

Wholesaling For Quick Cash

“A Real Life Guide to Flipping Homes”



By W. Stephen Cook

www.FlippingHomes.com

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Testimonials

“I consider it to be the cornerstone of my REI library...”



I own Steve's Wholesaling for Quick Cash, and I think it's top-notch. It provides all of the information you need to get started in the business of wholesaling. It's written in a clear, concise, no non-sense manner that is straight forward and to the point. I consider it to be the cornerstone of my REI library and would whole heartedly recommend it to anyone.

*Jim Grossi
a.k.a. Jim (NY)*

“Steve's teachings enabled me to wholesale 55 properties in my first 17 months alone...”



I researched several courses, and so called "Guru's" for six months prior to choosing my path as a wholesaler. I finally settled on Steve Cook's book, "Wholesaling for Quick Cash", and boy I am glad I did...

This course is thorough, succinct, and easy to read. I cannot say enough about it. Steve's manual and the Flippinghomes.com website have together been largely responsible for my success as an investor. Steve's teachings enabled me to wholesale 55 properties in my first 17 months alone. At this point I'm up to 137 houses in 37 months...

My thanks go out to Steve Cook for writing such a perfect course. It truly has changed my and my family's life. Thanks again, Steve.

*Bill Guerra
Las Vegas, NV*

“...it was like the fog had been lifted from in front of me...”



Though I have ALL of Steve's products, Wholesaling for Quick Cash is the one that got me taking my first steps in RE investing. Shortly after it came in the mail I had read the entire book and was on my way to my first deal. It took me 2 months of looking, but I had finally gotten my first wholesale that netted me \$5k !!! Like many others I was just spinning my wheels looking for my first deal. But after reading Wholesaling for Quick Cash it was like the fog had been lifted from in front of me. Now wholesaling seems so elementary and it's only because of the understanding you'll get from how Steve explains everything so clearly. His course gave me the knowledge I needed to see if this "Real Estate thing" really works. It DOES, big time.

*Derick Adams
a.k.a. Derick (PA)*

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Chapter 1:

Introduction

Introduction

Whew, it's been one heck of a ride in this game called real estate investing. It has been five years since I wrote the original "Wholesaling for Quick Cash". I've done hundreds of deals since that time, learned many big lessons, and grown as a teacher. While teaching my students across the country, I have come to realize just how many holes there were in my original course. I'm not apologizing for that at all. I believe it was the best course available at the time. It was the best I could humanly do at that time, and today, many still rank it as the best. However, in my pursuit to always do my best, I'm overhauling this course, and you are going to benefit from the experiences that I have had over the years, which have prompted this "rehab and update".

About This Course

Congratulations! You have separated yourself from the masses and taken your first step toward a better financial future by purchasing this course, which deals strictly with the topic of wholesaling (also known as flipping, assigning, buy low/sell low, etc.). I highly recommend this area of investing to anyone, particularly those investors who are at the beginning of their careers. Wholesaling is one of the safest and quickest ways to start generating cash within a short period of time and requires almost no money. This course will provide you with all of the tools you need to begin generating income quickly as a real estate investor.

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My Background

My desire to invest in real estate had been burning for many years. At the age of 19, I started buying books on the subject of real estate investing. The idea of doing deals without any of my own money was particularly intriguing to me. I was very qualified for this. Since I felt that I was sufficiently educated to be able to complete a deal successfully, I began to look for opportunities. Subsequently, at the age of 21, I bought my first piece of real estate with no money down. But there was one problem. It was a restaurant, and along with the real estate, I had bought a job. Of course, I didn't realize that at the time, and I felt proud of my accomplishment, happily going to work every single day. The happiness dissipated after about six months of working 80 to 90 hours each week. Soon thereafter, I began to hate the place and was glad to sell out after another two months.

I must be hardheaded because I didn't learn my lesson. A few years later, at the age of 25, I bought another piece of real estate with no money down.. This time it was a \$540,000 restaurant. Once again, I had purchased a job with my new investment, but this one was much better. I only needed to work 80 hours each week. How exciting! After almost two years I was tired of the whole mess and unloaded my restaurant to anyone who would buy it, taking a big loss. However, this time I realized that my "investments" weren't remotely close to investments. Both times, I had bought jobs that felt like prison. So, in the fall of 1997, I started over again. Having a steady paycheck and relieving myself of the day-to-day drudgery of running the restaurant was a welcomed alternative...or so I thought.

