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1109 – Due Diligence Will Catch Scammers

Hosted by: *Gavin Timms*

Hey, guys. Welcome to the Network podcast with me. Gavin Timms. Hey, guys, how you doing? Welcome back to the REI Network podcast. Back with another episode of this one, guys, is something I've never really done before, and I thought, You know what? People talk about it and it kind of happened to us this week. So I was like, Well, let me do a episode about it just before we do that. Do me a favor, just like always give me a like and subscribe. Drop any comments if you have anything to add on any of these episodes. That would be awesome. Make sure you download it and listen on the podcast as well.

So this episode I called Due Diligence will catch scammers OK. Due diligence will catch scammers, so you're going to be making sure if you're new or seasoned, you're going through the right processes to close a real estate transaction. This is very, very important. Always do your own due diligence, and what you're going to find is things will go well, start to not make sense. When they start to not make sense and your gut feeling is telling you something, then you need to dig deep and you need to start looking for red flags. I'm sure there's a hundred ways of being scammed. I've actually believe it or not. This is only after one time, probably four years ago. Now I closed a house in Dallas and it was fraud. Someone had done a fake power of attorney and we had purchased property. We were a wholesaler because the buyer, the transaction and the money been sent to us for the transaction actually happened. The buyer was the new owner with title insurance, and the only reason that we caught it was after the property closed when they went to send the money. They asked the seller that was not really the seller. They did again. A fake of attorney to close this property said, Oh, don't send the money to that LLC or that name, send it to this name. And they tried to change the name of where the money was being sent. And they were like, We can't we have to send me here by law. No, I don't know to send it to this name. So anyway, called red flags went off the the the title company. There's kind of a big lawsuit that happened because we'd actually cleared the property. So we've been paid, I think, \$12000 on a wholesale fee and the buyer was like, I have title insurance. This is I owned the property he'd already signed like, you have a tenant ready to go. They were like in the law. I am not back now. This is not like the title company should have done that job, and there was some way that this should have been, you know, kind of come off. So these things can really happen. And again, this happened to me was when we've actually closed and it was weird, like the seller was letting us in. It was like super bizarre how it worked that to this lady and we just couldn't believe what was going on. So that's happened. But anyway, this week, what happened was a client. How can a client bought me a deal? A great finance deal. This deal was principal only payment. The seller wanted eight thousand down four hundred a month. I was a ten year blue balloon payment. OK, so that was kind of the deal.

So we looked at it. Numbers look good. We felt that the rent could probably be rented for November now, let's say 40, 50 hundred a month. Or maybe that was if we we could cash flow like we have been. But it was



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cash flow in well over 600 bucks per month. So we were looking at it and we work out what we need to bring in and they pay my student the bolt, the deal. And then if we furnish, it's where the and B to me just as a kind of looking at this. So I said the contract was just in. I hadn't even looked at it. And then we were kind of in a discussion between the student. One of my parties start looking at this deal. The first thing is when we pulled it off, this property was up for rent and they had full properties in the area under the same name and they were all in great condition. And they're all at kind of fair market value, rent wise. And it was didn't make sense and they rent it, and it was basically say like three months or something that I've been renting for. And it just kind of that threw us off, like where you never know. Maybe they're asking to be more comfortable with what they were asking online, let's say. Sixteen hundred, they were going to do four hundred and something interest only payments to us, so I yeah, I mean, it's possible, but it's a bit weird. Whatever. So start looking at it. Look in the numbers, start looking at, OK, how are we going to bring the money in? Shall we borrow it private money? Maybe. Twenty five grand to get the seller paid, my coaching client paid and then obviously furnish it for Airbnb. This is kind of what we were looking at. Then we came across that on the contract that the it was a. Basically, they were signing on behalf of the company, it was a representative for the company signing on their behalf. That's how the contract kind of read. So when we say that, we said, Okay, no problem, can you send us the power of attorney? So we said to the coaching client, Well, look, you have been talking to the sellers. Go back and say, Hey, we need to see the power of attorney so that they can sign on behalf. And then they said, Well, yeah, you've already had this tied up now for several days. So I want to I want you to pay me a thousand dollars down. And then I'll send you the power of attorney. So again, another red flag, right? That's where you ask him for money directly to you. And then you'll give us the power of attorney, so we did so what we did was kind of an alarm bells going off. So Dustin was like look, go back and say. Go back and say, yeah, no problem. We will wire a thousand bucks to the escrow company to hold it and we can start the process and then you can send us a private to. And, of course, why they came back and go, Oh, no, no, no, no, no, don't send it to the escrow company, send it to you, send it directly to me. You don't need to put it in escrow. So again. There we have it. When someone is ever trying to get money directly to them and not through escrow is a red flag. Never, ever, ever give earnest money direct. No, never. They always go through the traditional way of an attorney or title company or an escrow, right? So they hold in that and then pay it accordingly. That contract never want to pay the seller direct. So even when you're doing a hundred bucks or a thousand votes, fifty thousand whatever you're doing, it goes to escrow. It never goes to the wholesaler on the seller or whoever's asking you to do these things because again, that red flag, right?

