

## **REALTOR AND INVESTOR PARTNERING; THE WAVE OF THE FUTURE IN SHORT SALES**

Ok, tell the truth. Most realtors think investors are bottom-feeding, scum-suckers. And most investors think realtors are stuck-in-a-box salespeople with no love at all for the bricks, sticks and dirt.

And ‘fess up. Most realtors see the current soft market and declining values as end-of-the-world misery. And most investors see the declining values as a great opportunity to purchase – if only they had the money to buy.

For years, these powerful people on separate ends of the real estate industry have totally misunderstood each other. Lack of knowledge and compassion for each other has caused a tremendous amount of unnecessary frustration and countless deals to fall apart.

Well now, realtors and investors can work together - partnering to help distressed homeowners sell their homes, help subdivisions maintain values, and make good money in the process. They can do this by utilizing what we call the **Retail Short Sale method**.

For example: An investor (let’s call him Sam) receives a call from a distressed homeowner. Sam quickly determines that the homeowner is upside down in his mortgage – in other words, the mortgage is greater than the value of the home. Sam realizes the only way to help this homeowner is by negotiating a short payoff with the homeowner’s lender.

But Sam – like many investors – can’t find the money with which to purchase the deal. He can’t get a mortgage, nor can he make the numbers work using hard money. And even if he could, he’s a bit scared off by the lack of real estate sales in today’s market. But Sam is a savvy investor who realizes that there is value in realtor and investor partnering.

Sam contacts his favorite realtor and, together, they agree to help the homeowner in distress. The realtor (let’s call her Sally) does a CMA report and determines a list price that will quickly attract a buyer for the house. Though the list price is less than the current mortgage balance, Sally is confident in Sam’s ability to negotiate a short sale with the homeowner’s lender.

Sally’s creative marketing and aggressive pricing works, and she easily finds a qualified buyer willing to patiently wait out the short sale process. Sam immediately submits the contract, along with other required documents and begins negotiations with the seller’s lender. Sam is not the *buyer*, he is simply the *negotiator*. He does not need any money to do this deal, nor is he taking any risk. He is being “paid” to negotiate an agreement with the seller’s lender to accept the buyer’s offer.

Now this is the big, million-dollar question – how does Sam get paid? Sam is not a realtor, so he is not allowed to receive a “commission” on the HUD-1 Settlement Statement. However, he can negotiate a “fee” with the seller’s lender. Sam includes a 1.5% Loss Mitigation Short Sale Negotiation Fee on the HUD. He also includes a Property Preservation Fee on line 1303 of the HUD. Often the seller has already moved, leaving the home vacant and unkept. Sam maintains a “lived-in” appearance to the house by arranging to have the grass cut and the utilities kept on. For his efforts, Sam is compensated with a Property Preservation Fee.

Sam will have to negotiate his fees with the lender, and it will depend on the lender and the investor on the loan (Fannie, Freddie, FHA or private) as to whether or not Sam’s fees will be allowed.

Prior to this, Sam also negotiated a “fee” with his realtor. Sam and Sally agreed that it would not be possible to help this homeowner were it not for Sam’s ability to negotiate and Sally’s ability to list the house and find a buyer. Sally, hindered by realtor guidelines, cannot pay Sam a “commission.” However, she can pay Sam an “administration” fee or a “sub-contractor” fee.

By structuring a Retail Short Sale, Sam and Sally – investor and realtor – ***worked together*** to help the distressed homeowner avoid a pending foreclosure, kept the mortgage company from having yet another REO property in their database, helped the subdivision maintain its values, allowed the buyer to purchase the home at a fantastic price, and made themselves a decent paycheck. None of this would have been possible had Sam not known how to negotiate a short sale. Nor would the sale have been successful if Sally had been unwilling to think creatively and realized that ***partnering with an experienced “Shortie” is extremely beneficial to all involved.***

Retail Short Sales are a great no-risk, no-money deal structuring technique. Though Bill and I have been successfully investing in real estate for over 14 years, we utilize the Retail Short Sale strategy to close an average of four deals a month, thereby keeping us active and profitable in this tough market.

Whether you are new to investing or a seasoned pro, taking time to learn this creative technique can keep you surviving and thriving in this insanely crazy real estate market.