

3 Simple Techniques for Building Your Real Estate Portfolio With Foreclosure Investing

by Marko Rubel (02/5/2008)

When done right, foreclosure investing can be one of the most lucrative ways to build your real estate portfolio. And with foreclosures soaring, there's rarely been a better opportunity to buy quality properties at steep discounts - and have owners thank you for getting them off the hook.

You can't just show up at the door with a handful of cash and expect to be welcomed with open arms. But by using three proven - and cost-effective techniques, you can get your foot in the door with foreclosure owners, convince them that you're the best solution to their financial woes, and make sure you're spending your time on the best prospects.

1. Distinguish yourself from your competition.

The moment a lender files foreclosure papers with the court, the information is a matter of public record. Anyone can get his or her hands on it. In fact, some people organize this information and sell it to the many investors who are trying to find motivated sellers.

Within days of the foreclosure filing, the homeowner will be deluged with mail from would-be buyers. People will be pounding on the homeowner's door, too, calling her on the phone, leaving notes in her mailbox. Buyers would contact homeowners via smoke signals if they thought it would work.

Problem is, the letters from these buyers are all pretty much the same. Most of them ask the homeowner to make a call right away to get a quick offer. Often, the homeowner hasn't yet decided if that's what they want to do. This

is one reason these letters get a poor response.

But you don't want to be wasting money on ineffective marketing. To make sure

you get your message noticed in the sea of other offers, you must be different.

Don't send your letter in an ordinary envelope. Capture the homeowner's attention by using a different-sized envelope, a colored envelope, a postcard with a compelling headline, an audio CD. The possibilities are endless. We have even sent letters in brown paper lunch bags. The point is, you want the homeowner to pick up your letter and read it - not toss it in the trash with a dozen similar letters.

2. Educate your prospect and establish credibility.

Most people facing foreclosure haven't been in this position before. They don't know what to do, and they are mistrustful of everyone. So if you hope to get them to contact you, you must establish your credibility.

A good way to establish credibility is to educate the homeowner about his situation. In particular, make sure he fully understands all his options. In your letter, explain that he could file for bankruptcy, refinance the property, or deed the property to the lender. You also want to explain why selling the property to you is in his best interest.

Then lead the homeowner to your website to get more information. On my website, sellers see testimonials from people I have helped. I then ask them to fill out a form to see if I can help them too. By first educating them about their options, I get many more leads than my competition.

Here's a perfect example of how this strategy works:

Steven and Pam were in a tough financial situation - and a few weeks away from losing their house. Since they'd entered foreclosure, they'd been bombarded with mail from investors offering to "help." They contacted some of those investors, but were disappointed.

I sent them a letter that was not only educational, it outlined a precise "remedy" for their situation. I even offered them some guidance on steps they could take to help themselves.

Now even the best letter with a perfect message is worthless unless it gets opened. That is why I mailed the letter in an unusual-looking envelope, addressed it by hand, and added a personal return label. When Steven and Pam saw something that stood out from the other mail they were getting and read the useful information inside they could not resist calling me.

The very afternoon that they called, we put a deal together that helped them avoid foreclosure, save their credit, and get paid for part of their equity. I ended up with a nice house that had over \$60,000 in equity - and with a 30-year fixed loan at a low six percent interest rate. (I used the existing loan that had been originated by Steven and Pam, and I brought the loan current by paying the late fees.)

3. Pursue only the best leads.

Whether you hire an assistant, set up a lead-tracking database, or automate common clerical tasks, leveraging your personal time will free you up to focus on the activities that maximize your potential to make money. People without

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systems trust their memories. (A terrible mistake!) So they never really know what they are doing from day to day, don't know if their marketing is effective, and, consequently, don't do well in this (or any) business.

I have automated systems for my marketing, and automated systems that sort and sift my leads. For example, my computer sends faxes while I sleep. When I get a response, I know I've found a motivated seller. I never waste time where there is no chance of a deal. I spend my time ONLY when the situation matches my search criteria and I have a high probability of success.

The name of the game for me is to lead a self-directed life, with lots of time for family and friends, travel, and other things that interest me. You can do this too if you systemize your business and leverage your time.

Don't spend another dime on advertising and marketing until you memorize the above three rules. Foreclosures are at an all-time high, and the opportunity to make good money is here. Take advantage of it.

Note: Marko Rubel is a real estate investor working and living in Southern California. He is the publisher of the free Wealth Minute video newsletter, and specializes in Foreclosure Investing, Subject-To Investing, and Owner Financing strategies such as Lease Options and Wrap Mortgages.

To learn more about the automated systems Marko uses to take the "grunt work" out of foreclosure investing, come to the CCIA meeting on October 19th, 2008