Forever Cash Real Estate Podcast 003

How to Easily Flip Tax-Delinquent Properties and Land with Little Competition

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 and I'm having here with me...

Michelle: Michelle Bosch.

Jack: Wonderful! I'm excited. We are excited to share with you yet another episode of the Forever Cash Real Estate Podcast. Today, we're going to talk about a subject that is working like gangbusters right now. Michelle is going to talk about that in a second. But before, I want to remind you. For your free gift, just go to www.ForeverCashFreedom.com. Again, ForeverCashFreedom.com. You can claim a free gift from us. It’s a free mini course that you can take that gives you introduction and a good amount of detail about how to make money with tax delinquent real estate.

Michelle: So today, we'll be exploring one of the techniques in tax delinquent real estate investing that can bring incredibly fast breakthroughs on your path to your financial independence. So, there's many mixed messages, beliefs, contradictions out there surrounding money and financial independence. And, our goal is to change that because the strategy we're about to share with you is really quite simple. And, it deals with homes but it's still simple. Yeah. So, this strategy is what we call "The Flip It Fast Strategy." It's a strategy that can give you fast results and large checks wholesaling houses that are tax delinquent and we're about to go to either a tax lien auction or better yet a tax deed auction.

Jack: Wonderful. That's what we're going to talk about - how to flip houses where the owners have not paid their property taxes. Now, why do we focus on houses where the owners haven't paid the property taxes? Very simple. Because those have some characteristics and those have some very specific reasons why they are actually the most profitable house deals that you can find. So, I'm very excited because what we're going to share with you is literally... The details on... We're not going to talk about fluff and anything like that. As you know, the Forever Cash Freedom or Forever Cash Real Estate podcast is about details on that. So, we're going to talk to you about how to get a list of sellers that are hyper motivated.

Michelle: Uh-huh. And, this list of property owners is actually quite easily accessible. The deals are easy to get by contacting the owners who either are about to lose their property to tax auction and you can get a deal done really, really fast. So, getting deals under contract is easy. There's no or very little escrow deposit needed. Everything is designed just to pass the deal on to our wholesale buyer or you might decide to rehab yourself or go ahead and sell it to a rehabber. But, it's incredibly, incredibly simple!

Jack: Right! So, that's the thing. So with that, I think let's get started then and dive right into the details. So, who get started? Do you start or do I start?

Michelle: You can go.

Jack: I can go. Okay, good! As you guys can tell, Michelle Bosch and Jack Bosch, we're married to each other. We have been in business for over 13 years now. And yes, married as business owners actually works if you know how to separate your roles properly in your business. But, just as side note, just before we get started... I want to just diffuse this. This is the first podcast you're listening to. I want to let you know what that Forever Cash Real Estate Podcast is all about. It's about ways to do deals with no competition or extremely low competition, high profit margins and with little or no money out of your own pocket. Now, there are a lot of people who say you can't do that. But, we're going to share with you exactly how to do that because the niche that we have done over 3,000 and going on 3,500 deals is called "Tax Delinquent Real Estate Investing."

You might have heard about tax liens and tax deeds. This is the foundation to what we bring to you here. However, there's a big twist to it because we actually very rarely attend the actual auctions. We rarely attend tax lien and tax deed auctions. Sometimes, we do a few times a year, but usually what we do is we actually go around the auction and buy properties, great properties with back taxes from the owners for literally $0.05 to $0.25 to $0.30, $0.40 on the dollar, depending on what it is.

We do that for land. We do that for houses. We do that for commercial properties. We bought a commercial property last year, and then literally, after we had reworked some of the parameters of the deal, we bought it at half price. Now, at that price, it was too bit of a deal to even sell. So, we just kept it. And now, we have a nice capital property and we're building what we call "Forever Cash." And, Forever Cash is cash that you invest once and you get paid again and again and again passively forever.

But now, let's go back to what we're going to talk to you about today which is the "Flip It Fast Formula Concept." All right. So, here's the thing. Imagine there are people out there who don't... who own houses and for whatever reason, don't want those houses anymore. They might have inherited the house. They might have gotten it in a divorce. They might have owned it for 40 years and now, they just don't want it anymore or whichever way or they just want to move away very quickly and want to get rid of it. Now...

