

Coach Mitch's
Tax Delinquent Real Estate
Ridiculously Simple System *sm*

Famous
- \$1 Option -
***Series*®**

With only \$1,
control property, without any liability.

Mitchell Goldstein – **Coach Mitch**

The single most powerful contract in the real estate investing world is the Option. How else can you take control of unlimited numbers of property, with only \$1 each, make significant profits without owning the property, and best, without being liable for its upkeep, the mortgage, taxes or anything else. **The record: \$1 took control of a restaurant valued at \$1,600,000 using Coach Mitch's Famous \$1 Option.**

Instructions For Using Coach Mitch's Famous \$1Options

DISCLAIMER

This document and accompanying options shall be used for informational purposes only and shall NOT be construed as legal advice. Mitchell Goldstein / Coach Mitch is not an attorney and does not offer legal advice. A licensed attorney MUST be consulted prior to the use of any of the documents and information.

Choose your basket carefully and then put all your eggs into it."

Warren Buffet

There are many ideas floating around out there in the investment world about how to invest properly. I have found that they fall into two broad categories: 1. **Passive investments**, where one gives their money and most of the control over to someone else, presumably an expert, and hopes that they get a favorable return, OR 2. An **active investment**, where one takes hold of their own destiny, learns what to do in order to make a success of the investment, and then puts their plan into action.

The Middleman

From the beginning, investors have understood that the position of a broker is an extraordinarily powerful position. A broker is a middleman. He brings two people together. He has no inventory, no warehousing, no responsibility, and no liability. The broker's primary mission is to find a seller and match that seller with a buyer, and if the match is successful, a sale is made and the middleman will get a commission.

The perfect device

The middleman pays a fee, consideration, to the seller, and, for a certain period,

Instructions For Using Coach Mitch's Famous \$1 Options

the middleman gets the ability to represent the sellers merchandise to potential buyers. If successful, the middleman sells the merchandise at a markup from his purchase price and earns a profit.

The option can be used to facilitate the sale of any kind of merchandise, from personal property to real property. The option is a perfect device to use in the effort to put together a transaction. The seller has someone working on selling his item, the middleman has something to sell, and the buyer has someone else looking to satisfy his need besides himself.

Coach Mitch's Famous \$1 Option

Among typical real estate options, this series of options is unique. There is no legalese, the type size is large, simplicity, and directness is the approach, there are **carefully chosen phrases that accomplish a goal while camouflaging intent**, and **this option is aimed at a specific type of seller, the tax delinquent.** **The consideration is \$100, however, through a clever device; only \$1 is paid out.**

The Real Estate Option

Definition: Option = to choose, to select

In general legal terms, a straight real estate option agreement is a unilateral agreement, binding only on the optionor, the seller, in which the exclusive, unrestricted and irrevocable right and option to purchase, is promised, in exchange for performance, the exercising of the option by the optionee, the buyer.

The purchase of a straight or "naked" real estate option does not impose any obligation upon the buyer / optionee to exercise the option and purchase the property. However, once the buyer / optionee exercises the straight real estate option, the agreement becomes a bilateral contract, binding on both parties, at which time the buyer / optionee becomes the buyer, and the optionor the seller.

Typically, no equitable interest passes to the optionee until the real estate option is exercised. **To exercise is to promise to perform.** That is why, once exercised, the real estate option agreement turns into a bilateral purchase agreement.

Most real estate options are NOT straight or "naked" options. The most common option is the lease option, where other terms must be complied with besides a purchase price and time frame.

Instructions For Using Coach Mitch's Famous \$1Options

Key Parts to Every Real Estate Option

- 1. Optionee:** Optionee is the name given to the party buying a real estate option. Once a real estate option is exercised, the optionee becomes the Buyer.
- 2. Optionor:** Optionor is the name given to the party selling a real estate option. Once a real estate option is exercised, the optionor becomes the Seller.
- 3. Real estate option:** When an optionee buys a real estate option, the optionee buys an exclusive, unrestricted, and irrevocable right and option to purchase a property at a fixed purchase price within a specified option period. There is also a non-exclusive option, where the seller / optionor seeks to create competition so that more than one middleman will try to sell the property.
- 4. Option consideration:** Option consideration is the amount of money, goods, or promises paid by an optionee to buy a real estate option from an optionor.
- 5. Option period:** The option period is the specific period of time that the option is in effect, as stated in the real estate option agreement.
- 6. Exercise of option:** The exercising of a real estate option occurs when the optionee notifies the optionor, in writing, that he is going to exercise the real estate option and purchase the property under option. To exercise is to promise to perform.
- 7. Expiration of option:** A real estate option expires when an optionee fails to exercise his real estate option within the option period stated in the real estate option agreement.

How A Real Estate Option Transaction Works

Step #1: The optionee pays option consideration to the optionor. Some judges allow \$10, some require \$100. **Coach Mitch pays \$1 and always will. I label the consideration at \$100 and give \$1 as the down payment. This is unique.**

Step #2: A **Memorandum of Option** is recorded at the County Recorder's office. This secures the optionee position because the optionor / seller must deal with a legal device if choosing to abrogate the option without permission.

