The Top 50 Housing Markets at Risk of a Downturn

PLUS

A Special Bonus Report: The Best Reasons Why You Should Add Short Sales to Your Purchasing or Investing Repertoire

The Housing Market is experiencing a change once again.

If you recall, over 10 years ago, the Housing Market went through a complete cycle, so to speak. We witnessed first hand a Boom, Bubble, Bust, Crash and subsequent Crisis, all within the span of a few years.

That Housing Crisis contributed to what is now referred to as the “Great Recession”.

Millions of people lost their homes to Foreclosure. Many people lost income, savings and investments. Homeownership rate fell to its lowest point in years.

Since 2011-12, the bottom or trough of property values, we have seen an increase in appreciation. Some would call it a recovery. It was more of a “managed recovery” as the Banks, Lenders, Hedge Funds and our own Government controlled the Housing Inventory in order to artificially push Housing values upward.

That recovery has worked, as Home values are now approximately 14.7 % above the 2006 Peak, according to the Case-Shiller US National Home Price Index.

However, the Housing market has started to trend the other way. Home values gains are slowing down. The term “decelerating appreciation” is now utilized to describe many Metro markets. In fact, some of larger Metros across the country are losing value.

There are many who still believe that Home values and prices will continue to rise and that a Bubble or Correction is not on the horizon. Everyone is entitled to their own opinion regarding the Housing Market.

The U.S. housing market has been strong, and home prices have been rising steadily since 2012. However, signs of weakness have started appearing lately — including a slowdown in the pace at which home prices have been rising.

That doesn’t mean the housing market is headed for a crash. But some places could be more at risk of a downturn than others. To identify those places, GOBankingRates evaluated 500 cities to identify which ones have high rates of Foreclosures and underwater mortgages (houses that are worth less than what is owed).

GOBankingRates also looked at changes in median home listing prices, the number of days homes are on the market and percentage of for-sale listings with price cuts and compared those figures with national averages to see which housing markets were lagging behind the nation as a whole.

Florida has the highest number of cities with real estate markets that could be in trouble, followed by Illinois. Keep reading to see which cities in these and other states have housing markets that are turning ugly.

50. Fort Myers, Florida

Median list price: $249,999
2-year price change: -1.4%
Percentage of underwater mortgages: 6.9%

Foreclosures: 1 in every 1,921 homes

House prices are dropping in this city in southwest Florida. While home prices nationwide have climbed an average of 9.4% over the past two years, prices have dropped 1.4% in Fort Myers over the same period. Plus, houses for sale spend 105 days on the market in Fort Myers, on average, compared with a national average of 66 days.

49. Newport News, Virginia

Median list price: $190,000
2-year price change: 8.4%
Percentage of underwater mortgages: 19.2%

Foreclosures: 1 in every 2,172 homes

The percentage of underwater mortgages in this city in southeastern Virginia near Virginia Beach is more than double the national average of 8.2%. However, the real estate market here hasn't turned too ugly yet. In fact, the percentage of listed home with price cuts in Newport News — 12.6% — is lower than the national average of 17.5%.

48. Cumming, Georgia

Median list price: $383,511

2-year price change: 1.2%
Percentage of underwater mortgages: 4%

Foreclosures: 1 in every 2,311 homes

Home prices still are rising in this suburb of Atlanta — but not nearly as much as the national average. In fact, home prices in Cumming increased an average of just 0.7% over the past year. And 21.8% of listed homes here have seen price cuts compared with a national average of 17.5%.

47. Toledo, Ohio

Median list price: $84,900
2-year price change: 8.8%
Percentage of underwater mortgages: 24.7%

Foreclosures: 1 in every 1,428 homes

Home price growth has slowed over the past year in this western Ohio city on the banks of Lake Erie. However, the bigger problem here is the high percentage of underwater mortgages — which is about three times the national average. Plus, the number of foreclosed homes is higher than the national average.

46. Naperville, Illinois

Median list price: $439,990
2-year price change: -2.2%
Percentage of underwater mortgages: 6.5%

Foreclosures: 1 in every 3,897 homes

This Chicago suburb has made it onto plenty of “best places to live” lists. However, the housing market has been slumping here. Home prices have dropped more than 2% over the past two years. And at 26.4%, Naperville has the highest percentage of listed homes with prices cuts of any city on this list.

45. Sarasota, Florida

Median list price: $359,000

2-year price change: 5.6%

Percentage of underwater mortgages: 4.5%

Foreclosures: 1 in every 1,520 homes

South of Tampa on Florida's Gulf Coast, Sarasota has a real estate market that could turn ugly. Home price growth has slowed. Houses for sale are sitting on the market for an average of 99 days, far longer than the national average of 66 days. On top of that, the foreclosure rate is higher in Sarasota than it is nationwide.

44. Fort Lauderdale, Florida

Median list price: $499,900
2-year price change: -0.2%
Percentage of underwater mortgages: 7%

Foreclosures: 1 in every 1,507 homes

The current housing market is slumping in this tourist destination about 30 miles north of Miami. Home prices in Fort Lauderdale have fallen in the past two years. And the average number of days houses stay on the market here — 133 — is double the national average.

43. Menifee, California

Median list price: $380,000
2-year price change: 8.3%
Percentage of underwater mortgages: 5.5%

Foreclosures: 1 in every 808 homes

This city in Southern California is part of the Los Angeles metro area. The median home price in Menifee is well above the national median. However, the housing market here could be headed for trouble. Menifee has the third-highest foreclosure rate among cities on this list.

42. Tuscaloosa, Alabama

Median list price: $207,988
2-year price change: 0%
Percentage of underwater mortgages: 11.7%

Foreclosures: 1 in every 2,393 homes

Home to the University of Alabama, Tuscaloosa has a higher percentage of homeowners with negative equity than the nation as a whole. Nearly 12% of mortgages are underwater here compared with about 8% nationwide. The foreclosure rate also is slightly higher in Tuscaloosa than the average across the U.S.

41. Wilmington, Delaware

Median list price: $194,550
2-year price change: 0.5%
Percentage of underwater mortgages: 15%

Foreclosures: 1 in every 1,218 homes

The percentage of foreclosed properties in Delaware's largest city is twice as high as the national average. And the percentage of underwater mortgages in Delaware is almost double the percentage nationwide.

40. Naples, Florida

Median list price: $407,990
2-year price change: -8.8%
Percentage of underwater mortgages: 6%

Foreclosures: 1 in every 2,515 homes

The housing market has been slowing in this city on Florida's Gulf Coast. While home prices nationwide have climbed 9.4%, on average, over the past two years, they've fallen 8.8% in Naples over the same period. And the average number of days that homes are on the market here — 140 — is more than double the national average.

39. West Palm Beach, Florida

Median list price: $298,000
2-year price change: 1.4%
Percentage of underwater mortgages: 7.3%

Foreclosures: 1 in every 1,297 homes

Although home prices have risen slightly in West Palm Beach over the last two years, they've fallen in the past year. In addition, houses for sale stay on the market in this city north of Miami an average of 119 days compared with an average of 66 days nationwide. The foreclosure rate here is also higher than the national rate.

38. Waterbury, Connecticut

Median list price: $125,000
2-year price change: 11.9%
Percentage of underwater mortgages: 29.4%

Foreclosures: 1 in every 1,159 homes

Home prices have risen more in this city 77 miles northeast of New York City over the past two years than across the U.S. However, the housing market in Waterbury could be in trouble. The percentage of underwater mortgages here is higher than in any other city on this list.

37. Plainfield, Illinois

Median list price: $284,450
2-year price change: 3.6%
Percentage of underwater mortgages: 7.7%

Foreclosures: 1 in every 1,138 homes

Home prices have been rising in this village 35 miles southwest of Chicago but not at the same pace as the national average. More telltale signs, though, that the housing market in Plainfield could be turning ugly are the relatively high foreclosure rate and percentage of homes for sale with price cuts. In fact, Plainfield has the second- highest percentage of listed homes with price cuts at 25.3%.