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It didn't seem natural to me to have to show up for work, report to someone else, and ask for my paycheck every week. The hours that I worked weren't much better than when I owned my restaurant, and the financial burden I had incurred from the short sale of my restaurant ate up every dime over and above what it took to pay my necessary bills. On top of everything else, my precarious financial situation continued to worsen as creditors from my restaurant began to track me down.

I felt a need to honor all of the obligations that I had personally guaranteed, so I worked out payment plans with all of my creditors. Though this provided some relief, by the time I came to terms with everyone, I didn't have enough left at the end of each month to make ends meet. My entire life was taking a turn for the worse, but I wasn't quite sure what to do. I knew only two things—I had to do something and I had always wanted to be a real estate investor.

Since the very first step to becoming or improving as a real estate investor is getting an education, I began seeking information. While it is true that I had a basic knowledge of no-money-down investing, I had a lot more to learn, including the mechanics of the various types of investing. However, one major obstacle stood in my way—I had no money. Off to the Internet I went, searching for “real estate investing” and “no money down” and getting a bunch of responses. Within those responses, I discovered many different real estate investing websites. These sites were nothing short of incredible. I was amazed by all of the information that was available to me, and even more astounded by the fact that it was all FREE. What is even more astonishing is the information that was available back then pales in comparison to what you can get for free today. The fact that all of the information was free was great because at the time, if

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they were charging anything for their information, I would not have been able to afford it, at least not immediately. I read everything on the sites, and printed every single article and success story as well as countless posts from their news groups. For ease of review, I compiled all of this information into a binder and read it whenever I had free time. I studied that binder until I knew the techniques like the back of my hand. I participated on the news groups day in and day out. I asked hundreds of questions. At some point, I was so well versed in the techniques that I could answer other people's questions. But there was still one problem...I had never done a deal.

It is sad, but many people have been in the same shoes as I was. We all possessed enough knowledge to get started, but we also possessed fear. This fear was so overwhelming that it paralyzed us and prevented us from taking action. One day, a very personal experience lit a fire under me. This was more important than my fear, and I went for broke. That fire, for which I will be forever thankful, changed my life for good. I would like to encourage you to not let fear get in the way. You should be more fearful of doing nothing with your life than of trying and failing. Many, many other people have failed before you, and they have lived to tell about it. The worst thing that comes from failing is a setback, but it should also be an important learning experience so that you can start back up again, doing it better the next time.

After deciding to take the plunge, my fear was suppressed. I had no time to be afraid. Without another form of income, I had to succeed. Failure was not an option. I believed deep in my heart that I was going to be successful, and I put myself on the same level as successful investors. The way I viewed it, if they could experience success in real estate, then so could I. They were human beings just like me—no better,

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no worse—and though I may have valued the knowledge they had gained, I didn't idolize them. I realized that they had just applied their knowledge and made something happen. Consequently, if I were to make something happen, then all I had to do was use what I had learned. This realization also clearly revealed the fact that if I didn't make it, the only person I would have to blame would be myself. On that note, I would like to point out to all of you that I am nothing special. I don't have special skills. I'm not super smart. I just took what I knew and applied it. Please don't elevate me to a higher place; I'm certainly not worthy of it. I'm just like you, and you are just like me.

In my case, I jumped into the game as a full-time investor from the start, placing everything that I owned at risk, come hell or high water. You can start part-time without taking such a risk, but your success will still hinge upon your efforts and yours alone. When all is said and done, you will have no one to blame for your failures but yourself.

Notice that I said before that my fear was suppressed, not gone entirely, and yours will not magically disappear either. However, you have to realize something. All investors, new or seasoned, experience fear, stress, and anxiety whenever they push the limits of their knowledge and ability and venture into uncharted territory. These three forces are compounded whenever investors push their financial envelope at the same time. However, no investors will ever achieve anything if they don't overcome their stress and anxiety and take action. Do they take action blindly? No. Neither did I, and neither should you. First you need to educate yourself as I did in order to minimize any known risks. But shortly after you've finished your education, you will need to step out of your comfort zone and chase your goals. Is success always guaranteed? Absolutely not. Is failure always guaranteed? Only if you don't take action.