Instructions For Using Coach Mitch's Famous \$1Options

Step #3: A real estate option is executed when the optionor grants the optionee the exclusive right and option to purchase the property at a fixed purchase price during the option period. **A non-exclusive option is sometimes granted when the seller / optionor does not want to grant exclusive rights to the buyer / optionee.**

Step #4: The optionee exercises his option, or lets it expire.

Step #5: Once exercised, a real estate option agreement turns into a bilateral agreement in which the optionee becomes the buyer, and the optionor becomes the seller.

Step #6: The buyer and the seller can execute a detailed purchase agreement or the buyer simply performs the purchase as stated in the option.

Step #7: The seller transfers the property title to the buyer at a closing.

Memorandum of Option

This is an important document. It is wise to let a seller know that your position is protected. This can be done by recording the option at the County Recorders. However, recording the actual option document allows the entire world to know the terms of the purchase. Instead, record a Memorandum of Option, which is a document saying that the buyer / optionee has an option against the property and that anyone interested in the property should contact the buyer / optionee. **Recording the Memo of Option document puts a cloud upon the title to the property.** A title company will consider the Memo before allowing a sale of the property under its auspices.

Instructions For Using Coach Mitch's Famous \$1Options

Prepare Yourself This is what I do

- 1 Create packets with at least one of each of the main type of options. Label each packet appropriately; Option #1 to #4. Memorize what each does.
- 2 Each packet should contain two copies of the option, a Memorandum of Option, a \$1 bill plus a copy of the \$1 bill with a signature receipt line, and a copy of all the **Coach Mitch** clauses. The serial number of the \$1 bill should be typed in the option, as the Deposit.
- 3 Question the seller. Find out what they want to accomplish. Use this information to determine which option you will use. Calculate your numbers and terms before you mention them so that you know the consequences of what you are offering.
- 4 Negotiate the transaction within the framework of the option. If your negotiation calls for splitting the profit, then use the Split Profit Option, as it has been designed for this purpose.
- 5 When explaining a clause, try and stick to the phrases that I have developed. They seem to work. Always try to answer in a simple but complete manner, explaining your rationale and how the seller benefits.
- 6 Show the appropriate option, saying, "This is the document that I have found best for this type of transaction." Fill in any agreed upon terms, using plain English. Print clearly. All parties should initial any changes.
- 7 Agree on all language. Then say, "Congratulations, you just sold your property." Give the \$1 bill to the seller, saying, "This makes it legal." Have the seller sign the copy of the \$1 bill showing that he received \$1.
- 8 Now, all principles should find a notary and sign two copies of the option and the Memorandum of Option. Record the Memorandum of Option.

Instructions For Using Coach Mitch's Famous \$1Options

Understand the 4 Basic Coach Mitch Options

Basic Clauses and Thoughts

Understand the thought behind each clause. Be prepared to defend each thought. You won't typically have issues with any clause because you should usually be dealing with a seller having some level of stress and motivation.

>>> Right to Purchase. Seller gives the Buyer the exclusive right to buy the Property described below within the terms set forth in this document, or as renegotiated.

The basic option is an exclusive option. The "or as renegotiated," verbiage is very powerful. See Rule #9 for the full explanation.

>>> Option Consideration. For the Buyer having received an Option to Purchase the Property, the Buyer gives **\$100** in Option Consideration to the Seller. Payment shall be made as follows:

The buyer is getting an option, the seller gets \$100. That's fair.

>>> Deposit. Buyer gives the Seller the sum of \$1, with the Serial Number _____, receipt of which is hereby acknowledged, for the right to buy the Property. The Deposit shall be nonrefundable and is considered the full liquidated damages.

The seller is actually getting \$1. You have the \$1 bill in your packet. This looks professional. See the explanation in Rule #8. Damages are limited to \$1 - sweet.

>>> Term. The term of this Option shall be for a period of _____ (_____) months, and called the Option Period. The Option Period shall commence on the _____ day of _____ 2009, and shall be automatically renewed, Option Period after Option Period, unless, thirty days prior to the end of an Option Period, the Seller terminates the Option, in writing, return receipt accepted, **and with Buyer's written permission.**

You can put in a term, but I like to let the seller agree with me that "six months is a reasonable amount of time. Realtors often take one year. After finding a buyer, getting the financing can take three months." Resistance melts when hearing

Instructions For Using Coach Mitch's Famous \$1Options

this. The termination is difficult. See the last part, "with Buyer's written permission." Are you going to give permission to end the option? If not, this is an option without an end date. Get \$500 for marketing expense to end option.

>>> If Buyer has a resale contract in place at the time of the Option's end date, the Option will continue until a closing has occurred. Time of Essence shall not be invoked.