Or, they might just be in a financial hardship, and because of all these reasons, they don't want these properties anymore and they stopped paying property taxes. Now, when you stop paying property taxes, what happens? The government takes that property away from them. And, they do that either to a tax lien or tax deed process. We're not going dive into that a lot right now because we have other podcasts that are available right there, right here next to this one that we're going to talk about the tax lien principles and the tax deed principles.

But, sufficient to say that, if in the United States and Canada, if somebody does not pay the property taxes, the government automatically takes that property away from them, right? And, they do that by either issuing a lien that they sell and then the lien holder can foreclose on their property, or they're doing that by just taking the property and selling it on a public auction. But in either case, whichever way it ends, in most cases, these owners end up with absolutely nothing. They lose the property. They get no compensation for it and they just basically...

And you know what? In many cases, that's what they want, they want to just get rid of that property, or at least they have their head in the sand and they don't really care about these properties anymore. So, the key here is that these properties are not junk properties. All right. These properties are not junk properties. As a matter of fact, they have a lot of equity in them. These are houses. These are mobile homes. These are car repair shops. As I've just said, we bought one of those. They are...

Michelle: There are actually a lot of them that are free and clear because if you had a mortgage on it, it would be... The property taxes would get paid through escrow on a monthly or yearly basis for you. So, a lot of these properties are actually free and clear.

Jack: Right! Right! Because, if you have a mortgage on your own house, the way it usually works all across the United States and Canada too is that the bank doesn't allow you to pay your property taxes on your own because you might forget. They want to make sure that the property taxes are paid consistently every single year. So, what do they do is, in addition to your principal and interest of your monthly payment, they also charge you one-twelfth of the property taxes every single month. And then, they hold that for a year, and then once a year, they pay the property taxes for you. That way, they are controlled. So that means, really, that all the properties with mortgages...

Michelle: Wouldn't be on this list.

Jack: ...wouldn't be on this list.

Michelle: Yeah.

Jack: ...wouldn't ever have tax delinquent property taxes. However... So, which properties do have delinquent property taxes? The ones that are for in clear, right? The ones that are for in clear... Just as what Michelle just said, because those are properties where there's no mortgage. There's no more banks collecting these monthly payments and therefore, it's the owner in charge of these properties. So now, we have a list of properties that have high equity. Now, if you want to go down the list of what is the "Holy Grail" of properties that any house flipper wants to go look at. What we find is properties with high equity, properties that can be bought under value. And, why they can be bought under value? Because there's urgency in the sale. I know so many of my rehabbers and wholesaler friends say they don't buy properties. They buy urgency.

Michelle: Uh-huh.

Jack: Right?

Michelle: That makes sense.

Jack: So... And therefore... So, if we need to... So, let's look at what properties we have in the tax delinquent area. These are properties that have high equity and the owners are about to lose their property in a tax sale, either in a tax lien foreclosure or in a tax deed sale. Now, it can be next week, next month, it might be a year to go. But, they will realize that they need to sell these properties soon or otherwise, they're going to end up with absolutely nothing. So, in essence, we have now highly motivated sellers which is another aspect of the "Holy Grail" of all real estate lists, and we have high equity properties. So, we have the perfect list. Now, the third aspect of that is competition.

Michelle: Yeah. And, this is a strategy that almost no one uses. People don't know that you can get this list of properties from the counties ahead of time, way ahead of the actual auction. And, the focus here is on properties with a lot of back taxes. You contact the property owners which are usually sellers that are willing, like Jack said, to let go of the property for little to no money for taxes at the auction. And, you can purchase those properties directly from them for pennies on the dollar.

Jack: Exactly right! So now, we have literally... We literally, basically have the "Holy Grail" of real estate lists here. We have people don't want their properties anymore. They have urgency to sell. They have high equity. And, nobody knows that these lists even exist.

Michelle: Uh-huh.

Jack: As a matter of fact, Michelle and I... We belong to a Mastermind of highly, highly, highly successful real estate flippers and real estate investors. And, when I ask in front of literally a hundred to such real estate investors... I ask for a raise of hands of who uses tax delinquent real estate lists as their source for deals, one hand other than mine went up. One hand! And, that was somebody who's actually was one of my students and actually made it to become a big, big player himself and join us in the Mastermind. That's so basically what he had learned from us. So, that's the key here. So now, we have... We're dealing in an environment where there's... Even in the housing world where people are used to a huge competition, we found a niche where there's no competition.

