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Claude's Success Mentoring Programs

The old way to learn is new again!

Hello, my name is Claude Diamond and I yearned for the success, financial freedom and happiness that most of us desire. I followed all the rules of the day; I attended excellent colleges and majored in business, I studied law and received a J.D. (Juris Doctorate). I was employed by Fortune 500 companies. Guess what? I was unmotivated, unhappy and worst of all I was always broke. I did a good job, but all I got for my efforts were token (very small) raises and pats on the back. My life was frustrating since all my **dreams of wealth** were just that, daydreams. I was so frustrated with my life that I had to do something drastic so I took the path that many of us travel on. I spent a fortune (that I didn't have) attending all kinds of real estate, motivational and business opportunity seminars, workshops, boot camps, you name it. Then I spent even more money buying all types of self help books and tapes. I literally spent a fortune and I have book shelves full of pie in the sky motivation! When it was all said and done I was also in debt! The rules of making it big in America just didn't seem to be working for me even though I was following the conventional thinking. All of the above stuff just didn't work! It's not that the information is bad, it's just that **short term, quickie, motivational and gimmicky fixes won't get you to the bank!**

OK, OK Claude so if rah rah seminars, bootcamps and fire walks don't work what does? What's the SOLUTION?

There is a common sense, success method that can achieve remarkable results in a reasonable time frame and it's called **MENTORING**. It's a way to learn that goes back to the beginning of time when an experienced successful young teacher (I think Tom Cruise should play me) would take on a pupil and teach him or her to duplicate/emulate/copy his own success. It's an honorable old way of learning that had been forgotten, but has been rediscovered and is new again. (Thank you America.) **Now back to my story.** I was down right depressed about my non career at this point and to top it all off I had trouble sleeping at night because I was always worried about money. Life was not a bowl of cherries, but I still wasn't ready to give up and accept mediocrity. I had the idea that I should try to discover another way to fulfill my destiny, a short cut to success. I decided to find myself a Mentor, a teacher who had already achieved the success I wanted. I would listen, learn, emulate and finally succeed someday. I met my first mentor, Max in serene Northwest New Jersey and he gave me a million dollar education in real estate and business. My life and fortunes literally changed overnight. Thanks to Max, I was able to start up my own business in creative real estate and achieve success beyond my wildest dreams. Now it's your turn to find your success.

I know of no better way to have the Success you want, the Greatness you deserve and the life you were destined for than by having a One-On-One Success Mentoring & Wealth Coaching Relationship. Let me tell you about all the dumb mistakes I have made so you can avoid them and then let me teach you all the smart things I have learned that allow my family to enjoy a great life. We live half the year in the Colorado Rockies and the other half in beautiful, warm and sunny San Diego, CA. (See my addresses below). Mentoring is the smart time honored way to accelerated learning and growth and to keep the energy and focus on your goals. It's not for everyone. If you're hungry, ready to make changes in your life and are teachable we can accomplish some great things.

Here are my Favorite Mentoring Programs:

Email: CDMENTOR@AOL.COM

Website: <http://www.claudediamond.com>

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Sales Training & Coaching: I have always said that “Sales is the Million Dollar Skill” and with My “GUTS”™ Sales Training Success System I can show anyone, from the starter to the seasoned sales person how to make sales, fun, satisfying and extremely profitable in the next 30 days and go to the bank.

Creative Real Estate/Lease Purchasing: This is my favorite original wealth building home business. Learn how to control without ownership and develop multiple streams of income without tenants & toilets.

Mentor Coaching-Coach Training: Learn how to become a Coach, Consultant and/or Mentor by developing your own specialty niche business. Help others to keep the focus. We have the business and marketing plans and a sales system that works. This is the most wonderful home business.

Business/Success Mentoring: Do you have a business concept you wish to develop or an existing business you want to make more profitable or do you just want to learn 7 figure thinking? Then this is the program for you.

The Licensee Mentoring Program: This is the one for the real entrepreneur. It includes full licensee rights to purchase at cost and sell our exclusive product line. Use our trade mark and proprietary business concepts & materials in operating your own Unique Mentoring, Coaching and Training business.

“Give me a call, I answer my own phone.” Claude

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CHAPTER SIX

THE CONSULTATION

CONVERSATIONS WITH A MENTOR

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Over the years I have had the pleasure of Mentoring select individuals from all over the world. They wanted to have the same success that I found with this wonderful (but seldom used) technique called Lease Purchasing. What you are about to read is an actual Mentoring session that I conducted. I believe that this is an extremely valuable section of my book. It contains so much hard information and includes so many excellent questions in a readable and hopefully entertaining and motivating format.

Claude: Good Morning! Let's get started learning about The Best Concept in real estate, Lease Purchasing. First a little background. When I got started in real estate many things that were true then are still true today. There is still a plethora of Guru's selling books, tapes and seminars. They all seem to sing the same song "get rich quick purchasing foreclosures, fixers, putting nothing down, using sweat equity and so on. I followed all this wonderful advise and for the most part had nothing to show, but thousands of dollars in debt, liability, negative cash flow, overhead like taxes, insurance, repairs, legal fees, principle and interest payments. The management of the tenants was no picnic either. I had very little control of them. They paid either late or in some cases not at all. There were constant evictions, attorneys, repairs and malicious damage. I had to work a second part time job just to keep up with all the debt.

Client: Wow, I would have quit at that point.

Claude: I was almost ready to quit, but then I heard of a man who was a self made millionaire with an unusual technique. This concept would allow me to control good properties in good neighborhoods without the bank qualification, large downpayments and would be profitable from the beginning right to the end. He was my Mentor, Max. He taught me some of the basic principles which I am going to share with you today. Max used to say:

"Why own real estate when you can control it."

I didn't have a clue what he meant. He also used to say "just let everyone else buy it, fix it and then we will control it". You see Max came to this country with nothing. No credit, no money just knowledge of the true principles of leverage and control which we are going to discuss today. The concept of Lease Purchasing !

Client: OK-OK !! Let's get going here I'm biting at the bit.

Claude: All right. There are so many different kinds of lease purchases or option techniques so before we get into strategies let's begin with a good foundation and start off this discussion with a good definition of a Lease Purchase.

A Lease Purchase is really two basic concepts in real estate; Leasing and Purchasing.

The first concept is the lease or as some would call it the rental. In a lease we obtain temporary possession of somebody else's property. We do not own it and title has not changed, but yet we control it. We can rent anything in our society, cars, lawn mowers, motel rooms. We can rent any kind of real estate like mobile homes, condos, townhomes, single family residences, large estates, you name it.

If we can rent somebody's property and obtain possession, we can have partial control of it just as any other tenant does.

The second part of the definition is the option to purchase. Option to purchase means you have the right **not** the obligation to purchase somebody else's property for a pre-

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negotiated price and terms. So we can rent something, we can use it for our own needs and for others. We can pre-negotiate a possible purchase of this property for sometime in the future.

Now the one thing that is quite imperative in a lease purchase is getting the assignment clause negotiated into the contract if we want to personally control it. An assignment clause gives you the right to sublet, transfer and convey any rights which you have negotiated within the contract to a third or fourth party. If done correctly we can now control someone else's home without the purchase, transfer of title or loan and our costs are fixed to just a simple monthly rent just like any tenant would pay.

The only thing you really have to understand about lease purchasing is that you can make more money by controlling other people's real estate than you can by trying to go out and buy your own real estate all the time. For example, you go out and buy your own real estate, you have got to come up with a lot of down payment, 10 to 30%. You have got to qualify for a loan, you have to pay taxes, insurance, homeowners fees and all this stuff. You are responsible for the maintenance, if the roof leaks that's your problem. I think we have all been basically brainwashed that the only way we can be involved in real estate is by buying it all the time and that is simply not true.

We can control property by negotiating long term leases with options or rights. A lease purchase from the investor's view point is that we can control this property the same way a tenant can control it. We can put one or two months down for as long a lease as possible and then go just a bit further and negotiate all the terms of the purchase. We don't have to pay the taxes, insurance and homeowners fees. We are not responsible for maintenance on the property if the heating system goes out or if the septic tank leaks.

We can have more control by optioning or leasing with optioning a property than you can by buying. This is what you must understand in order to succeed with this specialized knowledge.

Now I am going to break down my strategies into four different parts. I call them

My Four C's.

The First "C"

The First "C" stands for **Control**. I want to control other peoples' properties. How do I get this control? Normally this involves some kind of motivated seller. What does every guru at every seminar say? They say find the motivated seller. Well I have some shocking news for you, not everybody is highly motivated. (I know you knew this already). The beauty of lease purchasing is that we have a technique that can work with the non-motivated person, too. This technique is really not well known because it is a niche and it is not utilized by many. If it is presented to people and we educate them on its benefits and advantages we can work with the non-motivated person, too. We are going to start, however, with the motivated seller for this portion of the First "C".

Who is the motivated seller? Did you ever get stuck with a property? We have all been there. We all know what it's like when we want to get out of the property, when we have the tenants from hell or when real estate is going down in value. This could be a seller who is being transferred, moving, experiencing a family change, one who has built another home, has a new job, has no job, for many reasons. We just don't want to buy it, we want

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to control it.

The control strategy involves two distinct techniques; **Sandwich Leasing** and **Assigning**. Let's begin with the sandwich lease. This is essentially a home where I can negotiate a long term contract with the right of assignment. I like sandwich leasing because there are a multitude of profit centers within it. You were looking for good properties, in good neighborhoods, no more war zones and no more major fixer uppers.

Client: What is the difference between sublet and sublease?

Claude: Basically they are the same thing. I use the word interchangeably to mean renting a home with the right to purchase from Owner "A" and then turn around and rent it with an option to Tenant "B".

Client: Exactly what kind of homes do you mean ?

Claude: My favorite phrase is as follows:

"I like good properties in good neighborhoods."

I don't mind if they are blue collar neighborhoods, middle/upper class, etc. I just don't want to go into the war zones or deal with major fixer upper properties. "Been there, done that!" My Don Quixote days are over, thank goodness.

I am not going to get the type of option money I am looking for by trying to sell something to people they don't want. Further, I don't want to make capital improvements on properties I am only renting. Finally I want this property to turnover within 30 days or less. All this is common sense, yet it goes against all the conventional thinking propagated by your well known gurus, writers and speakers. Gee I wonder why ?

Client: Do you have a dollar limit here? What kind of repairs are we talking about ?

Claude: I am talking about cosmetic repairs. I don't mind if a property needs a little paint or carpet cleaning, new toilet seats or minor things, that's fine, but I don't want to do the major renovation stuff. It's too time, money and energy consuming. There are plenty of good homes in good neighborhoods without the hassles. I don't want to do lease purchases on hard to move properties. Yes, I want it all and with Lease Purchasing I can have it.

People want to live in good areas with good schools and amenities. It doesn't have to be the prettiest house in the neighborhood, but they want stable neighborhoods.

Client: How did you come to this philosophy ?

Claude: When I started in real estate I thought that I was smarter than the marketplace. I got some of the worst properties in neighborhoods and even with generous rent credits they were sometimes very difficult to move. The tenants were less than motivated and the upkeep was costly. I thought that I was getting a 'steal of a deal' but in reality all I was getting was an alligator property and a constant headache. The way creative real estate is taught today by many is just going to result in frustration and burnout with loser properties.

Client: Claude, I recently heard a speaker who was preaching about his wonderful technique of going to the ugly properties and war zones, etc. We should pay 20 to 30 on the dollar for these properties and then flip them with creative financing. From what

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you're saying this is not a viable method, is it ?

Claude: Why would anyone want to own, much less control, homes in high crime areas or costly fixup properties when you can control much better homes with a Lease Purchase? It just doesn't make sense. As I said my Don Quixote days are over. I am through fighting windmills or for that matter, hard to market properties. We don't make any money when we are stuck with the monthly payments, high advertising costs and repairs. The bottom line is we lose money, don't we ?

Client: If we can't feel safe when working on a property then we don't want the property under any condition, correct ?

Claude: Exactly, and you know what I have discovered there's just as many properties in these good neighborhoods. It's just a matter of where we focus ourselves and our efforts.

Client: Now what kind of properties are we talking about here?

Claude: Condos and townhouse are fine, I have done a lot of them. Single family homes are excellent. I love those especially, the bread and butter 3 bedrooms/2 baths. I have even done mobile homes. Have you read a wonderful book on mobile homes by my friend Lonnie Scruggs?

Client: I own mobile homes and I never heard of this book. How do I get it?

Claude: Just call Lonnie at (757) 436-2197. It costs around \$30.00 which is a bargain. Best yet, Lonnie usually answers his own phone. I love mobile homes, I've made a lot of money and I've created a lot of paper with them after I read Lonnie's book and I applied my lease purchase methods.

Client: What about the expensive homes, the high end stuff ?

Claude: If you want to get into the high end real estate you can do that too, but of course you are not going to commit substantial funds to those kinds of deals. The last thing you want to do is get stuck with payments on a home that's running a couple of grand a month. There are some Lease Purchase techniques we can use in these types of properties, too which I will discuss later. (See Cooperative Assignments-the 2nd "C").

Client: Alright, Claude one quick question. At a well known Guru's seminar we were told to negotiate six month Lease Purchase leases only. Do you agree ?

Claude: That strategy just doesn't make any sense. It probably sounds real good during a seminar, but once you're out there doing the work the NO'S are going to be a little motivating. Negotiating with an owner for six months at a time with a renewal clause is an unreasonable strategy and shows a lack of commitment. Only a few extremely motivated sellers will go for it. Who wants to worry about finding a new tenant every six months ? My feeling is the longer the lease the better.

We want to control properties for as long as possible, the longer the better. We then want to sublet the home in one year increments or assign the lease to another person.

Client: Why a one year term ?

Claude: The Tenant/Buyer in a sandwich lease will possibly renew for another year and

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we can receive additional option money and positive cash flow.

