

Your Dreams Meet Your Fears

Vicki walked into the Intensive Training and finished the registration packet. She was a mix of so many emotions: scared, excited, anxious, hoping. As a single mom with two young kids, she had to move heaven and earth just to free up the time to be here for the next three days, not to mention the challenge she had to overcome to pay the tuition for the program out of her nurse's salary.

But she had always dreamed of providing something better for her kids. It tore her heart out when she had to drop them off at day care each morning and go off to her 10-hour shifts at the hospital. Not for the first time she thought about the child support payments that always seemed to be late. No, if something was going to be different, she thought, it's going to be up to me to make it so. That was her driving reason for stepping out on faith and committing to become a real estate investor.

She found a place to sit next to a sweet-looking woman in her late fifties wearing a red wool sweater.

"Hi, my name's Vicki."

"Hi Vicki, I'm Mary, and this is my husband Leon," the woman said pointing to the man next to her. He looked to be in his early sixties.

"It's nice to meet you both. It's a little overwhelming this morning," Vicki said.

"I know what you mean. I'm not sure what to expect myself," Mary replied.

Just then a short woman with a name badge that read Beth came by handing out a flyer. The woman smiled at Mary and Vicki as she handed them the paper and continued handing them out.

Vicki looked down and read the sheet of paper.

Pre-Training Assignment

Introduce yourself to at least three people sitting next to you and find out a little about them. Most importantly, ask them what their “burning why” for investing in real estate is. *Why* is it that they are committed to being a success in real estate no matter what?

It’s been said that with a big enough WHY any HOW becomes possible.

Vicki thought for a moment about what she read. Then she turned to Mary and said, “Well I guess we’re supposed to share with each other a little bit about ourselves and why we’re here.” Vicki shared her burning why for investing and about how she was a single mom, and then listened as Mary shared her and Leon’s story.

“Leon retired from the military about a year ago. He was in for 33 years. Me, I spent that time raising our four kids. But they’re all grown up and out of the house now. I have three grandkids. We moved down to Florida when Leon got out. Over the past year we’ve been able to buy two rental houses. Plus we had our old house in Georgia where we used to live that we’ve also turned into a rental. We got our start after reading a book called *Rich Dad, Poor Dad*. That book totally changed our thinking about money.”

Vicki excitedly broke in, “I read that book too! About two years ago. I’ve been trying to figure out how to do the things the book said to do ever since.”

“Yeah, we’re in the same place. That book was amazing in that it opened our minds about what it meant to be financially literate, but while it shifted our context, it didn’t give us enough of what we needed to actually do the things it said to do.” Vicki was nodding as she listened.

“Anyways, we started talking with real estate agents in our home town and looking at properties. I’m not sure how we did it but we were able to pick up two

more rental properties using conventional financing. They both cash flow about \$200 a month, but now the bank says that we have too many loans in our name and they cut us off. I've talked with a few different mortgage brokers and they all say the same thing. Because we're living on a fixed income they don't want to give us any more loans. But we don't want to sell these houses because the cash flow and value are going up each year.

"That was why when we came across Peter and David's book at our local bookstore we couldn't put it down. Here—finally—were all the details we needed to make real estate work. Both Leon and I want to be able to travel and enjoy our retirement. Plus, we've always wanted to do real estate together. That's why we joined up with the Mentorship Program four weeks ago. We've just been going through the online orientation and real estate prep course and waiting for this weekend ever since."

"I'm so glad to have met you Mary. I was so scared when I walked in here this morning, but something about talking with you and sharing my dreams, and hearing about you and Leon . . . well, it's really helped to calm me down. Thank you."

Mary smiled at Vicki and reached out for her hand. "Don't you worry Vicki. I bet you're going to be great at this."

The man to Vicki's right introduced himself. "Hi I'm Tim."

"Hello Tim, I'm Vicki."

"Hi Vicki, tell me about yourself and why you're here." Vicki again shared her background and reasons for being at the training. She noticed right away that Tim was a very animated listener.

When she was done sharing, Tim said, "I've been in the corporate world for about the last twenty years, most of it in sales. I took a buy-out package from my last company when they downsized—laid off really—about 600 people. It's been tough. My wife Nancy," Tim said pointing to a professional-looking woman in her midforties, "she has been great about it all. She said that this is the chance I've always been waiting for to do something on my own. You see I've always dreamed about starting my own business. I wasn't sure what that business would be, but it would be my own deal. After being in technology sales for the past ten years where things aren't too stable, I was tired of being at the mercy of decisions that other people make. As for Nancy, she's been complaining about all the corporate politics she has to play with her company. She's one of the most competent businesswomen I've ever met, but in her company there is still that bias against woman ex-

ecutives. I think it's just worn on her over the years. So when Nancy and I were at a conference Peter and David held about a month ago and they explained about the Mentorship Program, we signed up."

Vicki turned to her last neighbor, a medium-height, attractive man in his mid-forties named Mark, and again shared her story for joining the Mentorship Program and being at the training. "Now it's your turn Mark. What's your burning why?" Vicki asked.