36. Bakersfield, California

Median list price: $276,400
2-year price change: 1.1%
Percentage of underwater mortgages: 11.8%

Foreclosures: 1 in every 1,095 homes

Home price growth is slowing in this agriculture hub in California's Central Valley region. However, foreclosures and underwater mortgages are even bigger problems for Bakersfield's real estate market. The rates for both are higher than the national averages.

35. Jacksonville, Florida

Median list price: $219,000
2-year price change: 11.8%
Percentage of underwater mortgages: 11.2%

Foreclosures: 1 in every 814 homes

Home prices are rising at a faster rate in Florida's largest city, on average, than across the U.S. But Jacksonville has one of the highest foreclosure rates of any city on this list. The percentage of underwater mortgages in this city on the Atlantic Coast also tops the national average.

34. Orlando, Florida

Median list price: $289,000
2-year price change: 5.7%
Percentage of underwater mortgages: 6.6%

Foreclosures: 1 in every 1,328 homes

The current housing market in Orlando could use some Walt Disney World magic to keep it from turning ugly. Home price growth in this tourist destination has been slowing. And the percentage of listed homes with price cuts — 21.2% — is higher than the national percentage. The foreclosure rate in Orlando also is higher than the foreclosure rate nationwide.

33. McKinney, Texas

Median list price: $379,243
2-year price change: -1.3%
Percentage of underwater mortgages: 4.3%

Foreclosures: 1 in every 2,546 homes

Home prices have been falling in this fast-growing city that is 30 miles north of Dallas. While home prices have risen an average of 9.4% over the past two years across America, prices have fallen 1.3% in McKinney. Plus, McKinney has one of the highest percentages of listed homes with price cuts among the cities on this list.

32. Summerville, South Carolina

Median list price: $268,293
2-year price change: 4.9%
Percentage of underwater mortgages: 6.3%

Foreclosures: 1 in every 1,279 homes

Houses for sale are lingering on the market longer in Summerville than the national average — 72 days versus 66 days. The increase in home prices in this city 24 miles northwest of Charleston also is lagging behind the national average. And the foreclosure rate in Summerville is twice as high as the rate nationwide.

31. Annapolis, Maryland

Median list price: $499,181
2-year price change: 0.7%
Percentage of underwater mortgages: 9.5%

Foreclosures: 1 in every 3,964 homes

Although the foreclosure rate in Annapolis is lower than the rate nationwide, the capital of Maryland's housing market is showing some signs of trouble. Home price growth has slowed over the past year. In fact, the city has a higher percentage of listed homes with price cuts than the percentage nationwide. And houses are staying on the market 14 days longer than the U.S. average.

30. Stamford, Connecticut

Median list price: $569,950
2-year price change: 3.5%
Percentage of underwater mortgages: 11.1%

Foreclosures: 1 in every 4,498 homes

The housing market is slowing in this city about 30 miles from New York. Home prices haven't risen over the past year, and houses for sale are staying on the market longer than the U.S. average. Plus, the percentage of mortgages underwater in Stamford is higher than the percentage nationwide.

29. Champaign, Illinois

Median list price: $164,900

2-year price change: 3.2%
Percentage of underwater mortgages: 11%

Foreclosures: 1 in every 2,173 homes

The housing market in this city that is home to the University of Illinois is showing signs of weakness. The growth in home prices has been slowing. Houses spend more days on the market in Champaign than they do nationwide. And both the foreclosure rate and percentage of homes underwater are higher than the national rates.

28. Port Saint Lucie, Florida

Median list price: $247,280
2-year price change: 7.6%
Percentage of underwater mortgages: 6.2%

Foreclosures: 1 in every 1,171 homes

Although the percentage of underwater mortgages is below the national average in this city that's halfway between Miami and Orlando, the foreclosure rate is twice as high. Plus, home price growth has slowed in Port Saint Lucie.

27. Bradenton, Florida

Median list price: $293,700
2-year price change: 1.7%
Percentage of underwater mortgages: 6.6%

Foreclosures: 1 in every 1,799 homes

The housing market is slowing more in Bradenton than in neighboring Sarasota. Home prices have fallen 0.3% over the past year. And 21% of listed homes have price cuts compared with 19.8% in Sarasota and 17.5% nationwide.

26. Ocala, Florida

Median list price: $181,900
2-year price change: 8.9%
Percentage of underwater mortgages: 10.3%

Foreclosures: 1 in every 972 homes

The foreclosure rate in this city in north-central Florida is among the top 10 highest on this list. Plus, the percentage of underwater mortgages in Ocala is higher than the U.S. average. To top it off, home price growth has slowed over the past year.

25. Dayton, Ohio

Median list price: $67,000
2-year price change: 16.5%
Percentage of underwater mortgages: 27.6%

Foreclosures: 1 in every 1,820 homes

The big increase in home prices in Dayton over the past two years might signal to some that the real estate market in this southwestern Ohio city is doing just fine. However, Dayton has the second-highest percentage of underwater mortgages among the cities on this list. And the foreclosure rate is higher here than the national rate.

24. Lehigh Acres, Florida

Median list price: $180,000
2-year price change: 6.5%
Percentage of underwater mortgages: 6.9%

Foreclosures: 1 in every 1,189 homes

Although the percentage of underwater mortgages in Lehigh Acres is lower than the percentage nationwide, the foreclosure rate is higher here than the U.S. average. In addition, this city in the Fort Myers metro area on Florida's Gulf Coast has seen a slowdown in home price growth over the past year. Twenty percent of homes listed for sale here have had price cuts.

23. Rockford, Illinois

Median list price: $100,00
2-year price change: 10.5%
Percentage of underwater mortgages: 21%

Foreclosures: 1 in every 890 homes

Rockford's real estate market could turn ugly because a significant percentage of homeowners here have negative equity. More than 20% of mortgages are underwater in this northern Illinois city compared with about 8% nationally. Plus, the foreclosure rate in Rockford is one of the highest among cities on this list.

22. Mobile, Alabama

Median list price: $159,900

2-year price change: 6.3%
Percentage of underwater mortgages: 16.1%

Foreclosures: 1 in every 2,149 homes

Home prices are still rising in this port city on the Gulf Coast, but not as fast as prices are increasing across the U.S. However, the bigger problem for Mobile's real estate market is homeowners with negative equity. The percentage of underwater mortgages here is twice the national average.

21. Cape Coral, Florida

Median list price: $262,200
2-year price change: 4.2%
Percentage of underwater mortgages: 5.5%

Foreclosures: 1 in every 1,191 homes

This city near Fort Myers has seen rapid growth, but its current housing market is experiencing a slowdown. Home prices increased just 0.1%, on average, over the past year. Nearly 22% of homes listed for sale have price cuts. And houses in Cape Coral stay on the market an average of 103 days compared with a national average of 66 days.

20. Fort Pierce, Florida

Median list price: $199,900
2-year price change: 0.5%
Percentage of underwater mortgages: 9.7%

Foreclosures: 1 in every 1,585 homes

While home prices climbed more than 9% nationwide over the past two years, they barely budged in this small city on Florida's Atlantic Coast. Nearly 10% of mortgages are underwater in Fort Pierce compared with about 8% nationwide. And the foreclosure rate is higher than the rate across the U.S.

19. Suffolk, Virginia

Median list price: $282,785
2-year price change: 0%
Percentage of underwater mortgages: 14.8%

Foreclosures: 1 in every 1,846 homes

Home prices haven't risen any, on average, over the past two years in Suffolk. And homes for sale stay on the market an average of 76 days compared with a national average of 66 days. The other problems the real estate market is facing in this city — which is part of the Virginia Beach metro area — are the relatively high percentage of underwater mortgages and high foreclosure rate.

18. Laurel, Maryland

Median list price: $350,000
2-year price change: -2.8%
Percentage of underwater mortgages: 12.6%

Foreclosures: 1 in every 1,457 homes

Home prices have been falling in this city that's located between Baltimore and Washington, D.C. On top of that, nearly 13% of mortgages are underwater in Laurel compared with about 8%nationwide. And the foreclosure rate is higher than the U.S. average.

