



## Common Mistakes When Dealing With Sellers

Hosted by: Joe McCall

What's going on, everybody, welcome. This is the Real Estate Investing Mastery podcast. I'm Joe McCall. Just walking outside of my backyard right now and I want to share with you some cool things about lease options. and I'm going to be talking about on this podcast Common Mistakes When Dealing with Sellers. And again, this applies to not just lease option deals, but any kind of deal you do, owner financing, subject two's, cash deals. Here are some common mistakes when dealing with sellers that you need to be aware of, things you need to make sure you don't do.

So this podcast I'm brought to you by my webinar, Simple Lease Options. I have a webinar where I teach you how to do lease option deals that teach you how to find the leads, how to negotiate, make offers. I give you my calculator for making lease option offers. I should teach you how to find the buyers a hungry pool of buyers, tenant buyers with money. It's all free. Go to SLOClass.com. SLOClass.com. That stands for Simple Lease Options. SLOClass.com.

All right, so here are some common mistakes. And this is in no particular order. I just made this list the other day and I thought it'd be good to share this with you. I think I have one, two, three, four, five, maybe ten or eleven. I'd better hurry up. It's taking too long to get to the point, Joe. All right. Number one, big mistake: paying too much option deposit money upfront to tie up the property. You want to make sure you get in light on your deals, right? So big mistake putting too much money down upfront to tie type the property. A lot of times when I'm negotiating with the seller, I'll offer to give them a thousand-dollar option deposit money. Right. But I don't give it to them necessarily because I'm using a flexible option agreement. They can cancel it if they want. If they sell it before I do, I don't give them that money until I find the tenant buyer and I do the rest of the paperwork.

I don't wanna dive too deep into the weeds here, but yeah. So just make sure you're not tying up too much of your money or putting too much option deposit down to type the property. Don't ever, ever personally guarantee a long-term lease. You always want to do deals in your company name. Don't ever personally guarantee anything. Don't ever spend too much money on repairs. This kind of relates to what I talked to about before with keys to success when making lease option offers. But if you do repairs before I told you in that other podcast, don't ever do any repairs. Right. But if you do, make sure it's nothing more than just cleaning the property up, maybe paint and carpet, but that would be very, very rare.



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But if you do any repairs, just make sure that you're getting in really, really light and you're not spending too much money on it. Don't agree to make large payments before verifying the market value. That goes without saying. You just want to make sure that is a good deal. And you need to spend more time looking at comps or maybe getting an appraisal or getting an experienced investor or realtor to look at the property and give you some value. So don't make too many large payments before verifying market value and don't spend too much time on small deals, for heaven's sake. Like if a deal is marginal, there's not that much money in it. I would say probably just pass. But, you know, sometimes you can't make money on the small deals, just don't spend a ton of time on them.

This is a common mistake here is not prescreening the sellers properly. We always think about prescreening our tenants, but what about prescreening the sellers? This is something that's really important. I can think of back in my history, in my past, of doing some really bad deals. And there was one deal in particular where the seller, but I didn't know this at the time, was going through a nasty divorce and she was on the verge of bankruptcy and she was involved with a bunch of lawsuits with her husband and former business partners and all of that. And here I am trying to negotiate a deal with her. And it was one of the most difficult deals I've ever had. I did get out of the deal, but it was a disaster. She was a mess. And I could have avoided that if I just kind of paid a little bit better attention on what her current situation was.

But anyway, you want to make sure that your prescreening, your sellers make sure that the is the seller's mortgage payment current. Do they owe back payments? How much back payments do they owe? Do they have any judgments or lawsuits filed against them in the house on the house that are attached to the house? So try to prescreen sellers as much as you can. Never this is another huge mistake that people make, is trying to do deals with unmotivated sellers. Oh, my gosh. How much time of your life is going to be wasted when you're trying to turn deals in front non deals into deals? So if the seller is not motivated to do a deal today, that's fine. Just make the offer, but move on. Don't spend too much time with unmotivated sellers.