Mark smiled and answered, "I work for one of the larger airlines as a pilot. I've been doing it for over twenty years now. As you can imagine things have really undergone some serious changes over the past few years. I find depending on an ailing industry for my future doesn't sit well with me. Besides, my passion is music, singing in particular, and I want to use my real estate to get to a place where I can quit my job working for the airlines and lead a school choir program."

Vicki felt her spirit drawn to this gentle man and had so many questions for him. But just then she looked up on the stage and noticed that someone was standing there now. He was tall and athletic looking, and in his mid-thirties or so. As soon as he started to talk Vicki immediately recognized the voice from all the CDs she had been listening to—it was David of Peter and David!

"Welcome to the Intensive Training everyone!" David said in a warm and excited voice. "Over the next three days you are going to learn everything you need to know to go out there and succeed in your real estate investing. Let's take a moment and get real here. How many of you were scared to tell a friend or family member about your coming here this weekend? Come on, after ten years of doing this I know that many of you were scared of their reactions so you kept this weekend to yourself. Raise your hands if you did that," David asked. With David's promptings over a quarter of the audience admitted they had kept the workshop secret from friends or family.

"I want you to know that I understand. I remember when I got my start investing. I guess you could call me the first Mentorship student Peter ever had. I was terrified of telling my family and friends about my new business. I was scared that they would criticize me and tell me that I wouldn't be able to do it.

"It's not just telling them that you are starting to invest in real estate that makes you feel so vulnerable. It's telling them about your dreams. Sometimes the hardest thing to do is to share with other people that you even have dreams because so many people in our past have squashed our dreams over the years. It gets

even harder when your friends and family see you start to back up your dreams with decisive action because then they often get scared that maybe you won't make it and you'll get hurt. Or they get scared that maybe you *will* make it and what would that mean for *them* in their lives.

"Here's the critical piece. When they get scared by your taking positive action by joining the Mentorship Program and being here this weekend to get to work learning how to create wealth with real estate, they don't look or sound scared. In fact, they look and sound sure that you are in danger. They tell you things like, 'You're crazy to try investing; only rich people make money investing, not people like you and me.' Or, 'That's too good to be true.' Sometimes they clothe their fears in advice like, 'I tried investing in real estate one time and it didn't work for me. In fact, I lost money in the deal. Come to think of it, every person I ever knew who tried investing in real estate lost his shirt.'

"In my family, when I dropped out of college to start my first business I heard, 'David you're crazy! You're nuts! Don't be stupid! Finish your degree.' But over the years I've learned how to translate. My family was really saying, 'We love you and just want to make sure you are safe.' How many people do you know who have given up their dreams in order to play it safe?

"If there is one thing I have learned in my years teaching people to successfully invest in real estate it's this: there is no safety in playing it safe. In fact, playing it safe is often the riskiest thing of all to do.

"My real point is that it took a tremendous amount of courage and commitment for you to be here this weekend, and I want to acknowledge you for this. You have our personal promise that we will do all we can to help you reach your financial goals. This is a commitment from the *entire* coaching team.

"As most of you know the coaches you'll be working with over the next year of your Mentorship Program are all extremely successful full-time investors. They could have stayed home with their families or gone out this weekend and bought another property or two, but instead they chose to be here with you. And in case you're wondering, it's not because of the money; Peter and I are a pretty frugal pair. They're here because they get something—we all get something—that enriches our lives by helping you get your dreams through real estate. Real estate has given us all so much in our lives we feel we have a great debt to repay by working with you, and it starts here this weekend.

"None of you had it easy getting here. All of you had challenges and obstacles

to overcome to earn the right to be in this room. Many of you felt like the biggest challenge for you was time—finding a way to organize your life to get three full days away.

“I was talking with several of you this morning before we got started and I was talking to Mark,” David said pointing to the pilot sitting near Vicki. “He shared something that has stayed with me. He said, ‘David, I have a different take on the time challenge. I felt so busy in my life that I knew I had to be here. I literally can’t afford to take an extra year or two to figure this out on my own. That’s why I joined the Mentorship Program to begin with—to have your coaching team and systems help me shorten my learning curve to three to six months instead of a couple of years.’ In an important way I think that really could be the theme of the Mentorship Program—to help you all succeed in your investing by getting you on the fast track.

“But for us to help you onto the fast track you’re going to have to be open and coachable. The students I’ve seen who have been most successful made the commitment to listen to and follow the expertise of our coaching team.

“For many of you, the financial commitment was the biggest obstacle to your being here this weekend. I understand that the program isn’t cheap, but who would want it to be? I’ve always felt that if money was the biggest thing stopping a person from doing what they knew in their gut was the right thing to do, then they had to find a way to make it happen. It’s been my experience that whatever reason someone uses to give up in one area of life is the same excuse that person uses to quit in another area of life. Whether it be finding the money to fund a deal or the money to invest in your education, I have a core belief that says if you are committed there is always a way.

“All these obstacles aside, what do you think the real underlying obstacle for 90 percent of new investors really is?” David asked.

Several people in the room shouted out, “Fear!”

“That’s right . . . one of the ugliest four-letter words around—FEAR. Most people never come out of hiding and start doing their investing simply because they are too scared and they don’t have a support structure to help guide them through the process. One of the things I respect most about you all here is that you stepped up to the challenge of fear and did what it took to get yourself here. I promise you that our coaching team will be right there with you every step of the way, to give you support and encouragement and to give you feedback and coaching.