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The process of learning to minimize risk through education and then taking action is the most important process you will ever undergo in your quest to become a successful real estate investor. It is one that you will repeat whenever you enter a new phase of your investing career, and simply put, it is the only path to success. Some people prefer to forego the education and jump in the water without looking for sharks; however, I am not one of them. Why waste precious resources fighting more sharks than is necessary? The key is to educate yourself and fight as few sharks as possible.

How much education is enough? That's a good question and one that only you can answer. It depends upon your prior experience as well as your financial cushion. With regard to experience, some people may possess most of the required knowledge already as a result of their backgrounds in their chosen profession. These people will require less education than someone starting from square one. With regard to finances, some people will be able to take more hits than others. Those who are able to absorb more financial missteps can afford to be less cautious and maybe start without quite as much education than those who are investing with little or no money.

Regardless of personal financial situations, the one thing that you need to realize is that most of your education will come from actually doing deals rather than from a book, course, or seminar. Books, courses, and seminars will teach you the basics you need to know before jumping into the marketplace. They will help you to avoid common mistakes that could be devastating to your investment career. They can also provide you with the knowledge that it took someone else years to acquire, thus cutting your learning curve drastically. However, after the education, whether you have \$2,000 saved or \$100,000 saved, you need to go out and make it happen.

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Real estate investing has been great for me, and it can be great for you. It has changed my life and provided me with the freedom to live my life on my own terms according to my own values. After investing for a number of years, I have been involved in the purchase and sale of approximately 350 houses. I started with absolutely no money and bad credit, but I had a burning desire to succeed. This desire eventually prompted me to take action and use what I had learned. None of the benefits that I have gained would have been possible without taking action.

After investing for more than eight years, I have very little fear when it comes to dealing with single-family homes. But, on occasion, I dabble with deals outside of my comfort zone, and I get the same jitters that I once had when dealing with my first single-family homes. It's natural to be fearful when you do something that you have never done before. Just look at it this way, if you had allowed your fear of failure to take over, you probably wouldn't be walking today or riding a bicycle. Many of you would never have dated, experienced your first kiss, or gotten married.

My Qualifications

I have bought and sold approximately 350 houses in more than eight years. I have done everything from wholesaling, to retailing, to creating and selling paper, to being a landlord. I have made countless mistakes, and I intend to show you how to avoid making the same ones. The experiences that I will be discussing in this course are real-life experiences. I have personally tested or experienced everything that you will read or learn in this course, and I will provide you with as many details as I can recollect.

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Time Out!

If you really want to get the most out of this material, you need to internalize it. To help you do this, you should pause after reading each chapter, consider what you've learned and even more importantly what actions you will take as a result.

What did you learn from this chapter?

What steps do you feel you need to take after reading this chapter?

Specifically when and how are you going to take these steps?

Other Notes:

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Chapter 2:

Ethics and Morals

Chapter 2: Ethics and Morals

Proverbs 10:9 The man of integrity walks securely, but he who takes crooked paths will be found out. (New International Version, NIV)

In this chapter, I will discuss the importance of operating your business with integrity and professionalism, a point which I simply cannot stress enough. I refuse to advocate any investment practices that are unethical in any way, whether they are geared toward defrauding someone, taking advantage of uninformed people, or just downright deceitful. I wholeheartedly believe that you should be completely honest with all of the participants in your transactions, even if it means losing a deal. In the long run, your reputation as a person of integrity will allow you to participate in many more profitable situations than you will lose as a result of your dishonesty.

Sign Your Name With Honor and Settle Every Single Deal

Proverbs 22:1 A good name is more desirable than great riches... (NIV)

As a professional investor, you should always be honest with the seller about your position and sign your name with honor. Make every offer with the full intent of settling the deal. If you will not be able to settle on a property, do not present an offer at all. If certain circumstances need to fall into place before you can settle on a deal, present the offer, but disclose those circumstances up front. The right motivated seller will be accepting of those circumstances. Above all, be honest with the seller about your position. This policy has never caused me to lose a deal and even if it had, I have had many other profitable opportunities, and you will too.