This is powerful. This actually happened. I was trying to get financing for a buyer when the option term ran out. Happily, the seller was agreeable and extended the option until a closing. I did not tell the seller when the bank chose not to approve the buyer. I had to find another buyer quickly, get him financed and closed. This extended the option term significantly. This clause allows for this potential. Not allowing Time of Essence to be invoked makes this option able to be extended as needed. Potentially, you could have a resale contract, signed by a buyer, that gets rejected by a bank, then, find another buyer who gets rejected, and another, and so on. The option continues until a closing occurs.

>>> Should tasks need to be completed at the property, the Option shall be extended to include the time needed to complete the tasks, plus the full, original Option term.

Experience teaches. This clause came about because the seller was fixing the house, and the contractor took several months more than he was supposed to. It happens. If the property is occupied and, as part of the transaction, it is supposed to be vacated, have the term start when the property is vacant. Promises to vacate don't always work out and two weeks packing can easily turn into two months, eating into your option term.

>>> **Purchase Price** The Buyer agrees to pay for the Property, and the Seller agrees to accept as the Purchase Price, a sum equal to:

The amount of the encumbrances, believed to be about
_____ \$ _____ (_____)
Initial
OR The base purchase amount plus
_____ \$ _____ (_____)
Initial

This works well. You can buy the property for the total of the principle, taxes, liens, etc. OR you can pay an amount certain. OR

Instructions For Using Coach Mitch's Famous \$1Options

Plus – this is for the Split Profit option only or if the seller wants something other than cash or if you are willing to pay more than just the encumbrances. See Option #4 below. Let yourself be creative. For the price of a \$10 promotional ticket, you can give a harried seller a dream vacation in the Caribbean worth \$1500. Thinking of sipping pina collates will make the buyer salivate for your deal. You might have a car that the seller needs to move on with their life. Your good questioning skills will be a worthy asset in this situation.

Option #1 The Exclusive Option

This option will be used the most. It fits most common situations, especially where the property is free and clear of encumbrances excepting taxes. You will have the exclusive right to purchase the property during the term of the option.

You may also assign the option during the term of the option. Assigning a contract is a very powerful tactic. Assigning allows you to be paid without the need to do a double close. **Simply sign an “Assignment of Option,” and collect a check. Typically, you might sell the option for cash to a wholesale real estate investor or sometimes to a retail buyer. They are replacing you. All terms remain in place. In exchange for cash, you are transferring your contract rights to the new optionee / buyer. Don't forget to record a Notice of Assignment of Option at the County Recorder's.**

Assigning the option will help to facilitate the sale of the property to the person who will be buying the property.

Option #2 The Non-Exclusive Option

This option comes into play when the seller is cagey and/or is not particularly motivated. The seller often wants to try and sell the property themselves, FSBO, For Sale By Owner. Your purpose is to get inventory. Option #2 allows, “sales efforts to be doubled.” These clauses protect your efforts.

>>> Right to Purchase. Seller hereby gives the Buyer the right to buy the Property **You have the right to buy, like everyone, but not the exclusive right to buy.**

>>> If the Seller has contracted with another buyer, the Seller will give a copy of the

Instructions For Using Coach Mitch's Famous \$1Options

contract to the Buyer. The Buyer has the Right of First Refusal for 30 days thereafter to meet the terms of the new agreement.

This allows you 30 days to match any other offer, if you choose. You cannot be undercut. The seller agrees with your argument that, "this is fair."

>>> If Buyer has a resale contract in place prior to Seller having contracted with another buyer, then Seller will forfeit his Right to Market the Property and this Option will continue until a closing has occurred. Time of Essence shall not be invoked.

This seems fair. Sellers don't realize that the Right to Market is forfeit even if your sale defaults. Seller must wait until you find another buyer and the option continues indefinitely. With Time of Essence not being allowed, the seller cannot demand that you perform within 30 days.

>>> If the Buyer does not meet the conditions of the new agreement, Seller will reimburse the Buyer \$500 for marketing expense.

You have your expenses covered and the seller thinks this is fair because he believes that he can sell the property. More importantly, his ego envisions him selling the property, and for a significant profit, thus he feels good and does not mind as much paying you \$500.

Option #3 The Tax Sale Option

It will often be the case that the outstanding taxes are more than you want to pay. That is why the seller is not paying the taxes themselves. Especially when there is little time until the tax sale, these clauses allow you to expend resources and still get the potential for a return.

>>> The terms of this Option shall survive any tax sale and upon such sale, the rights, responsibilities, and equities of the Seller / Optionor shall inure to the Buyer / Optionee. The Seller shall execute documents to this effect.

This clause covers the next two. The language is clear although the seller typically has no idea what rights they have. Sellers are happy to give you the responsibilities. They don't believe that there will be any equity after a tax sale. If there are excess proceeds, you will need to get documents signed by the

Instructions For Using Coach Mitch's Famous \$1Options

previous owner, the seller, allowing you to collect the overages. You will probably have to split the overbid with the previous owner. Make sure that you know where the seller is going to be so that you can be in contact if needed.

>>> The Seller transfers their rescission rights to the Buyer and Seller shall execute documents to this effect.

This clause is covered by the clause above. Put this in if you think that the seller is desperate. The clarity of the verbiage makes the dictum strong.