“Now that we’ve got that out of the way, I want to give you the big picture of what you’ll be learning at this workshop. First, this weekend is not about stuffing you full of facts, figures, techniques, or information. Most of you are already on information overload from all the books you’ve read on real estate.

“This weekend is about cutting through all that blizzard of data and leaving you with the essential core you need to get started right now and do your first deal in the next 60–90 days.

“Our job isn’t to share everything we know about real estate with you in three days; our job is to give you exactly the right information you need at exactly the right time, and to provide a place for you to use that information in a way that you can’t procrastinate or run away, so that when this weekend is done, you have proven to yourself that you have everything it takes to make it in real estate. I understand that we’ve laid out an aggressive standard for us all at this training, but time after time we’ve watched amazing results manifest from this very same workshop.

“We’re going to start off here this morning getting you all on the telephone, making real calls to actual sellers of properties. We call this ‘doing dials.’ Our team has put together a list of hundreds of potential sellers for you to be calling. Now, to make the calls manageable and not quite so scary, we’re going to match you all into groups. You’ll be doing your dials with your calling groups. Our goal from the calls is for your calling group to set up a few appointments for you to meet with sellers on the final day of the training. Think of it as your graduation exercise—one of the final ways to tie this weekend together is for you to go out on actual appointments with real sellers. But rather than have you face this potentially intimidating situation of meeting with a seller on your own, you’ll be going as part of a small team so that you not only can give each other moral support, but you can also give each other instant feedback when you’re done.

“Now I’d like to introduce you to three of the coaches you’ll be working with here this weekend. Many of you have already gotten to know them through the coaching calls or through questions you’ve posted on the discussion board. They are part of our very special coaching team. As I introduce them to you here today remember one thing: At one point in time they were *all* sitting exactly where you are sitting today—as beginning Mentorship students.

“All of our coaches got their start investing as Mentorship students. In fact we have always groomed our coaching team from the ranks of our successful Mentorship students. And there is a reason for this. Not only does it let you know that

they can relate to what you're going through and coach you on your deals because they have done it themselves, but equally importantly is that Peter and I can trust them to teach you the way we taught them so that you get the very best we have to offer. I *know* they learned it the right way because Peter and I spent years teaching it to them.

"As an aside, I'm hoping that some of you have an interest a few years from now in being a part-time coach for the program. I'll just consider this a seed planted, and who knows what will grow out of that. It's been Peter's and my commitment from the very beginning to only grow the program at the pace that our coaching team of graduate investors could support it in an excellent fashion. We're not willing to hire some call center and hand them a manual and turn them loose as coaches. I know that some companies in the industry do it that way, but we just wouldn't feel good about that. Instead we decided ten years ago that all of our coaches would come from the ranks of our best Mentorship students and we'd structure it in such a way that our coaches were full time investors first, and coaches second. We just felt that was the right way of doing things."

David turned to the side of the stage. "John why don't you start us off? Would you share your story?"

A young man in his late twenties stepped forward. He had a quiet, gentle way about him. "When I first met Peter and David, it was at a small introductory workshop my wife Jackie and I went to. After getting a chance to watch David share how he did his investing I knew right there that I wanted to learn from him and Peter. At the time I was working doing construction—installing carpeting in commercial buildings. I had done that for four years ever since I got out of high school. I knew I wanted something better for my wife and my kids but I didn't know how. I was really intimidated with the whole idea of investing on my own. I was just a kid at 22 years old when I got started with my investing seven years ago. Honestly, I didn't think anyone would take me seriously. It took me four months to get my first deal, and I have to admit I felt like quitting several times. There were some weeks where I was working 12 to 14 hour days for a few weeks straight on a job that had a tight deadline, and I was so tired by the time I got home, I didn't want to do my dials and go meet with sellers. But I kept plugging away and came real close to three or four deals before at month four I found my first deal. It was a small, three-bedroom, two-bath house in the south part of San Diego. The owner was a retired man who was moving to Arizona and needed to sell quickly.

“You might wonder why he didn’t just sell it himself. I used to wonder why a seller would ever sell to me in the beginning when I got started with my investing. The house he had was very outdated inside. He had the original carpeting and ugly, lime green wallpaper he got when he originally bought the house, close to thirty years earlier. He was convinced he didn’t need to update that stuff, and, well, I guess he did since no retail buyers wanted the house. So I went in there and agreed to buy the property from him under the condition that the seller participated in the financing, letting me pick up the property with less than \$1,000 down. I remember feeling so proud of myself, after all that time to finally have signed up my first deal. I ended up reselling the property for a \$25,000 profit 12 months later. Looking back it was actually the smallest of the deals that I’ve done on houses I’ve bought, but for me it just may be the most important because it was my first. It gave me the confidence that I could make real estate work.”

“John, I know that you now focus more on apartment buildings and such, but how many houses do you buy in an average year?” David asked.