17. Joliet, Illinois

Median list price: $169,900
2-year price change: 9.6%
Percentage of underwater mortgages: 15.5%

Foreclosures: 1 in every 812 homes

Although home prices in Joliet increased 9.6% over the past two years, prices haven't risen any, on average, over the past year. What's more troubling, though, are the high number of foreclosures and underwater mortgages in this city 30 miles southwest of Chicago. Joliet has the fourth-highest foreclosure rate among cities on this list. And the percentage of underwater mortgages here is almost double the percentage nationwide.

16. Valdosta, Georgia

Median list price: $154,900
2-year price change: 0%
Percentage of underwater mortgages: 22.7%

Foreclosures: 1 in every 3,304 homes

The foreclosure rate in this city near the Georgia-Florida border is lower than the U.S. average. However, Valdosta has one of the highest percentages of underwater mortgages among cities on this list. Home prices here have also fallen more than 6% over the past year.

15. Decatur, Illinois

Median list price: $99,900
2-year price change: 8.5%
Percentage of underwater mortgages: 20.4%

Foreclosures: 1 in every 5,785 homes

Decatur has the lowest foreclosure rate among the cities on this list. But the housing market in this central Illinois city could turn ugly due to its high percentage of underwater mortgages. Decatur also has a higher percentage of homes with price cuts than half of the cities on this list, and homes for sale spend more days on the market here than in a majority of cities.

14. Elgin, Illinois

Median list price: $240,000
2-year price change: 7.8%
Percentage of underwater mortgages: 11.9%

Foreclosures: 1 in every 1,223 homes

The foreclosure rate in this Chicago suburb is twice the national rate. Plus, home price growth in Elgin has slowed over the past year, and nearly 20% of homes listed for sale have had price cuts.

13. Riverview, Florida

Median list price: $252,990
2-year price change: 2.2%
Percentage of underwater mortgages: 7.2%

Foreclosures: 1 in every 796 homes

Like other cities in the Tampa area, Riverview has a housing market that could turn ugly. It has the second-highest foreclosure rate on this list. Home price growth has slowed over the past year. And nearly 25% of homes listed for sale have had price cuts compared with 17.5% nationwide.

12. Atlanta

Median list price: $339,500
2-year price change: 1.6%
Percentage of underwater mortgages: 8.8%

Foreclosures: 1 in every 1,942 homes

Home prices have dropped 3% over the past year in Georgia's capital and largest city. Atlanta is also seeing homes stay on the market longer than the U.S. average. Plus, the foreclosure rate here is higher than the rate nationwide.

11. Lawton, Oklahoma

Median list price: $99,900
2-year price change: 5%
Percentage of underwater mortgages: 25.7%

Foreclosures: 1 in every 1,661 homes

Lawton has the fourth-highest percentage of underwater mortgages among cities on this list. The foreclosure rate also is higher in this southwestern Oklahoma city than it is nationwide. And homes stay on the market an average of 117 days compared with a U.S. average of 66 days.

10. Hampton, Virginia

Median list price: $182,000
2-year price change: 4.8%
Percentage of underwater mortgages: 19.9%

Foreclosures: 1 in every 2,148 homes

Hampton is one of the fastest-growing cities in the Hampton Roads region on the Chesapeake Bay. However, it's housing market has been slowing. Home prices have fallen nearly 3%, on average, over the past year. And the percentage of underwater mortgages here is double the percentage nationwide.

9. Aurora, Illinois

Median list price: $220,000
2-year price change: 4.7%
Percentage of underwater mortgages: 11.8%

Foreclosures: 1 in every 1,491 homes

This Chicago suburb is actually the second-largest city in Illinois. Its current housing market is showing signs of trouble, though. Aurora has the fourth-highest percentage of homes with price cuts at 23.7%. And the foreclosure rate and percentage of underwater mortgages are higher than the U.S. averages.

8. Bridgeport, Connecticut

Median list price: $189,900
2-year price change: 11.1%
Percentage of underwater mortgages: 26.9%

Foreclosures: 1 in every 1,453 homes

This port city 60 miles from New York has the second-highest percentage of underwater mortgages on this list. The foreclosure rate is higher than the national rate. And houses stay on the market an average of 102 days compared with a U.S. average of 66 days.

7. Norfolk, Virginia

Median list price: $220,000
2-year price change: 3.3%
Percentage of underwater mortgages: 20.6%

Foreclosures: 1 in every 2,094 homes

Home to the world's largest naval base, Norfolk is located in southeastern Virginia on the Chesapeake Bay. Home prices have been flat this past year, and houses are staying on the market here slightly longer than the national average. The bigger problem in Norfolk, though, is the high percentage of underwater mortgages, which is more than double the percentage nationwide.

6. Miami Beach, Florida

Median list price: $499,000
2-year price change: -5%
Percentage of underwater mortgages: 14.5%

Foreclosures: 1 in every 2,374 homes

While home prices have been rising, on average, across the U.S. over the past two years, they've fallen 5% in this resort city across the Biscayne Bay from Miami. Plus, houses for sale spend more days on the market here — 225 — than in any other city on this list.

5. Baltimore

Median list price: $169,900
2-year price change: 17.1%
Percentage of underwater mortgages: 26.5%

Foreclosures: 1 in every 1,376 homes

Maryland's largest city has had the biggest percentage increase in median home list prices over the past two years of any city on the list. However, Baltimore saw a 0.6% drop in home prices over the past year; it now has a higher percentage of homes with price cuts than most cities. And Baltimore has the third-highest percentage of underwater mortgages in this study.

4. Columbus, Georgia

Median list price: $115,450
2-year price change: -10.2%
Percentage of underwater mortgages: 22.2%

Foreclosures: 1 in every 1,172 homes

Home prices in Columbus have dropped more than in all but two cities on this list. The percentage of underwater mortgages in this city on the Georgia-Alabama border is among the highest rates in the study. And the foreclosure rate here is double the rate nationwide.

3. Portsmouth, Virginia

Median list price: $165,700
2-year price change: 1.5%
Percentage of underwater mortgages: 19.4%

Foreclosures: 1 in every 730 homes

This port city in southwestern Virginia has the highest foreclosure rate of any city on this list. Portsmouth also has a higher percentage of underwater mortgages than most cities in our rankings.

2. Lakewood, New Jersey

Median list price: $252,000
2-year price change: -12.3%
Percentage of underwater mortgages: 9.4%

Foreclosures: 1 in every 1,187 homes

This city about 70 miles south of New York City has seen home prices tumble more than 12% over the past two years — the second-biggest drop among cities in GOBankingRates' ranking. The average number of days homes stay on the market here — 135 — is twice the national average. And the foreclosure rate is twice as high as the rate nationwide.

And the #1 Location on This List Is …….

1. Peoria, Illinois

Median list price: $124,450
2-year price change: -15.9%
Percentage of underwater mortgages: 21%

Foreclosures: 1 in every 932 homes

Peoria claims the No. 1 spot among cities with real estate markets that are turning ugly for several reasons. This city in central Illinois has seen the biggest drop in home prices over the past two years of any city on this list. The average number of days houses are on the market and the percentage of homes for sale with price cuts are higher than the national averages. The percentage of underwater mortgages here is more than double the percentage nationwide. And the foreclosure rate is among the highest on this list.

How was this list created ?

Methodology: GOBankingRates determined which housing markets are "turning ugly" by analyzing the 500 largest U.S. cities using the following criteria: 1) Percentage of homes with negative equity ("underwater" on their mortgage), sourced from Zillow; 2) foreclosure rate, sourced from RealtyTrac's July 2019 index; 3) average number of days on the market, sourced from Zillow's July 2019 index; 4) percentage of current for-sale listings on Zillow with a price cut during the month, sourced from Zillow's July 2019 index; 5) one-year change in median home listing price in percent; 6) one-year change in median home listing price in dollars; 7) two- year change in median home listing price in percent; and 8) two-year change in median home listing price in dollars, based on Zillow's July 2019 index of median home list prices as compared to July 2018 and July 2017. Each city was given a score based on how many of the eight factors they had that were worse than their respective U.S. average figures. For instance, if a city had a percentage of "underwater" mortgages that was greater than 8.2% (the U.S. average), then this city for this factor is worse than the U.S. average. All factors were scored, added together and ranked. All data was compiled on Aug. 20, 2019.

