have show notes; we have transcripts and downloadable; and everything is available on ForeverCash.com/Podcast. So now…

**Michelle:** So now.

**Jack:** I want to say…

**Michelle:** Can I get the cat out of the bag?

**Jack:** Can you get the cat out? No, you can't get the cat out of the bag yet. I want to lay the foundation first.

**Michelle:** Okay.

**Jack:** Can I do this?

**Michelle:** Yes, absolutely.

**Jack:** Okay, so here is the thing. In our technique, we focus on properties that the owners no longer want. Obviously, the higher you go in value, the less properties there that the owners no longer want. Because at some point of time, even the most blind owner will realize that there's some value to these properties. So the $10,000 level or $5,000 little pieces of land in the outskirts of town, everyone just want to get rid of them. They exist like sand on the beach. On the $20,000 level, $30,000 level, there's a sweet spot; there's lots of them available in the United States.

Starting at around to $40,000, $50,000 level, they start becoming not... Still there's a bunch of them out there. But the owners start realizing that, “Hey, this thing has some value.” I mean, they might have put in the address, looked at it, saw that there's a bunch of houses around it. “So that looks like an attractive property,” and while they still want to get rid of it, they’re no longer willing to let them go for literally $0.10 to $0.20 on a dollar. So at the same time, we really…

**Michelle:** There's like a metal block…

**Jack:** There's a metal block. There's... And it makes sense that they understand this property is worth more. So at this point, we basically sat down and we said like, “How do we solve this? How do we still get over that hurdle?” And we came up with the answer to that without actually spending more money, because we don’t want to go and offer $25,000 on a $60,000 property or a $50,000 property like half of its value, and then have to buy it beyond $25 grand. I mean… And later on, we don’t want to teach it that way, because our students, many of our students they don’t have $25,000 in their pocket to be able to do this. So we need to find a way to get those deals still without having to spend any money. And the obvious answer is…

**Michelle:** Options.

**Jack:** An option exactly. So Michelle, can you quickly explain what an option is? I know we have an entire podcast about it that we’ve already done so we’re not going to spend much time on it. But just as a little refresher, what is an option?

**Michelle:** Well, an option is simply a contract where you're having the option to buy a specific property.

**Jack:** Meaning, the right?

**Michelle:** Yeah, the right to buy a specific property at a specific price for a specific length of time. That price is being guaranteed to you to be X and that's pretty much what an option is. You don't have the obligation; you only have the right to buy it from the seller at this price for this amount of time. And if you are able to find a buyer that is willing to pay a little bit more, then you can go ahead and exercise that option.

**Jack:** Right, so exactly that. So it's the right to buy a property at a certain price within a certain time period but you don't have to. So it's really it's a cool way to lock down a property without actually having to spend much money on it. Because with the sellers we're dealing with, they don't want much money for it. You might offer them $10 bucks for that option, and now you have the right to buy a $100,000 property at $45,000 for the next half a year. And all you now need to do and if you don't find...

And if you don't come up with the $45,000 or if you don't find somebody else that pays you more for it, you just let the option expire. So as a result, you have no risk in a deal, yet you control the property for the next half a year, meaning that now you can go start marketing the property, putting your fillers out, seeing if somebody is willing to pay you let's say $65,000 for that property. And if that happens, you exercise the option; you do double escrow or you assign the option; and you make $20,000 in the process.

So that was our solution to actually get deals done if you don't have the money to manage to do them. Or if you have to get deals done, if you don't want to spend the money on it, or if you get deals done if you basically... The price starts getting so high that it becomes like a risk of losing some money in the deal. And by using the options, you don't have that risk. Now at the same time, whenever we use options, we always kept kind of in the back of the mind. We were always like kept that little doubt. It was like, "Man, I wonder if they would have accepted the lower price offer. So for $100,000 deal…"

**Michelle:** We believe in a life of no regrets; we went ahead and experimented.

**Jack:** Exactly, we believe in a life of no regrets. I love that. And we experimented. So what we did is we basically one day said, "Why not do…?"

**Michelle:** Two… Give them basically two offers.

**Jack:** And that is the cat out of the bag. So Michelle, you can explain it now what we came up with, what we want to do and how it works.

**Michelle:** So basically what we have then is a situation where we present a seller with the possibility to do two things. Either A, accept an option for a slightly higher dollar amount, where you control the property and you have the right to buy the property at a certain price but not the obligation so you go out there market it. If you find a buyer, you exercise the option. Or number two; give them a low-ball cash offer, like we would normally or traditionally do in the lower-priced property.