Michelle: Yeah. And so, people abandon these properties and you see it all the time when you see boarded-up houses. Often, in these abandon homes, the owners are not paying property taxes anymore obviously because they're not interested in that home. And, they basically give up on the properties and don't want them anymore. So, when people stop paying property taxes, the government, through the counties and the municipalities go and either starts the tax lien or the tax deed process. Yeah, which is Jack already explained a little bit ago.

And so, these property owners are most motivated because if the property does go to the auction, they'll end up with nothing. And, it's usually a very time-sensitive transaction where they only have one or two months left before the property actually goes for auction. So, that addresses the urgency that the rehabbers are talking about and all over the place for because... In fact, this seller has urgency. They know they have 30 to 60 days to make something out of this property or just completely forget about that property.

Jack: So, let's take an example quickly for a deal that we have in. We just... And, that works for houses as well as for land or just for everything. So, let's take an example of the car repair shop that we've bought last year. We... What happened to this is that property have five, four years of back taxes already, adding up to $23,000. And, the seller... It was in a tax lien state, so there's no auction where the actual property is being sold. But instead, a lien had been sold to an investor and the investors are just notified literally the day that they received our letter. The next day, they received another letter from a law firm informing them that the foreclosure process had been started.

Michelle: Uh-huh.

Jack: So, as a result of that... Now, foreclosure process takes a little bit. But, at the same time, this startled the property owner. Now, in this case, the property owner was now aware that he owes property taxes or at least that's what he said. But, he freaked out. He freaked out and called us and he basically said like, "Okay. I need to sell this thing because they're foreclosing on me. I don't have $23,000 to pay this off. Let's do something." So, we met. We looked at it. We negotiated the deal. We bought this property. We put it under a contract for $95,000 and after renegotiating the lease on it, it turned out that this property had a value... Because it's a commercial property, it's valued a little different than a residential property, where it has a value of almost $200,000. So, we were basically able to get a $200,000 asset for $95,000. And literally, the day after, I had it under contract. I had an offer from somebody else for $120,000 for the property, so that's a $25,000 gain.

But, in this case, we could've flipped this thing very quickly enough after a closing cost net at $20,000. And, the beautiful part about it is that out of doing exactly what we're going to talk about in just a second is, when we dive into the details of how this works, we would have not even have to buy it. We would have not needed $95,000 to buy it. We would have needed no money. Actually, we gave him, I think $1,000 escrow deposit and that's it! And in many cases, you don't even need that. But, in this case, we actually decided that we want to keep that thing because it rents for $1,600 a month. So now, we have a $95,000 property that rents for $1,600 a month, and it's pretty much triple net, and that's a very nice cash flow on that kind of property.

Michelle: It is! It's beautiful. It's like... When Jack was telling me the details, I was like "Ka-ching. Ka-ching." This is like...

Jack: Wonderful!

Michelle: ...music to my ears.

Jack: Because if you think about it, what does $1,600 a month mean? In this case, it's free and clear that it's all cash. If you would finance that thing, it would still probably cash flow at $1,000 or $800 or so.

Michelle: Yeah.

Jack: But at $1,600, what does that mean? Well, for most people $1,600 pays their mortgage, pays their car payment, pays their car insurance, and might even pay their electricity bill, or their gas, or combination of those things. If you think about it, if you have two or three of such properties that you build up over a period of a few years, you have almost find that the average family is almost financially free.

Michelle: Yeah. You're out of the rat race.

Jack: You're out of the rat race. You're out of the hamster wheel of financial hell, as we call it.

Michelle: Yeah.

Jack: So, now back to... Sorry for the interruption, but I wanted to share how this all can actually happen. I will share some more examples in a moment.

Michelle: Yeah. So, once you own the property... So, you contact the owner. You negotiate a price. You usually offer to them... We usually go anywhere and start at 5% up to 25% or 40% or 50%. It just depends on the deal.

Jack: There's actually an exact calculation of that which will show you in a second.