>>> The Seller transfers their rights to any excess proceeds to the Buyer and Seller shall execute documents to this effect.

This clause is covered by the clause above. Put this in if you think that the seller is desperate. The clarity of the verbiage makes the dictum strong.

Option #4 The Split Profit Option

This option is used when the seller wants more money than you want to pay or the seller is wise to the value of the property. By splitting the profit, you have pricing flexibility. But, most importantly, you can just say, "yes" and you will have another piece of inventory.

>>> The Seller shall give a key to the property to the Buyer. The Seller will help to market the property by allowing showings upon notice and vacating the property during showings. The property shall be in clean and presentable condition for showings. Liens and outstanding taxes shall be the obligation of the owner.

By getting a key, you are in control of the property. A key allows you to properly market. The seller must vacate the property during showings so that no buyer will feel intimidated. The property should be in good condition, meaning that the seller should repair the property as best as possible. It should be clean for showings. Obligations against the property are the owners responsibility and shall be taken out of any proceeds.

>>> The Buyer agrees that any profit over the base purchase amount less the costs

Instructions For Using Coach Mitch's Famous \$1Options

of selling and settling the Property shall be split with the Seller on the following basis:
Seller _____% Buyer _____%.

The seller gets a base amount, usually lower than they want. Believing there is substantial profit available, the seller agrees to split the profit with you because they don't want or they are not able to market the property themselves. The higher the base amount, the lower their percentage of the profit. The lower the base amount, the higher their percentage of the profit. Figure it so that they equal each other and there is no actual advantage to choosing either one. This will not be apparent to the seller. See the Sample Split Profit options.

The single most powerful contract in the real estate investing world is the Option. With a \$1 option, you can control unlimited amounts of property, make significant profits without owning any property, and not be liable for its upkeep, the mortgage, taxes or anything else. **The record: \$1 took control of a restaurant valued at \$1,600,000 using Coach Mitch's Famous \$1 Option.**

Instructions For Using Coach Mitch's Famous \$1Options

SAMPL

Option #1 = Exclusive Option Option #2 = Non-Exclusive Option
Option #3 = Tax Sale Option Option #4 = Split Profit Option

OPTION CONTRACT #1 TO PURCHASE REAL OR PERSONAL PROPERTY

Agreement made this 2nd day of January, 2009, by and between

I.M. Investor, the Buyer(s), and/or assigns, having an address at
1Mansion Way, Gold Rush, CA 90210

And

Option is assignable to wholesale or retail buyer

John Doe and Jane Doe, the Seller(s), having an address at

123 Broadway, Someplace, NY 12345

> Fill in as much data as you know from the initial call or tax/property records.
> Have several options filled out with different figures or terms. Prep conversation.
> Only show one option, or you look like a conniver. Make any changes to it.

In consideration of the mutual promises stated in this document, and other good and valuable consideration, receipt of which is hereby acknowledged, the parties agree as follows:

Right to Purchase. Seller gives the Buyer the exclusive right to buy the Property described below within the terms set forth in this document, or as renegotiated.

Property 10 Perfect Place, Hot Spot, NV 11711

Option Consideration. For the Buyer having received an Option to Purchase the Property, the Buyer gives \$100 in Option Consideration to the Seller. Payment shall be made as follows:

Deposit. Buyer gives the Seller the sum of \$1, with the Serial Number F 24823305 P, receipt of which is hereby acknowledged, for the right to buy the Property. The Deposit shall be nonrefundable and is considered the full liquidated damages.

Term. The term of this Option shall be for a period of _____ (_____) months, and called the Option Period. The Option Period shall commence on the _____ day of _____ 2009, and shall be automatically renewed, Option Period after Option Period, unless, thirty days prior to the end of an Option Period, the Seller terminates the Option, in writing, return receipt accepted, and with Buyer's written permission.

Purchase Terms and Conditions of this Agreement are as described below:

If Buyer has a resale contract in place at the time of the Option's end date, the Option will continue until a closing has occurred. Time of Essence shall not be invoked.
Should tasks need to be completed at the property, the Option shall be extended to include the

Instructions For Using Coach Mitch's Famous \$1 Options

time needed to complete the tasks, plus the full, original Option term.

> Have all of **Coach Mitch's** Option clauses available.
> New clauses should state the thought clearly. Use sellers' words if possible.

Purchase Price The Buyer agrees to pay for the Property, and the Seller agrees to accept as the Purchase Price, a sum equal to:

The amount of the encumbrances, believed to be about

Initial \$ _____ (_____
OR The full purchase amount
Initial \$ _____ (_____

> Choose only one pricing structure.
> Encumbrances are approximate, current principle of mortgages, taxes, liens, etc.
> Exact price only known at closing.

The Purchase Price shall be due as follows:

1. \$ 1 Deposit, plus
2. \$99 Upon the Exercise of the Option, plus
3. \$ _____ (_____)
4. _____

> Exercise Option at closing.
> Only \$1 out of pocket.

Within 10 business days after closing of title, with good funds.