So that's pretty much it. And what you have then is a situation where a seller does not have to decide whether to accept or reject the offer. But now he is in a situation psychologically of either accepting A or B versus… Really, at all times, they have the option to accept neither. But you really put a person in the situation of either A or B and sometimes they don't even think that "No" is an option.

**Jack:** Right. So it psychologically puts you in a better position because instead of having them to accept or reject, they are now choosing, which is a better point. The other part about the two is what you're really effectively doing is you're allowing them to show you what their real motivation is. Is their real motivation cash and time? Or is their motivation maximizing the price that they can get for the property?

So if somebody is really eager to just get rid of that property and they don't want to run the risk of after that half a year, the option expires to still own the property, and they really need cash right now, guess what? Even though on that same $100,000 property, let's say you offer them $23,000 cash price and at the same time a $42,000 option. So the option can sometimes be substantially higher than the cash value and they still accept the cash price even though the option is almost... What did I say? $23 and $42. It's almost $20,000; it's $19,000 more. They said no to the $19,000 because they really want one bird in the hand and two in the bushes?

**Michelle:** Yeah.

**Jack:** Is that how it says? In German, it's always said, "It's rather one bird in your hand then a pigeon on the roof." That's how it says. I know it's a completely different thing but it's the same thing right? So you really want to have something… You want to have something small for sure than something bigger and nicer that you can't reach. That's basically the bottom line. So they're not sure if the option is going to work out. They are lured perhaps by the higher price, but then their motivation is that they just want to get rid of that thing and even if it's just cash, even if it's less cash, they accept the less cash. Somebody else will basically say or will be offended by the lower product cash amount but will be okay with the higher option amount. And then they will be taking that.

Obviously, their motivation was not cash. Their motivation was more to get a decent amount out of the property. So bottom line is you didn't have to guess what their motivation was. You didn't have to see what their threshold is. You gave them two options at once. And with that, it severely increased their potential for that deal. And one of our students actually just did that. James and he basically had the property that's worth about $70,000 and 14 acres and in Florida across the street from a high school. And he offered... Number one, he offered $17,000 in cash but then he offered $32,000 option. And guess what? The seller took the $17,000 cash. So he bought it and right now, he is in negotiation with the buyer to sell it for over $60,000.

Now that's a nice... What is that $43,000 to $48,000 profit depending on whether he sells it for $60 or $65? So this is the beauty of that double offer. You use the same sale agreement; you add an option to it; you use the same offer letter. All that, we have in our program; we have the option, the sale agreement and the letter in our program. And you basically just change the wording a little bit to say "Hey, after full consideration, we want to give you two choices. Choice one is a cash offer for X; choice two is an option for twice X or whatever it is."

**Michelle:** Yeah, and this can work in both land and houses. The only thing in houses is that time is of the essence, and there is a level of urgency because either the tax foreclosure auction is coming up, then obviously the option for a long period of time will not work.

**Jack:** It will not work very well on that end. But you can do this similar thing in the housing world by for example, mixing a cash price and as an alternative, something like a subject-to, which is really is a different subject here. But a subject-to just really basically gives you the keys to the house, and gives you a deed over, and you take over their responsibility for their mortgage. That way, you just... You might have to give them a little bit moveout money.

But at the same time, it also works that way in many cases. The key is if you give people more options, they're more likely to accept one of them. That's the bottom line. And we found a really elegant way with this. That's what we called a double offer in our tax delinquent real estate strategy. All right. So that's what we wanted to cover in this podcast. It's a short one. Is there anything else you wanted to cover?

**Michelle:** Well, in homes you know how we usually offer a low amount and basically help the seller reason as to why the offer is lower. And a lot of the reasoning that goes into it is not just basically words but actual numbers that shows them. For example, what would they incur if they would equate the house for sale with a Realtor, and the cost of the Realtor fees and the closing fees? Because we usually solve all of that…

**Jack:** We probably might do another detailed podcast about that but it's a very good point. And how it fits into this area… See, fitting is again… The key is... Well, to get offers to be accepted, make sure the seller doesn't just get offended or the seller just doesn't understand. But instead, the seller understands kind of either how you got to that offer. Now in the land area, that's not so important, because in land these people, they just don't want it anymore and they accept almost anything. But in the housing area, if they think their house is worth $70,000 and you figured out based on the calculation of repairs and bad taxes and profit margins and so on that you have to buy this thing for $10,000…

Well, you don't want to negotiate with them from $60 down to $10. You want to make them... because that's a big jump. If they say like, "Well, I think my house is worth $60," and you say like, "What if I offer you $10?" Well, likelihood is very low that you're going to get that house. Instead, what you want to do here is a different path. Now in the land area, you just switch back to what we just talked about. In the land area, you do this by mail, because again the motivation level of the land owners is incredibly high. I call it the simplification of real estate because it's all very simple. There's no houses; there's no negotiations; the sellers don't want it anymore. You just make an offer and they accept.