Michelle: In a second. Yeah. And usually, the sellers are excited and they jump at the opportunity to sell to you. And so, once you own these properties, you can wholesale these properties to other investors or rehabbers who know how to deal with the properties if you yourself don't know how to rehab a property. Or, if you do know, you can rehab yourself and sell it for top market value. Or, you can decide like we did in this case, which was a commercial property, we negotiated the lease, keep the property, do some minor improvements and basically get monthly passive streams of income from this property. So, there's many exits that you can go through once you have the property, and you can do this again and again. Or, you can do this a few times until you have money to buy and rehab the properties yourself, and then you don't need to wholesale them anymore.

Jack: All right. The key to this strategy is really... So, if... Number one, if I'll summarize that now to... We're looking for properties that owe back taxes. Now, where do we get this property lists from?

Michelle: So, two ways to go about it. It's to get a list from the county. And, these properties are either from states that are tax lien states or tax deed states. If it's a tax lien property or a tax lien state, then a lot of these properties are still years away from foreclosure. And, if it's a tax deed state, it's usually you have about four to six weeks for the actual sale. And so, this is what we say. Okay, if it's a tax deed state, it's urgent; it's time-sensitive; you cannot drag your feet and you need to basically jump. And, you contact the county and you ask for the information technology department and this is a special secret way.

Most people go through the tax collector, which can be very helpful or the assessor, depending on the state. But, we usually ask for their information technology department. And, what's great about that is that these guys can very easily and very simply do a query of both the tax collector and assessor's database to get not just the properties that are tax delinquent but the actual mailing address of the owners, which is something that usually the assessors have. So, the back taxes are usually something that the tax collector has. And, the mailing address of the owners is usually something that the assessor has. So, that's why we want to... Instead of playing back and forth between these two offices, we usually go for the information technology department.

Jack: Right! Because here's the thing, when you get a tax lien list, as Michelle just said, it has properties that are coming up for tax lien sales. Some of them or most of them will still have quite a while to go for they can actually be foreclosed on. Or, if you get a tax deed list, one that comes up for four to six weeks before the auction comes up... Or, even if you get a list of all the properties that are tax delinquent, which often can be referred to as the "Delinquent Tax Roll..." When you get those, the county department that has them is the treasurer, and the treasurer doesn't usually have mailing information. But ultimately, the way we actually approach these people and these properties or the people that own the properties is by sending them a letter.

Michelle: Uh-huh.

Jack: So therefore, we need their mailing address. And, what Michelle just explicitly and nicely explained is that, when you go to the information technology department instead of the treasurer, you can actually have them run what's called the "Custom Courier" or "Custom List" of getting you all properties with a certain amount of back taxes or certain amount of years of back taxes. They're soon ready to be foreclosed on or they're soon ready to come to the auction. And, you can ask for the mailing address also. So basically, you're going in this secret way or special way that nobody uses. And, this is the reason why so few people actually use this information because it is not available by going to a list broker.

And, most people want to go the lazy way. And, the lazy way is to go subscribe to some kind of service for $47 a month that gives you the mortgage foreclosure data or the high equity data or anything like that. What you do here is you actually create your own "Holy Grail" of a list. And yes, it's an extra couple of steps. And, as we said in our other podcasts and we want to say it here right now again too. This is not a "Get Rich Quick" program. This actually requires a little bit of work. But, the work is very well worth it because when you get... And, it's only a phone call to the information technology department. It's not that much anyway either. But, when you get that list and you get it with mailing addresses, now you have everything you want.

Michelle: Yeah. And so, once you have contacted the information technology department, you ask them for the specifics of what you want that list to have. It's usually a list of all properties that have back taxes, where the owner has not paid their back taxes. You want the owner name, the owner address... If possible, the value of the property, the assessed value...

Jack: The mailing address, of course.

Michelle: The size, the number of years that taxes are owed. So, that gives you a good indication of the urgency that the seller might have in selling their property. A short legal, property address... And, you usually ask them to send you that file in Excel format, in a Microsoft Excel file that you can basically easily use along with Microsoft Word to do a Mail Merge and send out a letter.

Jack: All right.

Michelle: So...

Jack: And once you have done that, you have your list. Now, one thing that you might want to ask for is what each property is kind of used for. It's often called the "Use Code" or it's the kind of property list that you can separate houses from land. Because, if you only want to go after houses, you want to... But, houses are not just the properties that people stop paying property taxes on. People stop paying property taxes on all kinds of property. So, when you get a list of all these properties, you want to be able to tell which one is which. But, you know what? We also do a lot of land deals. As a matter of fact, land for years, has been our specialty.