Client: What are your ideas on moving the home fast ?

Claude: My success strategy is to give extremely good rent credit. I give 50 to 100% whether it's someone else's property or my own. The reason is that I want my phone ringing off the hook with potential Tenant/Buyers. Most sellers and landlords will not give that kind of rent credit up front, but if they did the math they'd realize that getting someone into the home fast is what it's all about. When you compute how much money you lose by constantly advertising and making all the monthly payments you realize that it's better to turnover the home pronto-Tonto.

Client: I heard you on a TV show and you mentioned that rent credit is applied to the purchase price. Is this still true ?

Claude: Yes ! When you're doing a rent to own, a sandwich lease, rent credit and option money go to the purchase price only. If you mistakenly tell the Tenant/Buyer or place within your contract that it is going to the down payment and that doesn't occur, when they go for a loan, they have grounds for a potential lawsuit against you.

Client: Even the option money itself couldn't be considered as part of the down payment?

Claude: I've got to tell you that 99% of the time it does go to the down payment, but I'm just worried about the one guy who goes to the one private lender who says none of the option money will go to the down payment. Why take a chance? I'm not going to stand in the way if they can get all the money towards the down payment.

Client: You just want to let them know before hand.

Claude: Definitely ! There are three rules, disclose, disclose and disclose. Do your business honestly and upfront with people and you will find that your problems are minimized and your business will consistently grow as your reputation precedes you. It's the best marketing of all!

To sum up, the Rent Credit and Option Money are applied to the purchase price only in my contracts. Depending on the lender many variables could occur in the Tenant/Buyer's favor.

Client: The point is we would tell a buyer that the option consideration is usually taken off the price of the house.

Claude: This is the way I usually explain it to them. All your rent will be credited towards the purchase price and your option money usually goes to the down payment depending on what lender you go to.

Client: OK.

Claude: Don't use terms that are absolute because in the contracts, option money and rent credit should always go to the purchase price. It is usually not an issue with the tenant/buyers; they don't differentiate between purchase price and down payment for the most part.

Client: It's like a \$90,000 house and they have got \$10,000 or \$15,000 in credit it still

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comes to the same price for them.

Claude: The price comes down regardless.

Client: You just want to make it clear to the tenant/buyer that option money goes to the price of the home as well as rent credit, but there are exceptions, right ?

Claude: Right and you don't want to confuse or misrepresent the facts.

Client: Do you have a formula for the percentage of option consideration that you require?

Claude: I'm looking for a minimum of three to five months or 2 1/2 to 5% of the purchase price. My operational rule is that the first to mention price always loses. Did you ever read the Herb Cohen book You Can Negotiate Anything ?

Client : No.

Claude: It's a must read. Negotiation is an important skill.

Client: I'll get it.

Claude: Let me share with you a story. I had a very expensive property in a neighborhood and I was stuck with it. I was looking at the second month rent and I was responsible for the payments. I had originally wanted \$5000.00 option consideration for it, but now I would have taken \$2000.00. I had a lady come to the house who was very interested in the home. I was anxious and wanted to blurt out to her that all I wanted was \$2000.00 and it's yours. It was on the tip of my tongue you know, but just before I said it, she goes to me "Mr. Diamond, I have \$8500.00 will that be enough money?" I said "yes, we can make that work." (I'm biting my tongue!) I almost made a \$6500.00 mistake for opening my mouth. The fundamental rule of negotiation is 'the first to mention price always loses'. Let them tell you what their budget is first.

Client: You don't state in your ads the amount of option money you require ?

Claude: No ! I want everybody who is reading my ads to call me and let me know what their budget is. Why limit your upfront potential profit? Did you ever play poker ? First I am going to run one of my famous rent to own ads. I am not going to put how much option money in it. I want the phone to ring off the hook. I want to keep this information in my computer for these potential tenant/buyers.

Client: Sure !

Claude: You would never show your cards in advance; why would you state the amount of money you require on a good home with a generous rent credit ? Always hold something back. You can lower the option consideration you require, but it sure is hard to go back up. Let the Tenant/Buyers tell you what their budget is and then start your negotiation.

Client: What would be a good way to work with a Tenant/Buyer who is short the required option money ?

Claude: A good strategy would be to see if they could make higher rent payments. You could raise the bridge or lower the water.

Client: This is getting more interesting by the moment.

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Claude: You , ain't seen nothing yet. You are really going to enjoy what we are going to talk about this morning.

Client: Do I just do Lease Purchase deals in my backyard ?

Claude: My business is not just here in San Diego, California or Winter Park, Colorado, but everywhere. I use the niche of lease purchasing all over the country. I have even worked with people in other countries. This is a true niche and if we market it correctly we can use it everywhere. There is no geographical limit to where we can work with this technique. We can use Lease Purchases anywhere there are free property rights.

Claude: Alright, it seems we took a little deviation. I want us to get back on track with my lease purchase strategies The four "C's".

Client: Sounds good Claude thanks for answering all the questions.

Claude : Keep them coming.

Client: So, where are we ?

Claude: We are still talking about the first "C" control and sandwich leasing here. In a sandwich lease I want to control a good property for as long as possible. The rule is 'the longer the better' in terms of the longevity of the lease. A special note to remember is that if we control it for longer than five years there could be tax consequences for the seller. Under the IRS code any Lease Purchase longer than five years could be interpreted as an installment sale. This might mean capital gains consequences for the owner, but (this sounds callous) who cares ? That is essentially the seller's problem, not ours. Having said that, however, a simple maneuver would be to negotiate a five year lease with a right to renew an additional five year lease.

Client: Claude how long is your average lease ?

Claude: My average lease with a sandwich that I am looking to personally control seems to be somewhere between two to three years. Just remember the longer the lease the more valuable the contract. It's always to your advantage to negotiate as long a lease as possible.

Client: OK, but what type of seller are you really looking for ?

Claude: I'm looking obviously for the type of seller who is somewhat motivated for a variety of reasons. I'm looking for sellers who have bad tenants and evictions filed, who have vacant homes. I'm looking for properties where the listings are expiring. I'm looking for anything that is for sale or rent by the owner. Mostly I'm looking for someone with a problem so I can communicate to them that their problem will be over with the lease purchase solution.

The dialogue would go something like this 'Mr. Seller/Mr. Landlord' you will be paid on time and your property will be taken care of.

A lot of times I will get hold of an owner and I will identify what his problem is or what his pain is and offer him multiple solutions. Please make note, however, I am looking for a property that I can get slightly under market (at least 10%) so that I can get the spread or margin that we talked about before.

Client: Right, I remember reading about that in your manual, but what if the seller will not

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or cannot drop the price to give you a reasonable spread ?

Claude: If I cannot get enough of a margin then I want a property where I can possibly raise the purchase price to create the margin I need.

Client: Why not just increase the price over your 5% rule?

Claude: I cannot over price or gouge people. Besides since it is the wrong thing to do, that idea will eventually blow up in your face. Imagine a Tenant/Buyer who goes into a deal with high expectations of finally owning their own home and then one day in a casual chat with the next door neighbor they find out their home is grossly over priced. You are setting yourself up for a disgruntled and disappointed buyer, not to mention possible litigation. Hey, who needs the hassles? Once again it is my personal philosophy to have non adversarial transactions. Let's do win-win deals and still profit consistently. The rule is (sorry lots of rules for success here), you can reasonably increase the purchase price of a house by 3 to 5% because you are subletting it a year into the future. That is within reason. If the property is worth \$100,000.00 we can sublet it for \$105,000.00.

Client: And you are giving back 50% as rent credit.

Claude: Yes, I might give even 100% rent credit. It all depends on the location, market demand and how many Tenant/Buyers I have in reserve in my database waiting to get into a rent to own.

Client: I'm still unclear as to how you negotiate the sandwich lease with the rent credit ?

Claude: Let's take a hypothetical situation here. My rule with the seller or the landlord of the property is as follows:

"I want to negotiate like an investor and finance like a renter."

Client: What does that mean ?

Claude: I want to negotiate the best deal for the best terms for the best price and for the longest term possible.

Client: In my state one and a half months is the normal deposit for a rental.

Claude: I was talking to somebody in Texas yesterday and they said that they only put down half a month. Normal in California is one month.

Client: However, many people don't know they can get a month or even more.

Claude: You're correct. Now let's just see what we're doing here. Instead of going to buy a home with 10-20-or 30% as downpayment to a bank we truly have control of a property with a ridiculously small amount that we call option consideration. I'm looking to negotiate the best price on the property so as to create a spread or margin. What does a nice middle class home go for in your area?

Client: A middle class 3 bedroom/2 bath home goes for \$200,000.00.

Claude: Let's say we found this 200K home in the paper and it was a FSBO (for sale by owner). We have negotiated with the owner a \$180,000.00 purchase price. This is only a 10% discount off the asking price. Remember there is no real estate agent in the deal and

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that usually accounts for 6 to 7% commission.

Client: OK, I see what you did, but what exactly did you say to the seller when you call on the ad to get this discount and make the deal happen ?

Claude: Great question ! The answer is to ask a lot of questions. Let the seller tell you what they want to do, what price they want. Every conversation is somewhat different, but here is an example of an opener.

"Hello Mr. Seller, I see you have an ad on your home (for sale or rent). Is that home still available ? (He answers 'yes'.)

My name is Claude Diamond and I am looking for a home that I could RENT TO OWN.

Question: (primary question) Would you consider doing a rent to own ?

Question: (length of term) For how long ?

I would pay you on time every month and would be responsible for all maintenance under \$100.00 per incident.

Question: (price) Since there is no real estate agent involved what would be the best price you can give me on the purchase of this home if we made an agreement today ?

Client: I notice that you use the words rent to own. Is this better than saying Lease Purchase?

Claude: Definitely. Most sellers won't have a clue of what a Lease Purchase is, but do have some idea of what a rent to own is. If you want to do deals with people don't be over sophisticated. Talk simply and honestly. Ask a lot of questions and develop a rapport, a relationship. I am a big believer in the concept of what I call 'relational selling'.

Client: What's that ?

Claude: All it means is that you should sell yourself before you sell the product or service. Have you ever had a sales person whose personality you truly enjoyed?

Client: Sure!

Claude: They might have been humorous, not pushy and after chatting for a while you discovered that you both had many things in common, sports, schools, friends, restaurants, etc. There is often some commonality between people if they can communicate long enough. If you can reach this commonality then the chances of doing business have incrementally increased. Once again, it's common sense. People like to do business with people that they like. The price is not the only issue in most cases as much as most people think, it's the relationship, service and finally the value given. I always lease high end cars. They offer me a better trade-in because they retain their value. I have been going to the same dealership for over ten years. Not because of the price, but because I like my salesman and the service is first class. They always greet me when I arrive. When I have an occasional maintenance repair they loan me a car. I probably could save money at another car place, but they wouldn't have the service and the people that I enjoy doing business with. They have transcended the business and have become relational to me. Now THAT'S SELLING!

Client: So selling myself is the first rule of order.

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Claude: It's part of being successful in any sales experience. Sell the Lease Purchase advantage.

Claude: Now let's get back to our deal. What we have created is a \$20,000.00 margin on the property.

Client: Right.

Claude: Let's now use my 5% rule and raise the price slightly and market the home for \$205,000.00. Now we have a hypothetical spread of \$25,000.00 to play with right ?

Client: Right.

Claude: My goal might shock you so get ready to disagree with me here.

Client : No problem, I'm here to learn.

Claude: I want to give away that entire \$25,000.00. My goal is to make this property look so attractive to so many tenant/buyers that the phone rings off the hook and they are fighting to get into this property. I will negotiate to give maybe 100% of the rent credit.

Client: Houses around here would rent for approximately \$1300.00.

Claude: \$1300.00 a month; rents are pretty healthy in your area.

Client: They have gone up.

Claude: That's good.

Client: So how much would you try to rent that home for ?

Claude: I would put an ad in the paper; Rent to Own \$1495.00 a month with 100% rent credit.

Client: OK.

Claude: We want to make about \$200 a month. You know we can go down, but we can't go up. Do you think we can get higher?

Client: Possibly. So you are looking at about \$18,000.00 you would be giving them back in rent credit and you would still have a \$7000.00 note on the back end.

Claude: That's right. We are looking for a minimum of let's say three to five months in option consideration. Let's say we run this ad, we get \$5000.00 down and \$1495.00 a month. Let's say we gave the owner at least one month down, maybe we even had to give them two months, but we have the property for a three year term, we have the Right of Assignment. The Right of Assignment means we can sublet it or assign the contract.

Client: Right.

Claude: Now I am going to run an ad in the paper and it is going to say: Rent to Own, \$1495.00 a month with 100% rent credit, Three bedroom/two and a half bath, No qualifying.

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Client: OK.

Claude: I am going to put my 800 phone number in the ad. Do you think we are going to get phone calls with a 100% rent credit ?

Client: You mentioned no qualifying you mean bank qualifying, correct?

Claude: We are not concerned with the bank right now. I am talking about qualifying for the lease purchase. The only thing that qualifies them in my book is how much option money they have. I couldn't care if they had a bankruptcy last week the only thing I am concerned about is can they put enough option money down as a commitment to make me feel good about doing business with them.

Client: Do you run a credit report?

Claude: Always, every time. With the tapes I am going to send you today there will be a cover sheet with some companies I do business with, one of them is a company out of Texas called Rent Roll. They charge me, I think \$10.00 per credit report, I pick up the phone, use their 800 number and within 30 seconds they fax me the credit report.

Client: OK.

Claude: It's a really good service.

Client: At the end of one year do your Tenant/Buyers ask for an extension ?

Claude: Hold on, we will give it to them. I know where you are going.

Client: If you do want to get rid of them?

Claude: Why do I want to get rid of them if they are a good tenant?