Sign your name to each and every contract with honor. Anybody can go make a bunch of offers, but your name is your name and it has value. If you sign contracts without producing, then in time your name will have little worth. People do not forget

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Chapter 2: Ethics and Morals

when someone backs out of a deal. Bad reputations catch up to investors, even in large cities. On the other hand, if you sign your name with honor, you will reap the benefits. As a result of honoring my contracts, I can offer less than other investors for a home in my area and have my offer accepted because my name has worth. Sellers know that I will produce. Attaching this type of value to my name has not always been easy, but it has definitely been worthwhile.

When I first started investing, I intended to wholesale properties exclusively. However, I encountered several situations in which I could not find a wholesale buyer and was forced to honor the contracts and settle on the homes myself. In fact, this is the only reason I ever started to rehab houses, and if you try to wholesale enough properties, you will eventually be in the same position. When you come to that point, if you are signing your name with honor, you will find a way to settle on the property and rehab the house. If you absolutely want to avoid rehabbing and your intentions are to back out of a deal if you cannot wholesale it, I suggest that you put a clause in your contract that reflects this.

As I said before, it hasn't always been easy to settle on every deal. I have had two occasions where settling on a deal seemed like it was going to blow up in my face. In both cases, I was able to put the deals together, even though they weren't great deals for me. I broke even on one and made about \$500 on the other. But the bottom line is that I settled them. I didn't wait for something to happen. I got out and hit the streets. I found buyers who were interested in purchasing the properties to step into my shoes. I didn't wait for the phone to ring; I started looking for investors who were buying in the areas where I had homes under contract, and I started selling. In one case, I

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Chapter 2: Ethics and Morals

found a buyer the day before I was supposed to settle. Granted, we did file for a four - day extension, but I marketed the home up until the last minute and found a buyer who settled in my place.

Birddogging

You should also know that I wasn't submitting binding contracts on my first deals. I used a letter of intent and I made a ton of offers when getting started. When making these offers, my intentions were simply to determine the motivation of the property owners. Once I was able to determine if someone was motivated, I took the deal to an experienced investor that I worked for, who had the ability to close, and I shared the information with him. He then made the offer with a contract and paid me a consulting fee. I did not make "binding" offers unless I had the ability to close. A letter of intent, or an option does not bind the buyer to settle on a deal. I never used an option, but I frequently used a letter of intent to get the dialogue going.

Weasel Clauses - Unethical and Unnecessary

Weasel clauses are contract clauses that say things like, "Contingent upon the inspection of my partner," when you don't have a partner or, "Contingent upon the inspection of my spouse," when your spouse has already seen the property. I completely disagree with the use of these types of clauses and believe them to be unethical, dishonest, and totally unnecessary. Every single time you put your name on a contract to purchase a home, you should do so with the **full intent** of purchasing that home even if all else fails. Unless your contract contains a clause that clearly makes the seller aware of your intentions, you should never, under any circumstance, tie up [Click here to claim your copy of Steve Cook's "Wholesaling for Quick Cash" right now](#)

Chapter 2: Ethics and Morals

someone else's property with the intent of walking away from the deal if you can't wholesale it. However, only those who are absolutely opposed to rehabbing a property should bother with such a "wholesale only" clause. For everyone else, why include a "weasel" clause at all? What protection are you seeking? Presuming that you've educated yourself to properly evaluate the "as-is" condition of a property, you don't need protection from anything else but the possibility that you might not be able to arrange financing. Such a situation may result from the condition, type, or location of the property (if you've made your offer sight unseen) or from the fact that your purchase price is too high and you won't be able to borrow enough money to purchase and renovate the property. In either case, you can exercise your financing contingency, which is clearly disclosed up front to the seller in your offer and, for the most part, is the only contingency that you'll ever need.

I say "for the most part" because on occasion, legitimate unknown factors will require the insertion of a separate contingency because they can make or break a deal for you. For instance, suppose you are looking at a home that has a well as its water source. If the well is dry, you wouldn't be able to provide water for your new buyers and therefore you should include a contingency that gives you the opportunity to have a professional check out the well and releases you from the contract if it's dry. Similarly, you may be making an offer on a home specifically because it has extra land that you think you can subdivide. However, you need to check with your county to see if subdivision is possible. In instances such as these, you should clearly identify an unknown piece of information and insert a contingency giving yourself a chance to

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perform further due diligence before committing to purchase the property. Often, the seller will know or understand this.