Michelle: It's been our bread and butter.

Jack: It's our bread and butter. So therefore, we don't care if it's land or houses. As a matter of fact, we just bought a property last week in California worth almost half a million dollars in our calculations, and we got that thing for under $200,000. So, that's basically 60% discount on the property. And again, we bought it in a way that we don't even have to pay all the money right now. But, it's coming up for auction in a week. So, that's why the person was willing to let it go for back taxes plus $10,000.

Michelle: Yeah.

Jack: And, they literally left $250,000, $300,000 on the table because they have to sell or otherwise, they'll get absolutely nothing. All right. So, to move on quickly, once you have those lists, you select the ones that you want to go after. It's basically the houses. And then, you send them a letter. And, when you send them the letter, you ask them to call you back. So, when they call you back, you talk to them and at that point, you now need to ask them a few questions. You need to ask them questions about the property. You need to ask them a whole set of questions about basically the condition of a property because what you want to find out is how much repairs are necessary on the property.

So, you ask them, "How long has it been since the roof has been replaced?" "Are there any leaks in the roof?" "How old is the kitchen?" "What repairs do you think need to be done?" And, the seller often tells you if they know it. They tell you a lot. Sometimes, they just tell you, "You know what? I haven't seen the house for three years. I haven't collected any rent for three years. There might be some squatters in the house." Well, in that case, you can basically assume that it needs a full rehab.

Michelle: Yeah. Yeah.

Jack: All right. So...

Michelle: But, you still want to get from the seller like the number of bedrooms, number of baths, the actual square footage because that's going to help you do a comparable analysis later on, and in order for you to then come up with an offer to present to the seller.

Jack: Exactly right! So, you definitely want to do those things too. You want to find out all basically and as much detail as you can. And now, if you live in the same town as the property is, then obviously, when the seller calls you and the seller also lives in that town, then you want to meet at the property.

Michelle: Yeah.

Jack: Therefore, you just bring your checklist with all those different items of the property that you can take, and you can go and walk through the property and look at all the different things. And, basically make sure... There's actually a science behind walking through a house because when you walk through a house, a lot of things look in good condition if you don't pay attention to them. So, one of the things you want to look at is you want to look at the obvious. You want to look at the tile. You want to look at the walls if it needs repainting or if there's holes in the wall. But, you also want to look at the doors. "Are the doors in good shape?" because if not, every door costs... I don't know. $100 to replace?

Michelle: Very important, windows. They're very expensive to replace.

Jack: Yeah. Look at every window.

Michelle: Yeah.

Jack: It costs between $200 and $400 depending on the size of the window to replace. So, look at how old are the windows. "Are they single pane or double pane?" "Are they 1950s or are they 1990s?" and so on. Then also, look at the kitchen. "Can the cabinets be salvaged?" or "Does it basically only need a new countertop?" or "Does it need a full kitchen remodel?" Now, a full kitchen remodel, looking pretty, can be done for under $4,000. But, if you can keep the cabinets, the cost goes down to perhaps $1,500.

So, what you got to need to know is the same with bathrooms or the bathroom. "How is the tile?" But then, also little things like... For example, "How is the roof?" "Is the roof good?" If it's a tarnishing of roof, look at the separation between the tarnished shingles. If the separation is very, very small just like a tenth of an inch or an eighth of an inch, it's a fairly new roof. If the separation between each shingle is like half an inch or so, the roof is old.

Michelle: It's an old roof. Yeah.

Jack: And, it probably needs to be reroofed. Now again, that's not a deal breaker. It just means a new roof on a regular 1,200 square foot house with tarnishing of roof cuts about $4,000. You got to know those things. Look at the air-condition. "Is the air-condition old, new or non-existent?" Right? So, that's kind of the things that you want to look at. And, little things like that. And then, just make a checklist of all those things. Look at the lighting. "Are there any ceiling fans?" "Are they working in condition, etc.?

Michelle: Plumbing. I mean...

Jack: Plumbing. Right!

Michelle: Do the toilet splash?