Client: If they buy the house it does not matter.

Claude: Yes.

Client: If they want a one year extension and let's say they have been late on the rent five times.

Claude: Now that's a different story.

Client: Now you are going to court to evict them.

Claude: Right. Do you mind if we role play a little.

Client: OK.

Claude: You know in San Diego we have a rent to own section. There are usually 50 to 100 ads in there.

Client: We are in a way better because we do not have any Competition.

Claude: My philosophy in doing this is to give them the best deal they have ever seen, to give them excellent value. They have never seen an ad with 100% rent credit and many

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potential Tenant/Buyers are going to call because they are curious or they have been turned down by a bank. What ever the reason they are going to be curious about this type of ad. My goal is to get somebody in the property within 30 days or less and make a substantial profit up front. I don't care if I make nothing at the end of the deal I am looking for cash flows. I am looking for limited liability, but I want to make a profit up front and recoup any money I put down with the owner. Let's role play. Mr. Client you call me up on the ad.

Client: Hi, I'm calling about the ad in the paper.

Claude: You and half of New Jersey. (Create a sense of urgency!) You know I've had about twenty phone calls this morning. It's unbelievable. Sir, are you familiar with renting to own ?

Client: I don't know much about it, my wife wanted me to call, she saw the ad.

Claude: Okay, let me tell you a little bit about it and we will see if you qualify, and if you're interested, I'll give you the address so you can drive by the home today.

Client: Sure.

Claude: It's a three bedroom 2 1/2 bath in Clifton, this is a rent to own sir and 100% (all of your rent for one year) will be credited towards your purchase, the rent is \$1,500.00 a month; so in one year you would accumulate \$18,000 towards the purchase price. Now there are three requirements we have before I give you the address on the property, would you like to hear them Sir?

Client: Yes, I would.

Claude: First, in order for you to get that 100% rent credit, we have to be paid on or before the first of the month. If you pay on the second you throw away the entire \$1,500.00 rent credit for that particular month.

Client: Okay.

Claude: Are you capable of paying on or before the first of every month?

Client: Yes, my credit is excellent.

Claude: Okay, it's not your credit I'm concerned with, can you make those payments on or before the first of every month?

Client: Yes, we could always pay it on the 25th.

Claude: Okay, that's fine that would be your responsibility in order for you to get the rent credit. If we get paid on the 2nd you've lost the rent credit for that month, you literally threw \$1,500 away. The second requirement sir, is that if you chose to do this deal and we chose to accept it, we will do an inspection on the property with you and make sure everything is working and up to snuff. After that you are responsible for all the maintenance of the property, the drippy sinks, the washers or the toilets, or the refrigerator that breaks. Are you ready to accept that responsibility Sir?

Client: I guess, but how about if the roof leaks or something?

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Claude: Anything structural is not your responsibility. However, the day to day maintenance and repairs are your responsibility. In other words, if a toilet doesn't work, the garbage disposal breaks, if a window breaks, if you get some ants during the summer, these are going to be taken care of at your expense. You're going to own the home eventually, you might as well get used to maintaining that home.

Client: Okay.

Claude: The third requirement on your part is called option consideration. This is the money you put down up front. Depending on the lender this money could go to 100% toward your down payment of the property. If you don't choose to exercise the option it's non-refundable. Now how much money would your budget allow you to commit to your future home sir?

Client: Well, my wife and I have about \$3,000.00.

Claude: On this property we need closer to \$5,000.00. Is that within your budget ?

Client: I'm not sure, I'd have to talk to my wife about it.

Claude: Okay, why don't you talk to your wife about it, you see I don't want to waste your time. If you were to buy this home you would need at least 10% down, even with good credit, which would be \$20,000. We're setting up this property for \$5,000 which you will be fully credited for as well as 100% of your rent. You can get into this home this year and possibly buy it next year.

Client: Okay.

Claude: We do need a minimum commitment, why don't you give me your name, address and phone number sir and let me send you some additional information. Discuss our conversation with your wife and if this is something you're both interested in pursuing please give me a call back.

Client: Okay. (The role play is over.)

Claude: I blew you away didn't I ?

Client: Very good.

Claude: I was even too long on the phone with you.

Claude: Something I must suggest to you is to get one of those little five minute sand timers and put it next to your phone. If you have not qualified the person in five minutes you're wasting your time and money.

Client: OK. What if I had said I had \$5000.00.

Claude: Let's go for it ! You have the \$5000.00, the address is 25 Main Street. Why don't you and your wife drive by the property today. Please do not disturb the people in the house as they are in the process of moving. If you like the home and the neighborhood please call me back. I want to do a credit report on you, then we want to get you inside the property.

Client: Are you going to run a credit report ? Obviously you have to get their written permission.

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Claude : Yes, I have to do a credit report it costs \$35. I want to get you an application, do you want to put it on Visa or Master Card or do you want to mail me a check?

Client: I guess I could mail you a check.

Claude: Fine, but the clock is ticking, we want to get going on this. I always create a sense of urgency. Tell the Tenant/Buyers how many people are calling and how many people are driving by the home. Nobody wants something bad until they know that everybody else wants it.

Client: Right. So you send them an application.

Claude: Sure by fax if possible.

Client: That was my point. If you run a credit report and then for whatever reason they want to bust your chops and say they never gave you written permission to do a credit check.

Claude: You know what. I have never known anybody to be fined or sent to jail for doing a credit check.

Client: You never get written permission.

Claude: I **always** get written permission to do a credit check.

Client: When do you send that to them? When you send the application?

Claude: I fax it to them or I mail it to them.

Client: If I say I will send you a check, do you wait to you receive the check from me?

Claude: Either that or I take a credit card.

Client: But if I said I would do a credit card you would automatically do it. But what if I sent a check?

Claude: I would go ahead and do it.

Client: You would send it out.

Claude: What is the worst that could happen? I'm out \$10.00.

Client: That is fine. I am just curious if you send them an application at that point or wait and see if they actually send you a check.

Claude: You know what, I go by my instincts. If I think they are just telling me what I want to hear and are just wasting my time, I am going to wait for the check. I am not in the business to make money doing credit checks, there is no money in that. I want people who have a sense of urgency, who say 'let's go, I want to get inside of the home, what do we do next?'

Client: They have got to fill out an application and send you a check even before they get inside the house.

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Claude: Yes. I want to see commitment here. I do my business a lot differently. I do not go running to the property every five minutes like a real estate agent. You do not make any money showing properties driving back and forth. I want you to run this business 95% from your desk. My feeling is we are offering them something very unique. Where on earth could they find a property where they get 50% to 100% rent credit in a good neighborhood? I really want the phone ringing. I want to create a sense of urgency. Now let's say you and I do a deal and let's take this to the next level. By the way, did you notice when we were role playing I covered all the basics. I told you how you had to pay me on time. I told you, you had to take care of all the maintenance and I tried to qualify you about how much option money you had before we went further. Do you see how I take care of all that in the first phone call in the first couple of minutes?

Client: Right.

Claude: This is what you must cover with the Tenant/Buyer.

Client: So we said the fair market rent was \$1300.00 so if I am getting \$1500.00 I am making \$200.00 positive.

Claude: That is right.

Client: I might also try and get my guy down a bit, the guy who I am buying it from.

Claude: Right. A little known fact is that rents are negotiable; always ask for a reduction.

Client: Now let's assume that I am the guy you called on an ad and you know I have a house I am trying to sell or rent and you have contacted me. So you are going to be responsible for the maintenance, correct?

Claude: When you are negotiating with the seller, you say 'Mr. Seller I will be responsible for any maintenance under \$100.00', but when you sub-let it to the tenant/buyer, they are responsible for all of the maintenance.

Client: OK. I got it.

Claude: OK.

Client: Because of that you try to get him to say \$1100.00 or \$1000.00 or whatever.

Claude: Rents are negotiable.

Client: In the first part of the conversation do you ever say 'give me a ball park' or 'give me a rough idea of what your family income is'?

Claude: You could ask anything you're comfortable with in pre-qualifying him.

Client: If they are making \$25,000.00 a year you know ahead if they can afford a 95 to 100K house.

Claude: Right.

Client: So I am going to cut him off and just take the name and address if they cannot afford it.

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Claude: Why is he calling on a \$1495.00 a month house anyway?

Client: So I want to get control of it, not have ownership.

Claude: A good old three bedroom/one bath house in a nice stable blue collar neighborhood I am fine with that.

Client: That is what I mean.

Claude: I just like good solid neighborhoods, but my preference is for middle to upper class neighborhoods. I do not want to be the guy fighting windmills like Don Quixote. I am through trying to hard sell properties that are in crummy looking neighborhoods. I do not care where they are just as long as they are stable areas. Let's say hypothetically I have rented this house to you, I have gotten \$5000.00 up front, I am getting \$1500.00 a month, you have been paying on time, you are a good guy and we have only done a one year contract.

Client: Right.

Claude: I am going to call you up around the 10th or 11th month and I am going to ask you if you want to buy the property, but you are not ready to buy the property yet. Let's role play again.

Hello, this is Claude I wanted to check with you since we are getting close to the end of the contract.

Client: Right. Hi Claude how are you doing?

Claude: Fine! Fine! We are getting near the end of this contract did you want to exercise your option? Would you like to talk to my mortgage broker to see about getting this loan cooking for you now?

Client: Well I was just speaking to my wife about it. We love the house and we are talking to a couple of people, mortgage people, but we don't think we have quite enough money to be able to buy it right now. My wife wanted me to call you about possibly extending or something like that.

Claude: You and your wife have been excellent tenants and you have kept your commitment, thank you very much. You have paid on time and I have driven by the property and I know that you have taken good care of it. How would you like another year for the same price and the same rent? How much option money did you put down?

Client: \$5000.00.

Claude: \$5000.00 and I gave you 100% rent credit. Good deal.

Client: Yes, we are very happy in the house.

Claude: \$18,000.00 plus \$5000.00, you have accumulated \$23,000.00. I'll tell you what I will do if you can give me a further commitment of option money which will go to your down payment. I will give you another year and everything that you have accumulated in the first year I will carry over to the second year. Now we only had a one year contract but I would be willing to do another year. We will do a new contract, I will carry over the \$23,000.00, however, I will **not** be able to give you 100% rent credit.

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Client: No rent credit ?

Claude: Nada. (None.)

Claude: In our analysis I had a \$25,000.00 spread. You accumulated \$23,000.00. Really I do not have anything left I can give you.

Client: So the rent stays at \$1500.00.

Claude: I will keep it at \$1500.00 you will be protecting your \$23,000.00. Bottom line, who has the power here ?

Client: You do.

Claude: You have to protect the \$23,000.00 you accumulated or just walk.

Client: If I give you additional option consideration money how much would you need.

Claude: Always go back to the spread. We have \$25,000.00 you have eaten up \$23,000.00, I need at least \$2000.00.

Client: That is my point, if you go over that \$2000.00 you are in a negative position.

Claude: I work within the margin, the spread that I have. There is a firm rule here in sandwich leasing, never give away more than you have, it's a very common sense rule. We have \$25,000.00, so let's not give away \$30,000.00 because I am not prepared to bring \$5000.00 to the table.

Client: Exactly, that is my point.

Claude: If I have a three year lease option I am not going to sub-let it for four years and so on. Let me say if the real estate in New Jersey starts appreciating which it will by the way because everything in California is moving again and everything that happens here, will happen in New Jersey fifteen months later. If the real estate started going up in New Jersey and this property was really worth \$210-215 K now, could I raise the price on the property for the second year renewal, could I raise the rent if I wanted to?

Client: Sure.

Claude: Do I necessarily have to give rent credit? This is important on the renewal.

Client: No.

Claude: That is the point why I give such a generous rent credit the first year, so I do not have to give away a thing the second year.

Client: If they have been bad you can get them out.

Claude: If they have been good and they do not want to give you any more option money you can leave it as a month to month rental. You are still going to make \$200.00 per month.

Client: What if they discover a major expense in the house, maybe a new hot water heater is needed?

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Claude: Then you call the owner. “Hello Mr. Owner”, that is the owner’s responsibility.

Client: What if the owner refuses to do it.

Claude: We have clauses in the contract to protect us. I do not want to pay for a new roof. However, I have a clause in my contract that says in the event that I have to make a repair that is the owner’s responsibility I will be compensated on a two for one basis. You will see that when we go over the contracts. If I find out the owner is not paying the home owner association and I have to cure his default, any money I take out of my pocket I will be compensated on a two for one basis.

Claude: I will get credited at the closing if it seems likely that we are close to the closing and the owner starts screwing up or won’t make the repairs, I might take it out of my pocket to save the deal. However, let’s say I am not sure about this tenant/buyer, I do not know if he is going to buy it or the roof leaks or the heater breaks down, who has got the liability here?

Client: The owner.

Claude: The law says that the owner has to make the property habitable if he is renting it.

Client: Who are you to the buyer?

Claude: I am the landlord/seller basically I am the middle man, but I am not the legal owner, I am just renting with the right to sub-let. My Company manages the property.

Client : Does anybody ever ask you for title insurance?

Claude: No, but if they want to go ahead with the expense, it’s okay with me.

Claude: OK, I want to hammer the first “C” **control** down. I basically took someone else’s property and I subleased it to you for one year and you’re going to renew it for a second year. I’m going to get another \$2,000 from you. I’m not going to give you rent credit for the second year because I don’t have it within the spread and I don’t have to give it. Just remember who has the power here! Mr. Tenant/Buyer you and your wife have to protect your interest in the deal, which was \$18,000 now it’s \$20,000.

OK, analysis: I made \$5000 upfront, I made \$200 a month for one year, (\$2,400) that’s a total of \$7,400. I got another \$2,000 option money and another \$2400 as positive cash flow for the second year. I made a gross of \$11,800. Even given the advertising cost and the one month option money paid to the owner I created myself a cash flow of \$10,000 over 2 years. I didn’t have the rent or the collection problems, I have no money in the deal so I can’t get hurt, my liability is minimal because I’m only a renter and not an owner. I’m not going to make one penny at the end of this deal, but who cares!