“Over the past nine months I’ve picked up six more houses ranging in value from \$220,000 to over half a million dollars, which, for my area in California, is the middle of the market. Actually, some of the houses are the lower part of the middle of the market. I don’t need to do a large volume of houses in my area because the average profit per deal is over \$100,000 per house. During that time I picked up two small apartment buildings too, and opened up a company doing loans for sellers in financial distress,” John answered.

“Thanks John for sharing your story. Do you have any final thoughts that you want to share with people today?”

“Yeah, look, if I could make real estate work for me, you can do it a whole lot easier. It is so worth it. Every day I get to work out of my house and set my own schedule. I start my day by taking my two little girls to school and I get to be there in the afternoon to pick them up. I used to have to get up and go to work before they even got up, and sometimes I even had to work through the night when I was laying carpet because that was when the office building was closed. Now I get to make spending time with my family my highest priority. My wife quit her job two years ago and joined me in the business. She does the organizing part and runs the office. Real estate has opened up a whole new world of choices for me.”

The room applauded as John stepped down from the stage just as a smiling, warm woman stepped up onto the stage.

“Hi everyone my name is Cheryl and many of you already know me because of Peter and David’s second book, *Making Big Money Investing In Real Estate*. I’m the ‘stay-at-home mom’ who did 14 properties in her first 24 months of investing.

“I have a different background from what John did when he got started. I was a wife and a mom with three kids, and my husband was one of the ministers at a local church up in Oregon. I knew nothing about real estate when I got started investing. I’ve got to tell you when I got started I lucked out and got my first deal pretty quickly, before I even came to the Intensive training you are all attending. I met a couple who had been transferred to a new city due to a job they had and they were about two hours away from the house they left behind. When I went to talk with the seller I was so scared. I pulled up to the driveway and I had my two teenage sons with me in the car. I hate to admit it but yes, it was a minivan.” Everyone in the room laughed, and several of the moms in the room jabbed their husbands in the arm.

“Those of you with teenagers will appreciate this, I left them in the car and they were just playing around with the radio. I went inside to meet with the couple about their house. The guy looked at me and said, ‘So you’re an investor.’ And I must admit, I did say yes out loud in response, but inside I had this very loud voice that was saying, ‘No you’re not, you’re just a housewife.’

“God must have put us in each other’s paths because they needed someone to help out with the property and I needed someone to help me put together my first deal. And that’s exactly what the seller did. He took all my clumsy explanations and put them into clear language and explained to his wife why this was such a good deal for them. I just smiled and said, ‘Yeah, what he just said.’ I walked out after I finished signing up that deal and got into my car. My sons were all eager to hear what happened and I just said with closed lips, ‘Sit down and put your seat belts on. Let’s get out of here first.’ I was so scared that the guy would come chasing me down the drive saying wait he’d made a mistake. I pulled the van over a few blocks away and we started high fiving each other. It was so exciting. I ended up selling that house three years later for a \$34,000 profit. Now my business is different from John’s. I tend to focus on foreclosures that need to be fixed up and then can be resold at a profit. My target is to do three or four of these deals at a time, plus two other nonrehab deals each month. I actually like overseeing my crews who fix up the homes. My family calls me the ‘Home Depot Queen.’”

David stepped forward and said, “I have to share with them all Cheryl that I’ll

never forget when you came to that first training about two months after you joined the Mentorship Program. You walked into the seminar room the first morning and came up to me holding a small photo album in your left hand. I thought to myself how great it would be to see your family and photos of your life in Oregon. Each page in the album was the same house from a thousand different angles! In case you're wondering," David said, turning to the room, "They were all photos of that first house Cheryl had bought!"

"Oh yeah, I was so thrilled that I had actually done it," Cheryl said.

"Thanks Cheryl so much for sharing your story. Scott, let's get you to share your story, and then later we'll get some of the other coaches to share their stories."

"Hi everybody I'm Scott," a trim man with very short hair in his mid-forties stepped up on the stage. "I guess you could say I was another of the high-tech casualties of the dot-com bust. I was on my fourth startup when I finally said enough was enough. I had started to research franchises and business opportunities after the third company I worked for went under and had decided that real estate was what I was going to do. I was in a book store and found a copy of Peter and David's second book, the one that shared the story of Cheryl the stay-at-home mom!

"Anyway, I called up and talked with one of the program consultants and decided to take the plunge and do it. I have to confess, I didn't tell my wife Cindy that I had spent the money on the program or that I had been laid off. You see I was laid off right before we had planned to take a week vacation together and I didn't want to ruin the vacation. So on the last night of the vacation I turned to Cindy and said, "Honey you know how I was planning on going back to work tomorrow morning? Well the good thing is now I don't have to. The company laid off a whole bunch of people and I was one of them. And oh, I joined that Mentorship Program I told you about a few weeks ago.

"I'll say this for the Mentorship Program, it sure took Cindy's focus away from my layoff!"

"All kidding aside, real estate has without question been the best thing that ever happened for me and my family from a financial perspective. There were times when things got really tough in the early months. I'll be honest with you, early on I even took a paper route to generate some cash flow to see us through a lean start. But sticking with it made all the difference in the world. Listening to the coaches made all the difference in the world. Listening to Peter and David made all the difference in the world.

