

Art Heller Frequently Asked Questions

> Why do you prefer to buy post-foreclosure houses (foreclosed houses that didn't sell at auctions) directly from banks?

3 Reasons and they are all related.

1. Easy and Lucrative
2. Easy and Lucrative
3. Easy and Lucrative

Seriously, buying from banks or agents that maintain portfolios of bank-owned properties is a pure business transaction, an investor can get clean and clear title, and an investor can gain access and accurately assess a property's condition. The best part though is that once an investor's network is established, this is a relationship-oriented purchase and to our knowledge the only means of acquiring discount property where an investor can purchase MULTIPLE PROPERTIES OVER TIME FROM SINGLE POINTS OF CONTACT.

> Is approaching banks directly to buy their post-foreclosure houses (a.k.a. REO, Real Estate Owned) legal?

In many states aspects of the pre-foreclosure process are being litigated today. This is a relatively new development, and it is impacting what an investor can and cannot do. Buying "post-foreclosure" as we teach does not expose an investor to state foreclosure legislation, as the foreclosure is actually OVER at this point.

> Who are in charge of selling REO in the bank?

It can be an individual for local and regional banks or dedicated departments for larger banks. It really depends on the size and structure of the organization (bank).

> How do you find, approach, and establish relationship with those institutional sellers?

There is not a one paragraph answer to this question. We have an entire product dedicated to how an investor should approach, introduce, and work with institutional sellers. I will share that banks are very very systematic organizations. An investor should not simply pick up the phone and "wing it". It is not a difficult process, but it is essential that an investor says "what the bank wants to hear" (and not what an investor may first be inclined to say).

> How do you convince them to sell post-foreclosure houses to you instead of listing with agents?

Many banks are more than happy to unload a property in 2 weeks, without paying any real estate commission and without holding costs. When banks do in fact list properties with agents, this does not represent the "end" of the investor's opportunity to get the property below market. The opportunity remains, the strategy just changes a bit once a property has been listed by the bank with a real estate agent.

> Do banks want top dollar for their REO? What's the typical discount % they are willing to give compare to full appraised value?

One cannot really generalize with banks. Some want top dollar, some do at least initially then revisit the listing after a couple of months on the market, and some will deal from day one. We have found the discount range is anywhere from 5 – 40%.

> Are banks going to have more REO for the up coming years?

I don't really have a crystal ball, but there are countless signs in the economy to suggest this is likely. Today, on average, foreclosures are 50 – 75% higher than the same time last year, and this direction seems to be going up further. Of particular interest, there are markets such as Maryland, California, Florida, that are totally RIPE OPPORTUNITIES for investors buying bank-owned foreclosures. The reason is that these very markets were overheated just a short time ago, and therefore there were very few bank-owned foreclosures. So for the first time in a long time, banks in these markets are getting back a lot of properties. Because this is a new occurrence, many of these banks and agents will not have a large pool of investors ready to buy these properties....and for this reason the immediate future represents an incredible window of opportunity for investors in cooling markets.

> What type of properties can you get from banks?

All types of real estate. Single family homes, multiplexes, vacation properties, commercial properties, etc.

> Once you acquire your properties, you favor using a lease/purchase to rent and sell the property. Why?

A key reason is it is easy, and we can find a tenant in weeks rather than months. We market to a "motivated tenant" that desires to become a homeowner, and because of this the tenant is willing to assume repair and maintenance responsibility of the property. This eliminates much of the hassle that pure buy and hold landlords face. The best part is we sell 25 – 33% of the properties (without paying real estate commission), and these cash windfalls that accompany the sales allow us to expand our portfolio to significant numbers.

Lease/Purchase is an investment model, and it has been around for some time. There is a danger to generalize here. For example, take two buy and flip investors. One may experience significant profit when the other one does not. The same applies to lease/purchasing. What we do, and how we do it, is very different from the traditional lease/purchase model. The terms will dictate how easy it is to make money and how much money an investor will ultimately make.

> Speaking of money, what should an investor expect if they buy bank-owned foreclosures and use your lease/purchase strategy.

For one single family home in a middle income community an investor should make on the low end \$30,000, and if he gets the lease/purchaser to renew or he ends up lease purchasing the same home more than once, an investor can make upwards of \$100,000 on one home.