Client: Do you get yourself on the owner’s insurance policy and request to be made a loss payee.

Claude: It can’t hurt to negotiate. That’s fine.

Client: Do you normally try for that.

Claude: I ask for everything, it depends on the level of motivation of the seller. You have to know when you’re pushing too far. My bottom line is to get the best deal, I can with

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the largest spread. I'm not going to even negotiate any rent credit on a control deal with the motivated seller. I want the best price and to create the spread so I can give 50 to 100 % rent credit. That will make the phone ring off the hook.

Client: To put it in a nut shell, there will be no monthly rent credit?

Claude: I do not want any rent credit, that is correct.

Client: OK, fine.

Claude: You don't want rent credit in lieu of a spread because if you have a tenant/buyer who exercises the option in the first year you're reducing your possible profit in the deal. You always want to get the best spread by negotiating and/or increasing the price. Advertise this 100% rent credit to get people excited about the property. You want the phone ringing, when the phone is ringing you're making money.

Client: At the end of the 10th month, when you call them up to see if they're going to buy the house or not and you're negotiating, are you doing this on behalf of yourself or on behalf of some company? When you start dealing with numbers, are you just saying well we can do this, this and this? When does the owner come into the picture? You are actually functioning as an owner or do people think you're the manager? You have all this power, by talking numbers to them, the tenant/buyer is going to think 'is this guy the manager or the owner'?

Claude: My company **controls** the property, that is what I say; **always the truth.**

Client: I represent the owner.

Claude: I don't say I represent the owner, that's not true. I tell them my company controls the property. That is the answer that I give them.

Client: In other words, what you're telling me is you determined what the final price of the house is going to be, rent credit and all of that.

Claude: Yes, that's right. I do one contract with the owner and I do two contracts with the Tenant/Buyers. I do a separate lease and a separate option to purchase contract. I reconfigure the original deal with the owner and make it much more attractive to the broad market by adding a generous rent credit. Did I loose you?

Client: No, no I follow.

Claude: That's why we need that spread. I want to run an add no one has ever seen in New Jersey, a 100% rent credit. That's not an ad you see everyday in *The Star Ledger*. Rent to own, don't use the words 'lease option, lease with an option to purchase', the readers won't know what your talking about. Keep it simple, offer generous rent credit to make the phone ring. You want to give them a value, a value they have never heard of; rent credit. You want to give away at least 50% to 100% rent credit so you can create this cash flow.

Let's do an analysis: I made money up front, nonrefundable tax deferred option consideration. I made money every month, I didn't have the rent collection or the maintenance problems on the property. If I can do this constantly, that's all I want, I want to create a cash flow stream and put the property on automatic pilot. I couldn't care less if I didn't make any money at the end of the deal, if the option is exercised. Instead of a

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\$25,000 spread let's say I really hit a home run here and I had a \$50,000 spread! Do you think I could take back a note for the remaining \$25,000 at the end of the deal or get some cash?

Client: Sure.

Claude: So when we do get a below wholesale type deal, and we do get those occasionally, we can make some money at the end of the deal. The bottom line is, we don't make money trying to sell this property, we want to make it so attractive we get someone in there very quickly. Our goal is to turn over this property in 30 days or less. That is our immediate goal and we really have to hustle this thing, we will talk about that in the marketing end of the business.

Client: In addition to option consideration, you also asked for a security deposit.

Claude: No. I don't care at all about security deposits, the reason I like option money is because it is non-refundable they don't get one cent back. If I get a security deposit that is monies they could get back. The bottom line is they are still responsible for damages to the property no matter what.

Client: You're also in the position if you want to get them out, you don't have to give anything back.

Claude: Exactlyif you're in a situation like that, you want to keep all the money. You don't want to give anything back and you don't have to, it's option consideration. When I first started in real estate, I lived and breathed for those security deposits to pay off Peter because I borrowed from Paul. The trouble was every now and then I would have a good tenant and I would have to give the money back, I would have to hustle to get someone else in the property to cover the check I wrote for the deposit refund. I was living and breathing from those deposits.

Now let's look at another "C" Control scenario. Let's say you called me up and you have some sales objections. You have objections to the price. You have objections to the one year term, and an objection to the rent. Claude this \$1,495 is way too high for me, the rent in this neighborhood is only \$1,300 and I have all sorts of personal problems, that \$205,000 price is too high, I could buy a property for \$195,000 in this neighborhood. So you have all these objections, can I still do business with you?

Client: Possibly on another house. If the potential assignee is debating me that much I don't want him.

Claude: Well, let's turn it around. Let's role play again, you just gave me all these objections. So, you're telling me you want a lower price, lower rent and a longer term, is that what you're saying?

Client: That's what I need Claude.

Claude: Let me propose this to you, are you really serious about this house?

Client: Yes, we have to move and my wife really wants a house.

Claude: OK, I'll tell you what. Instead of \$1,495, how would you like this home for \$1,300 a month?

Client: That would be better.

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Claude: Instead of one year, how would you like 3 years?

Client: That would be even better.

Claude: Instead of a \$205,000 purchase price, how would like to have this house for \$180,000?

Client: That would be terrific!

Claude: If I can give you this deal are you ready to make a commitment to me today ?

Client: Yeah, yeah sure.

Claude: I have a contract from the owner for exactly those terms: 3 years, \$1,300 a month for a purchase price of \$180,000. This contract is assignable, I can sell you this contract, I can even finance it for you. You can move into this property today and take advantage of all the terms I negotiated on this 3 year contract. I need \$6,500 for this property for which I will sell you the contract and you can move into it today. Do you have \$6,500 ?

Client: I don't.

Claude: How much did you say you have, \$3,000?

Client: I have \$3,500.

Claude: \$3,500, I'll tell you what I will do. I'll finance the remaining \$3,000 on this property. How much can you pay per month?

Client: I could pay on a note like that about \$50 per month.

Claude: Can't do it, I need at least \$200 a month. If you could pay \$200 per month on the first of every month I will not charge you any interest. I want this thing paid off in 15 months.

Client: OK, let me talk to my wife and see if I can do that. You got the rent up there by creating a note, in other words you took away all your liability and created the note. Now you're out of it.

Claude: Did I give you everything you want? Did I make some money upfront and recoup everything I put in the property? And did I create a note for myself? Let's say you did the deal, same thing you have to pay me on the 1st for zero interest, do you know how many of these little notes I create all the time? I have totally severed my liability, I'm completely out of the deal and I have no responsibility to the owner. I recouped any money that I have put down. I might have made a profit and I created a note for myself. I speak at all the major note conventions and all these guys are looking for the same note on the same property. So what you want to do is create notes with your specialized knowledge. Get these lease purchase properties, and instead of subletting them, let's say we got a sublet here on a property, we got the property for 5 years for \$1,500 a month, but the owner will not give us a spread, but he will give us a little bit of rent credit. Let's take the contract and sell it to the Tenant/Buyer. We are creating our own commodity here, a lease purchase note. Worse case scenario, if the guy stops paying us on the 5th month we have no loss here. Do you see what we are doing? I am subletting, creating option money, positive cash flow and renewal fees. I can assign the property and sell the contract and create a note.

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Client: But the key on the assignment is that there must be no conditions on the assignment.

Claude: You have the right to sublet, transfer or convey any right you negotiate in the contract to a third party. That's the way we have the contract written.

This is the first "C" that we have covered. This is when we have real control; we have the motivated seller, he signs the contract that allows us to do the subletting or assigning on the property carte blanche, no questions asked. We want to make sure we have cash flow coming in, and get a decent person in there with good option money, but in the alternative sell the contract (assign) and finance it.

THE SECOND "C"

Now let's move on to the Second "C" Strategy, this is called a **Cooperative Assignment**. This basically comes from the real world approach to real estate. You will find that 70 to 80% of the people out there with properties for sale or rent are not highly motivated. You're going to call them up and they're going to tell you 'to take a walk buddy! I don't want you putting strangers in my house, I don't want people trashing my house. I don't want to drop the price since this house is worth \$200,000 and that's what I want for it'. We get objections like that all the time. What do we do? Get a tissue, cry, make another 100 phone calls and wait for the next motivated seller ? No ! We speak to seller as follows:

"Sir, I agree with you completely. I can understand you're a very business savvy person. What if I showed you that with this rent to own technique you could get your full asking price on this property? You could get someone who would pay you on the 1st of the month, take care of all the maintenance, there would be no real estate commission, no management company, this property would be self managed with no closing costs. I have at least 10 people I can send by your property today and we could do this **subject to** your approval. You will approve the person and they will pay you directly. Could we work together under a contract under these terms ?"

I've given you everything you wanted , didn't I ?

Client: What do you call this technique again ?

Claude: This is called a Cooperative Assignment. I'm going to work with you under a contract between us. I can work with the owner for 30, 60 or 90 days or more. I would write the contract exactly for the terms the owner wants with a rent credit. I may even raise the price within the 5 % rule to give him what he wants. I would assign the contract subject to the owner's approval and keep the assignment fee. I'm going to call you up, tell you that the client wants to lease purchase your property for one year, for \$200,000. I'm going to raise the price to \$205,000 because they want to put \$5,000 down and I'm going to assign the contract to them. I'm going to keep the \$5,000 and your going to get someone in the property. I'm going to set it all up and provide the correct contracts. How's that sound ?

Client: Sounds too good to be true. What kind of negotiation problems occur ?

Claude: Let's say you have a problem with me keeping the entire assignment fee. The solution would be to split the \$5000.00 with you and possibly split the positive cash flow.

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Client: That sounds alot better, but go over that positive cash flow split please.

Claude: I'll tell you what, you said your PITI was \$1,300 a month Mr. Seller. What if I could get you \$1,495 a month? Can we split that, too?

I'm a participant, a principle in the deal and I'm setting it up for the owner. Does the owner know how to set up a rent to own? He doesn't know how to do it and if this is a nice property in a nice neighborhood we can do some kind of split. This is why we call this a Cooperative Assignment. You are working with a reluctant or unmotivated seller.

Client: This is a very reasonable strategy. I like it. Can you give me an example of a cooperative deal that you did ?

Claude: Sure. I had a seller who has a house in San Diego. He had it listed with a local real estate agent and thanks to their unique selling skills they couldn't **give** away the house. He then had it rented with a management company and they had one family in there who ended up trashing the place for about \$5,000 damage. He had to evict them with the legal fees and everything. He was referred to me; I started making phone calls and I found an agent with a client who just had a bankruptcy. The guy wanted a 2 year rent to own. He had \$7,500 to put down, so I set up the whole deal with the owner. I assigned the contract to the Tenant/Buyer and gave the real estate agent \$3,500, and I keep \$4,000 out of the deal. I also got the owner \$300 more a month rent than what he was figuring on for his PITI. All I did was negotiate a deal with the owner and assign a contract to the Tenant/Buyer. I'm out of the deal.

Everyone won in that deal, and that is how you want to put some of these deals together when you have someone who wants the full price on the property.

Client: This is an owner occupant.

Claude: Yes, owner occupant.

Claude: Now let's discuss another cooperative strategy; **The Pure Option.**

We found a mobile home that was worth \$45,000 and the owner said he would discount it to \$20,000 on a cash deal. It had a true market value of \$45,000. We got ourselves a 60 day option agreement on the mobile home. I then started working the phones and calling up every mobile home dealer in the yellow pages. What we did was sell the contract for \$3,500 because it was a great deal. This is called a Pure Option or a Straight Option. When you find a really great deal and you don't want to buy it, lock it up in a short term option agreement and see if you can market the thing. You don't have to put down alot of money and the seller will see you as trying to help him market his property at no cost to him. This is another example of how we can cooperate as a principle within the transaction. When you find someone who wants to cash out, this is the strategy that you want to use.

THE THIRD "C"

Claude: I want to move on to the third strategy, this is a **highly proprietary concept** that I developed as a result of some consistent problems that I was having. As in most problems you can make a great deal of money when you find a solution. I have developed a new and consistent cash flow stream that helps people with real estate problems and nowhere to turn.

There were alot of properties out there I just couldn't do deals on. There were bad homes

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in bad neighborhoods. Many were too far away or the numbers were upside down on the property. Then there were homes that just had nothing to offer anyone. I also have a lot of people calling me everyday who want to structure rent to own and they don't have the contracts or they don't know how to put the deal together. Others were calling me up and trying to pick my brain for no compensation whatsoever. I finally (thanks to CJ) created a strategy called **Problem Solving Consulting** or just consulting and that's what the **third "C"** stands for. This one strategy alone represents a substantial six figure income for me. I consult with people in San Diego, California, in Winter Park, Colorado, all over the United States and all over the world on individual real estate transactions. I charge a minimum consulting fee upfront on every transaction. The average Lease Purchase deal takes 2-4 hours minimum depending on the property; others are more complicated and can take 5 to 10 hours or more to complete.

Client: You really think I could consult?

Claude: Why not? Once you are comfortable with the techniques, marketing and contracts, there are plenty of people who need the Lease Purchase alternative as a practical solution; property owners, landlords, tenant/buyers and investors. The list is endless. It's just a question of good grass roots marketing.

Client: Is Problem solving consulting the same as Mentoring like we are doing now?

Claude: NO, but that is an excellent question. Consulting is working with an individual who needs help marketing a specific home or getting into one. Mentoring is something very special that I have chosen to do just as my Mentor did with me. Listen carefully because I will only say this once; there are so many phony baloney Gurus and false prophets out there just selling books, tapes and seminars. They chat the get rich Mantra and write glorious ads about the so called people that they care for, but we both know that is not the truth. It is with rare exception that I know of any public person who returns calls or answers letters from their customers.

Client: Most of them will never answer their business phone or even return their own phone calls. You're right. They only care about lining their own pockets.

Claude: Mentoring is about **giving** not taking. I challenge you to become successful in your own right and enable others to prosper. I will leave you with this last thought on the subject of Mentoring because we have many other things to discuss. Every special person(s) I have had the privilege to work with who has made it on their own after this special Lease Purchase training has always called and thanked me. Do you understand how good this makes me feel as a person to help others. There is no amount of money that can compensate for the feeling of being able to help another human being. Now don't get me wrong on this point, I am no Albert Schweitzer or Mother Theresa, but I did like the good life and the security it gives my family. The one thing I have discovered and My Mentor always stressed this; my business will grow and grow if I am able to help others and lead a life by example not braggadocio.

Client: Your principles are so precise yet so simple. Why didn't anyone ever speak to me this way before?

Claude: I can't say anything about before, but someone is speaking to you right now. Are you listening?

Client: You bet !! Thank you!

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Claude: I will have more than enough thanks when you show me that you are doing deals. Are you clear on the distinction between Mentoring and Consulting?

Client: Yes, I am.

Claude: Now let's move on. Any other questions concerning the Consulting Strategy ?

Client: Claude, how did you get your merchant account, for Visa™ and Mastercard™ ?

Claude: I just applied to my regular bank and we had a merchant account within the week. Having a growing business, excellent credit and a long term relationship didn't seem to hurt either.

Client: You just told them you were a consulting company?

Claude: No, we told them we are a property investment company that does consulting. Your credit has to be perfect and you might have to sign personally unless you have a corporation with credit. The bank usually comes to your home or office and inspects it. You want to do this with the bank you're doing business with, you tell them you want a merchant account. Visa™ and Mastercard™ are the easiest to get, but once you get them you can get Discover™, American Express™ and Diners Club™. I can even use it with my tenants in the payment of rent.

Client: When and who do we consult with ?

Claude: You are going to get a lot of people who don't have enough option money to get into a property, or you're going to get sellers who say I could do this myself. I just need the contracts. I just have a few questions. You're not going to be able to do a deal with them because they're not going to let you into the deal.

Everybody today is a real estate expert, but they all have problems. Most starting or experienced investors have no one to turn to when they do encounter difficulties. As a Lease Purchase consultant you have a wonderful problem solving technique and the correct paperwork. You could help them on their consulting program.

Client: Tell me more about this please.

Claude: Better yet, I'll give you an example. I had a lady call me, she told me that she and her husband had been investing for 30 years, they bought foreclosures of every kind and had some properties they were really sick of. They were very interested in the rent to own. She and her husband wanted to invite me to lunch. "By the way" she inquired, "could you bring your contracts?" I usually tell them I consult professionally and I would be glad to help. I tell them that I can show them how to maximize their profits, eliminate the tenant and toilet management headaches and provide them with the finest contracts to protect them, so that they don't have to spend money on an attorney or get into some kind of protracted litigation later on. I can give you excellent value, so instead of me participating in the deal I will consult with you on it. "So are you prepared to bring a check with you to lunch?" I asked. She said that she needed to talk to her husband about it. You know what? They called me back that night and put it on a credit card. This is a founding philosophy of my business based on the ability to offer people solutions in real estate. This is how a husband and wife starting out with a home office over a garage eventually make a seven figure income.

Client: You mean I can make a six or even a seven figure income ?

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Claude : I don't know. That's really up to you. The fact of the matter is that if I can do it why can't you ? I am your Mentor. I can only share with you what has worked for me. It's really your choice whether you use this information or put it on the bookshelf with the other Guru's books and tapes. I am not the guarantor of your success, you are. Success begins when you take total responsibility for yourself and your actions.

Client: You're right as usual Claude, could you sum things up for me one more time.

Claude: Sure and I can do this with just these simple words. The question is are you ready for them because what I am about to share with you is the secret of creating all the money you will ever need. Are you ready for them?

Client: Yes, I am ready.

Claude: **You're Time, Your Knowledge and Your Energy are valuable commodities, you don't have to give them away!!**

Client: That's powerful stuff, but what does it all really mean ?

Claude: When you need legal advise you go to a lawyer; you need medical attention you go to a doctor; you have an accounting problem you seek a competent CPA. Why should we be any different in the real estate business? We have all these people all over the world with real estate problems. We have people who need to get into properties who have been turned down by banks, mortgage brokers, etc. We have people who are stuck with tenants and toilets who can't sell their properties and are losing sleep worrying all the time. They need someone to turn to. If you are smart enough to ask for the money you can not only do deals, but consult on them. The beautiful thing about consulting is when they say 'no' I don't waste anymore of my time, the phone call is over. A lot of people will say 'yes' because you have an answer to their problem. So what I'm sharing with you is dynamite. Its a win-win solution for all the principle parties and you profit in each situation.

1. You either want to control the property and sublet or assign it or
2. You want to cooperate with the owner because it's a property you can move and you have people in there or
3. You want to consult with the owner, landlord, investor or the tenant/buyer.

This is very profound what I'm sharing with you because most people do not do anything like this. Be honest with me you, do you talk to one or two people a day and give away free information?

Client: All the time. It's just the way I am.

Claude: You suffer from "Nice Guyitis". You are literally giving away your financial security. You have paid your dues, you have more hands on experience because you've been out there in the real world. This is a wonderful niche and a great way to solve problems in real estate. I think it's the best problem solving tool out there. I don't know of any other technique that is great for all the principal parties concerned. There are people out there that don't have the right contracts, don't know the difference between option consideration and rent credit. They don't know what a memorandum is, a sandwich lease, an assignment or a pure option. This is knowledge and if you market it correctly you can make a lot of money.

You don't have to control every property and you don't have to be involved in every deal,

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however you can make money by consulting on transactions everywhere.

Client: Claude you're blowing my mind with this stuff !!!

Claude: Let me expand your mind a little bit further before it explodes. The advent of the Internet has changed the way we find and market properties forever. It's a revolution of gigantic proportion. What would happen if you contacted or rather e-mailed on homes that are for sale or rent on the web ? All you would have to do is ask them whether they would consider a rent to own solution and would they like a free brochure. Do you know how many clients I get off the web?

Client: I'm curious about it. I was on the web the other day looking at a property.

Claude: There are people all over the country with real estate problems who don't know how to do a lease purchase. There is more business here than I can handle. If you are willing to specialize in this micro-niche, you can make a wonderful income. This is very important, do not give these custom tapes or my manual to any one. This is what my business is about. My business is about **Controlling, Cooperating and Consulting**. These are the 3 'C's. The way I have just spoken to you is how I run my business and how I make money.

Client: I hate to ask this, but do you have any more strategies ?

THE FOURTH "C"

Claude: I have one more strategy or "C". It stands for **cash**. If you run this business correctly you pay off your bills, pay off your credit cards and viola you have investment capital. I've been using my discretionary income and have been buying properties. This is my long term wealth building program. It includes condos, townhomes and single family homes in upper middle class neighborhoods. These homes are newer properties which we buy at 20% or more under market. We then lease purchase these properties out in one year increments. Here is an example; I bought a house 7 years ago from a developer. It was a 3 bedroom, 2 1/2 bath California stucco house. The developer was selling them from \$190,000 to \$200,000. I got the house for \$160,000, about \$30,000 under market and I got the worse loan you can get, a 40 year variable rate with a negative amortization. I wanted to get the lowest payment because I knew someone would exercise this option someday. In 7 years I have had 5 Tenant/Buyers and have never received less than \$5000 option consideration. I never made less than \$200 - \$400 a month on this home and let's not forget the tax benefits. I have a Tenant/Buyer who is in escrow right now. When he qualifies for his VA loan, guess what I'm going to do with the cash when we close ?

Client: Do it all over again ?

Claude: Bingo ! We have an entire portfolio of properties that we own, that we bought under market, that we lease purchase out one year at a time. We make money up front and every month, this is the growth plan, this is long term wealth building, this is where you want to take your business because you get the tax shelter, too.

Client: What if you have a problem. For instance if you lease option from a seller and 6 months from now you decide this is a lousy deal. You want out of the deal and you have \$2,000 invested in this. Do you just walk away from this deal?

Claude: What I'm talking about is buying your own property to lease purchase. This type of investment cannot be returned without dire consequences to your credit. On the other hand, if you're stuck with a property that you Lease Purchased from the owner you do

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have alternatives. For instance, let's say you made a mistake. We all do, even the experts. The market changes, the bottom falls out of the market and you're stuck with the property and you can't get anyone in there for 2 to 3 months. You can go to the owner and say Mr. Owner, I'd like to either renegotiate the deal or I'd like to discuss the return of the property. I know we have a contract for 2 more years, but what I would like to do is give you next months rent, I'll clean it up for you, have the carpets cleaned, I'll give you back the keys and you will sign a release.

What's he going to do? The only other course of action is to receive nothing and retain a lawyer and begin a lawsuit. It doesn't make any sense when you can have a clean property back and a months rent in advance to boot.

Client: That brings up a question Claude. Do you sign the contracts personally or use a corporation.

Claude: I always prefer to use an S Corporation to protect myself from personal liability.

Client: What exactly do you say to the Owner when you need to get out of a deal ?

Claude: Mr. Owner, I will pay a month in advance, but I want you to sign a release stating you are releasing me from the contract and any liability. For this I will clean the place up. We don't go into business to back out of our deals, circumstances happen where we might have to. We do business the right way and we make a reasonable offer to the seller.

CONTRACTS

Claude: OK, let's move on to the contracts. The first contract I want you to pull out is the **Residential Lease with Option to Purchase**, the subtitle reads 'sublet or assign motivated seller'. This contract is what we use in the first "C" with the motivated seller. Remember the first strategies; the sandwich lease and assignments. In order to have this type of control we need to negotiate all the important terms. The most important section, of course, is the right of assignment which we will review shortly.

Client: Got it.

Claude: Notice that this is a very short contract.

Client: Yes, it's only 3 pages.

Claude: It's really only 2 1/2 pages and for a good reason.

Client: You don't want to scare the owner.

Claude: You got it. There is no point in designing a contract that will never be signed because Uncle Harry the Realtor™ and Cousin Seymore the lawyer are interpreting and redesigning it and adding clauses. Bottom line, we don't want to intimidate the Seller/Landlord with a complex written instrument the size of the Yellow Pages. We want the contract SIMPLE and SIGNED. Too many deals are killed because of the battle of the contracts.

Client: This all makes sense.

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Claude: Now, let's take a hypothetical situation and apply the numbers to the appropriate paragraphs. We are going to control the seller's property for 3 years at \$180,000.00, for \$1,300.00 a month. On the top of the page you will identify the principle parties. The Seller/Landlord is the owner and you or your corporation are the Tenant/Buyer. We would next identify the location of the home. Place the address and the parcel number in the section that says "for the dwelling located at"_____. You may also just attach a legal description and insert see legal description attached. The next paragraph is the Fixed Term Agreement. This will indicate the length of the contract, when it begins and ends. You must next insert the rent you have negotiated in the rent paragraph.

Client: What if they move in the middle of the month ?

Claude: We have a prorata clause underneath. Just put in the adjusted monthly rent.

Client: Why should we initial on the bottom of every page?

Claude: Then no one can ever state that a different page was inserted within the contract.

Claude: Please go to the second page to the Option to purchase section. *The seller/landlord grants to you the buyer/tenant the right to purchase the above property at any time.* That means if you're the tenant/buyer you have the right to buy this home the first day or the last day of this contract. No time restriction on the purchase. **Remember, you have the right, not the obligation.**

Client: I don't have to do the deal if I don't want to.

Claude: The rent credit section states the Seller/Landlord agrees that upon the exercising of the option, the Buyer/Tenant will be credited in escrow with X amount of rent credit.

The purchase price paragraph refers to the locked in price at the time the option is exercised less any designated option consideration and rent credit.

The option consideration paragraph states the Buyer/Tenant will deposit with Seller/Landlord, as option consideration for the above residence.

The next paragraph is the most important paragraph in the whole contract, you have the **right of assignment**. The buyer/tenant shall have the unqualified right to sublet and/or assign, sell, transfer and convey any rights which the buyer/tenant, heirs, administrators and successors may have in their contract to a third party without written notice. Any assignment will release the original Buyer/Tenant from any liability and substitute the assignee in his place. This is very powerful because, not only are you allowed to sublet it, you also can assign the entire contract to someone and be out of the liability loop. This is where the rights are delegated to you. This is the whole ball game.

Client: It looks like I hit a home run with that clause.

Claude: You're right, it's that important !! Now let's talk about protecting ourselves in the deal. We talked about checking the credit of the Tenant/Buyers, do you think it's a good idea to check the credit of the seller?

Client: I never heard of checking the credit of the seller.

Claude: What if we have a seller with bad credit, do we want to send him a check every month?

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Client: Heck no.

Claude: We want to set up a third party payment plan or in the least, we want to make the payments ourselves directly to the bank, board of taxation, homeowner association, etc.

Client: What else can I do to protect myself in this deal ?

Claude: You also want to record a **Memorandum** on the property. There is a sample provided for you with the contracts.

Client: Why not just record the actual contract ?

Claude: A memorandum is recorded instead because it places a cloud on the title. This is better than recording the contract because all the pertinent terms are not available for everyone to see, but it gives notice to the world that you have an interest in the property.

Client: But how does it protect me ?

Claude : For instance, if you have a Landlord/Seller who wants to take your option money and then sell the home to someone else without telling you, once a title check is done your memorandum will show up. No one is going to give a clear title and insurance to a property with this kind of cloud on it.

Secondly what if the seller wants to refinance the home for more than he agreed to sell it to you for ?

Client: He might not have the difference at the closing ?