Be careful not to confuse a legitimate contingency such as the ones used in these examples with a “weasel clause.” The difference lies in the intent. The first intends to provide you with time to perform further due diligence, often on a particular aspect of a property, while the second serves only to buy yourself time to market the property and provide an exit if you can’t wholesale it. Furthermore, even though a contingency such as “subject to inspection by my partner” can be genuine, once you learn how to inspect properties and estimate repairs, you won’t need such clauses. In fact, as a wholesaler, you don’t want to include them. In many cases, you will be buying most of your properties from banks and other institutions who reject offers with these types of clauses because they have been burned by them in the past. True, you may make some progress with private sellers (whether they are selling the property themselves or listing it through a Realtor), but even so, leave the weasel clauses out. If you’ve taken the time to educate yourself, they are unnecessary. Your offers to these sellers will be stronger and will have a better chance of being accepted without such clauses.

All my contracts say “Stephen Cook agrees to buy the property.”, and I make every effort to live up to my end of the agreement *every single time* whether I wholesale the property or not. So should you. If you can't flip a property to someone else, buy it. Don't run scared and back out. There are worse things in the world than fixing and retailing a house for a profit. Yes, I said profit. You've bought the property cheap, so you will make money in spite of your mistakes, and you will add another skill to your tool chest to boot. Isn't this a wonderful business?

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Don't Take Advantage of Motivated Sellers

Sellers can be motivated for a variety of reasons—medical expenses, a child's education, unpaid bills, unpaid taxes, divorce, pending bankruptcy, settlement of an estate, etc.—and the more imminent the reason, the more motivated the seller will be to get something done quickly. The bottom line is that motivated sellers “need” to sell. They may or may not want to sell, but they do “need” to sell. Because of other things happening in their lives, whether it be a loss of job, a potential nervous breakdown from dealing with tenants, disrepair that is causing hardship, estate situations or a slew of many other reasons, they “need” the services of an investor who can buy quickly in as-is condition. They understand that there is a trade-off for doing so, and that trade-off is that you need to make a profit. If you tell a motivated seller who must have \$25,000 in two weeks that you will buy their home within two weeks, they feel an immediate relief. They start to make plans based upon that money. They make commitments that they expect to honor because they have placed their trust in you and feel that your word is good.

Now, what do you do in two weeks if you haven't been able to wholesale their home? Do you exercise your weasel clause, the one that says your partner, who is actually your dog, must approve of the purchase? What happens to the seller at this point? They can't live up to their obligations and commitments. Maybe they'll lose an opportunity. Perhaps their children won't receive a college education. Maybe they'll lose their home and get nothing. Maybe they will have to risk their life and delay a necessary medical procedure. Personally, I don't know how some people do it. I couldn't sleep at

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night if I had signed a contract knowing that I was going to stick it to the seller if I couldn't find someone else to buy the home. The moral of the story is not to take advantage of motivated sellers. It will come back to haunt you.

Avoid Fraud

Real estate investing is a business that is becoming well known for its fraudulent dealings. The image of a real estate investor is slowly going from a glamorous title to that of a crook. It becomes very tempting at times to commit fraud to close a deal. As a beginning investor, you may not even realize that you are committing fraud. Someone else walks you right through the process. They have done it so often that they tell you, "Oh, this is OK, we do it all the time. Don't worry about a thing," and you just do it. Sometimes it doesn't even seem like a big deal, but it is. Telling a lender that you are buying a home for personal use as opposed to an investment so that you can get a lower interest rate or qualify for a higher loan to value is fraud. Giving a buyer a couple thousand dollars so that they have enough funds for a down payment, and not disclosing that to the lender is fraud. Marking up a purchase contract so the seller can give money back to you at settlement for repairs, and not disclosing it to the lender is fraud. These are scenarios that you will encounter regularly.

One time, I sat across the table from a loan officer who asked me to sign a gift letter for a buyer. I didn't give the buyer any funds to purchase, so I wasn't going to sign the letter. The loan officer's exact words to me were, "If you sign this letter, we'll settle next week and you'll walk away with \$15,000. If you don't, this deal goes bust." I chose to let the deal go bust. If I can't do it the right way, I would rather not do it at all.