Jack: Do the toilet splash? Think, "How old is the house?" "How does the electricity look?" Walk around and look at the electric panel. Now, those are things that if you are at the property yourself. However, if you are far away from the property and the seller is far away from the property, you can actually calculate expenses of repairs costs on a rough basis without actually being there. And for that, we actually have a kind of rule of thumb and the rule of thumb is very simple. If the house is less than 1,000 square feet, it will at least going to cost $2,000. It costs up to $20,000 to rehab the house. If the house is between 1,000 and 2,000 square feet, it costs up to $30,000 to rehab the house. And, if it's all worth 2,000 square feet... Well, it can cost more, perhaps $30,000 to $40,000 to rehab the house.

And, that's based on experience values of... For example, you add up a 1,000 square foot house. It's usually a three bedroom, two bath and a kitchen. Well, if it requires new tiles, new paint, new kitchen, and new bathrooms, and then the roof... Well, if you add all these things up, you're easily within the $15,000 to $20,000 range but not much higher than that. So therefore, you can even do this remotely. And, we have more information about that on our website, FlipItFastFormula.com.

Michelle: Uh-huh.

Jack: You can go there to www.FlipItFastFormula.com. We have a webinar on that which gives you more details about that. But basically, those are the things that you can do even if you do this remotely. And, the key here is you want to build in a buffer into the pricing so that even if you're a little bit off, there's still enough money in the deal. And, that's the beautiful part about going after the highly motivated people with a lot of equity. They don't really care if the price is that much. They just want to make something because when they lose the property, they will make nothing.

Michelle: Yeah. Now, could you go a little bit into, perhaps an example with actual numbers? So that people can understand a little bit, like how they're going to back up the cost of the repairs and calculate a wholesale dollar amount that they want to keep or that they want to pass on to the rehabber, because there's going to be money in it still for a rehabber, for a potential rehabber.

Jack: Absolutely! So, let's take an average house worth of $150,000. So, if it's an average house worth $150,000... And, that is not the value of the house right now. That's the value of the house after this repair. So, one of the things to step... The next step at this point is, once you have somebody calling you back, you need to basically see... You hang up the phone after you ask him a bunch of questions that we just went through. And then, you go and figure out what this house is really worth. And, you go to websites like Realtor.com, Trulia, Zillow and other places like that, and you find out what other houses, similar houses in size and location have sold in the last, ideally, six months. And by now, most of these websites have actual sold information on their website.

Michelle: Yeah.

Jack: It's really cool. You find out what they actually sold for. It's not just listed prices but sold prices. So, you find it out. And, let's say the average house - a 1,000 square foot house, three bedroom, two bath is sold for $150,000 in that area. Great! So now, what you have is what we call your ARV, your "After Repair Value."

Michelle: Repair Value.

Jack: Now, what you basically do is, based on your conversation with the seller, you come to the conclusion that this thing is pretty much a full rehab. So, it's a $20,000 rehab. So now, what it basically says is... Okay, so its worth after repair is $150,000. So, before repairs, it's technically worth $130,000.

Michelle: Uh-huh.

Jack: Because, if somebody just put its sweet equity, they can basically put it in there. Now, why would anyone buy a house at $130,000 when they have to put $20,000 in repairs and when they could also buy a fully rehabbed house for $150,000? So, it doesn't really make sense for anyone to do that. So therefore, at $130,000, nobody will buy the house. It needs to sell at a discount or whatever.

Michelle: Uh-huh.

Jack: So therefore, let's say that we're now at $130,000. Now, let's say a rehabber is certainly not going to buy that house for $130,000 because after he puts in $20,000 and sells it, he has made no money.

Michelle: Uh-huh.

Jack: So, a rehabber now needs to make another... We say, an average, at the very least, 20% of the market value of the property but at the very minimum of $20,000. So, in this case, 20% of the after repair value is $30,000. So, the rehabber wants to make $30,000 on that flip because at the end of the day... So therefore, the rehabber would buy that house for $100,000.

Michelle: Uh-huh. But, at this point then, you haven't made any money. So...

Jack: Exactly.

Michelle: Yup.

Jack: At this point, you still haven't made any money. And in all reality, the rehabber is not going to make a full $30,000 because if he doesn't have the $100,000 to buy the house, he needs to borrow it. So, if he has to borrow it, he has to pay somebody else some interest and perhaps some points and so on.

Michelle: Holding costs.