Claude: Correct. I don't want the owner to over encumber the property for more than the agreed upon sales price. No lender in his right mind is going to lend money on a home with an ambiguous memorandum of option on it. It puts them in a junior position behind the option at best.

Finally, the memorandum serves as protection in the event the owner is deceased and the property goes into probate. It gives notice to the heirs that you have an interest in the home. Once again this simple document offers you protection.

Client: How can I protect myself in the event the owner isn't making his payments to the bank ?

Claude: Great question. I have two clauses on the third page of your contract. They are the **DEFAULT CLAUSES**. In the event the owner fails to make his primary payments to the bank, taxes, insurance etc. or refuses or fails to make structural or habitability repairs to his home; you can make these payments and have the repairs done. Further you can a recoup any funds that you have expended on a two for one basis.

I developed these clauses just in case we have a seller who is taking his time or refuses to fix a heating system in the dead of winter and we have a good Tenant/Buyer in there. This is the contract we use with the motivated seller. This is the one you really want to use as much as possible because it gives you the ultimate control, it's very short and to the point, it doesn't put many restrictions on you, but it gives you alot of control.

Client: These are all great ways to protect me in the deal. Is there anything else ?

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Claude: One last thing you can do is have the Owner sign a letter to release all information pertaining to the property. I call this a **Notice of Default** Letter. There is a sample contained in your manual. It basically makes sure you are notified by the bank, home owners association, tax board, insurance company, etc. if a payment is late or there is some action being enacted on the home. It let's you know what's going on with the home before it becomes too late.

Client: Thanks Claude. How did you think of all this stuff ?

Claude: I made all the mistakes so you don't have to repeat them.

The next contract/strategy we are going to discuss is an actual **Assignment**. This works great when we have a situation where we have a Tenant/Buyer who wants a wholesale deal instead of a retail sandwich deal. I'm going to take the original contract. I'm just going to sell that contract for a negotiated price.

Client: How do you determine that assignment fee or price ?

Claude: I basically want to recover any option money I gave the owner. I also want to factor in what amount of option consideration I would have received for the first year and the amount of positive cash flow. This will give me a ballpark figure. Remember we are not sandwich leasing for 2 or 3 years, but we are selling the deal for wholesale and getting completely out of the deal quickly.

Client: What if they don't have this kind of money upfront ?

Claude: Then we have a practical solution. We can finance the assignment fee and create a note. In fact, you will also see a **Promissory Note** provided in the manual. This is based on a condition that we recover any option money we have placed in the deal. The rule stands that you can't get hurt if you have no money in the deal.

Client: Let me get this straight. Now you're telling me we can also create notes by just selling and financing the contract on a property that we don't own. Is that correct ?

Claude: That's right.

Client: As my kids would say "this is totally awesome !!!" What are the mechanics to doing an assignment ?

Claude: I am going to give the original contract to the assignee and we are going to fill out and sign an **Assignment Agreement**. This is the single sheet provided for you that says Assignment Agreement on the top of the page. I'm going to send a copy of that Assignment Agreement to the owner to give him notice that I have sold the contract on his home to a third party. Next we will fill out the Promissory Agreement and sign and date it and write out what the payments are going to be. That really is all that is involved in an assignment. All you're doing is selling the contract, giving the owner notice and it's done.

Client: Claude, on the promissory note, do you have some kind of security?

Claude: If there is security available like a car, home, etc. sure. It can't hurt, but in most cases we don't get any pink slips. We have no money in the deal at this point so we can't get hurt. By the way, I always have the payments on the note tied in with some added incentive.

Client: What do you mean ?

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Claude: I arrange for the payment made on the assignment agreement to be interest free if the payments are received on or before the first of every month. If they are late then they incur a 12% interest on that month's payment. Always create an incentive to get paid on time.

Client: Just like the rent credit deal right ?

Claude: You got it.

Now in the next strategy we are going to sublet or better known as Sandwich Lease the property. Pull out the contract that says **Residential Lease** and the contract that says **Option to Purchase Agreement**, subtitled 'you are the seller in a sublet sandwich lease'. I'm going to be subletting the property to Mr. & Mrs. Tenant/Buyer. I will be charging them a higher rent than I am paying the owner thereby creating a positive cash flow. I'm going to get \$5000 in non refundable option money. This will be a one year contract.

Client: Why a one year contract ?

Claude: The majority of Tenant/Buyers in a one year Lease Purchase renew for a second year. That means that we get additional option money for the second year.

Client: How Much ?

Claude: I am looking for at least 50% of the option consideration that I received the first year.

Client: How about the agreements here. Why two ? Why not just use one like the one you used with the owner ?

Claude: I'm using 2 separate agreements here for a good reason. If I ever have to go to court to evict the Tenant/Buyer I evict them on the basis of the lease and regaining the possession of the home. When you go to court you don't want to give the Tenant/Buyer a defensive sword in their hand. They could say something to the effect, they have equitable rights in the property and this should be a foreclosure action rather than an eviction /unlawful detainer action.

Client: And from what I read of case law, your residential lease has to be very strong.

Claude: Yes , but you want to keep it distinct and separate because the bottom line is we want to get possession of the property, we want to get them out. They could argue they have an option, but you could say 'your honor, fine, let them have their option'. I'm strictly talking about possession of the property here. Bottom line is, if they can't pay their lease, they're not going to exercise the option anyway. The lease was designed to revoke the option anyway. You want to separate the contracts because it protects you.

Client: OK, on the other hand what you're doing is protecting yourself when you're the buyer by lumping the lease and the option together.

Claude: Let's look at the **Option to Purchase Agreement**. The first paragraph deals with the payment of rent. It says 'rent must be paid exactly on the day that it is due and is written in a separate rental agreement or no rent credit will be applied against the purchase price. Additionally, there is no grace period.' On the residential lease there is also a clause that deals with the specific rent payment. See how they support each other?

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Client : Yup.

Claude: We want to put the pressure where it belongs. We want to tie in the rent credit to the prompt payment of the rent. Take a look at the full purchase price at the time the option is exercised. The purchase price is always written in at the time the option is exercised less any designated option consideration and rent credit. There is a section dealing with rent credit as follows: the seller/landlord agrees upon exercising the option, the buyer/tenant shall be credited in escrow with a percentage of the monthly rent applied to the purchase price.

Client: How about the part dealing with the option consideration from the Tenant/Buyer?

Claude: The contract states in the option agreement that a buyer/tenant will pay to the Seller/Landlord non refundable option consideration. So they can't get any money back if they don't exercise the option.

Client: What's to keep the Tenants from doing the same thing as us and subletting to another person ?

Claude: We have a Subletting/Assigning clause that says, we don't want to give them the same right we have, so they are not allowed to assign or sublet this property.

Client: On one part in the contract it says that they pay all the closing costs if they exercise the option. What if they want to negotiate this ?

Claude: Then just adjust it. You can make it 50-50, you can make it whatever is traditional in the area. With most Tenant/Buyers this is not an issue at the beginning of a Lease Purchase Sandwich.

Now we have to discuss the financing disclaimer on the last page of the **Option Agreement**. It states the following: 'The parties to this agreement acknowledge that speculation of availability of financing or assumption of existing loans towards the purchase of the above property is impossible to predict. Therefore the parties agree that these items shall not be a condition of performance of this agreement and the parties agree that they have not relied on any representation or warranties by either party'.

This means that we have not made them a promise that they can qualify for a new loan, or assume the existing loan. There was a court case I was involved in: I had a property I subleased to the people for one year and they renewed the contract for a second year. They were great Tenant/Buyers and they paid on time and took very good care of the property. The husband was a man who changed jobs alot, but the wife was an executive. They went for a loan and the bank would not give them a loan because of the husband's inconsistent job history. They had a family friend who was a paralegal and you know what advice they got "why don't you sue Claude Diamond". So they filed a lawsuit against me. They wanted their entire 2 years of rent and the option money back.

My contract provides me with attorney fees, so I retained the best attorney I could get. We went to court. The judge looked at the Financial Disclaimer and threw the entire case out. The judge was so mad at the attorney because he considered this a frivolous lawsuit! Their argument was that I led them to believe they could get a loan and I specifically stated that I made no promises or guarantees about them getting a loan or assuming a loan. My attorney was awarded \$6000.00 in legal fees. This is why the contract is so important. These people were very unreasonable. Their attorney thought he could get us into court, that he would get a very liberal judge, he would win in court and

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before we would go to appeals, he would get us to settle.

Client: Were they suing for anything else?

Claude: There were some minor issues brought up in the beginning, but thrown out right away. The bottom line is I had the right judge on the right day with the **correct** contracts. You can have the best case in the world with the strongest contracts, and you can still lose. That's why it's so important to do this as a corporation. If you have done your corporation right they would have a hard time piercing it.

Client: What about piercing the corporate veil?

Claude: Piercing the corporate veil can be done if you don't keep your books properly or if it's something you put together very quickly in order to avoid liability. You want a nice strong Nevada or Delaware Corporation.

Claude: The next contract is the **Residential Lease with Option to Purchase Agreement**, the assignment with the seller cooperation. This is basically the same as the last two contracts we went over except it's in one form. The entire lease and the entire option are together. This is the contract you would use if you're cooperating with the seller. You have a seller with objections, this is the contract you would use with him. You would basically take this contract and assign it or sell it to the Tenant/Buyer subject to the owner's approval of the tenant.

Client: In what percentage do you actually use the seller cooperation?

Claude: I don't do as many as I used to. I'm busy enough with my own properties or the properties we have on the first type of contract. I would say it is about 20-25%. It's a way of doing a deal with someone and still making a profit. Where you have a real nice property here, but the owner still wants to keep some control. We need to review the assignment clause on the second page. It's phrased a little bit differently. It says basically any assignment fee received by the original Tenant/Buyer, may or may not be credited to the option money. You have to negotiate with the owner whether or not the assignment fee will be credited to the deal or not. An assignment fee is just a fee for selling the contract, but I want to give the Tenant/Buyer good value. He is giving me \$5000 so he wants to see value for that money. I would like to negotiate that the \$5000 assignment fee be credited towards the purchase. I usually say to the owner, 'Mr. Owner, I can raise the price for you to absorb the assignment fee'.

Client: So you use this Cooperative Assignment Contract when you have a good property, but there is owner objection to giving you control, right?

Claude: That's it. We just want to have another solution on homes for rent or sale, but we have some kind of seller objection. It's a great wholesale technique and keeps you in the game.

Client: I know of several situations where the cooperative assignment would have worked for me, but I didn't know how to do it.

Claude: Now please pull out the **Pure Option Contract**. The pure option was the story of the mobile home for \$20,000 that had a value of \$45,000, this is just an option absent a lease. All we're going to do is get the price and the terms down and how much time we have. We can take this contract and assign it. It has the same assignment clause, that you have the right to assign this contract.

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Client: We use this contract for a deal that we want to flip or wholesale right ?

Claude: Right. If you find a really great deal, but don't want to commit any substantial option money than a pure option is a great way to generate profits without risk. You just sell the contract that you negotiated. In essence you are helping the homeowner market their home, but as a principle in the transaction.

Client: This would work great with commercial or multiple dwellings. I am getting some great ideas here.

Claude: The final contract is the **Letter of Intent Consulting Agreement**. This is the contract we would use if we were going to consult on a specific property on an hourly basis or a flat rate. Now since this is our last contract are you ready for your final exam.

Client: Huh ?

Claude: I am going to see if you have been paying attention. We're going to do a role play and I want to see how you will handle yourself. Ready ?

Client: OK.

Claude: Hello, Mr. Client ?

Client: Hello.

Claude: Hi, this is Claude Diamond, you and I spoke about 2 or 3 months ago about your rent to own ad.

Client: Right.

Claude: Well I have a rental property and the tenants are moving out. I'm really interested in setting up a rent to own on this property. You know I've been an investor for a while and what you were talking about seemed real interesting to me. I would like to learn how you make the tenants pay on time, do the maintenance and stuff like that. Is there a way you could help me set this rent to own thing up? Could I take you out to lunch or something? I really need to know how to set this up and I need to borrow the contracts.

Client: Well, I generally don't do it that way. I have a professional consulting service, my fee is such and such, here is what I offer and here is how I can help you solve your problem.

Claude: OK, how does that work? Would you provide me with the specific contract for this.

Client: Yes.

Claude: OK, good let's set it up. That was great. You asked for the money. That was the important part. I am going to give you an A+ as a grade.

Client: Thank you.

Claude: So that's the way you can consult with the owner. You can render your personal

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opinion and provide them with the contract. This is the way you're going to work with somebody who wants to set up their property as a rent to own. It's either a property where it's too far away or the numbers aren't just right or they just don't want you to be involved in the deal.

Client: I suppose I could modify that by saying, I have this consultation service with a fee of such and such per hour, but first could you just briefly summarize what your problem is and I'll let you know whether or not I can help you with it.

Claude: Sure, and when you have people that balk and say, "well I didn't want to pay you I just wanted to ask you a few questions and buy you lunch," what you need to do is turn it around and say, "I can show you how to make this thing more profitable, how to reduce management headaches and rent collections and repairs. And how not to pay a real estate commission and get the top sales price. I further can provide you with the correct contract. Now don't tell me that's not worth a consulting fee!"

Client: Right, because if you go to the doctor you wouldn't take your doctor out to lunch for a diagnosis.

Claude: So, you just want to raise their anxiety level. Tell them if they don't have the right contract a lot of things can go wrong. We've been talking about the financial disclaimer, the prompt payment of the rent, they have to take care of all the repairs, all the different things we have been talking about to protect them. You need to communicate this information to them. Also, talk about how to reduce the micro management of the property. How the rents are paid on time, also a top sales price and profit up front with option money and rent credit. Explain to them all the things you offer and let them know they will be able to recoup all that you charge at the beginning of the deal anyway. This is the way we consult on deals.