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Sometimes it's very hard to do the right thing, especially when no one is looking, but that's what having integrity and ethics is all about—doing the right thing even when no one is looking.

Is No-Money-Down Investing Ethical?

Can you invest with no money down and keep your ethics intact? The answer to this question is a 100%, absolute, unequivocal “YES!” Many people find this difficult to believe because they feel that they are taking advantage of someone when they buy homes really cheap. In fact, I struggled with this issue myself when I first started, especially when it came to offering less than what a seller was asking. If they were asking \$80,000, then offering \$60,000 made me uneasy. But, after a few of those offers were accepted, I realized that I wasn't the bad guy after all.

Another example involves a woman who sold me two homes that had appraised for \$100,000 (combined) for \$29,000. She was crying when she sold them to me because she was so happy that I had taken them off of her hands. I realized then what a motivated seller was and that to them, I was truly providing a service. As a result of my experience, I have just one comment to make with regard to the sentiment that we are somehow stealing houses. **IF THE SELLER COULD GET MORE MONEY OR A BETTER DEAL FROM SOMEONE ELSE, THEN THEY WOULD TAKE IT!** Get over it! The reason the seller is willing to sell you their home really cheap is because no one else is willing to buy it or give them more for it.

Most of the properties that I buy really cheap are from banks or government agencies. Do you think they don't know what they're doing? Wouldn't they get more for

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their homes if they could? Would you feel bad if a bank sold you a home for 50% of FMV? If so, relax. It's all part of the business of finance and real estate. You are going to get paid for knowing how to buy and fix or buy and wholesale these fixer uppers. You will be helping not only the sellers by buying their homes that no one else wants, but you will help other investors by providing them with a profitable opportunity, the local community by doing something productive with an otherwise vacant home, and eventually a family by providing them with a nice place to live. All things considered, not only is no-money-down investing possible and ethical, but when properly practiced, it benefits the community-at-large in numerous ways.

I want to touch on this subject a little more, simply because I know it is a sticking point for many. Because of the large dollar amounts involved with real estate, many feel as though investors are taking advantage of homeowners when they buy homes at a discount. However, these same people have no problem with a car dealership giving someone 50% of the value of their car when he trades it in. The car owner could certainly sell his car for more money, but he is motivated by the convenience of trading it in now so that he can get a new car. Like wise, no one has a problem with Wal-Mart buying items at deep discounts and then selling them to the general public for more money. There is a need for the quick-sale expert in every business. Sellers do not have to sell to investors; they choose to. If sellers want to take the time to educate themselves the way an investor has, they can capitalize on the same opportunities. It's just not important to them, especially at a time of need in their lives.

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Time Out!

If you really want to get the most out of this material, you need to internalize it. To help you do this, you should pause after reading each chapter, consider what you've learned and even more importantly what actions you will take as a result.

What did you learn from this chapter?

What steps do you feel you need to take after reading this chapter?

Specifically when and how are you going to take these steps?

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Chapter 3:

Advantages and Disadvantages of Wholesaling

Advantages and Disadvantages of Wholesaling

As a wholesaler, you do not have to report to someone else, however wholesaling is hard work. It is something that you will have to do regularly to make a living. Is it more satisfying than a J-O-B? Sure, you are your own boss, and you can make a good bit more money than with a J-O-B. Do you have to work 40 hours per week? No, but most likely you will. However, you will set your own schedule, perform the majority of work at home, and see your free time increase as you learn to integrate personal and work-related business. In short, you'll be working because you enjoy it. Throughout the years I've done a lot of rehabbing as well, but I must admit that wholesaling will always be my favorite. Nothing gives me a charge like doing a wholesale deal.

One of the greatest things about wholesaling is that you don't need to bother with employees or any of the associated hassles, but you can make the income of someone with a thriving business. I've operated a number of businesses in which I had to manage employees, and I can assure you that **not** dealing with them is much easier.

Another advantage to wholesaling is that you have the opportunity to accumulate cash quickly. I have worked ten minutes on a deal to make \$1,000 and fifteen hours on a deal to make \$7,000. It used to take me fifty hours per week at a job for two and a half months, or about 500 hours, to make the same \$7,000. My best wholesale deals to date took about two hours of my time and netted me in excess of \$60,000 each. