

WHOLE SALING FOR QUICK CASH PROFITS

BY BEST-SELLING AUTHOR AND ATTORNEY
WILLIAM BRONCHICK

Copyright © 2018 by William Bronchick, Editor, Legalwiz.com

All rights reserved. Printed in the United States of America. No part of this book may be used or reproduced in any manner whatsoever without written permission except in the case of brief quotations embodied in critical articles or reviews.

“This publication is intended to provide accurate and authoritative information with regard to the subject matter covered. It is offered with the understanding that neither the publisher nor the author is engaged in rendering legal, tax or other professional services. If legal, tax or other expert assistance is required, the services of a competent professional should be sought.”

This book is intended for instructional purposes only. Every effort has been made to reflect the applicable laws as of the date of the publication of this book. However, this is a dynamic field of endeavor in which new laws are enacted, old laws revised and/or reinterpreted on a continuing basis and where statutes, rulings and case law are constantly changing. Readers are advised to proceed with the techniques described herein with caution. The author, printers, licensees nor distributors make no warranties, express or implied about the merchantability or fitness for any particular use of this product.

For information contact, info@legalwiz.com

Book and Cover design by William Bronchick & Frank Pulley

First Edition: August 2018

Contents

Chapter 1 Introduction to Wholesaling	3
Chapter 2 Will Wholesaling Work in My Market?	6
Chapter 3 Do I Need a License to Wholesale?	9
Chapter 4 Common Mistakes that Wholesalers Make	13
Chapter 5 Getting Started.....	17
About The Author.....	21

Chapter One: **Introduction to Wholesaling**



What is it that you want out of life? Are you satisfied with your current job? Do you feel fulfilled? Could you use a few extra bucks to get your family a new car, take a long overdue vacation or fix up the house (or maybe even buy a new house)? Maybe you already have a great job that you like but could use a few extra dollars and don't have a lot of time to spend on a new endeavor? Are you retired but that "fixed income" just isn't enough? Do you want a venture that doesn't involve a lot of cash, risk, or time? Wholesaling properties just might be the answer!!

Are you familiar with what it means to buy real estate "wholesale?" If so, you are probably aware that you can make a lot of money in this part of the real estate industry. On the other side of things, if you have no idea what the real estate wholesale niche is all about you should really look into it a bit deeper. There are a lot of people out there who are cashing in big-time in the real estate industry by fixing & flipping or renting properties. You can make money too by

purchasing real estate wholesale and then selling it to a rehabber or landlord for a quick cash profit. Wholesalers are generating "chunks of cash" in your market and are well on their way to realizing their hopes and dreams!

When you get involved with wholesaling, you will be buying homes at a price under market value, and then selling below market value as well. This is not the same as the big gains that you can make by buying low, fixing up, and then selling high, but it is not uncommon to make several thousand dollars very quickly by wholesaling a property. The good thing is that you do not have to spend a lot of your own money or even need great credit to purchase the property in the first place! In addition, the time it requires is minimal, as is your own financial risk.

There are many ways that you can make wholesaling work in your favor. If you are already involved in the real estate game, you should look into adding a bit of wholesaling to what you currently do if you need more cash.

Make sure that you take things slow at the beginning so that you can get your bearings. This niche of the industry is quite different than any other. In order to be a success you should take your time learn as much as possible and build confidence before you get started.

Let's talk briefly about how a wholesale deal works. Obviously, every deal is a bit different and we are going to use round numbers to make sure it's easy to understand.

Let's say that Ira Investor is looking to buy a property that he can fix up and sell. You find a property that needs cosmetic repairs – paint, carpet, kitchen, baths, etc. You estimate that when fixed up the property should sell for \$300k. (We call this the “ARV” or After-Repaired-Value) The owner of the property, Sally Seller, needs to sell right away and doesn't want to hassle with a real estate broker. You are able to get the property under contract for \$225K and offer it to the investor at that price for a \$5K wholesale fee. At closing, you collect a \$5,000 wholesale fee and you are off to your next deal. Everyone wins!

Imagine how your life would change for the better for you and your family if you did this once or twice a month; or if you did it full-time and did it 4 or 5 times a month?

Let's talk about if Wholesaling will work in your market or not in the next chapter.

Chapter Two:

Will Wholesaling Work in My Market?



There are several types of real estate markets. In any of these, to survive and profit as a flipper, you must buy at an appropriate discount, and then sell the property for a profit. Real estate markets are subject to fluctuations, but these fluctuations typically do not greatly influence the ability for the informed wholesaler to make a profit.

In fact, wholesaling can be the least risky way for a beginning investor to make a profit. This is because of the relatively short amount of time he or she will own the property. Unlike the stock and commodities markets, real estate markets don't rise and fall rapidly. You need to understand how to find potential wholesale deals because that is a big part of the equation. It's not difficult, but, "the devil is in the details", so to speak.

Don't get discouraged by others that tell you

wholesaling doesn't work in your market. People are constantly looking for excuses why something won't work in real estate investing. The good news is that Wholesaling — buying low and selling low — works everywhere in any market, up or down. However, you need to learn your market and adapt the proper techniques in order to be successful.

So, is there an ideal market for the Wholesale process? In a word, "No." That being said, you may find it more difficult to locate bargains in rising markets. That's because as the market keeps rising, the probability of selling a property quickly for a large profit increases and thus there are fewer motivated sellers. In contrast, when property values are falling, more bargains become available. You need to assess the true value of these properties based on when you expect these properties to sell. Thus, your purchase must be made at a steep discount to allow for a profitable resale to another investor.

Some basic strategies can be used employed in wholesaling in virtually all market conditions. First, become educated in your local market by understanding how this process works. Learn about "target" neighborhoods, ie, the best areas to wholesale properties. Enlist the aid of successful real estate professionals along the way to help you identify these target neighborhoods. These professionals will help interpret market indicators, such as the average

length of time houses are sitting on the market this month versus last month or last year. Armed with this type of information, you will be able to make good decisions. If you are new to real estate, an experienced **mentor** could be a good investment!

Investors know that a weak market can offer extraordinary deals, although wholesalers need to proceed with caution. In a falling market, even a few months' delay can turn a sound deal into a headache. It always pays to know the market and purchase the property at a price low enough to resell for a profit, even if the market continues to fall. The common myth is that you can't make money by flipping properties in a bad real estate market. This is simply not true; in a falling market you can buy very low and sell for a little more to another investor at a low price to still make it worth his while. For example, if the "ARV" is \$100k and you can tie up a deal for \$70k and sell to a landlord for \$75k, the landlord can rent it to a tenant and make cash flow, even if prices are falling.

Despite whether the market is up or down, there are individual sellers with problems. These include divorce, loss of job, facing foreclosure, death of a spouse, sudden job transfer, etc.

Remember, as soon as you have the local market figured out, it may change. Experienced investors may have an advantage in seeing trends, but no one

can foretell the future, and short turnaround deals usually involve the lowest amount of risk.

Have Multiple Exit Strategies! Sometimes, for a variety of reasons a wholesale property just won't sell, so it makes sense to have a few other exit strategies. Could you rehab it yourself or bring in a partner to help you do so? Could you add just a little fix-up and rent it out? Knowing how to market your property will increase your chances substantially. Having a trusted associate or better yet, a mentor in your corner will greatly increase your chances of success.

In the next chapter, we will talk about whether or not you need a license or not to Wholesale properties.

Chapter Three:

Do I Need a License to Wholesale Properties?



You buy a property, you wholesale it, you profit. Do you need a real estate license to wholesale properties? In most cases, the answer is “No”.