So There Are at Least 50 Real Estate Markets That Are Ripe for Distressed Property.

The Question is: How Do You Go About Acquiring These Potential Deals ?

Hint: You Utilize a Specific Acquisition Method and Strategy That Very Few People Engage in These Days.

This Investing Strategy and Technique is One of the Best out There for So Many Reasons, Yet Most People Really Don't Want to Get Involved with Them.

I work and live in one of the most competitive and heavily investor participant markets in the country (Tampa, Florida).

Our market currently has a lack of housing inventory, particularly in the affordable housing segment. House prices have risen to ***"pre-crisis"*** levels and we now see that wholesale deals are inflated to almost what I would call ***sub-retail*** pricing. People are pushing the envelope on their house prices because they think they can and are asking for top dollar with many buyers seemingly ready to pay their price. The retail market and general public is getting caught up in all the hype as they are desperate to purchase a home, and many investors are jumping in with their eyes closed, which ultimately does not equate to a profitable real estate investment business.

Many other metros and markets across the country are experiencing this phenomenon as well.

It does not make sense to purchase property at the top of the market, especially when the property is designated for real estate investment (unless it is distressed and there is a decent discount). Any market shift or unexpected event can cause an immediate loss of value and possibly, a significant amount of equity.

Remember the old saying “You make your money when you buy”? I believe that saying rings true in today’s housing market.

My preference is to focus on a tried and true method that almost always guarantees that I am purchasing property at the best available price (and also receiving maximum compensation for my efforts). That method is ***Short Sales***.

Okay, if you are familiar with who I am you most likely knew I was going to discuss ***Short Sales***. That is no surprise.

I have worked on a lot of them over the years as Buyer, Broker, Flipper and Rehabber, as well as a Trainer and Mentor, etc.

The benefits of ***Short Sales*** are amazing and if you have a little bit of patience, you can create an entire business with them.

Now, if you never have personally worked on a ***Short Sale,*** or have heard negative comments about ***Short Sales*** from other Investors, Real Estate Agents or various Real Estate Gurus and Trainers, I would kindly ask that you to hear me out: you may be pleasantly surprised as to how you could potentially benefit by adding some ***Short Sale*** opportunities to your real estate investment strategies and goals.

And so we are all clear with regards to the definition and nomenclature surrounding this strategy, let's take a moment to review a couple of terms.

What is a Short Sale?

A ***Short Sale*** is a settlement of debt between the homeowner and their Lender. The Lender agrees to accept less than what is owed for the mortgage for the property and in return the property is sold to a new Buyer and the lien for the property is released (and often satisfied) with no further obligations for the homeowners. The net proceeds from selling the property will fall short of the debts secured by the liens against the property, thus the term "short" sale is now rather commonplace in both the retail and investment real estate market.

Short Sales are not considered Foreclosures. A property that is sold as a ***Short Sale*** or is working through the legal Foreclosure process is considered in a "Pre-Foreclosure" status.

A property that has been sold to a third party bidder at a Foreclosure auction or has been taken back by the Bank/Lender at the auction (if no other bidder purchased it) is considered Foreclosed upon and will eventually end up in the Lender's REO (Real Estate Owned) inventory or possibly sold in a much larger package of inventory or non-performing debt to other financial institutions or investors (think Hedge Funds).

There are many benefits to following this real estate investment strategy and we will highlight the main benefits and discuss them in this document.

I have used Short Sales as a strategy and as my main focus over the years and you will learn some valuable insight and techniques as to how you can leverage ***Short Sales*** to your benefit.

Hint: I summarize the best reason at the very end ! Happy Reading !

Top Reason # 1: Short Sales Are Ever-Present in All Markets.

They Are Always Available.

They were, are still and will always be available.

I was not really aware of the volume of people that end up defaulting on their mortgage until I started investing with ***Short Sales***.

It is just a fact of life. A percentage of the population will always have situations that force them into personal economic issues that may cause them to stop paying their monthly mortgage payments. It is well known that the average person will pay other debt items (like car and credit card loans) before they pay their mortgage commitment if a choice has to be made. Can you blame them? The first priority is putting food on the table for oneself and family, and then daily and monthly living expenses will most likely be paid next. The thought is the mortgage payment can wait, and there are multiple solutions that are available from the lender that will help the homeowner overcome a short term financial problem if they contact their Lender and inquire about these solutions.

It is a normal part of our overall economy and society. There will always be a percentage or segment of the population that finds themselves in a cash crunch for whatever reason and that segment will struggle to keep current on their mortgage payments.

So when I hear through the media that mortgage default rates that are at “pre-crisis” levels my first thought is to think: “Ok, that sounds like we have seen some level of recovery across the board here in the Housing Market”. However, prior to 2006, not as many investors and real estate agents (including myself) were focused on ***Short Sales*** as a core strategy in their business nor were any of us truly aware and informed of the volume or percentage of defaults that occurred on a monthly basis. The information was

not readily available and quite frankly, I don't think anyone was really looking for that kind of information at that specific time.

We all became introduced to the ***Short Sale*** concept as the Housing Market started to implode and because of the onslaught, we never really were able to understand the constant of what level or percentage of loans fall into default in a normalized market.

With property values that have increased over the years and the fact that some metro markets have recovered (or over-recovered and are now in Bubble territory), one may still wonder as to why defaults still occur at the current pace they are at? Again, we cannot assume that everyone has no difficulty paying their mortgage at any given time.

Some markets and specific locations across the country have recently experienced, or are currently experiencing, a higher than average level of mortgage defaults. Sometimes, seasonality contributes to an increase in volume and numbers as well.

It is also interesting to note the many of these locations are not in the historically beaten-up "big 4" states": Arizona, California, Florida and Nevada. Many other states are starting to lead the way with mortgage defaults and Foreclosure volume, locations like: New Jersey, Illinois, Maryland, Ohio and New York are now on the radar, to name a few.

Even though we constantly hear and read that the volume of Pre-Foreclosures is decreasing (it only can go down from the huge volume present during the previous Housing Crisis), there are pockets across the country that are seeing increases and there are many old legacy cases coming back into play from years ago.

If your eyes are open and you are looking, there is a constant supply of Short Sales available.

Top Reason # 2: You Know Who Your Client Is

Unlike other methods of real estate investing (We Buy Houses ads, for example), with ***Short Sales,*** one knows exactly who their target property and clients are.

The majority of time, this information is readily available via the Internet. In some states the entire pre-foreclosure process is a matter of public record. The best part about ***Short Sales*** is that many times that data is free of charge as long as one knows where to look for it. Of course, for convenience, one can always subscribe to the service of a data supplier and receive the data from a source that has already mined it.

This allows an investor to target market specific locations, property or people based on what ever criteria is preferred or desired.

In certain states, the data is available the next day the Foreclosure litigation has filed with the court.

Some states publish the names and addresses of homeowners who are in default and are facing Foreclosure. They may be published in local newspapers.

There are online auction calendars where you can see future Foreclosure sale dates and can backtrack the property and cross reference Seller information from there.

Zillow's website allows a search for homes that are facing Foreclosure under their buy section of their website. Further cross referencing with other public or local county websites to match up more information will yield targeted results.

Other third party websites, such as Foreclosures.com, also display properties that are in the Foreclosure process. It is important to realize that 'free" sites may not have the most recent data or completed homeowner data available for display.

The difference with ***Short Sale*** marketing, in compared to other real estate investment techniques, is that you know who is facing Foreclosure and you can actively and aggressively target the deals you prefer to work on as opposed to utilizing marketing efforts that are solely dependent on the homeowner taking action and initiating first contact. You can tell them directly that you wish to purchase their property.

Also, depending on the state where you reside, you may even be able to track the entire Foreclosure process of a homeowner online for free.

When marketing for ***Short Sales,*** the shotgun type of approach is not recommended. Since the property address and ownership of the property is known, a targeted marketing approach that could include direct mail, door hangers, bandit signs, texting and ringless voicemail can be implemented for best results.

One has to realize that if the homeowner is not paying their monthly mortgage bills, the homeowner is experiencing some sort of personal economic or other crisis. Often times, they are trying to exist and fly under the radar and are avoiding any communication with the potential creditors. Multiple touch points or attempts may be required.

With data that is readily available, an investor can easily target homeowners that are facing Foreclosure to offer a Short Sale solution. They will surface at some time.

Top Reason #3: You Can Create More Value for Your Client - instead of the Alternative They are Facing: A Foreclosure

Ii is fairly easy to make a few assumptions with respect to Foreclosures and ***Short Sales***.

Many people do not know what to do when they're faced with that situation.

They don't know whether a ***Short Sale*** is better for their situation, or whether they should just roll the dice and let it fall into Foreclosure. A typical seller is misinformed and their sources of information and advice are most likely misinformed as well.

Who should they call? Who has the options for them? Who can they trust?

Assume that any person who approaches the homeowners facing Foreclosure has some sort of an angle. There are many fraudulent people out there. We have all heard of the various scams and tricks.

An attorney wants to defend the Foreclosure so they can charge monthly fees.

A real estate agent wants to list the property as a ***Short Sale*** to earn commission.

An Investor Buyer wants to control the property to earn income.

And the Lender really wants to take the property back via Foreclosure sale so they can to resell it on the open market or include the property as part of a package deal when they sell their nonperforming assets to other lenders or hedge funds.

So, often times, the homeowner just does nothing about their situation. They don't speak with many people and will internalize the process and aren't even aware of some

basic steps that can either keep them in their house or buy them some more time in their home prior to the Foreclosure sale.

It is obvious that a homeowner really is left here all alone with no advocates to help them through the process. As a result the majority of homeowners do not seek assistance and end up losing their property. This is a shame and a missed opportunity.

There is also a common misconception that a Foreclosure sale wipes out all the debts and homeowner responsibility associated with the property. Unfortunately, this is not the case.

During the last housing crisis, once the onslaught of Foreclosure litigation started the Lenders simply could not keep up with the volume. They also did not have homeowner solutions or they were not equipped to properly make them available to their clients. Many people lost their homes to Foreclosure and were fortunate enough to not have any further financial obligations imposed upon them for the lender's loss that was associated with the homeowner’s property.

Unfortunately, times have changed and that is not the case today. The Lenders are better prepared and are confident in their data and documentation when they start a Foreclosure proceeding. In fact, some States have implemented new and revised statutes that compel the Lenders to produce correct and complete documentation in order to start the Foreclosure litigation. Gone are the days when a homeowner could remain in their property for five or more years without paying their mortgage until the Foreclosure litigation finally went through the courts and was completed.

The Lender's preference is to now move the property through the Foreclosure process in a timely manner so they can implement their own options once it has been Foreclosed on.

According to the lead attorney for the law firm that I utilize to process and to negotiate my ***Short Sales***, the Lenders have become more sophisticated and are now starting to pursue homeowners for judgments after the property is Foreclosed on. The judgment is it based on the difference of a sale price (via auction or REO) versus the final judgment amount the court awarded the plaintiff, which is the lender, during the Foreclosure process.

The Lenders and their attorney firms are now actively pursuing this deficiency or difference and trying to collect from the homeowner. In fact, some lenders are actually deploying resources to go back in time and review previous Foreclosures to see if they can implement this practice and recover funds from the previous homeowner.

Remember, a ***Short Sale*** is a settlement with the client that is done with the clients knowledge and agreement. The ***Short Sale*** prevents the pursuit of a deficiency judgment. A Foreclosure affords the homeowner none of those benefits and exposes them to greater personal financial issues once the process has ended.

Quite frankly, the homeowners are not aware of this new Lender strategy and tactic and by informing the homeowner of this information it may lead to increased results and additional ***Short Sale*** opportunities.

This is where an investor can be of service to a potential ***Short Sale*** client who is facing Foreclosure. By discussing the potential new financial ramifications, we are providing them with critical information that they can use to make an informed decision on the path they will choose.

The key is to convey this information as clearly as possible and as often as possible during the marketing process.

Another issue homeowners face which sometimes has been a bit of a deterrent when trying to secure a ***Short Sale*** is the fact that the homeowner cannot receive any

proceeds from the sale of the property. This concept is based on the premise that since the lender is taking a loss on the property and the homeowner has not paid the mortgage for a significant period of time, the homeowner cannot receive any cash for the property when they transfer title to the new buyer.

In order to serve the homeowner effectively, occasionally they do require funds to move out and move on. The lender may allow and approve a nominal amount to be given to the homeowner at closing to cover relocation expenses. There is no guarantee that they will agree to do this and the homeowner must still reside in the property in order for this to possibly occur.

There may be other situations where the lender will not provide any funds to the homeowner where the Buyer may need to step in to facilitate something that allows the property to close. Anything the Buyer provides to the seller should first be disclosed to the lender and noted on the closing statement.

If the Lender denies something that is required to get to closing, then there are other ways to accomplish what needs to happen that can be discussed in the future trainings.

To summarize: A Short Sale will always be a preferred solution for a homeowner when compared to a Foreclosure. There may be more suitable solutions such as loan modifications that may be explored if appropriate as well.

Top Reason #4: No One Likes Short Sales

Lets face it. How many “Flip This Short Sale” programs do you see on TV?

None. Absolutely zero.

And when the Real Estate education groups come to town and hold their cool presentations or meetings, are any of them about ***Short Sales***?

That would be a big “NO”! They just talk about Flipping. Or Fix and Flip. Or Cash Flow deals. I never hear them talk ***Short Sales***.

Listen, I get it. ***Short Sales*** are just not that much fun and they really are not that interesting.

You see, ***Short Sales*** have a certain stigma about them. The majority of Real Estate Agents dislike them (either from their own personal experience or from local word of mouth) and many Real Estate Investors do not focus on ***Short Sales***, or simply do not want to get involved with them as it can be a much longer and frustrating process to get to closing than they are used to, when compared to flipping property or other real estate investment strategies they may be currently involved with.

Simply put, you can’t flip a ***Short Sale*** in 30 days from start to finish.

The process can be involved and they do take a bit of time. This is not something that appeals to many Real Estate Investors.

However, I see this as the perfect investment opportunity. Instead of competing with the Real Estate Investor masses and watching the income potential get marginalized, why not focus on a market that has less competition? If the process to work on ***Short Sales***

is implemented the correct way (i.e. a system designed for you to maximize income on every deal, even if you never end up purchasing the property), one can buy the property at the best possible price with no other Investor assignment fees, mark ups or adverse market pressure.

If the system is worked correctly, an astute real estate investor can be the “supplier” of deals to those other Investors (and the retail market too).

Based on what I am told in my own local market and what I see out there, the Wholesale world is becoming far too expensive as many players are asking too much for their deals (once again, because they can) and some people are agreeing to pay too much for this same deals (because they so desperately want to get into the Real Estate Investment game and believe the market will keep increasing in value).

I'm fine with this type of market. Let every other real estate investor fight over a limited amount of deals. My preference is to focus and go in the opposite direction as everybody else.

I also see no problem perpetuating the stigma about ***Short Sales***. That leaves way more deal opportunities for those of us willing to work with them.

And there are significant amounts of potential Short Sale deals sitting out there doing nothing. With another Housing Crisis on the horizon, many more will be on the way.

Let the masses worry and fight over the other deals. Go where others won’t !

Top Reason #5: There is No Competition

Let me share something interesting with you ….

In Hillsborough County, where I live, there are literally thousands of homeowners that have received a Foreclosure filing notice and are simply doing nothing about it.

How do I know this? I have access to the local MLS and can perform very basic searches to obtain this information.

According to the MLS (as of the day I wrote this) there are over 5000 Active properties for sale in the county (they are available and not under contract) and out of that 5000 plus Active properties, only 60 are designated as a ***Short Sale***. That means that ***Short Sales*** account for approximately 1.2% of the available Housing Market in this particular County, which really amounts to virtually nothing.