“My first year investing I picked up 18 properties and never looked back. Now I’m still doing some single family houses in Denver, but like John I’ve started to make the move into more multi-unit buildings and commercial real estate.

“The other coaches tease me and say that if an ex-computer geek like me can make investing work, then any normal human being can sure do it. And they’re right. I am a computer geek! And if I can make investing work for me, you can too. A few years ago I was right there sitting next to you. Just trust the coaches and do what they say. And make sure you don’t quit in the early months when times can get tough.” The room applauded Scott as he stepped down from the stage.

“Right now I would like to bring up the co-founder of Mentor Financial Group, and my mentor in real estate and best friend. Please help me welcome Peter Conti to the stage!” The students in the room stood and cheered as Peter ran up through the center aisle, high fiving students on his way to the stage.

Peter stepped up onto the stage and said, “Good morning everyone. Did you know that sometimes there is something much scarier than failure? It’s called success! How many of you have ever been as scared or more scared of succeeding at something than you have been at failing?”

“I understand,” Peter continued. “There was a time in my life that I craved the comfort of failure because with each new success I was pushed further and further away from what I knew and away from how I saw myself. It was a real key to my success to learn to expand my self-image to encompass myself as successful and wealthy.

“Remember that when I got started with my investing I was an auto mechanic scraping by at \$9 per hour. Every time I told someone I was a real estate investor in the beginning, I’d hear this voice in my head say, ‘No you’re not! You’re an auto mechanic!’

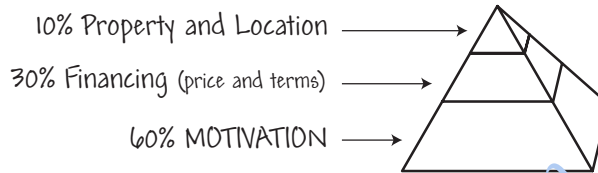
“Many of you are having the same conversation. Relax, that’s perfectly normal. Just give yourself two things. First give yourself some time to get used to seeing yourself as an investor. Second, consistently take the small, little actions that investors do. This will build the foundation you need to help you expand your self image.

“This morning as we build that investing foundation together, we need to start off dispelling one of the most pervasive and costly myths that people buy into when they get started investing. All your life people have told you, ‘Real estate is all about Location, Location, Location.’ But they were wrong.

“Real estate is not about location first. In fact real estate is not about location second. Location only comes into play third in line.”

With this, Peter clicked an image onto the screen.

Winning Deal Formula



“This is the Winning Deal Formula. It lays out the relative importance of the three key ingredients of any winning real estate deal.

“As you can see, the foundation that great real estate deals are built on is *not* location, but motivation. The first concern when you are looking at a deal is why is the seller selling the property. This is the **first key ingredient of a great deal—finding a seller who has a strong motivation to sell**. It’s the seller’s compelling reason to sell, with a perceived time crunch within which to do it, more than any other factor, that helps you get a great real estate deal. Remember this and say it to yourself over and over again—the foundation of all winning real estate deals is the seller’s motivation to sell. It’s almost as if what the seller initially tells you is his reason for selling is the tip of an iceberg. The real reason is the hidden 90 percent that is below the surface. But it’s this hidden 90 percent that is the key ingredient for a winning deal.

“The second level of a winning deal is the financing—the price and terms. To make money on a deal you need to either purchase the property for cash at a steep cash discount, or you need to get great terms of financing. If you buy for cash at a discount, your low cash price guarantees you a profit. If you buy on flexible terms where you are making the payments to the seller over time, then the financing lets you hold onto the property over time with positive cash flow and make even more money on the back end when you eventually resell or refinance the property to tap into your accumulated equity. For any deal to be a winner, the numbers must make sense.

“Later we’ll spend a concentrated session going into the specifics of structuring deals, both cash deals and flexible terms deals. For the moment, all that’s important for you to understand is that the financing details of a deal are the second most important ingredient of a winning deal.

“Now, **third in line in importance are the location and physical structure and condition of the property.** Over the long haul, the location does matter. The right location will appreciate in value significantly more than the wrong location. But, and this is a *big* but, the only way you can safely know you’ll be able to hold onto the property over the long haul is for the first two ingredients—motivation and financing—to be in plentiful supply.

“Any property at the right price and terms is a great deal. But the only way you’ll ever find a seller who is willing to give you the best price and terms is if that seller is a motivated seller. That’s why the right motivation is so important. As I’ve just mentioned, the right price and terms—the financing—guarantees you a profit. The location and the physical condition of the property are important for two reasons. First, they matter because they significantly impact what the right price and terms for a property are. After all, if the property needs a huge amount of fix up then that needs to be factored into the price. Or if the property is in an area with zero appreciation, then the numbers you agree on for the price and terms need to be such that you build a profit into the deal from day one. Second, the location and physical structure impact your exit strategy on the property. If the house you are buying is in a great area, you may be much more likely to hold onto the property over the long term. This may mean that you structure the deal in such a way that you trade the seller a higher price in exchange for you getting great long-term financing to enable you to profitably hold onto the property over time. Or if the building is in a war zone, perhaps you want to negotiate a very low cash price with the plan to resell the property right away to another investor who specializes in low-income housing in that neighborhood.