Once you have a purchase contract signed with a seller, you can assign your contract to another investor who will close directly with the seller. A contract assignment is similar to endorsing a check made payable to you over to someone else. You are basically selling your position as buyer on the contract, which is specifically exempt from most state licensing laws.:

“FOR ANOTHER”

The large majority of states use the “for another” language in their state licensing statutes. The “for

another” language means the law provides a laundry list of activities that require a license if you do it “for another.” A good example is the Ohio Statute:

§ 4735.01 Definitions. As used in this chapter:

(A) *“Real estate broker” includes any person, partnership, association, limited liability company, limited liability partnership, or corporation, foreign or domestic, who **for another**, whether pursuant to a power of attorney or otherwise, and who for a fee, commission, or other valuable consideration, or with the intention, or in the expectation, or upon the promise of receiving or collecting a fee, commission, or other valuable consideration does any of the following...*

The Ohio code then goes on to list all types of activity, such as buying or listing, selling, offering, leasing, or negotiating real estate. This type of statute would clearly exempt you from doing any of the listed activity so long as you were doing it on your behalf and not “for another”.

Clear Exemptions

Other states that do not use the “for another” language clearly identify specific exemptions in their licensing statutes. A good example is the South Carolina statute, which reads:

“This chapter does not apply to...

The sale, lease, or rental of real estate by an unlicensed owner of real estate **who owns any interest in the real estate** if the interest being sold, leased, or rented is identical to the owner’s legal interest”

However, you must have an “interest” in the property before you sell it. In general, a contract to purchase property gives the buyer an “equitable interest” in the property. Thus, if you have a legal interest in the property, you are basically exempt from the licensing regulations in these states because you are selling what you legally own (ie, an equitable interest, not the property itself).

DON'T TRY TO SKIRT THE LICENSING RULES.

While the basic types of activity I have described are generally exempt from licensing regulations, there are cases in which a license would be required. For example, if you are finding buyers first, then shopping around for properties you can wholesale to them, this could be essentially acting as a buyer’s agent. The premise of my discussion assumes that when you go under contract with the seller you do not have a buyer

already lined up to assign or flip to, thus you are “at risk” (ie, you are an INVESTOR).

REGULATION FOR ALL.

A few states limit the real estate activity of any persons, even if you are acting on your own behalf. SD, MN, WI, MI, MD & MN all have limitations on the number and frequency of real estate transactions you can do before you will need a real estate license.

For example, Michigan law limits you to 4 transactions per year, although it is not clear whether using multiple corporate entities will be a workaround. There are few, if any, reported cases of people being prosecuted anywhere in the country for wholesaling without a real estate license. The issue of licensing is more relevant to the enforcement of your profit.

For example, if you assign your contract prior to closing and expect the buyer to pay you at closing, he may stiff you and argue “you don’t have a license”. The bottom line is that if you don’t act like a real estate broker, the state agencies that license brokers will leave you alone. If you use the licensing exemptions to skirt the licensing laws, you will likely hear from the state licensing agencies. It is important that you make it very clear to all parties in the transaction that you are not a broker and are acting on your own behalf. Sometimes having a trusted

advisor, attorney or mentor can truly keep you out of trouble.

In the next chapter, let's talk about the most common mistakes that Wholesalers make.

Chapter Four: **The Most Common Mistakes that New Wholesalers Make**



So, you've decided to get your feet wet in real estate investing by becoming a wholesaler. Wholesaling is a good way to start because you can generate cash quickly with very little risk or money up front. You can use the cash you generate from wholesaling to pay down debt, save up for down payments for rentals, or take your family on a nice vacation.