Another big mistake that people make is dealing with houses that people don't want to buy, like strange houses, houses in bad areas. There's something awkward about the house at of property where the backyard dropped like a cliff and there was a big busy street behind it. It waas beautiful house up front, great neighborhood. But here's the problem. As soon as they walked into the house and they saw the backyard, they thought, oh, no. We spend like 40, 50 grand in the rehab. And then the market collapsed. So why would they want to buy your house when they can buy a nicer house with a better backyard for 20 grand less? But all because you just over rehabbed the property because it has something really awkward or weird about it.



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So if you do buy awkward and weird properties, just make sure you're going to be selling it for 10 to 20 percent less than what similar properties are selling for in the neighborhood. That's called the greater fool theory. And you don't want to be stuck trying to sell the house to a greater fool than you were. So that's just it's not worth the hassle or the headache with that. Right. So a big mistake is dealing with houses that people don't want to buy. Remember, you can only sell homes people want to buy. So stay away from the little two bedroom, 900 square foot houses if you want to rehab it and sell it. Stay away from the five million-dollar houses in the two hundred thousand-dollar neighborhoods. All right.

Another big mistake is making promises you can't keep and not keeping the ones you do make. So always be really, really careful. Do what you say and say what you do. Be honest. Be a truth seeker. Be a truth giver. Always tell the truth. Always make sure that you're not making a promise she can't keep.

I mean, that goes without saying. But always tell the truth. Always fully disclose. Never pretend to be a realtor when you're not. Never pretend to have the money to buy the house when you don't. Right. You've always got to be true and truthful. Here's the thing. Sometimes you think, oh, I can't tell them I'm new. I'm a beginner. I can't tell them I'm inexperienced and I've never done a deal before. Well, yes, you can. It's OK. I did a class one time with Tom Krol and it was so good. We were teaching people how to talk to sellers and he brought up something really good. It's like it totally breaks the tension and just helps everybody relax when you're honest with the seller and sometimes it's OK to play dumb and just say, you know what? You know, that's a good question. I don't even know if I know what I'm doing.

For example, let me give you let me put this in context, because it sounds kind of weird the way I'm phrasing it right now. Let's say you are you've got a deal under contract and you're looking for a buyer for this deal. All right. And you're calling buyers up, to be honest with them. They're going to find out soon enough that you're a rookie, that you're a beginner. But tell them, be honest and say, hey, listen, I don't know if I know what I'm doing or not. I just bought some late-night infomercial course that says I can get rich and make a million dollars overnight. So I'm doing a bunch of marketing and I got a bunch of leads here. And these sellers, they want to sell their property and there's a ton of equity in them. You know, I don't know if I got a good deal or not, but, you know, if I find a good deal, can I bring it to you?

OK. So just be honest with them. And they're going to appreciate the honesty and they're going to appreciate the fact that you're doing marketing, you're finding deals and you don't know if it's a good deal or not. And yeah, bring me or good deals. I'll tell you if they're a good deal or not. But if you pretend to be like a know-it-all. I don't believe in the fake it till you make it right. You just need to be open and honest and then you don't worry about, OK. What was I telling them before? You don't have to worry about the



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lies that you said and trying to remember what you tried to be somebody that you're not. Makes sense. All right. Another big mistake that people make is working within a short timeframe.

Always make sure you negotiate plenty of time before the first rent or the first payment is due, especially on your lease option deals. OK. Don't promise, if it's the 15th of the month, don't tell the seller you're gonna make the first payment on the first. Give yourself at least 45, 60 days before you make the first payment on a property. Okay.

You can get into trouble when you're working within short timeframes. Only time I would work within short timeframes if there's a ton of equity in a deal. If it's a complete no brainer. If there's really good cash flow and I'm concerned that the seller is going to change their mind or give the deal to somebody else if I don't tie it up and buy it as soon as possible. So figure out if it's a good smokin' hot deal. I'll start making payments right away on it. I'll take care of it right now because the sellers super motivated. Yeah. But most of the time, make sure you're not working within a short timeframe.