Conservatively speaking, there is approximately 8 - 10 thousand homes in this same County that are facing Foreclosure (in the process) and really need some assistance. Since the average time to Foreclose in Florida is around 1250 days, one can figure out this opportunity.

Additionally, I learned through a recent conversation with my Short Sale attorney that the Managing Broker of very large brand name Real Estate firm (we worked with them back in the day), with a dozen offices and approaching 1000 Agents has gone on record stating that his Agents should focus on regular listings and Buyers, and avoid the distressed and ***Short Sale*** market.

If you spend time online and listen to the numerous Real Estate Investment product and services that are available out there you will also understand that no one is talking about (except me, of course) ***Short Sales***. Not one High Level Investor or online Guru has a

product that will teach the average, everyday Investor about this kind of Investment strategy.

In fact, many of these training webinars, courses and systems are encouraging Real Estate Investors to actually avoid doing ***Short Sales*** and to focus on other strategies and techniques.

So having said all that, it is clear that no one is considering, in fact they are avoiding, Short Sales as an Investment technique these days. Clearly this leaves the door wide open for those that wish to engage this style of Real Estate Investment.

Top Reason #6: You Are in Control

In order to succeed in Real Estate investment, or merely ensure one can earn a decent amount of income from a single property deal, one must be in control of the property and seller. It is one of the basic concepts that is taught for any real estate investment strategy.

With ***Short Sales***, using a flexible and competent system allows one to accomplish this.

My preference to put forth maximum effort and extreme focus on ***Short Sales*** is based on this concept.

The ***Short Sale*** process officially starts and is implemented once a buyer and seller have executed a purchase and sale contract (along with a ***Short Sale*** package that has been completed by the seller) and that entire contract package has been sent to and received by the homeowner's Lender.

It is at this time when we, as Buyers, are in complete control of the process and the property.

This is how I handle the ***Short Sale*** process (thus it is written in the first person) …..

Because I am technically under contract with the Seller, no one can remove me from my position unless I decide to cancel the contract. It is important to note that my contract (or one that I control) is the first contract that the Seller will execute and engage and their Lender will deal with. I am not bidding in an open forum or online on some website against other Investors who I cannot see and do not know.

As an interesting note, a few years ago, some real estate agents would actively encourage multiple Buyers and contracts and present al of them to the Seller's Lender

for review . That type of process is not required when processing Short Sales and it places the property in somewhat of an auction position. Only one contract is required to be executed by the Seller and sent into the Lender for review.

No one except the Lender and Seller is aware of the offer price of my contract. Nowhere is the offer price public information or posted anywhere online.

No one else can speak to the Seller's Lender to get any information on the transaction as it requires Third Party Authorization or a Letter of Authorization, which the Seller provides to me and the negotiators at the Law firm I utilize to process the ***Short Sale***. The deal is locked down.

My contract is not marketed or past along through a daisy chain to other Real Estate Investors where they, in turn, market it to their contact lists and add an additional fee. ***Short Sales*** do not allow this type of contract marketing.

I can manipulate (legally and ethically) certain aspects of the Multiple Listing Service (MLS) so that no other Buyers or agents can insert themselves into this process (i.e. we do not have to allow back up contracts for instance, thus keeping the deal under wraps).

No one will know what the Lender truly wants for the property (unless I choose to make that information public).

By utilizing the correct ***Short Sale*** system, I will minimize the amount of people that walk-through and see the property (less disruption and stress for the Seller) until I am ready for them to do so.

I also prevent Appraisers and BPO (Broker Price Opinion) Agents from entering the property without my consent and returning higher valuations to the Lender, thus hurting my potential margin or delaying the time frame to close. This is very important.

I also prevent future property showings that may occur without my consent. I do not like people in the property or talking to the Seller without my knowledge.

I can ensure that only qualified Buyers that I am aware of are ultimately able to purchase this property. There is no need for tire kickers, low down payment or unqualified Buyers inserting themselves into the process: therefore, we can minimize closing delays and protect against margin loss.

With respect to closing the ***Short Sale*** transaction, I can specify which title company or closing entity will perform the actual closing, thus ensuring that they are aware of the ***Short Sale*** system I utilize, therefore ensuring no issues are encountered at the eleventh hour (and we also ensure we will get paid).

As an additional note, the ***Short Sale*** system I utilize includes processing and negotiation services performed by and Law firm. As I have experience with this firm all parties understand the process and ultimate goal (stopping a potential Foreclosure for a homeowner and securing the best terms and conditions for the Seller through a Short Sale), I am not subject to other people's financial interests that may be in conflict of my own or the Seller's (like a third party negotiation service who simply want their fees paid or a Real Estate Agent who just wants their commission at closing and in the end may not always act in the best interest of the homeowner - I have seen issues like this occur many times).

Once again, most of this can be achieved by implementing and understanding an appropriate ***Short Sale*** system where you are in total control and you have properly vetted many of the participants (Buyers and other team members for the process) that may be ultimately part of your deal.

You can easily see that the property remains under my control until I decide to allow other participants into the transaction or change up the exit strategy.

Top Reason #7: You Always Get the Best Price on the Property

As a follow-up to being in total control, the ***Short Sale*** process allows a Buyer to place what ever offer they like on the property. The process cannot start unless there is an offer present and a completed a ***Short Sale*** package is sent and received by the homeowners Lender.

Once the Lender reviews the basic data, they order a property valuation to get a third party opinion in order to determine how much they think the property is worth in today's real estate market. The Lender, at their option, may order a full-blown appraisal in order to evaluate or they can request a broker price opinion. An appraisal is performed and completed by a state licensed Appraiser. A broker price opinion, also known or commonly referred to as a BPO, is usually conducted a real estate agent. Once either has been complete, the Lender will have some idea as to what the property is worth in today's local market. They will use that value to review the offer and will most likely counter with a much higher price. This is where the fun begins.

If you are working with an effective system to process and manage your ***Short Sale*** deals, you can expect a high counter offer and will be able to negotiate with the Lender for a lower purchase price by utilizing any shortcomings or repair issues associated with the property as well as any local market problems or issues that you can find. This will assist in pushing the purchase price value down. Please understand that a Buyer/ Investor has every right to purchase the property at the lowest possible price. We present the Lender with real data and information regarding the condition of the property to support our argument for a lower price. The Lender does not know what it does not know, and we are the party that must convey the appropriate information to them.

By negotiating with the homeowner's Lender, you are guaranteed to arrive at the lowest price that is available for that property. Clearly, there are specific techniques that one can utilize to arrive at the lowest possible price and other suggestions and request to accompany the offer to receive even more potential savings (there is additional training information to assist with this) and they should be implemented at the appropriate time during the ***Short Sale*** process.

Once you and the lender arrive at the best possible or lowest final price, you can determine the desired exit strategy for the property. It is comforting to know that throughout this process, no one else is adding fees or markups (unless it's you, of course) to the subject property.

Top Reason #8: You Get to Decide What to Do with the Property - Greater Income Potential

As you may have guessed while reading this document, there is a little bit of a flow here.

We agree that control is very important when doing ***Short Sales*** and it is a very big advantage with respect to deciding which exit strategy one is able to choose or utilize.

Purchasing the property at the best price available will give one the chance to review all exit strategy options in order to make an educated decision and give oneself the ability to maximize the income and earning potential of the property.

There are four simple exit strategy choices with each ***Short Sale*** property.

The first choice will be a simple flip. Is there a enough margin to buy and resell the property to another buyer while still complying with certain terms and conditions that may be present on the ***Short Sale*** approval letter? Those terms and conditions and restrictions are discussed and reviewed along with options on how to deal with them in future training programs.

The next choice is to fix and flip the property. Clearly this would depend on the condition of the property, the amounts and cost of repairs and improvements, and the after repair value (or ARV) of the property once all the work has been completed. Additionally one must also factor in any finance cost associated with the funds to purchase, hold and improve the property.

