

Wholesaling Real Estate

A series of articles on Wholesaling Real Estate

Part 1 of 3

By: Than Merrill

There are many different niches of real estate investors specialize in. Some investors prefer rehabbing, others choose to lease option, and others only buy and hold. All niches can be extremely profitable if you educate yourself and purchase the property below market value. However, in my opinion wholesaling is where all investors should start out. (In fact, you will be deemed clinically crazy if you start out in any other niche.) In this series of articles I will discuss the benefits of operating as a wholesaler.

Wholesaling Produces Quick Cash

One of the great things about wholesaling properties is the deals can happen relatively quickly in contrast to other value added exit strategies like rehab projects and other larger developments. Anytime you get involved in developing or redeveloping properties, the timelines are much longer, and the checks can be far and few between. Wholesaling, on the other hand, generally produces revenue within five weeks or less depending on the magnitude of the transaction. The average time your wholesale deals will take from start to finish is about five weeks to complete. That includes every aspect of the deal from the time you put the property under contract until the time you are cashed out by your ultimate buyer. There have been deals Paul and I have been in and out of in a week, but these are the exception rather than the norm. Either way, you will not find any other niche of real estate with timelines this short.

Wholesalers Have Very Little to No Risk

Real estate investing always involves some level of risk. Your job as an investor is to always understand those risks and try and minimize them in any way you can. Wholesaling, on average, is not nearly as risky as some of the other niches of real estate. This is one of the main reasons I encourage most new investors to start out wholesaling properties. As a wholesaler you can eliminate 99% percent of the risk if you educate yourself properly. In fact, if you know how to fill out a purchase and sale agreement correctly, you should be able to structure deals with virtually no risk at all. 90% of the properties I put under contract have a deposit of less than \$500 dollars and an inspection clause which would keeps my deposit safe if I am not able to find a buyer for more than I have agreed to pay. Often these clauses are written in the form of an inspection contingency. Many of the contracts I sign with sellers give me an inspection period up until the day of the closing. This is a very one sided contract, however we as investors should never be afraid to protect ourselves in every way possible.

In summary, for \$500 dollars or less I can control a property worth hundreds of thousands of dollars for a certain period of time. I will have the ability to sell the property for more and collect the spread with virtually nothing on the line. Where else can you earn tens of thousands of dollars with little to no risk what-so-ever? Nowhere! The only risk you have as a knowledgeable wholesaler is your time.

Wholesaling Has Unlimited Income Potential

Wholesaling is the perennial wealth builder, and the transition from working a job for pennies, to achieving unlimited wealth through real estate is an obtainable goal and increasingly well documented. There is no secret that a lot of people choose to go into real estate because of the endless opportunities for enormous wealth. I know plenty of wholesalers who made over \$200,000 in their very first year working the business with no prior real estate experience at all. I

also know plenty of wholesalers who make over a million dollars a year every year they remain in the business.

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**Unfortunately wholesaling has not helped me meet any women so this is clearly not a benefit of doing the business.

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I received some emails from a few curious investors concerning my last article about wholesaling. As a result I feel I must expand further on the benefits of wholesaling further due the fact that some people think you need financing, good credit, and a lot of free time in order to become a real estate investor. So let me dispel that notion and share with you some more benefits of wholesaling.

Wholesaling Does Not Require Good Credit

Having bad credit is a limiting factor when it comes to getting into the buy and hold strategy of real estate investing. However, an unworthy credit score should by no means deter you from wholesaling. As a wholesaler, having a good credit history can help you, but is by no means a necessity. If you have horrible credit it may cost you a few deals during the course of a year by limiting the number of viable exit strategies you have. Don't let this discourage you as there are still plenty of deals out there where credit is not needed. How many deals will you miss out on? I would estimate 10% of the wholesale deals I have structured required someone to look at my credit because I had to finance the purchase before I sold the property to another buyer. This means 90% of the deals I have done could have been structured by someone with a low credit score or no credit score what-so-ever. A motivated seller will never ask to see your credit score and as long as you can find a buyer before you have to close, your credit will not be needed. Any bona fide wholesale specialist knows they will only have to rely on the credit of their potential purchaser, not their own.