Seller _____ Date _____ Buyer _____ Date _____

Seller _____ Date _____ Buyer _____ Date _____

STATE OF _____, COUNTY OF _____ SS: STATE OF _____, COUNTY OF _____

SS:
On the _____ day of _____ 200 , before me personally came _____ to me, known to be the Individual described in and who executed the forgoing instrument, and acknowledged that s(he) executed same.


On the _____ day of _____ 200 , before me personally came _____ to me, known to be the Individual described in and who executed the forgoing instrument, and acknowledged that s(he) executed same.

STATE OF _____, COUNTY OF _____ SS: STATE OF _____, COUNTY OF _____

SS:
On the _____ day of _____ 200 , before me personally came _____ to me, known to be the Individual described in and who executed the forgoing instrument, and acknowledged that s(he) executed same.

On the _____ day of _____ 200 , before me personally came _____ to me, known to be the Individual described in and who executed the forgoing instrument, and acknowledged that s(he) executed same.

Instructions For Using Coach Mitch's Famous \$1 Options



RECEIPT

This acknowledges that the undersigned has received the deposit for
optioning of the property at _____

Seller / Optionor Date

- > Copy a \$1 bill onto receipt.
- > Paperclip original \$1 bill to receipt.
- > Keep \$1 Deposit sheet in each packet.
- > Say, "This \$1 bill makes our deal legal."
- > Keep signed receipt.

Rules to live by OR you will die.

Instructions For Using Coach Mitch's Famous \$1Options

Real estate investing is very serious business. I have never lost money when investing in property. Investing in people is not nearly as predictable nor as stable. Know the answers to every question that you can think of before you invest. Make sure that you have a well thought out exit strategy. The best exit strategy is to have only \$1 invested.

Rule #1 CHOOSE YOUR DEALS CAREFULLY

It may seem obvious that you should deal with highly motivated sellers but **most investors do not take this dictum seriously**. Investors get all excited and tingly when a potential deal comes across their desk, and they let their dream glands go into overtime - rather than to automatically go into inquisitive mode and put on their skeptical hat, sometimes to our detriment.

When I started out investing, I started investing in stock options. I did very well until one trade where I lost every penny of my investing capital. It was a trade in IBM. I inform you of this because I did not want you to think that I was gambling on some unknown company.

Since then I have become very wary of potential losses. I do not gamble – except on sure things, because it's not a gamble. I certainly do not speculate, which I define as not being virtually assured that you will be able to make a profit, even if you have to sell at fire sale prices. Therefore, you must be able to purchase low enough to prevent any loss.

Does it ever make sense to speculate? Yes. There are some very rare circumstances when it does make sense for you to become involved in a transaction when the price of the property is **80% or even 90% of Fair Market Value**. For example, if the local market is very hot and it is almost guaranteed that full price offers will be coming in immediately. In this case, I would option, but I still would never purchase. In this circumstance, the Option is the perfect vehicle.

It is too risky to put out that kind of investment capital at such a high **Investment To Value (ITV)**, against the property, For instance, what do you think that the consequences would be if you did not do your due diligence well enough, and the seller did not tell you that a Halfway House for convicts was being placed next door to your new acquisition? Families do not want their children to be around that sort of element. It will dramatically lower your resale value.

Rule #2 ONLY DEAL WITH DESPERATE SELLERS

Instructions For Using Coach Mitch's Famous \$1Options

The only way to ensure that you will be successful is if you **only deal with people who are in worse financial shape than yourself.**

The best candidates are those who are facing very desperate circumstances, like Tax Foreclosure.

These unfortunate folks are in very serious financial trouble. They are candidates for selling their properties at extremely low prices or letting it go up for sale at a tax auction.

You have heard many times, the admonition to seek out motivated sellers. The reason is that a motivated seller will have a higher likelihood of giving you a better deal. It is not a sure thing, but it is a probable, if you conduct yourself well.

You will find that many, many seller's, who are motivated, still do not go along with your proposals. That is because they feel that they are not backed into a corner, they still have options open to them, whether real or imagined.

We could go through every motivated situation that you can think of and you will see that unless someone is backed into a corner, they blind themselves into thinking that, at any moment, they will hear the blare of the trumpet, signaling that the cavalry is coming, to save the day, just like in the movies.

Can you work a transaction with these folks? Of course, you can. However, you will be asked to pay much too much for the property, you will be frustrated with the amount of time you spend without success and the deals won't be that great.

My solution: you are better off spending your time marketing to those who are in very bad situations because they will probably give you less resistance to making the deal you need to make.

If you think I'm exaggerating, then try offering 25% to someone who is not desperate and see the angry reaction you get. They will be very put out that you even thought that they would even consider such a low, insulting amount. **On the other hand, a seller facing tax foreclosure in a few days will shrug his shoulders, nod "Yes," knowing that they put off selling until the very last moment – to their detriment. They don't blame you – they blame themselves. WoW!**

Rule #3 ONLY BUY AT FIRESALE PRICES

Instructions For Using Coach Mitch's Famous \$1Options

Typically, **you should either buy a property or option it.** The ability to control a property is fundamental to your success as a real estate investor. Control means that you and not the owner, determines what happens to that property, and that you do not have the responsibility of anything that happens to that property. **You control, but without any responsibility or liability.**

When I buy a property, I always purchase it at well below the market price. **I do not ever pay more than 50% of the Fair Market Value.** You should try to pay a ludicrously small amount for the property, like \$100 or \$1000 to \$2000. This practice allows me to be assured of a profit.