If the investment goal is to accumulate cash flowing rental property for passive income and wealth building then ***Short Sales*** will provide a great way to accomplish this. Once again, if one can purchase the property at the best price available then the financial

equation to see if the subject property is a good candidate to convert into a rental unit can be reviewed. The ***Short Sale*** system should leverage everything negative it can out about the property, neighborhood and market against the lender in order to drive down the purchase price.

The fourth and final exit strategy that can be implemented with a ***Short Sale*** is a combination of a Wholesale and Retail selling strategy. This method to earn income on the ***Short Sale*** is not well-known and often overlooked. This can be found in the future training programs, however, the premise to this technique is based on the fact that a new Buyer is going to compensate the current Buyer to take their position in the deal if the current Buyer does not wish to use any other method to purchase the property. This ensures that a Real Estate Investor is duly compensated for originating, managing and guiding the property through the entire process for a significant period of time up until closing, if ultimately that closing is performed by an end-user type of Buyer.

Specific control measures, documents, communication and deal management are critical for deals like these to become successful.

This strategy is a highly valuable concept and will ensure that an Investor is guaranteed to be compensated on every Short Sale transaction they are involved with. This is a very big advantage and deal!

Top Reason #9: You Buy on Your Terms and Conditions

If you originate in the Short Sale opportunity it allows you the benefit of discussing the process with the homeowner and thus you are able to place your offer with your desired terms and conditions in the contract.

What are those terms?

First off price: I always start with a very low offer price. The offer price can always be increased and the Lender will most likely counter it anyway so I never end up in a position of offering too much for property. Remember that with ***Short Sales*** the offer price is based on third-party approval which is the Sellers Lender. The Seller really can't agree and approve any offer price as ultimately the purchase price will be what the Lender and Buyer negotiate and agree upon.

Closing date: Since I am not going to occupy the property I am under no time constraints that would require a closing to occur by a certain date. Additionally since I'm still not going to occupy the property I don't have to sell my house in order to move into this house. There is no domino effect that could be problematic here. Also the closing date could be extended if required which would be of benefit to the Buyer. It may also provide the Seller additional time to get their affairs in order and set up a new residence.

Escrow or Down Payment Funds: With traditional real estate transactions the Buyer is required to put down some sort of consideration as a show of good faith that they are going to purchase the property. If the Buyer defaults and does not purchase the property, the Seller may be entitled to that escrow deposit depending on the conditions agreed upon in the contract.

With Short Sales, since the Seller is not allowed to receive proceeds for the transaction at time of the closing, the escrow really is a moot point. I typically put zero money down and write into the contract that we will provide a nominal escrow deposit upon ***Short Sale*** approval. This allows me to protect my cash flow and the ability to place as many offers on properties as I want without having to worry about thousands and thousands of dollars sitting out in limbo for escrow deposits. This may be quite valuable when there is a large number of contracts in play (we had over 300 deals in our pipeline at one point in time - that would have cost us a lot).

Seller concessions and fees: Depending on the property and how we choose to purchase it, we will ask for a maximum amount of Seller concessions towards the purchase price and some additional fee items. The actual Seller, the homeowner, really does not care about this as the money not coming out of their pockets. The Lender will agree to either approve this or not, however, based on experience, something typically will come our way.

Proof of Funds: With any real estate property purchase, a Buyer is usually required to show a Pre-approval document or some sort of Proof of Funds. By partnering with a Mortgage provider one can obtain these documents fairly easily and utilize them for each purchase contract.

By reviewing the contractual and negotiating process of Short Sales, we can structure the business to keep it's cash flow in check and to further discount or save funds on the purchase price, thus increasing the overall margin for the transaction.

Top Reason #10: Short Sales are in Every Demographic. High and Low End Deals Are Available.

One of the interesting things I learned while working in the ***Short Sale*** field is that no one is exempt from an unforeseen hardship or a personal economic issue. ***Short Sales*** are prevalent throughout the entire scope of the Real estate market. Low-end homes, average priced homes and high-end luxury homes all have the potential to turn into ***Short Sales***.

The interesting fact when working short sales is that the process is relatively the same, regardless of the value of the subject property. Now perhaps the marketing to attract a homeowner and its message and incentives are little different, but the baseline short sale negotiation, management and process are still the same.

What I also noticed is that the end game may be different for various people.

Without categorizing too much here, I noticed that homeowners that were on the lower end of the income scale tended to resolve themselves to the fact that they would be future renters and just wanted to clean up their financial mess as best as the could. Financial relocation assistance is important to this group.

Homeowners that were farther up the income scale were much more concerned about how potential judgments and credit issues would affect them and their ability to purchase another home in the near future (so a Short Sale is an easier solution in this case).

With Short Sales readily available in every price range, any investor, regardless of capital and experience, can participate if they so choose to.

Top Reason #11: There are Buyers for Your Short Sale Deals !

We all are aware that there is a lot of conflicting information out there regarding the housing market that is being fed to us by the mainstream media.

The majority of the information you will find on the internet discusses where prices are going, how great the recovery is and what kind of projects you can do to improve your house.

Just recently is the media actually began discussing some aspects of a future housing crisis.

At the present moment, we have a serious lack of housing inventory in most major metros across the country.

This has put a lot of pressure on the marketplace, increased the competition for property and, as a result, we have seen prices that are artificially inflated. There are more available buyers then there are available listings (properties), especially in the affordable housing segment.

Due to this phenomenon, it is fairly straightforward to find a buyer for your ***Short Sale*** deal if the Home price and terms are reasonable.

What I have been able to do with the deals I'm involved in is preselect the type of buyer that is most likely for property. By knowing who the most likely buyer is, I can market and utilize the best methods and forums to sell the property.

And if I reference controlling the property again, I'm able to manipulate the system and the MLS to ensure that I get the right buyers who will be more than happy to take the property off my hands and compensate me appropriately. Once again, there is nothing

wrong with how we work this process. Build a Buyers list and become friendly with other investors who are searching for property. No one can dictate who we utilize as an end Buyer.

To recall, the exit choices are as follows:

1. Flip the property to another buyer: this could be another investor or an end-user occupant.
2. Fix & Flip: Improve the property to resell at a later time for a greater margin.
3. Place Property in your rental portfolio: earn monthly cash flow and build wealth.
4. Control the Property and allow a Retail Buyer to Purchase It.

Many of the potential buyers could be Hedge Funds or other private investors. They need product that is ready to be purchased (they typically don't want to wait through the entire Short Sale process) and when the Short Sales are approved by the Lender, if it makes sense, we can substitute them as Buyers for the property. The closing time frame would be 30-45 days which is in line with a non-Short Sale property purchase.

If you look around there are always Buyers for properties. Especially in today's market, where the majority of Metro locations around the nation are in dire need of additional Housing Inventory.

Top Reason #12: There Are More Techniques to Earn Income Than There Was Before.

During the previous Housing Bubble and Crisis, ***Short Sales*** were flipped to earn income.

Shortly thereafter, the Government (FHA), Banks and Lenders declared an all out war on Short Sale Investors, implying that the Mortgage Meltdown and Housing Crisis was a result of ***"unscrupulous Investors flipping property"***. Needless to say this caused everyone problems and they were eventually dealt with through a group of Investors. Lawyers and Lobbyists that formed a coalition to gain a voice on Capital Hill. Long story short, I was one of the founding members of that coalition (called the Distressed Property Coalition - DPC) and that group successfully put a stop to the issues that we were faced with. However, concessions had to be made and that was were the flipping "hold times" were implemented by the Lenders, which prompted further changes and innovation within the ***Short Sale*** market.

Since I am more than fully aware of the perceived drawbacks or objections a Real Estate Investor may have with a ***Short Sale***, I have spent some time creating and implementing various methods designed to earn income with the sole purpose of experiencing smoother transactions, less risk for the Investor, additional methods to earn income and faster ways to get paid.

Realize that the Government, Banks and Lenders are primarily concerned with what goes on after the ***Short Sale*** is completed. There really is no rules or regulations for what happens prior to a closing or during the Short Sale / Foreclosure process.