In the housing area, it's different. In the housing area, you do have to negotiate as again that's probably a subject-to in another podcast. But one of the things that you want to do is you want to make sure that you don't have to negotiate between $60,000 and $10,000 because that's a gap that's almost too hard to overcome. But it can be overcome if you make the seller understand that his house is really not... that if he sells this house today, he's not going to walk away with $60. By making him understand that first of all, there's $25,000 in repairs on that house so this house, first of all, is not worth $60. This house is only worth $35.

Number two, you got to explain that if you sell it to a Realtor right now, this house will sit on the market for a year before it sells at $60 to somebody. And in that year, there's going to be vandalism to the house; there's going to be perhaps property taxes that have to be accrued; there's going to be additional repairs that need to be made. And also, if there is a mortgage on the house, so mortgage payments have to be made.

**Michelle:** Taxes need to…

**Jack:** Taxes need to be paid and so on and so forth. So therefore, you tell them that it adds a bunch of cost. So now, that might add up to another $10,000. So they see like they have to wait for a year for their money. So now after repairs at $35, then you tell them like, "If you hire a Realtor, the Realtor is going want to make some money. Closing costs are going to cost some money. So therefore, any buyer is going to want to have some concessions in some things."

So here now, you're down to $25,000 after taking all of that into consideration. And now basically, you then start negotiating and you start telling them, "You know what? You can probably sell this house right now. Nobody is going to offer you $60. The lowest anyone might be offering you is $35. And after taking all these things into consideration, you net $25 or you can accept my offer. I'm offering you $10 or $15 for this property right now."

**Michelle**: And now the gap is only going to be $20 or $25.

**Jack**: Exactly. Or, "You can kind of accept my offer for $10 or $15 cash closing in seven days. You walk away from this property. You walk away from your headaches. You walk away from everything. You don't have to ever worry about anything anymore and so on." And as Michelle just said exactly, the key now is that you are now only negotiating between $25 and $10 or $25 and $15. Now this assumption is that there's no mortgage here and there's a deal.

But still, these are the basic parameters of how you want to negotiate with somebody. Because once you get them mentally to the point that you lined up, that you outlined all the different repairs that the thing needs and all the different other expenses that they don't see, all of a sudden you are now having to breach a $10,000 gap or a $15,000 and no longer a $50,000 gap. And that's how you get closer to a deal.

At that point, they might say, "Well, I'm not getting much money for this thing anyway. I might as well just let it go. I might as well just let you have it for $10 or $15. And yes, so here, where do I sign?" And off you go. And there's much to that that we can talk about, like for example, "How do you make sure that they understand the repair costs are as high as you want them to appear?" and so on. So we can talk about that but we'll do that in another podcast.

**Michelle:** Sounds good.

**Jack:** All right. So with that, anything else, Michelle, on this subject?

**Michelle:** I think that's it.

**Jack:** I think we nailed it. Okay, good. So as always, feedback.

**Michelle:** Yes, absolutely. We would love to get your feedback. We would love for you to rate us on iTunes or on our website. Engage with us; ask us questions; let us know what you think if you love it. Don't let us know if you hate it. No, it's okay. You can tell us.

**Jack:** If you hate us, send a message directly. If you love it, let the world know, because if you send us a message directly, we can fix it; we can improve it. If you just put it out there, then it's out there forever. And even if we improve it, it would be still out there forever. So let us know; give us constructive criticism; go to Facebook.com/ForeverCashLife or go direct to the podcast at ForeverCash.com/Podcast and leave feedback right there.

**Michelle:** Yeah, and if you want to hear anything that we haven't discussed yet and give us ideas on topics, things that you're interested in hearing about; I'm pretty sure we... If it's anything regarding land or tax delinquent real estate, homes, we will probably have a lot to share.

**Jack:** We have a lot to share or if we don't, we can find an expert to interview about the subject. So by all means, yes, let us know; reach out to us; and go and leave a comment under the podcast episode. And we'll read those comments, and then we will create a podcast just for you based on the feedback that you give us. All right, with that…

**Michelle:** Thank you very much.

**Jack:** Buh-bye.

**Outro:** Thanks for listening to the Forever Cash Freedom Podcast. Subscribe now for future content-packed episodes on how to push the ejector seat on your financial hamster wheel and discover our radical way to freedom and wealth through cutting-edge real estate investing strategies. To learn more about living the "Forever Cash" lifestyle, investing smartly and becoming financially free, visit www.ForeverCashFreedom.com to claim your free "Forever Cash" Starter Kit today!