Jack: And, holding costs. And then usually, when he sells it to the Realtor, the Realtor makes an extra commission so that eats up off of his $30,000. That eats up about $10,000. But, he'll still make $20,000 and that's a pretty fair profit for somebody who has to put in $20,000 worth of repairs into a house.

Michelle: Uh-huh.

Jack: So, he puts all his effort in repairs and he has cruised and he does all the things. And at the end, he makes $20 grand. Pretty good deal but also a lot of work for the rehabber. But so, the rehabber would sell and would buy this thing now for $100,000. But at this point, as Michelle just said, you haven't made any money. So therefore, you need to buy it from the seller at below $100,000. And really, in our reality, every dollar below $100,000 is profit for you. Now, you need to know... You need to make up your mind, "What's the minimum check will I go like?" "What's the minimum dollar amount you're willing to work?"

So, if you're willing to buy this thing for $95,000 and flip it for $100,000, you'll make $5,000. But, if you can buy it for $80,000, then you can flip it for $100,000 and you make $20,000. If you can buy it for $60,000, you can literally flip it for $100,000 and you make $40,000 on the deal. Or perhaps, in that case, you flip it for $95,000 or so and even a little bit of extra money in for the rehabber. You can do it that way. But, the key here is, everything below $100,000 is where you profit margin starts.

Michelle: Yeah. And, when Jack says you have to buy that property, you really don't have to buy that property. If you make an offer at $80 grand on those, you don't have to come out of your own pocket with the $80 grand if you're wholesaling this to a rehabber. Basically, your rehabber is your end buyer and you'll just going to cut a check for the difference.

Jack: Right! And, that brings us to exact next idea which is once you found that... You've figured out this thing is worthy. You're making an offer of $80,000 and the seller accepts it. Or, perhaps you make an offer of $70,000, and then the seller negotiates with you up to $80,000. You agree on $80,000. You signed an agreement, a sale contract where you basically say, "I hereby commit to buying this property for $80, 000" and…

Michelle: Minus the back taxes.

Jack: Minus the back taxes!

Michelle: Yup.

Jack: Exactly right. Minus the back taxes. Now, in this case, if the back taxes are another $30,000, the seller doesn't get $80,000. The seller gets $50,000.

Michelle: Uh-huh.

Jack: Very good point! Thank you very much. We almost forgot about the back taxes...

Michelle: Yeah.

Jack: ...which are the foundation of everything we're talking about here.

Michelle: Yeah.

Jack: Very good point, Michelle. So now, in this case, he buys it for $80,000 minus back taxes. So, the seller... Let's say the back taxes are $30,000, the seller nets $50,000.

Michelle: Seller nets.

Jack: Now, this is $50,000 that you would've not made otherwise because... We have an example just like that that we did last year where we literally bought and did the transaction two days before the foreclosure would have ended. And, because we were able to slide in and do it before, the seller got $68,000 in the transaction, where otherwise, she would have gotten zero because at the point of tax lien foreclosure, the seller gets absolutely nothing and the person foreclosing out the property gets the full amount.

Michelle: Uh-huh.

Jack: But, back to this example. Now that you have it under contract, you immediately go and market the property. You go market it at Craigslist on all different places. Or, if you have a buyer's list, you send it to your buyer's list. And, let's say now...

Michelle: We'll have a podcast on how to create a buyer's list.

Jack: Absolutely. There's a podcast that's still coming up where we'll teach on how to create a buyer's list. And then, what you do is, let's say you find somebody that is offering you $95,000 for the house. You have it under contract for $80,000. He offered $95,000. You agreed to it. You tried to get the $140,000 but you couldn't. You get $95,000 for it. Great! So, you signed another contract with them. And then, you what's called a "Double Escrow."

Michelle: Or, you can assign.

Jack: You can assign a deal. In this case, it's actually probably fine. You can assign the contract to the person and they pay you $15,000 for the contract. And then, they take the contract and execute it and buy it. Or, you do what's called a "Double Escrow." And, in a "Double Escrow" basically, you go to one title company and you open both a purchase transaction and a sale transaction with the same escrow agent. It's two different escrow transactions. There's two title insurances that's being paid. The title company basically double dips and makes double money. But, if that happens, you don't have to come up with any money yourself to make this thing happen. So, if you don't have $80,000, that's okay! Because, you just open escrow it for you, purchasing it at $80,000 and you, selling it for $95,000.