So you've got to make sure guys that you do your due diligence because there are people out there scamming. And and I've had and I have tons of stories like this, even from markets that you have to watch. Are you really talking to the seller if the deal is too easy and simple, sometimes it's too good to be true. Right now there is occasions, but often it is too good to be true. And a lot of people will not have many stories for you saying, Oh yeah, this was just like so easy. We made all this money and was just like, Oh yeah, just give me this is. Does it really happen? So make sure that you're watching for these things. You're doing your due diligence. Know, look escrow running title, pulling title, making sure there's no leaks right?



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And all of them things before you try and obviously purchase the property because people are always trying to get you. I have had where we teach this one was actually funny. So I had one person on Craigslist years ago. What we teach about the three offers, right, where you could make a cash sandwich like to finance or assignment lease option. So there's three options. So I start to engage with them on text, and I'll probably have this text actually find it funny because I kind of led on to what he was, and the only reason I call him immediately is, he said. He said, Oh, my assignment, if I do, an assignment lease option was the lowest price. The sandwich lease option with the medium and the cash was the highest right. So basically what they've done is they've makes the offers upside down the zone of cash being the lowest. It kind of got it all backwards. So then I was like, Oh, you know, what about this? I was asking him questions and no, oh no. Yeah, we don't have that, you know, just wires. The earnest money, all they were charging to get early. Some of the earliest money to tile in the deal, yet \$10000. We'll give you the contracts and the thousand bucks direct is the link.

And here's the thing, guys, you might be saying, well, that's common sense. But when you get emotionally involved or people in your team or working deals for you, you have to watch for these things. Right. Because not only can you know with those are all clients and you guys listening, hopefully I may start one of these things if it happens to you when it comes out, you know, actually, I remember Gavin saying like trying to get the money direct and some people don't understand. So it's not like they're trying to scam you. It's more like we get like we had to send it to me now it's going to grow up. This is the way that we do it and it's all okay, fine until they realize. But if they're persistent and it doesn't make sense, we are again with another client in New Orleans. He wanted a thousand dollars down before he signed the contract. Thousand books, because this was supposed to be a deal before we sign the contract. They tried the craziest things and you just can't do it right. You called like, Go there, you need to make sure that you're doing things properly. And again, if it's through an attorney, a title company, whether holding in escrow, then you should be fine. And obviously, we'll come up with a title search and they should be able to do that due diligence. So I don't want to freak anyone out, but it does happen out there. So make sure that you're doing OK, do the due diligence on them properties and as much as moneys we can make and say, but we can actually help our clients. He buys the listeners to make sure that you don't fall in the trap and do something because you're new, right? We talk about take massive action, figure it out. I'm bad for it. I'm bad. I'm like going, take action. We'll figure it out. But I think when it comes to that paperwork and the money do need to be seeking legal advice, using the right people to get through that. So hopefully that helps guys. And let me know, put in the comments if you've got a similar story or you know of anything. And again, I've got tons of I can go on and on. You've just got to be watching for these little red flags. The things that are not normal, they're out of the ordinary that you know and say and the same things, and they're acting weird. All of these things, they can be like, something's off there. I need to now pay more attention because if you see one red flag, this is normally a sequence of them. They say, Well, that's not normal, this isn't normal, and this is how is led into then all of a sudden communication stops when you've kind of figured it out. And it's a shame because, you know, it's a deal that someone thinks they're going to get. And we're like, Hey, I think we're going to buy this from you. We're kind of like all in. We want the



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money. You know, I like to have a bit of a college like we don't a lot of work, but in the end, I'd rather do that and figure it out and obviously not get in in a legal mess or play money out. And then they'll run off with it. So hopefully that helps guys. Like I said, drop me a comment, and I hope this helps you somebody else. You can share it. I appreciate it. And guess what? I'll see you on the next episode. Have a good one. Thanks. Bye bye.