“So I hope you see that location matters, but only after the first two levels of the Winning Deal Formula are factored in. This is a major shift from how most people think about investing in real estate. **This shift from real estate being about location, location, location, to real estate being about motivation first, price and terms second, and then, as a distant third, location greatly impacts how you structure your real estate business.**

“If real estate is about location, then smart investors would spend their days looking for the best areas to invest in. In fact, they would spend more time looking for the perfect location than they would in talking to and connecting with sellers. In the end, location investors would find some great areas to invest in, but, they would have no real skill in finding the best deals in those locations. They would be at great risk from not being able to buy smart enough to be able to profitably hold the properties over time so that they could get the benefit of the location. Remember, the real benefit of location typically comes over the long term through above-average appreciation of the property.

“Instead imagine investors who followed the Winning Deal Formula approach in their investing. They would know that the single most important ingredient to a great deal is finding a highly motivated seller. So they would spend the majority of their time in the beginning looking for ways to find motivated sellers. Next they would get very good at emotionally connecting with sellers so that they would be willing and comfortable sharing their real reasons for selling with them. Then they would get skilled at structuring deals so that the financing—price and terms—made sense. Then, finally, they would factor in the location and the physical condition and structure of the property to make sure the numbers really did guarantee a conservative profit.

“So what does this all mean to you?

“It means that you need to spend less time thinking about the perfect location in which to do your investing and more time in mastering the art of finding and negotiating with motivated sellers. You need to spend less time falling in love with the physical property and more time learning to structure deals with price and terms that guarantee you a profit.

“And that’s the way this weekend will be structured. In a moment we’ll get you on the telephones calling up sellers of for-sale and for-rent property, looking for motivated sellers. This is the first and most important step in putting together a profitable real estate deal—finding a motivated seller. Later today, we’ll get into the details about other ways to find motivated sellers, but we’ve been talking long enough. Now it’s time to get you all *doing!*

“I’ll demonstrate a few calls first, but within the next 10 minutes all of you will be on the phone making dials. We’ll go through more of the technique part after you get into action. Too many wannabe investors spend their entire lives avoiding actually *doing* anything that will make them money in real estate. They avoid

making calls to talk with owners of properties for one reason—fear. We’re going to knock that crutch out right from the start.”

At this point Peter turned to a speaker phone on the front table and started to punch in numbers. As the phone dialed Peter flashed the overhead on.

Property For Sale Script

Hi, this is _____.

I was calling about your home for sale...
Sounds like I caught you in the middle of something...

Is your property still available?

Can you tell me about the property? (i.e., Where is it located? How many bedrooms? How many bathrooms?)

This sounds like a wonderful house, why would you ever consider selling it?

Vacant – “Is anyone living in the home now?”

Rental - “Has this been a rental property or have you lived in it?”

Other Home – “Where are you moving to?” “Have you picked out your home yet?” “When do you close on it?”

PASS NO PASS

Check Any One to Qualify:

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“You all have this script in front of you in your manual. I need you to be very quiet here as we get started.”

Just then the phone was answered. “Hello?”

“Hi, my name is Peter. I was calling about your property for sale. Is it still available?”

“Yes it is.”

“Great. Sounds like I caught you in the middle of something?”

“No, what can I do for you?”

“Can you tell me about the property?”

“It’s a four-bedroom, three-bath brick home. It’s got a two-car garage—”

Peter interrupted here, “Great! It sounds like a wonderful property.” Peter’s voice slowed and got softer, with his tone getting lower, “why in the world would you ever consider selling it?”

“We’re moving to Florida.”

“Wow, that’s exciting,” Peter said, and then scrunched up his face and sounded a bit confused. “Why would you move to Florida?”

“My husband’s company gave him a promotion. Actually we’ve been wanting to move there for a while. My family is all living there now, except for my one brother that is. We’re moving down in six weeks.”

“Oh, that makes sense. I’m sure it will be nice to be near your family. Have you already found your next place down in Florida?”

“Actually we have a house under contract right now. It’s a new construction house and we’re buying it from the builder there.”

“That’s wonderful. I’m sure the house is great. A question for you.” Peter’s face got scrunched up again. “If this house that you’re selling doesn’t close before you move, are you still going to close on the other house or will you need to pass on that other home until this one closes?”

“We’ll still go ahead and buy that other house. We’re hoping to have this one sold before we move, but if it doesn’t we’re still going anyway.”

“That makes sense. May I ask you a question?” Peter asked with his face scrunched up. “Because I’m an investor who focuses on nice homes in nice areas can you tell me, is your home a nice home in a nice area?”

“It is. In fact our house is just four blocks away from the Greenbrier Park.”

“Well it sounds like a house I’d like to see. Do you have your calendar handy so we can find a time to meet to have you show me through the inside of the property? Actually, looking at my calendar I’m pretty much tied up all weekend at this workshop I’m at. About the only time I’m free to meet is on Monday at around 1:45 or 2 P.M. Boy there’s probably no way you can free yourself up to show me through the inside of the property then, huh?”

“You couldn’t meet any other time, like after five?”

“No, I’m sorry but I’m totally booked up with appointments. I’d hate to never have the chance to see this house . . .”