Another big mistake. Especially lease options here, is promising to pay the first month's rent before you find a tenant buyer. Especially if you're in the non-house buying season. Like if you're in December, January, you know, it might take you an extra month or two to find a tenant buyer because it's the middle of the holidays. Who's going to move? But I'm telling, even as they say this, there's been lots of times when I've been shocked to get the amount of interest in some of my rent-to-own lease option properties when it is in the holidays, in the winters, for whatever reason. You know, there's not a lot of other inventory. There's not a lot of other houses out there. And so when you do advertise your property, you're going to find people interested. You know, they had a job transfer. You know, they just lost another house from, you know, the lease is up and the landlord wants to sell it and they're stuck and they're needing to find another property.

So there are a lot of motivated buyers out there, and so, yeah. Make sense? But be careful promising to pay the first month's rent before you find a tenant buyer, always trying to give yourself at least 45 to 60 days before you make your first payment. And then another final big mistake. There's a lot more, but these are just the list that I came up with here, trying to come up with an offer to quickly over the phone. Now, I like to try to negotiate my deals over the phone, but it's OK if I tell the seller, hey, listen, I'm going to look at some numbers on to sharpen my pencil and do a little research here. And I'll get back to you and I'll send you an offer that be OK. But when you tell us what that you going to get back to them, always try to give them a timeline, a deadline when you're going to get back to them and where you can talk to them. You



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want to try to make an appointment right then and there on the phone when you're going to follow up with them.

So be careful with making promises or making offers too quickly over the phone. Cool. All right, guys, let me just review that with you one more time. Common mistakes when dealing with sellers, paying too much option deposit to tie the property. Personally, guaranteeing a long term lease. Spending too much money on repairs. Agreeing to make large payments to the seller before verifying market value. Spending too much time on small deals, not prescreening sellers properly. Trying to deal with trying to do deals with unmotivated sellers. Let me just say so. There's nothing worse than being the motivated buyer. Don't be the motivated buyer, right? Like, don't ever, ever, ever try to turn a non-deal into a deal. It never works out well. So big mistake. Yeah. Trying to do deals with unmotivated sellers.

Don't deal with houses that people don't want to buy. Stay away from strange houses, bad areas where there's something awkward in the house. OK. Never make promises you can't keep and keep. Well, the big mistake is making promises you can't keep and not keeping the ones you do make. Another huge mistake working within a short timeframe. Kind of related to that already. Something similar that I said. But make sure you negotiate plenty of time before their first rent is due. Another big mistake, promising to pay the first month's rent before you find a tenant buyer, especially if you're in a non-house buying season and finally trying to come up with an offer to quickly over the phone. Make sure you give yourself some time to analyze the deal a little bit and to make an offer. I mean, you shouldn't be spending more than 10, 15 minutes coming up with an offer on these properties. If it takes you longer than that, you're over analyzing it.

So another big mistake is over analyzing your deals, because that means you're going to be making less offers. So I hope that's helpful. If you want more information, guys, on how to do lease option deals, go check out my webinar. SLOClass.com. SLOClass.com. Stands for Simple Lease Options. And on there, I want to show you to get more leads you can handle for free. Show you how to find seller leads. Second thing I'm going to show you is how to make offers. I'm going to give you the calculator I used to make offers on. I'm going to show you my simple one-page contract that I use. The proposal that I send that does the selling for me. I'm going to show you all of that stuff.

And then the third big step is selling these deals on a show you about four or five different things you can do to sell these deals, lightning fast. In other words, find tenant buyers for them. Yeah, there's a ton of tenant buyers out there. I call them penalty box buyers. They have good reasons for bad credit. And I'm going to show you how to find them in the fastest, easiest way possible. Here's the cool thing about lease



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options. You don't need a buyers list. If you've got a nice house in a nice area, man, it's easy to find tenant buyers, with 10, 15, 20 thousand dollars down for these houses. OK. And they're on the verge of getting a mortgage. They're six to 12 months away from getting a mortgage. They're out there.

So if you want more information about lease options and how to make these offers and how to do these deals and add it as a tool in your tool belt, just go check out the webinar. SLOClass.com. SLOClass.com. We'll see you all later. Take care.