But, not all wholesalers are successful. Many start with the intention of becoming successful, but ultimately fail and/or give up quickly, thinking that the strategy is not sound. Truth is, most people quit because they lack the necessary patience and discipline needed to start a new business and they skip from one business opportunity to another, looking for the "quick fix". There is no quick fix – every business opportunity takes hard work, patience, and persistence. However, there are some common mistakes that new wholesalers often make that you

can learn to avoid on your path to success. Below are the three most common ones. Consider it, “Wholesaling Houses 101”

Mistake #1: Not Enough Data to Your Potential Buyers

Most beginner wholesalers give up because they find a few deals, then they get discouraged when they can't get them sold. Getting rid of good deals is EASY, but you still have to sell a house to get it sold. Most wholesalers will email people on their buyer's list some basic info and wonder why they get no bites. The most common reason is because they don't give their potential buyers enough information to make a quick decision. You want to send enough information so that your potential buyers know that you are a professional.

Here are some of the things you need to convey to your potential investor/buyers:

- The comps for properties that have sold in the neighborhood
- A list of properties currently for sale in the neighborhood
- A map with directions to the property
- A detailed list of repairs with a contractor's bid
- An inspection report (if you have done one)
- An analysis of what kind of profit can be made

- A list of hard-money lenders they can use to finance the deal
- A copy of their purchase contract for the property
- Pictures, pictures, pictures!!
- A link to a YouTube video showing your walk-through of the property.

In short, make it EASY for an investor to quickly analyze the deal and make a decision. Don't make assumptions like thinking the people you email your deal know the comps can do the math quickly. Lay it all out for them!

Mistake #2: Focusing Too Much on Fixer Uppers

Most newbie wholesalers focus on fixer upper properties that can be sold to other investors who will fix and flip. The reality is that more investors are landlords vs. flippers. Thus, why just focus on fixer uppers? Keep an eye out for properties that would make good rentals for landlord investors. When presenting the information outlined above, include an analysis of what a buy, fix and rent scenario would look like. In many cases, the rehab budget will be a lot lower for a rental vs. a fix and flip. Give both scenarios in your flyer. Include rental comps and base the cash flow on what a refinance loan would factor into the equation at current market interest rates. Include the names of a few good mortgage brokers.

Mistake # 3. Asking Too Much

Most wholesalers will mark up a property too much when broadcasting to their list, with the assumption that other investors will bargain them down on price. **BIG MISTAKE!** First, most people are too chicken to negotiate or they assume that the price you are asking is your bottom line.

Second, you only have a short window to get the property resold; otherwise your contract with the seller will expire. Instead, mark the deal up a little bit, and tell investors that the price is your bottom line. Don't be afraid to share with others what you are paying for the property – they will appreciate your candor and that your markup is reasonable.

Make sure you aren't greedy about the markup – you shouldn't expect to make more than a 2 to 4% markup on the price as your wholesale fee. In rare cases you can mark it up more, but the key to successful wholesaling is **VOLUME**. In the beginning, you should mark your deals up even less to get through the process and establish relationships with other investors.

With these tips in mind, give it some hard work, be patient, and make **LOTS OF OFFERS!** As Wayne Gretsky once said, "Every shot you don't make isn't a

score". Likewise, 100% of all offers not made are not accepted! So, are you ready to make a BIG change in your life? Are you ready to fulfill some of those goals you have only been able to dream about? Read on!

As with any business, getting started and going in the right direction is crucial at the start. In the next and final chapter, we will talk about how to get started in your new and exciting business!

Chapter Five: Getting Started



Every newbie investor has to start somewhere. Here are a few tips on the things one should do in order to have the best chance for a successful wholesaling business.

It will take focus and determination. The following suggestions will help you get your wholesale business jumpstarted:

1. **Learn as much as you can about the wholesale business.** There are several books and guides available. I happen to offer the most complete course available anywhere, called "[The Ultimate Guide to Wholesaling Houses.](#)"
2. **Find a good mentor.** Make sure they are experienced and are still active in real estate investing. Their fees are usually a great investment as they can save you a lot of

time, accelerate your business and help you avoid mistakes. This is a great way to meet other investors who are in "the game" so to speak. Get a good business card, network to get your name out there and learn as much as you can.