And then, what happens is... The buyer, the rehabber that comes in with $95,000 pays the $95,000 for the property, wires that to the title company and to the title attorney. And, you don't have to come up with any money. The seller, you and the rehabber... all three have signed all the respective paperwork. And then, at the very end, what happens is, the title company takes the $95,000, then takes $30,000 of that and sends it to the county for back taxes, then sends $50,000 to the seller for the property, and then sends the remaining $15,000 to you as the person who put it all together. And then lastly, they do one other thing. They take the deed to the property that's now basically the deed where the ownership transfers from the seller to you, and then from you to the buyer...

Michelle: Uh-huh.

Jack: ...and take those, record those with the county. And now, the buyer, the rehabber owns the property and has paid $95,000 for it. And now, the rehabber immediately goes and rehabs the property for $20,000, sells it for $150,000 and perhaps get an offer for $145,000, whatever it is. And basically, at the end of the day, makes his $20,000 to $30,000 on the deal. But the key here is, by just finding the deal, putting it under contract, and finding a buyer, and doing what's called the "Double Escrow" or the assignment, then you've made $15,000 in this transaction without having to use a dime of your own money.

Michelle: So, in summary, the source of this "Flip It Fast Strategy," the source of these deals are tax liens and tax deed lists. And, these are lists that are basically acquired through the county through their information technology department. The property owners are about to lose their properties to tax sale. They're up against the wall and have only weeks or days left to find someone to sell their property to and make at least a few bucks or if not, they're losing the property at the entirety. So, they're hyper motivated to do a deal and sell the property. The investor gets that list from the county, like I said. You analyze what's the possible deal based on values...

Jack: And, that's your meaning, you.

Michelle: You, exactly. The amount of liens against it or property taxes. You contact those owners directly and there's a really high response rate because nobody else is doing this. You negotiate a deal with that seller. You get the deal under contract, and then you turn around and either do a double escrow, just like Jack explained or assign the deal to another investor. So, in summary, the list of the property owners is very, very accessible. The sellers are hyper motivated. The deals are easy to get by contacting the owner, who is about to either lose it all or talk to you and basically help them out.

And so, the urgency along with you, being the only solution is what makes this like a formidable formula and combination. And then, you pass on the deal. And, that's pretty much the just of it. It's extremely, extremely simple. There's only this time sensitive aspect to it that you need to act fast once you have a response from a potential seller. And, you're on your way to making big large checks really, really relatively very fast.

Jack: Right! And, to make things even once step easier is what he has done with our students after we told them about that. A lot of students have said, "Well, Jack. This is awesome! But, I would like you to partner with me. I mean, I feel comfortable finding these deals and sending out letters, and talking to them, and putting it under contract. But, I'm not entirely comfortable doing all the steps in there." So therefore, we have actually created the "Partnership Program" with our students. And like I said, you can find out more if you want to. You can find out more at www.FlipItFastFormula.com on how this all works and how we do this.

But, in short words, this is exactly how this works. And, we love it. There's deals... We've done commercial deals. We've done land deals with this. We're actually doing a land deal, as I said, right now. We've done house deals with it. And now, our students are doing the exact same thing where we're partnering with one of our students on a deal that literally has like $80,000 worth of profit in it right now. And, there's more deals in the works that literally come in on a weekly basis, and we see coming at that, and our own deals happen too. So, it's a very, very cool system to find hyper motivated sellers without any competition and with huge amount of equity and make some of the largest margins in the house flipping area that you will never see.

Michelle: So, if you like this podcast, we would love to ask you to please give us a great review. Tell us what you like best or how we're doing. But ideally, the highest possible rating would be much appreciated.

Jack: All right. Thank you very much! You can do that either, I think, on your iPhone or on iTunes. It would be absolutely appreciated if you can give us a feedback. Now, we have made more podcasts coming up. We're going to talk about the individual steps of this. We're going to talk about other tax delinquent techniques. We're going to talk about operations too. We're going to talk about how to really systematize your business such that it becomes a machine, and then you can do more and more and more deals. And, Michelle is particularly good at that area. That's how we separate the work and we're very, very excited to have you on board on our "Forever Cash Real Estate Podcast." So with that, we're signing off.

Michelle: Thank you very much. This is Michelle Bosch.

Jack: And, this is Jack Bosch. Thank you very much! Buh-bye!

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