Here is what you can do with a ***Short Sale:***

- Flip - 30 Day Minimum Hold Time Required
- Fix and Flip - Hold Times Should Not Matter Based on Time to Fix, etc.
- Hold for Cash Flow - Build Your Rental Portfolio
- Sell to Cash Buyer - Use of Special Technique - You Get Paid without Actually Closing on the Property Yourself
- Pre-Flipping - Use of Special Technique - Again, Paid without Closing
- Short Term Rental / AirBnB
- Acquire Subject To the Defaulted Mortgage

As you can see, innovation is the key to success. There is less scrutiny with respect to Short Sales these days. We never violate any terms and guidelines that are included in the Approval Letter, we just try to stay one step ahead of the rest of the market. There will be a great prize for the early adopters in this market!

Wait - I Can't Believe I forgot about this !!!!!!!

Ok, so in the end there is yet another really great reason why you should be working on ***Short Sales***, or adding them to your Real Estate Investment business:

> ***You Can Do All of This Without Using any Money Whatsoever.***
>
> ***Yes, you can control properties with Short Sales, and get paid for doing so without using any of your own money (or anyone else's funds for that matter) and often times without even closing on the property yourself.***
>
> ***There really is no risk on your part.***
>
> ***Have I convinced you yet ?***

Maybe you have heard of the term: USP - Unique Selling Proposition.

It is a marketing term that makes one create the "What's in it for me ?" message.

Well let's recap. Here is my USP when it comes to Short Sales ……

The # 1 Best Strategy For Income Generation & Wealth Building in a Market Niche That No One Participates In, Using No Out of Pocket Money & You Get Paid on Every Deal Even If You Don't Close On It.

Not bad, eh ? Sounds like a no lose proposition ? Well, It is.

Oh, one more thing ….. I hinted at summarizing this great opportunity at the end of this document. I call it the **1 % Rule**.

What is the **1 % Rule ?**

Less Than 1% of All Real Estate Transactions Are Short Sales …….

What Does This Mean to Us ?

This Market Niche is Under Served.

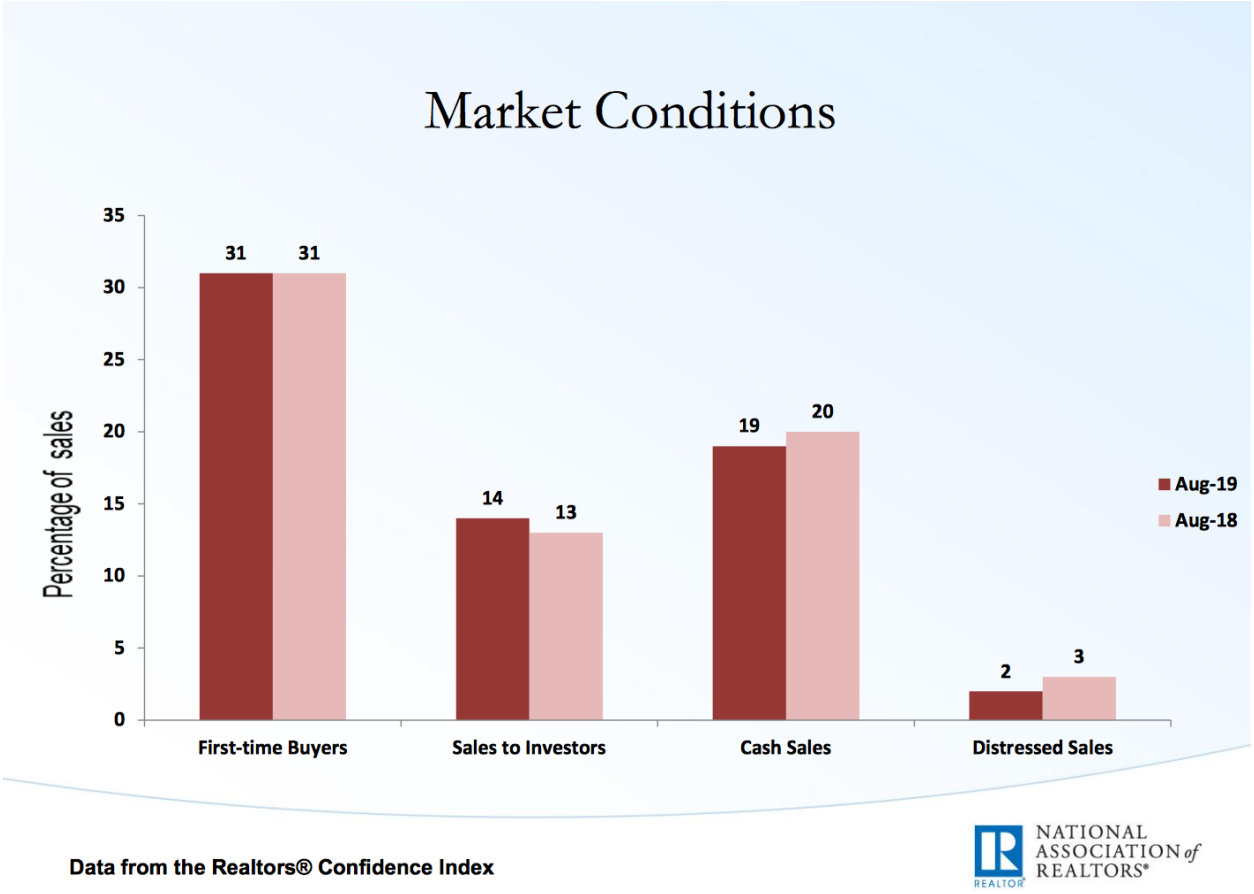
Real Estate Agents Are Not Marketing to This Segment.

Real Estate Investors Are Also Ignoring This Segment.

Home Owners Need Help To Solve Their Foreclosure Issues & Are Not Getting It.

There is a HUGE Opportunity Here That No One is Focusing On !

Here is The Proof ……

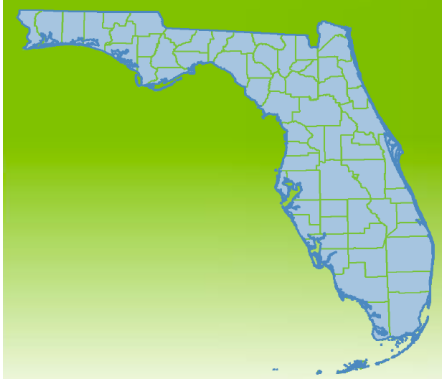


According to the National Association of Realtors, only 2 % of all the monthly sales across the country are classified as “Distressed Sales”. And out of that 2 % number, less that half of those are Short Sale transactions.

And …….

Monthly Distressed Market - August 2019
Single Family Homes
Florida

FloridaRealtors®
The Voice for Real Estate® in Florida



		August 2019	August 2018	Percent Change Year-over-Year
Traditional	Closed Sales	26,320	25,286	4.1%
	Median Sale Price	$266,000	$256,400	3.7%
Foreclosure/REO	Closed Sales	609	766	-20.5%
	Median Sale Price	$176,463	$166,400	6.0%
Short Sale	Closed Sales	178	221	-19.5%
	Median Sale Price	$219,000	$190,000	15.3%

Data supplied by the Florida Association of Realtors also supports this concept and approximately 0.67 % of all Florida Real Estate transactions reported through the MLS were Short Sales. Additionally, one can see that there was a $ 47,000 difference in median sales price when comparing Short Sales to Traditional Real Estate sales (close to a 20 % discount on average).

By now I should have convinced you that Short Sales are worth learning about and Investing in, whether to acquire your own primary residence or for Investment opportunities. In the event you are interested in furthering your Real Estate and Investment education, I have 2 programs that may be of interest to you.

1. Never Pay Retail Program: This is designed to take you from first time home Buyer all the way to and through Real Estate Investment, with a focus on saving costs and money along the way.
2. Short Sale Cash Connection: This program is an advanced education and Mentoring experience designed to focus on participating in this under served niche market.

For additional information on my programs, or for assistance with your Real Estate needs, please fee free to reach out and contact me.

Thank you for the support of my YouTube channel and my other Real Estate endeavors.

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