Real estate is unpredictable and every transaction should have a very significant potential profit. You must be able to meet any contingency and still make a profit. **If forced by circumstances, you must be able to lower your price so that you can "quick sell" the property, even at wholesale or below.**

No one wants to sell for less than the maximum profit. However, if you must sell for less, then you must! And, **the only way that you can protect yourself from a large loss is if you do not pay very much for the property.**

Can You Really Buy At Firesale Prices?

Buying at firesale prices is not an easy idea to convey. People scoff at this idea. They do not think it is real. Even if there is the possibility that it can happen, people don't think it is probable. Most people are doing OK and cannot envision themselves not doing OK. We don't envision ourselves injured, bankrupt, or living out of a car.

As a potential real estate investor, we must look at and react to situations as if we were in that predicament. **The more understanding we are of someone's sorrow, the more successful we will be. They will be better off also.** It sounds hypocritical, but it's valid.

Be empathetic. Imagine yourself as a tax delinquent, in their situation. You might then have some notion of the tight spot that they are seeing and feeling. You have put yourself in the position of being their friend by understanding their quandary. **Any help you offer will be seen as genuine, rather than as a way to profit on their back.** You actually have a fair chance of getting that property at a firesale price. **You are helping them move on with their life.** You get more with honey than with vinegar.

Rule #4 IF NOT BUYING THE PROPERTY, THEN OPTION IT

Instructions For Using Coach Mitch's Famous \$1Options

When starting to negotiate, both sides believe that they have the upper hand. The seller has something valuable, the property. After all, you are talking to him about it. You have come to him to see the property. As the buyer, your money is green. You can spend it anywhere you want.

The seller asks for a price that, as the buyer you cannot justify. If you see that the seller is not desperate, then you must decide that you will either pay their price or you will not. If you will not pay, then usually the sales conversation is over.

However, **you can option the property**. Whatever the asking price, **Coach Mitch** says, **"Just Say Yes."** If the seller thinks you credible, you've made a deal.

Other than cash, I believe that the Option is the most powerful tool in the real estate investor's tool chest. **The Option gives the investor control over the property.** By putting out only \$1, to control one property, you can Option as many properties as you can find.

In what other real estate investing situation can you imagine being able to control as many properties as you can handle – with no cost? You don't really count \$1 as a cost, do you?

My record – I have had Options against 220 properties all at the same time.

Let's be clear. I've had many more than 220 options. But, the largest number of option's that I've had in place at any one time, is 220. That's a lot.

Imagine your advertising. "Real estate investor has properties all over area. Must sell. Will hold mortgage. Call 555-123-4567" When people call, "They ask, 'What do you have?' " You answer, "What do you want? I've got properties all over. What school district do you want? How many bedrooms do you need?"

The buyer calls thinking that they have power because your ad says "Must sell." Well, of course you 'must sell.' The ad did not say "desperate," but the tone of the ad indicated a motivated seller. And you are willing to hold a mortgage, another indication.

However, your manner on the phone puts you in charge. After all, you are the one with the properties. **You are in control of the sales conversation.** You don't have to let them onto a good thing if you don't want too. **Make the buyer work for it.**
Rule #5 USE CoachMitch's Famous OPTION

Instructions For Using Coach Mitch's Famous \$1 Options

My Option has many unique parts. My approach is different than that of lawyers or other real estate guru's. I like the KISS method, Keep It Simple, Simple.

I find that most people feel that you are honest if your document has large type, is short, and is clear and understandable, without legal terminology.

People feel comfortable if they can read a document and are able to understand it. They are surprised that my Option document is so uncluttered and short. They believe that it covers the necessary points and see nothing that can harm them.

Because my Option is so short, Sellers feel that everything in the document is OK. I almost never get any opposition to any clause that I put in.

Because of my simple, easy approach, Sellers don't even involve their lawyer.

Because the reason for any clause can be easily explained, Sellers feel placated.

Because there are no surprises, Sellers feel confident that they are making the right choice.

Coach Mitch's famous \$1 Option is very unique. You will not find anything like it anywhere. I have purposefully kept out the obvious weasel clauses. Sellers are waiting for some nasty clause, but none exists. I think that lulls people and they don't think about the consequences of the language that they are looking at.

Rule #6 THIS SALES CONVERSATION LEADS TO A PURCHASE

The very first question that I ask any seller is, **"What are you trying to accomplish?"** Listen to the answer carefully, memorize it.

This question usually gets right to the heart of the matter. The very first thing the Seller says will be what they really want and then they will continue and justify their need. They are startled because no one asks this. The Seller just blurts out his hot button, the thing that is his bottom line. If you can, **give the Seller what he wants.**

If I'm dealing with a desperate seller – I buy.