Wholesaling Requires Minimal Capital

As a wholesaler you will need to spend some money during the course of business as it will be hard to operate your office, your lead generation programs, and sales department without spending some money. These aspects of your business will all require some capital to operate, however you will not need huge cash reserves to get started as a wholesaler. The reason is because most of the time you will be using other peoples money (OPM) to operate your business. When you find a buyer before you have to close on the deal you will be using their money to fund the transaction. If you have to close on the property yourself then you will rely on either the sellers existing debt, hard money, or private money to fund the deal. Furthermore, the more you understand about the creative side of transactions the less you will have to use your own money.

Wholesaling Can be Done Part Time

I realize many of you presently reading this course may be severely hampered for time because you are working another job. In fact, lack of time is one of the major obstacles hindering most real estate investors. If you are working another job or own another business your time will be very limited and as a result you need to be very realistic about how many hours you can commit on a weekly business. The great thing about wholesaling is the small amount of time it requires to complete transactions. On average it should take you less than 10 hours to purchase, process, and sell a wholesale property. Most of this time involves the processing of the paperwork, clearing title, coordination of parties, and other logistical information.

Wholesaling is one of the only niches where you can do volume on a part time basis. Other niches like rehabbing and being a land lord can suck enormous amounts of time out of your life.(Ask Paul and I how we know that!) The deals will be smaller, but the amount of money you can make per hour committed can sometimes be astronomical.

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**The reason they don't film wholesalers on these "Flip these Home's" channels is because there isn't enough drama. It is just papers being signed and checks being cashed. Not much fun for T.V. but a hell of a lot of fun for investors!

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Are you not convinced that wholesaling real estate is the best niche of the real estate industry to operate in? Do you need further convincing or should I beat it into your head with my wiffle ball bat? Well, let me share some other benefits with you of how awesome wholesaling real estate really is!

Wholesaling is a Great Way to Learn the Business

Wholesaling is an invaluable way to learn the real estate business and all the creative aspects of what it has to offer without having to risk much of anything. From discounting mortgages to double closings, you will learn everything there is to know about completing complicated multi-party transactions. Other niches of real estate may have the potential for a larger upside, but in return the risk and time required to complete projects is generally greater. As a wholesaler, once you learn how to structure contracts properly you will realize how easy it is to work this business with little to no risk. In fact, most of the risk you take will not occur in the option or contract stage, but rather during the lead generation stage. Most of the business capital required initially will be committed to making your phone ring not to purchasing properties. The funding for the properties will come from the ultimate buyer, who you will end up recruiting.

Wholesaling Can Give You Control of your Lifestyle

Working a nine to five job swapping time for money can be incredibly disappointing. After the futility of it finally hits home, you will realize that being your own boss may not be such a bad thing after all. This is one of the things I enjoy most about being a wholesaler because I have never ever wanted to work for someone else. I am not sure if I could handle it mentally and physically. I love the feeling of waking up everyday knowing I control my own destiny. I have never wanted my destiny controlled by someone else. (Just ask my mother...she will tell you!)

Creative Control of your Business

Working for a larger company with long established systems, positions, and defined job descriptions can make a company profitable, but literally drain the life right out of its employees. People need to have a certain amount of creativity in their daily work environments and feel like their ideas and insights matter. If the company doesn't allow for creative input of its employee into the way it conducts business it will surely stifle growth. Employees will dread going to work and when they are present their minds will be someplace else. If this sounds familiar or if you have ever worked for someone else, I am sure at one time or another you may have felt this way.

In contrast, as the owner of my own company I have never felt this way. I can tell you there has never been a single day where I have rolled out of bed not looking forward to what my day would bring. In fact, there are many nights I lay awake at night excited about different creative ideas rolling around in my head and how they will revolutionize

my business. If how you presently earn a living lacks creativity I can tell you there will be no shortage of this in your new business.

Creativity is what spawns innovation and systemized innovation is what generates revenue. Realizing this fact, I always dedicate a certain amount of time each week to developing some of my creative ideas. In fact, it is not uncommon for me to spend an entire weekend working on a new aspect of endeavor within my business. My business is my baby and something I absolutely love to work on. This is the difference between working for someone else and owning your own business. This difference I speak of is hard to internalize until you have your own business up and running. However, when you do take the leap, you will soon realize it was the best move you will ever make.

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****Wholesaling RULES!**