Client: You go to an accountant and the accountant is going to charge you a \$100 to do your return, he does the absolute minimum and you could wind up paying \$1000 or more money in additional taxes. You're going to go to someone who really knows what he is doing, you may pay him more money, but in the long run you're going to save a lot of money.

Claude: That's the way to sell it exactly. This contract I have there is a very simple consulting agreement and this is what you want to use. By the way, let me ask you a question. What if you get a Tenant/Buyer who calls you up, you have a property you want \$5000, but they only have \$2000. Do you think you could consult with that person?

Client: Sure, why not?

Claude: Tell them we have a program it will cost them a \$1000. 'I could basically teach you how to eliminate the middle man and find your own property. I could provide you with the right contract.' So when I rent a property and sublet it to people, of course, I need to raise my price and numbers to make a profit. 'How would you like to do that on your own?' They are not going to be your competition. They are not going into the investment lease purchasing business, they just want to get into their own property. Why don't you teach them, spend a couple hours and show them how to do it. It can't hurt to ask, is my point.

Client: I agree.

Claude: How about if we just consult with them for an hour or two and let them go find

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their own property and let them do their own deal. That way we still get compensated for our time and knowledge.

Client: If your phone is ringing off the hook because you're offering 50-100% rent credit, you don't need everybody who calls, just save them in your database.

Claude: That's right! You can be choosy, but the thing is there are all different ways to make money with lease purchasing. We can sublet it, we can assign it, we can cooperate or consult on it with either the owner, the investor or another tenant/buyer.

Client : That's why I'm trying to get out of real estate management. It's not worth it.

Claude: You make no money managing real estate. You make no money baby-sitting tenants and toilets. You make no money chasing people for rent.

Client: Even if I own a house free and clear, the point is there is too much cash socked into one property.

Claude: Let me share with you one of my hard and fast rules in real estate. It is with rare exception that I ever waiver from this rule. It goes as follows: **The rent is due on the 1st of every month and of course, the rent credit is tied into the rent being paid on the 1st.**

Client: Can they mail it to you?

Claude: They can do it in one of several ways. I will give them pre-stamped envelopes, to be mailed out on the 26th of the month and I will not deposit it until the 1st. They can give me 12 post dated checks, they can put it on 12 credit card slips. They can even drop the checks off at a mail zone. But the bottom line is, they pay me on the 1st. If I do not receive it on or before the first they get a phone call on the 2nd. If we do not get it resolved on the 2nd, we start a pay or quit on the 3rd.

Client: I don't go by the day I receive it, I go by when it was postmarked.

Claude: NO! I want the check in my hand on the 1st.

Client: Well whatever date you decide on, I guess I could ask to have the postmark on the 26th of the month. The mail can take 3 days to get here.

Claude: I put the responsibility where it belongs. They have to get it to me the 1st, late on the 2nd and eviction starts on the 3rd, no exceptions. I don't care what the situation is.

Client: Do you call them first?

Claude: Yes, we always call them first, to let them know we didn't get their check, we need a check today. I put the responsibility where it belongs. The reason I start the eviction on the 3rd is because I want the clock to start ticking in case we have to start an eviction. I don't care what they are feeling, I say, 'hey folks, this is a rent to own it's not just a rental. You were given this rent credit because we want to get paid on time. I don't want to have this conversation with you, but for whatever reason we don't have the check in our hand.'

Client: Even a regular rental, if I don't have the money by the 5th of the month I will start eviction action.

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Claude: Never fool around with this. That's the way we manage these things. Overall the mentality we are dealing with is that of a tenant/buyer not a tenant. They want to make this work, they're making a commitment up front. The likelihood of a problem is really rare. The majority of my tenants are wonderful because they have to make a commitment up front and I let them know what I expect from them. 'This is the way it will be and this is what will happen if you don't do this'. I have them so trained, if there is a problem they pick up the phone and call me right away. Their goal is to protect that rent credit because that is like a savings account for them.

Client: The last couple of years I have had very good experiences with lease options, however that doesn't always mean they are maintaining the property. They are paying on time but, they are not taking care of the property like a home owner. Then again I see homeowners who don't take care of their own home either.

Claude: It depends on the individual, and the commitment they made up front. A good example I like to use is, did you ever rent a car from Hertz™ or Avis™? When you rent a car, you pick up your kids, you go to McDonalds™ and the french fries get all over, who cares, it's a rental car.

Client: Yea, but you're going to make sure you don't dent the car.

Claude: You're not going to dent it, but you really don't care if it gets a little messed up because it's a rental. Now if that car is your brand new Lincoln Towncar that you just bought from the dealership you're not going to take those kids to Mac Donalds™. That is the difference between owning and renting. So the mind set for the Tenant/Buyer is 'it's their home and not a rental'.

OK, we covered the contracts. Now let's move on to the Marketing Section of our session.

MARKETING

Client: This is the part I am really interested in, but before we get in to it too deep could we discuss the advantages of being a real estate agent if any ?

Claude: Sure. The advantages of being a real estate agent are access to the MLS, the listings and of course, the walk in Tenant/Buyers.

Client: Not to mention the real estate commission if the option is exercised. Correct ?

Claude: You got it. There are advantages on working both sides of the fence. Some deals you do as an agent, others as a real estate investor. I would start out getting the expired real estate listings.

Client: I do that already. I have a friend who provides them for me.

Claude: OK, Good. What do you do with them?

Client: I send a letter in my name, that I'm looking to buy properties. Hopefully from that I will have a motivated seller. We have had a couple of responses and a couple of

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good deals.

Claude: That's great. The letter should say something to the effect, 'You have tried to sell your home, have you ever considered the lease purchase alternative? Lease Purchasing would enable you to get the top sales price for your home, to have a tenant/buyer, not a tenant in your home who will take care of the property, pay you on time and you may be able to save paying a real estate commission and closing costs.' End it by saying, 'please call me for a free consultation'. This is the way you want to come across.

Client: Didn't you have a letter in the package you sent me?

Claude: Yes, there are a lot of sample materials and letters within the manual. I want you to use them to make up your own material. Make up one for the sellers and one for the buyers. Also design some cover letters. You must set up a database. It is very easy to set up, all you have to do is hit the button and it will personally address each letter.

Client: Do you set up 2 databases, one for the buyers and one for the sellers?

Claude: Actually three, one for the buyers, one for sellers and one for the investors.

Client: That's what I want to know, how do you sort?

Claude: It depends on what we are talking about. Is it location, zip codes, what they can afford to pay, how much option money they have, if they have any credit problems and so on. Make sure you keep the database up to date and input all contact dates. I get people who call me back years later, I have a guy I'm working with who goes back to 1993. I have all this information in the database so that gives me the advantage. Your data base is your gold mine. You put everyone in there, even the time wasters because you can flag them, and if they are calling you up repeatedly, you can go back to your notes and know this guy is just a time waster.

I send out a newsletter to 25,000 people 4 times a year using first class postage. I write it from beginning to end. I didn't start out with a newsletter like that it developed over the years, because my database keeps growing and growing. The people who get my Newsletter either want to do a deal with me or get into a property or they need to consult on a property. I want to make the phone ring and a good newsletter will do that. I also write many articles on my deals and client success stories. I'm in a lot of different publications, all you have to do is write about some of the deals you have done and I get investors from all over the country. It results in deals and consultations, but you have to get your name out there first.

I'm on the Internet and I advertise online. I now have my own web page. I get several calls every day just from the web. You really want to start using the Internet, it is a phenomenal marketing tool and is so cost effective. You can locate properties being sold and rented. You can E-mail offers to people in Oklahoma from anywhere. I recently had a gentlemen in Austin, Texas who had a property on line. I E-mailed him and asked if he would consider doing a rent to own? The guy called me up and we ended up doing a deal. It was all done on line.

Client: I guess I'm going to have to get more acquainted with the web.

Claude: The more traditional way of finding properties, would be the newspaper. I only use the Sunday paper. It has the most classifieds in it and it's the one most everybody reads. I run 2 kinds of ads in the classified section, either a generic ad or a specific ad.

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Generic ads will say 'rent to own all areas, no qualifying, free newsletter, free report' and have a 1-800 number. A specific ad would be 'rent to own, \$1495 a month, with 100% rent credit, no qualifying' and my name and number. You can use ads under real estate wanted on Sundays only, a family needs a rent to own, excellent credit and references.

Client: So you only advertise in the Sunday paper.

Claude: I only advertise in the Sunday paper, unless there is a good deal on rates. Here in California a Sunday ad can run you \$35-50 for 3-4 lines. Multiply that by 5 or 6 ads and you're talking overhead.

Client: I found out that advertising during the week is a waste of time and money.

Claude: I would have to agree with you. I think most businesses and investors go broke advertising. I see a guy with a quarter page ad and he's going to have to do 2 deals to make a profit after spending money like that. And if he has a bad weekend he just threw away a lot of money. Be cheap with your ads; run them on Sundays only.

Client: So you wouldn't put a small ad in and run it for 10 days in a row?

Claude: No, I run them Sundays only, but I cross reference them. If I have a rent to own I will put it under 'houses for sale' and 'houses for rent'. The beauty of lease purchasing is we attract both markets, calling on the ads and finding the properties. I collect every major newspaper and you might want to check the classified ads that may be on line. Why don't you do a YAHOO (search engine) search for all the newspapers in your state? You may be able to find the real estate classifieds on line. A lot of the major papers across the country are offering that now. This is dual marketing; the actual newspaper and being on line. I collect major newspapers and secondary papers, I get all these little freebies at the super markets, they all have rentals in them. The 'for sale by owner' publications are great, too.

Client: What about all these cold calls. I hate that stuff.

Claude: I think one of the worst things in the world is to be making cold calls all day long. My Mom used to tell me not to talk to strangers so I hire a telemarketer to make these calls. You want someone who wants to make some extra money from home with a good phone voice to do the grunt marketing. Remember your time is worth a lot more than \$7-8 per hour. Another thing you don't want, are those annoying phone tag phone calls. Let them call back the telemarketer.

Client: Do you use a telemarketing company?

Claude: No. You want to hire an individual, not a company. You want to find an individual with a professional voice. Let that person use their phone with an hourly rate and a bonus on any deal that they find for you and you pay for their long-distance calls. So if it nets out at \$9-10 per hour, it's OK because you have time for putting deals together. This is a cost efficient way to business, the only qualifier is to get the right telemarketer.

Client: You could actually give them a prepared script.

Claude: Give them a prepared script, don't let them do the selling they just need to pre-qualify.

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Client: Do you have a script?

Claude: I basically go over it with her and say something like, 'Hi, I'm calling for Claude Diamond, he asked me to call you; is your property still available? Would you consider doing a rent to own on that property? We have many people interested in your home right now. When would be a convenient time to speak to Mr. Diamond?' Make sure you say we are not a real estate agent, unless it's true. We are private investors and specialize in solving peoples' problems with the rent to own alternative. I pre-qualify them over the phone. You then may want to mail them something. I think a 32 ¢ stamp is the best marketing tool there is. You want to tell them what lease purchasing can do for them. We want to hit a volume of people.

Client: Claude do you use bird-dogs ?

Claude: I do have a bird dog program, but it's quite different than any other you ever heard about. I think most bird-dog programs are completely worthless. A lot of people contact me and say I've seen your ads, I've read your articles, I've heard you speak. I would love to help you find properties, tenant buyers, consultations, etc. Let's just role play a bird dog phone call. Go ahead and call me.

Client: Sure, OK.

Hi, Mr. Diamond. I live in San Diego and I read one of your articles and I'm interested in doing some work with you.

Claude: That's great! My name is Claude and I have a unique Lease Purchase Bird Dog Program. Would you be interested in hearing about it? In my Bird Dog Program, I will spend an hour or more training you. If it's convenient I will spend an hour with you in person or over the phone. What I would like to do is lay out the kind of properties I'm looking for, what kind of areas, so you have a good idea what I like to work with. I'm also looking for Tenant/Buyers, and I want you to know what kind of Tenant/Buyer I can work or consult with. I would also like to provide you with the ads, because you may want to advertise to find these people and properties for me, how does that sound?

Client: Sounds good, but how much can I make ?

Claude: Now Sir, any person or property that you bring me that results in me doing a deal or a consultation I will pay you 25% of the option money, assignment fee. Since I'm going to spend an hour of time with you, however, the cost of the Bird Dog program is \$500 which is what I normally charge per hour for my time. So if you want to set up a date, you need to bring \$500 with you or you can put it on a credit card. By the way, the \$500 will be returned to you upon completion of the first deal we do together.

Client: OK, so I get my money back?

Claude: Yes, if you do a deal with me, would you like to set up a meeting?

Client: Yea!!!

Claude: Let me tell you this, 95% of the people who say they will bird dog for you will never do anything. So if they are going to pick your brain you make them pay for it just like you would any consultee. This is the only way I will do it. If the bird dog is not willing to invest \$500 to work with me then they are not serious. I will give them their money back, but I just want to make sure that they are serious and qualified and that they are just not wasting my time. In the old days, I used to meet with these people, we would

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end up talking for 1 or 2 hours and it would be a complete waste of time. Don't forget **your time, knowledge and your energy are valuable commodities**. No one gets a free ride, they will need to pay for the privilege of your time.

Client: The \$500, is that what you personally charge or is that a standard fee?

Claude: This is what I personally charge, \$500 per hour.

Client: Good, Good. I have never heard anyone speak so assertively about the value of these commodities as you call them.

Claude: That's because I am speaking the truth.

Client : What about my real estate club ?

Claude: I want you to let it be known that you are the Lease Purchase Guy at the investor club. Let everyone know that when they have a problem property you are the guy to speak with. You now own the Lease Purchase solutions.

Client: We could put this in our monthly newsletter at the club.

Claude: You want to be the local lease purchase consultant out there, you'll be really busy because you know who to go to, you have the mail list from the club don't you?