Instructions For Using Coach Mitch's Famous \$1Options

The conversation usually goes something like this:

"The Tax Sale is in three days and unfortunately, the property will be lost, unless you can pay all the back taxes, the interest, the penalties, and the fees. What are you going to do? What are you trying to accomplish?"

If the Seller says something like, "I just want to get on with my life. My sister said that I can move in with her until I get back on my feet."

OR

"I just want to get out of here. I'm going to get a small apartment and start over."

Then I know my direction. **In their thoughts and emotions, these folks have divorced themselves from the property and they are likely to welcome even a token payment for the property.**

I say, "Maybe I can help. Do you have the money to move and get an apartment?"

"Not really." says the Seller. If they did have any money, it would have already gone to a bankruptcy attorney to stop the tax auction

I continue, "Well, maybe I can do something. I can probably take the property, on speculation. I can take care of the back taxes and be responsible for the property. You will no longer have that head ache. I can also engage a mover and give you the first month's rent and security for a modest apartment. And, I can give you a small, token cash payment for taking your time signing the paperwork. That will get you started."

If the seller says, "OK," then I fill out a Quit Claim Deed, get it notarized, and give the Seller \$200 - \$500. I have just gotten the property very cheaply.

Then, rent a U-Haul truck for \$100 for the day. Get four wiry, but muscular guys from a local homeless shelter for \$6 per hour each, plus a meal. The apartment might be \$600 plus a month's security. Including the token cash payment, it is about \$2000 altogether. Not bad!

"What are you trying to accomplish?" was the magic phrase. Otherwise, the Seller would have tried to negotiate for a much higher amount, like normal.

Rule #7 If I'm dealing with someone who is not desperate - then OPTION

Instructions For Using Coach Mitch's Famous \$1 Options

THIS SALES CONVERSATION LEADS TO A \$1 OPTION

This, again, mostly involves finding the Seller's hot button and then giving the Seller what they want.

The conversation usually goes something like this:

I say, "The Tax Sale is in six months and unfortunately, the property will be lost, unless you can pay all the back taxes, the interest, the penalties, and the fees. What are you going to do? What are you trying to accomplish?"

If the Seller says, "Well, I'm OK. I think that I can get the money from a relative and I know someone that is interested in the property."

I ask, "Really? What are they offering?"

Seller, "I don't know, about \$65000."

I say, "I can get you that. I'll take an Option on the property, and you can get the cash."

Seller, "How does that work?"

I explain the idea of the Option and then tell the sellers how I market.

I determine which of Coach Mitch's Famous \$1 Option's that I want to use. I take out the prepared Option from my briefcase and fill in the name, addresses, purchase amount, and any new terms that have been negotiated.

If successful, I have a new transaction, and another piece of inventory.

You will be very surprised at how willing people are to unload their headache onto your shoulders. If you can seem credible and if they like you then you are 90% home. People do business with people they like.

If you have gotten the Seller's hot button and they can justify a high price, then don't try to get them down because it will not happen. Just say "Yes" to the number they want and sign up another piece of inventory.

Rule #8 If dealing with someone who is not motivated at all – then OPTION.

Instructions For Using Coach Mitch's Famous \$1 Options

THIS SALES CONVERSATION LEADS TO A \$1 OPTION

Having inventory is a good thing. It does not matter the price you optioned the property at because you can change your offer at any time. That is the beauty of this system.

The conversation in Rule #7 applies to this transaction, word for word.

The unmotivated Seller is the toughest one to deal with. They are typically in the strongest financial position and feel that they can deal with the situation, if they choose.

Your goal is to get inventory.

Sometimes the Seller objects to the \$1 Option because the option consideration is too small. They think in the normal way. As the Seller, they are going to take the property off of the real estate market, and they believe that they should be compensated. Otherwise, you, as the potential Buyer have no incentive to market the property. You can just sit on it, like the Realtor does with a MLS listing.

There is some logic to this position. It needs to be handled carefully. I have never lost an option when following this script:

The Seller, Bill, will say something like, "I don't like this \$1 thing. Is that even legal? And it's not enough money. I want something more."

I say, "Bill, I think that I understand your concern about the \$1. It sure is legal. The option consideration is actually \$100 and that is accepted as valid in every state. You're getting \$1 now, and the rest when I buy the property. That's all. **You probably think that if I only give you \$1 as consideration, that I will not have any incentive to try and sell your property. Isn't that right?**"

Bill, "Yeah, that's right."

"Well, Bill, you want the property sold right? We both know that I am going to have to market the property. That is going to take money. The more I give you now, the less I will have for ads. Now, I know that a \$1000 DP is not going to make you, and \$1000 is not going to break me, but that's \$1000 less for advertising for the property. Which is more important to you today? Money for a nice dinner or do you want to get the property sold so you can get that new house?" **I've never paid more than \$1.**

Rule #9 THE CONTRACTS TERMS CAN BE RENEGOTIATED!