3. **Build a Team.** By networking with other similar minded folks you will find both individuals and companies that offer services that you will find helpful. A few examples are title companies, real estate agents that work with investors, appraisers, attorneys, hard money lenders, contractors, and home inspectors. These people and their companies can help you a great deal in your journey into the wholesaling business.

4. **Establish an area to find wholesale deals.** We refer to them as "farm" areas in real estate jargon. By doing some research and networking with others in the real estate business, you can find a couple of zip codes that you use to find deals in. Listen to other investors (rehabbers and landlords) as they will be the people that you will want to be able to sell your wholesale properties to. Find out what areas they prefer to work in.

5. **Drive your farm area.** Get to know it thoroughly. Become familiar with the types of houses and what they sell for. Know the current rents in each area. Look for "For Rent" signs. Also look for houses in a state of disrepair where the landscaping is unattended, the property needs painting and upkeep has been neglected. Also look for clearly vacant properties.

6. **Build a customer list.** Find out what types of properties that these investors (rehabbers, landlords, etc.) are looking for and what are their parameters for buying (# of beds, baths, location, etc.). Make up a buyers list and every time you find a deal, go to them first.

7. **Market for deals.** There are many ways to market and I talk about all of them in depth in my [Wholesaling Houses Course](#). You can enlist the services of a real estate agent that works with investors. You can send out mailings in the form of postcards and letters. You can put up signs. You can go up and knock on the doors of the houses that appear to need work. In short, there are a ton of ways to market, but you have to consistently market to get deals. Normally, it is best to use at least a couple of different marketing strategies in order to get the quickest and best results.

Make sure you understand what a wholesale deal really means. Remember, wholesale means WELL below retail. Before you can figure out whether a deal is wholesale, you need to know the ARV. An appraisal is not necessarily the ARV. A county tax assessment is not ARV. Asking or listing price is not ARV, and neither is a computerized “guestimate” from a website like ZILLOW. ARV is what someone is willing to pay for a fixed up property based on average time on the market for similar houses.

Once you determine ARV, then you can figure out wholesale. A house worth \$200,000 retail is not a bargain at \$192,000. In fact, it’s not a deal at \$188,000 or even \$185,000. In most markets, a true wholesale deal means at least 20% off retail, possibly closer to 30%, depending on whether it is a buyer’s or seller’s market.

The price range of houses you are dealing with also skews the figure, since higher-end homes tend to take longer to sell and you may need a larger discount. If the property needs repairs, then you need to get it EVEN CHEAPER. So, the formula should be X% under ARV, LESS repairs, using a very conservative (high) repair figure. I talk a lot about tried and true formulas to use in my [Wholesaling Course](#). Having a local real estate agent, investor or mentor to give you a reality check is often helpful. And, make sure that

person giving you advice does not have a stake in the deal, such as the listing agent or other parties.

There has NEVER been a better time for you to get started in fulfilling your goals, ambitions and dreams! Wholesaling is a great place to start. By the way, did you know that many rehabbers and landlords started out by wholesaling and building the funds needed to take their businesses to the next level? Along the way they and their loved ones have reaped the rewards of their success! Welcome to the business of wholesaling. The sky is the limit!!

For a LOT more information and a step by step guide on how to Wholesale please go to My [Ultimate Guide to Wholesaling Houses](#) available on my website www.legalwiz.com

Best of luck and success in the wholesaling business!

About the Author, William Bronchick



Attorney William ("Bill") Bronchick, host of Legalwiz.com, has authored six best-selling books and is sought nationwide for his 25+ years of real estate and legal knowledge. He has been interviewed by numerous media outlets, such as CNBC, TIME Magazine, USA Today, Investor Business Daily, Forbes, and the LA Times, to name a few. William Bronchick is the co-founder and past President of the Colorado Association of Real Estate Investors and the Executive Director and founder of the College of American Real Estate Investors.