Client: I'm talking to the guy who does the newsletters.

Claude: Good. How big is your mailing list?

Client: About 400 or so people

Claude: That's 400 people, 5% of the people are going to do something with you.

Client: Let me tell you Claude, I have received calls before to consult.

Claude: Yes, but you're a nice guy suffering from 'Nice Guyitis' and you have been giving it away for free.

Client: Well, you know, I haven't told you this, but I have charged \$35 an hour to some of the members of my real estate club who needed a hand once in a while with property. The people are thrilled by that price and they say 'I can't believe you're this cheap'.

Claude: So what are they really saying to you ?

Client: That I'm a sucker!

Claude: You spent thousands of dollars learning, obtaining your knowledge, and now you're giving it away for \$35 per hour to a guy who will make money with that knowledge. It's not a question of the price, it's the value. If you have a guy with a problem property and if you charge this guy a couple hundred bucks or a thousand bucks for 2 or 3 hours and you resolve his problem, that is the best money he has ever spent. Listen you're sick and you go to the doctor, do you care how much you pay him? You just want to get well. You have a legal problem, you want the best attorney, price may be an issue, but you want a competent advisor to help you out.

Client: The guy who comes in cheapest, it may end up costing you more money.

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Claude: Do you have respect for the attorney who is going to charge you \$25 or \$250 an hour? Are you getting the idea of the psychology of charging the correct price?

Client: Yes. My \$35.00 days are over thanks to you.

Claude: Do you work with the eviction list ?

Client: No.

Claude: You should be getting the files of evictions filed in your area. This is public information.

Client: What good will evictions do me ?

Claude: Think about this scenario, you went out, bought a property and all of a sudden you rented to and got the tenants from hell and now you're going through an eviction. What if I sent you a letter and it said the following: Dear sir, going through an eviction is a nightmare, what if I showed you a way to avoid ever going through this problem in the future? Please call me for a free consultation on the Lease Purchase Alternative. Imagine that you have tenants who pay on the first of the month and take care of all the repairs. What do you think the response rate would be if you sent 100 letters to a 100 landlords going through evictions every month?

Client: I think 30-50 of them would return the calls immediately.

Claude: So you qualify them and consult with them or if it's a really great property you may want to lock it up for yourself or cooperate with the owner. These are people who need to know about Lease Purchasing because the tenants and toilets are driving them crazy.

Client: When you mentioned the evictions list, where do I get a copy of that?

Claude: You could go directly to the courthouse or in some areas there are services available. You may know someone you can pay to retrieve this information for you from the courthouse. Do you have a gopher?

Client: No.

Claude: Do you know a high school kid who can drive?

Client: I just do my own gophering.

Claude: That's great, but watch doing your own gophering because it can eat up your time. Just going to the court house to look up stuff can eat up a whole day. To find the evictions, they are recorded in the courthouse or some administration area or housing area depending on what city you are talking about. You want to stay away from the apartments and directly work with residential properties.

Client: How can you tell between the apartment and the residential?

Claude: A lot of times it will say so on the complaint, do you have an on line system that you are using?

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Client: Dataquick™, you told me about them about 1 year ago, I signed up with them and went through the training.

Claude: One of the things I get on Dataquick™ is absentee landlords, people who have second homes, investment properties where people have their tax statements mailed to an alternative address. Also a list of defaults that are filed, people who are in pre-foreclosures.

Client: Can we get that from Dataquick™?

Claude: It depends on the area and the service, in California you can. There are other services available; one is called Metro Scan and TRW has a service called Redi Quick. When I do a deal out here I go to Dataquick™, I check the property and I make sure I'm dealing with the owner. I have had people pretend that they were an owner of a property.

Client: We have heard about that in California!

Claude: I can tell the square footage, how they financed, what kind of loan they did and I can find the comps. And they are better comps than the MLS because they reflect all sales not just the agent sales. So it's a pretty handy system for me to use.

Client: How far back do you go when checking comps ?

Claude: Six months is what they go on out here, this is pretty standard. Like I said, you may want to get defaults that are filed or liens that are also filed on properties.

Client: I notice you do alot of condos.

Claude: I love condos. They are all over the place and are great for doing Lease Purchase deals.

Client: Do you have a solution for condos that are lower now then when the owner purchased them. We have a lot like that in my area.

Claude: Are you telling me that they are upside down financing on the properties?

Client: Yea. I know people that paid \$150K and now the condo is worth \$130K.

Claude: It really depends, I might go to the owner and say, you're going to loose money on this property. There is no way around it, but there are some viable solutions here. The thing is that we want to set up this property so you are getting payments to cover your PITI. We want to avoid you giving this property back to the bank or endangering your credit rating or possibly going into foreclosure. What we need to do on this property is to buy time for you. We can do this one of two ways. We can set this thing up as a lease purchase and for the top sales price. Now if the person decides to exercise the option, you're going to have to make up the difference when it closes. But I have to tell you sir, most people are going to renew for another year or they will move out of the property. Less than 25% of the Tenant/Buyers will exercise the option in the first year. We both know that real estate will come back for you. What I'm trying to do here is keep your PITI covered and you can keep your tax benefits. If they buy the property we didn't need a real estate agent and we didn't have to pay the closing costs. Further we got the top sales price. If they don't buy the property, maybe real estate will start to recover in a year or two and we can make up the difference of the upside down price on the property. Here is my name and number, I specialize in lease purchasing. I can set up the deal and I keep

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the option money or the assignment fee or we can work together or if you would like, I could consult with you on this so you could do it yourself. What I can do is get something going on this property today.

Client: You are so up front with these folks.

Claude: The way I communicate with people is to be upfront with them. They will respect you if you are up front with them. Tell them: “look, you have a problem. It’s only going to get worse and it’s either going to ruin your credit or bankrupt you. You have to do something right now and I have a solution, do you want to hear about it?”

Client: How do you decide whether you want to become involved or just consult ?

Claude: If it is the kind of property you think you can move, then you might want to play a part in the deal even if it’s upside down and you can keep the option money. If you think it’s a property that’s a real gamble then you get a consulting fee on it. I can put an ad in the paper saying “Is your property upside down, are you losing money every month, consider the lease purchase alternative, call me for a free consultation and free report.” This is the way you market this knowledge, we are talking about and creating cash flow. If you could consult on 1 or 2 properties every month, create one Sandwich and one Assignment, you will have nice cash flow coming in within a very reasonable time.

Client: How many deals a year do you do?

Claude: We do anywhere from 3-5 transactions every week. We are marketing all the time. I find if I do business honestly and up front I get tons of referrals because there is no one else out there specializing in lease purchasing. I have carved out this little niche for myself, and I’m the lease purchase guy. That’s why I send out those mailers all the time and why I send out cover letters and do newsletters. I want people to know I’m the guy to call.

Client: What kind of professionals do you work with ?

Claude: I network with a lot of smart real estate agents and mortgage brokers. Are you working with mortgage brokers?

Client: No, should I ?

Claude: I go to these mortgage brokers and say, ‘Do you ever get people who do not qualify? What if I showed you a way you could not only make money with these people by not doing a loan with them, but maybe in a year or two I could set up a Lease Purchase. I would pay you 25% of the deal and I would bring them back to you in a year or two to see if they qualify for a loan.

Client: OK, how would you do that?

Claude: Hey Mr. Mortgage Broker, my name is Claude Diamond. I’m a private investor and I consult on lease purchasing AKA: rent to owns. I’m looking for people who for whatever reason do not qualify, or who want to live in a better neighborhood then they qualify for. Do you ever get people like that?

Client: Oh, sure all the time.

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Claude: I was wondering if we could work together, I would like to talk to you further about this. If you could refer me to the people who do not qualify I may be able to put them into a rent to own or consult with them on a rent to own, I would pay you 25% of any fee I collected and if we do a deal I could refer them to you.

So you could do the loan. You don't need 10 mortgage brokers, you just need one or two. You can have a consistent source of Tenant/Buyers who either want to do the deal who do not have the credit or the down payment. They don't always have bad credit by the way, maybe they want to live in a \$300,000 neighborhood, but they don't have enough to put down. What would happen if we had someone with \$10,000 down, who wants to live in Bergen county and can afford \$2000 a month? They need about 2 years to save up the difference. I can take that person and start calling on every house for sale or rent in Bergen county and talk to the owner as follows:

'Hi, my name is Claude Diamond and I have someone who has \$10,000 to put down on your house today who would be willing to purchase it in the next 2 years. They would pay you on time, they would cover your PITI and take care of the property if we could structure this as a rent to own. Would you like to work with me?' And that is the way you want to come across to these people. These are the common sense ways we market. By contacting people who are in trouble with evictions, filing for separation, who have liens, preforeclosures or with listings that are expiring. Maybe you would want to consider doing some public speaking out there at some clubs. You want to be sending them information, you want to use a telemarketer, get the bird dog program going and get people to call on the ads and send follow up letters and brochures.

Client: How much time should I be spending doing the marketing ?

Claude: You should be spending 50% of your time at least, marketing-marketing-marketing! This is what you do.

Client: Most of the houses we have right now are on a lease option.

Claude: Beautiful! How much option money did you get on these?

Client: \$2500-\$3000, we finance everything ourselves and then we just get out, so we have no debt service, but on the other hand, tie up a lot of money.

Claude: You want to start controlling other peoples' properties, or cooperate with them or consult on them. Remember the four "C"s. When I first started business I didn't have the money and what little money I had ran out. I started accelerating my cash advances on my credit cards which is a formula for disaster. If one thing goes wrong, all the dominoes go down with it. Then you begin taking a second or third job to pay off the debt, which you can never catch up to. The simple way is to let someone else buy it, let them pay the down payment, let them qualify, let them have the overhead, the liability and the structural repairs. That's the point of what we are discussing today, having the **control** without the ownership. To work or consult with other people and other peoples' properties. This is what we are talking about. You want to get your business to a point where your bills are paid, you have the income and can buy those real nice properties that are 20-30% under market. Did you ever get a great deal where cash was king, but you didn't have the cash? A lot of the Gurus out there say 'get an investor', I don't want to work with ten other people! I want to control my own properties and keep all the profits. I find if I bring in other investors I don't have the control or the profits.

Client: I never liked doing deals with other investors. There are always problems, you're

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right!!!

Claude: I still have the liability, too. So we want to get away from that mind set and we want to do it all on our own or take control of other peoples' properties.

Client: Have you run into a situation where you are consulting with people and they really ask some good questions and you don't have the answers? Do you say you will get back to them because you have a network of people who can help you out?

Claude: A lot of time I will go into my database where I have an address section, I have all the professionals there. You want to build up a database of all the people in the industry and refer them. I refer people everyday to other people. I have one lawyer who is excellent and I refer her a lot of clients. You want to network with people in the industry and have them network back to you. I have a real estate agent, I give this man millions of dollars in listings every year. People want a good real estate agent, so I refer people to Bob and he refers clients to me. So if you don't have the answer refer it out.

Client: What should we be doing now?

Claude: It's time to get started and get this show on the road, get the business going. Here is a list of things I want you to do NOW.

- A. I want you to finish reading my manual Lease Purchasing for the 21st Century. (Love that title.)
 - B. I want you to review all the Lease Purchase contracts and place the contracts on your computer.
 - C. You must review all the distinct strategies we discussed, remember the Four "C"s.
 - D. I would like you to commit to memory all of the advantages of the Lease Purchase for the buyer, the seller and the investor.
 - E. I want you to develop some materials to give to people. Create some literature for the buyer, seller, the Tenant/Buyer and the Landlord/Seller. These can be brochures, a newsletter or some basic cover letters. Check out the samples you have in the manual.
 - F. Get yourself someone to make constant phone calls and mailings everyday.
 - G. Setup a functional home office operation. Have a dedicated separate business phone line and a fax line. Get your computer up and running and get on the Internet because that is the future. Place the database software on your computer and set it up.
- Do you have any further questions at this point ?

Client: How do we stay in touch for the rest of the year when I have a question?

Claude: I would prefer that use e-mail. My address is CDMENTOR@AOL.COM. I check my e-mail everyday and respond ASAP. If the question is of an urgent nature then by all means use the phone. I will return any call within a 24 hour period or sooner even if I am traveling. I ask that you be reasonable and don't call me about the weather in Hoboken or the latest football game. Let's make our time together always valuable and mutually rewarding. No crying wolf allowed. I also have dedicated fax machines in my offices.

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Client: I won't abuse the privilege Claude don't worry.

Client: When we are doing something new, you learn by your mistakes and go on to the next deal right ?

Claude: That's right. Mistakes are a price you have to pay for learning. Hopefully you don't repeat the mistakes. These mistakes are the building blocks to learning by trial and error. I know many successful people and I don't know anyone who is successful that hasn't made mistakes. Nobody just wakes up and is a success. It's a mind set that we develop. The winner who suffers a loss or setback says 'OK, I learned from this experience and I won't repeat it.' The loser would just quit completely and go back to the 9 to 5 job. He would say something like 'I'll never try that again.' Success is understanding that you are capable of greatness and nothing will stand in your way. No matter what !

Client: My last question. Any final words of wisdom before we end today?

Claude: You become a success when you take full and complete responsibility for yourself. There are no more excuses in your life. You can't blame the government, the weather, one group of people or another or even bad luck because you create you own luck. There are just no more excuses. It's all up to you. If you want to do something great with your life, then just do it. Make a decision today whether you're going to make a difference for you and all those around you.

My final words are this: **YOU ARE CAPABLE OF GREATNESS IN YOUR LIFE, BUT IT'S ALL UP TO YOU FROM THIS DAY FORWARD. LET NOTHING STAND IN YOUR WAY AND JUST MAKE A DECISION NOW TO DO IT!!!!!!!!!!!!**

Client: Thanks, Claude. This was a great day in my life.