Instructions For Using Coach Mitch's Famous \$1Options

Everything in a contract is negotiable until the transaction has closed.

Imagine that you entered into an Option and the Purchase Price was more than the value of the property. The Seller could have demanded an amount that overpriced the property by 200%, and you could have agreed to pay that figure, in writing, when you got the Option. Is all lost? NO! Remember, you can renegotiate. The sales conversation is still the same. I say,

"I did marketing and found a buyer. I know that you want \$200,000 but he's only willing to pay \$50,000. I can keep on looking, but here is a bird in the hand. Plus, the Tax Auction is only a short time away."

The seller does not know the price at which you actually resold the property to your buyer. The seller only knows what you are telling him that he is getting. If that amount is enough for his purpose, then you will have a deal.

The Seller may feel slighted. After all, you had signed a contract promising to pay a much higher figure.

But, look again! **The Option says that we had agreed upon a specific amount "or as renegotiated."**

We did not need to put that verbiage into the Option because a contract's terms are always subject to renegotiation until the transaction has been finalized. However, I did put "or as renegotiated" into the contract because I wanted the power of saying to the Seller that he had agreed to lower the price.

I have noticed that no Seller has ever questioned me on that particular term being included. Their resistance melts when I point out that they had agreed to renegotiate any of the terms, in writing.

The Seller can now renegotiate as well...

If the offer is not high enough, then the Seller will say, "I really need more. Could you see if your buyer will go higher, like to \$60000?"

Now you know the real bottom line for the seller. If your buyer will pay something over \$60000, then you have made a tidy profit.

Instructions For Using Coach Mitch's Famous \$1Options

Put the new numbers into the Option and initial. Now it's legal.

Next, sign a Contract to Purchase with the new buyer at, say \$80000. Find a mortgage broker and a title company who understand how to do a double closing and you have made yourself \$20000. What is the ROR on that?

The Excess Proceeds Clauses

These clauses become useful especially when you are optioning a property close to the tax sale date.

You are expected to work hard to sell the property. You will have to expend monies for marketing. There is a chance that you will be successful, but perhaps not. How are you to be compensated? Are you expected to take all the risk?

"What are these clauses about?" asks the Seller.

"I need some protection in case I cannot sell the property in time and it goes through the tax auction sale. If the property brings in more than the taxes owed, then a claim can be made for the overage. That will hopefully get back my expenses."

If the Seller objects, then ask the Seller if they have the significant cash needed to advertise the property so that it can be sold quickly. This is not a normal situation. You only have a short amount of time to find a buyer until the tax sale auction. The Seller understands this and thinks it fair that you be compensated for your risk.

They may want to share in the overages. If you think it fair, then write a profit split into the Option. Don't forget, try to recover your marketing costs first and then split. A 50 / 50 profit split seems fair to all. You could agree on a base purchase price and a split on anything over the base. The higher the base price, the lower the amount to the Seller, e.g. 20% Seller, 80% Buyer. **\$11000 was made the first time this was done.**

Be careful with this, downplay it. Most folks do not know about excess proceeds. It could be a significant profit center to you. It could also be a reason for the Seller to think that they will just let the property go to the tax sale and take their chances. You need to concentrate their thinking on your ability to market and sell the property.

Rule #10 THE COOKIE CUTTER IS...KISS - KEEP IT SIMPLE, SIMPLE

Instructions For Using Coach Mitch's Famous \$1 Options

People like things simple. Most folks understand the concept behind what an Option is. **An Option is a contract where the Seller gives a potential Buyer the legal right to buy a property for a certain price, for a certain time.** Easy.

People like things simple. They want to sell. You are willing to buy - when you can resell, at a slight profit. That makes sense. Sellers don't know about your profit.

People like things simple. There are only two pages to the Option. The print is large, the language is plain English, not legalese, the thoughts are clear. Nice. Sellers even like the idea of the Memorandum of Option, in that it advertises to the world that someone is interested in their property.

People like things simple. You're organized. **After negotiating terms, you take out a folder with the Option that is closest to what you have agreed and you fill in the data. In front of a Notary, you both sign two copies of the Option and the Memo of Option. You give them the \$1 bill, making the contract legal.** Simple.

People like things simple. They can understand simple concepts, like, they are going to lose the property in a short time, or they just want the negative situation to be over or that they like you and that you can help them or that they have come to an amount that they feel they need and you will give it to them.

All these are highly charged emotional thoughts. They are basic, guttural, rudimentary feelings. Raw emotion.

You must deal very carefully with these folks because the smallest misstep could be enough for them to suspect that you are not working in their best interests.

Although the Seller had thought that you were a bit of a fool to agree to purchase the property for such a high sum, the property is under your control never-the-less, and you can renegotiate the price and/or terms at any time.

The important part is that you had control of a property that was not yours and your cost was only \$1. How many times can you do that before you are forced to place an ad, "Real estate investor has too many properties. Must sell now! All areas. Call 555-1234"

Good luck to you. Call me anytime. 518-439-6100 *Mitchell Goldstein* – **Coach Mitch**