“Well I guess I could move some things around and make that time work.”

Over the next two minutes Peter got the street address of the house and

directions for the appointment. As he worked with the seller, the students sat in rapt attention, in awe over how easy he made it seem.

“Now that was pretty lucky to get someone like that on the first call. Usually it takes five or six dials before I even find someone who’s home! But over time, the averages say that for every twenty dials you make you’ll generate on average one or two decent leads to meet with a seller.

“We call the script you’ll use a Quick Check Script because in two minutes or less you want to be able to determine if you have a motivated seller or not. **The single greatest time waster in real estate is trying to do a deal with a NON-motivated seller.** If the seller isn’t motivated to sell, why should they sell it at below-market prices or with attractive terms of financing? The answer is they shouldn’t. As an investor, if you can’t get either a discounted cash price or attractive terms of financing then you shouldn’t be buying the property. We’ll talk about this in detail after lunch. The key thing for you to get now is that your first step in *any* profitable real estate deal is to find a motivated seller.

“A motivated seller combines two things.” With this Peter turned to the board and wrote:

Motivated Seller
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Motivation = Compelling Reason + Time Crunch

Situation = Lots of equity or doesn’t need cash out immediately

“A motivated seller has both the ‘M’otivation and the ‘S’ituation that will allow you to structure a win-win deal. *Motivation* is a compelling reason to sell and a definite time crunch within which to do it. *Situation* means that the seller either has enough equity that they could discount the price for a cash sale, or they don’t absolutely need to have all their cash and could participate in the financing so that you could structure a terms deal.

“What one question did I ask here that really got to the heart of whether the seller has a compelling reason to sell?”

Tim raised his hand and answered, “Sounds like a wonderful property, why would you ever consider selling it?”

“Yes, that’s the question. Did you notice her answer? She said she was moving in six weeks. How many of you think that is a good answer from your perspective?”

“On a scale of 1 to 10 with 10 being extremely motivated to sell, what did you all think her level of motivation was?” Peter paused for a moment as the audience shouted out various answers. “Personally I’d say she is around a six or seven on the motivation scale. They want to sell, but they aren’t quite strongly motivated yet.”

“The second part of the script qualified for the seller’s situation. This is where the ‘VROM’ part of the For Sale Quick Check Script comes into play. To be qualified for situation you need to be able to check off one of these four boxes. You don’t need all of them. If the seller passes any one of them, the seller has enough of a situation to merit taking the next step with them.”

“First, the seller can qualify if the property is vacant. This qualifies the seller for situation because it means that the seller doesn’t need all the equity from this property to buy their next house to live in. How do we know this?” Peter asked.

“Because the house is vacant and the seller’s got to be living somewhere else already,” Nancy answered.

“Exactly right. And if the seller doesn’t need their equity out from the sale then they have a situation that would work for what type of deal?”

Vicki pulled together her courage and answered hesitatingly, “A terms deal?”

“Yes. Now the second and third ways the seller can pass the qualification for situation is by either having the property be a ‘R’ental property or by having an ‘O’ther place to live. Both these qualifiers for situation are similar to the ‘V’acant qualifier. If the property is a rental, then obviously the seller doesn’t absolutely need the equity out to buy his next house to live in; similarly, if the seller already has an ‘O’ther place to live, he doesn’t need the equity either.”

“Now, there will be times when you find a seller who passes this Quick Check qualification but still isn’t willing to do a deal with you—many times. But the key to making this work is to use the script to quickly sort through potential sellers to only spend time with sellers who are *more likely* to be ready to do a deal with you. You use the Quick Check Script to get a fast first look to see if you should then slow down and spend more time with a particular seller.”

“The final way the seller can pass the For Sale Quick Check Script qualification for situation is by having ‘Massive equity. A seller with a lot of equity presents you the most options when you’re thinking about structuring a win-win deal. Now, rarely on a first phone call to a property advertised for sale will you be asking directly if the seller has a ton of equity. But sometimes you get that information from the seller in subtle things they tell you. If you’re lucky and the seller lets this information come out, then know that the seller is qualified for situation.”

Leon raised his hand and asked, “Peter, don’t all sellers want their equity in cash at the closing?”

“That’s a great question. Just as most of you would want, if you gave the seller the choice between all cash at closing or accepting a terms deal, most sellers would *initially* choose to get all cash. But if the seller is motivated to sell fast, and you are there with a solution that, although not perfect for them, satisfies their real needs, then many of them will be open to a terms deal. If the seller is going to participate in the financing, the key is that the seller can’t need all their equity out of the property at closing. Although many sellers may *want* to get all cash at closing, many sellers don’t absolutely *need* it.

“Now if you just come out and ask a seller, ‘Hey do you need all your cash at the closing?’ 99.9 percent of sellers will say yes. Of course they will. The key is to ask this question, but to be more subtle about it. The single biggest reason a seller would need all cash at closing is to use that cash to put down on the purchase of their next home to live in. That’s why on the call I just did I asked the seller if she already had another house picked out and purchased. If the seller already owns a house to move into, they don’t really need all their cash at the closing. In this case the seller had another property under contract, but I needed to find out if that contract was contingent on this house selling. The softer way of getting that same information is to ask them, ‘If this house doesn’t close, are you still going to close on the other house?’

“Now, I asked one more question there at the end of the script. I asked them if their house was a nice home in a nice area. This is one question that is critical to use word for word. You are going to use this question not to elicit information, but to convey information to the seller.

“The question is designed to subtly share with the seller that you are an investor. The magic word in that question is the word ‘because.’ It’s the word *because* that shifts the focus away from the fact that you are an investor and instead puts the

focus on the seller having to justify that they have a nice home in a nice area. It took us over two years to get this question just right. Once upon a time our students used to hear the objection from the seller that they didn't want to work with an investor. Now if you hear an objection over and over again, what should you do?"

"Learn to overcome it," Tim answered quickly.

"Learn to overcome it? That's a good way of handling it. But an even better way is not just to handle the objection when it comes up, but to pre-empt the question in the first place. Keep it from coming up at all. That's what this question will do for you—it will pre-empt the objection to working with an investor in over 95 percent of the situations that you use it in. Remember, the whole reason you came to David and me was because you said you wanted to learn all the powerful insider secrets to investing that would otherwise take you years to learn on your own. You said you wanted us to just teach you the right way, the first time. Well, this is one of those seemingly simple little techniques that took years to uncover and get just right.

"Now let's try some for rent dials. Turn to the For Rent Quick Check Script in your manuals."

Property For Rent Script

Hi, this is _____.

I was calling about your property for rent...
Sounds like I caught you in the middle of something...

PASS NO PASS

Is your property still available?

Can you tell me about the rental property?

That's great, I am looking for a long-term lease of at least two years. Is that okay?

Assuming all of my rental payments came in on time, would you consider selling at the end of two years?

_____ (seller's name), because I am an investor that just focuses on nice homes in nice areas can you tell me... is this a nice home in a nice area?

Check All
Three to Qualify:

T

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Peter picked up the phone and started to dial again. The number went to an answering machine. The next three dials went to answering machines before Peter reached his first For Rent property owner.

“Hello?”

“Hi, this is Peter. I was calling about your property for rent. Sounds like I caught you in the middle of something?”

“No, I was just getting things organized for the day. How can I help you?”

“Can you tell me about the rental property?”

“Sure, it’s a three-bedroom, two-bath single story house over near Palmer High School. Are you familiar with that area?”

“I am—can you tell me, I’m looking for a long-term lease of at least two years. Are you open to that?”

“Yes Peter, I would love a long-term tenant in the property.”

“Great. And assuming all my rental payments came in to you on time would you consider selling it to me at the end of that time?” Peter was scrunching up his face as he said this to produce the right tonality.

“Actually Peter that’s not something I’d be open to. I plan on keeping it as a rental for the long term. It’s been a pretty easy property to look after and it’s part of my retirement plan.”

“Well I sure do understand. Actually I am looking for a place I can buy down the road. Thank you so much for your time and I wish you luck with the property.”

“Thanks.”

As Peter hung up he turned to the class. “Did it make sense why I got off the phone there so fast at the end of the call? She wasn’t motivated to sell. With a for rent property the owner needs to pass *all* three qualifying questions: First, they must be open to a long-term lease of at least two years. This question will screen out the landlords that are in very tight control of their rental properties, who by the way, typically aren’t open to selling you the property cheap or with flexible terms. Next, you qualify for the owner being willing to sell you the property at some point in the future. Finally, you make sure the owner understands that you are an investor using that powerful, ‘Because I’m an investor’ question we’ve already discussed.”

“The bottom line with qualifying for rent properties is that you are looking for either a tired landlord or an accidental landlord. A tired landlord is someone who owns a rental property but is sick of looking after it. They would love to sell

and often are very open to taking payments over time with some type of terms deal, which we will cover in detail later today.

“An accidental landlord is an owner who got stuck with a house that wouldn’t sell and they needed to rent it out because they didn’t want to leave it empty. These tend to be the very best source of for rent property leads.

“Now I know you probably have a ton of questions, and we’ll get to each and every one of them. However, before we do it’s time to get you doing some dials of your own. It’s been my experience that far too many new investors procrastinate about the scary parts of investing like calling owners on the phone and meeting with sellers in person. That is why you will *all* be doing both things here this weekend. The coaches and I will demo how to do every step, then we’ll give you chances to practice them for yourself. Finally, we’ll send you out to the real world here this weekend to try them out for yourself.

“We haven’t finished talking about your calls, and we haven’t shared with you about how to structure deals. We’ll get to *all* that later, it’s time for you to get into action.

“Right now we are going to break you into calling teams to make dials to for-sale and for-rent properties. The goal is to get you all to realize how doable dials are and how effective they can be. If you find a seller who passes the Quick Check Script, what I want you to do is to actually set up an appointment for you to go and meet them at their property. Don’t worry about what the heck you are going to say or do on that appointment, we’ve got three days to teach you everything you need to know to go on that appointment. The key for you right now is to get out of thinking mode and into *doing* mode.”

With that, Peter divided them all into calling groups and gave them their final instructions. Off the Mentorship students went in their groups of five or six people finding a quiet spot to pull out their cell phones and get dialing.

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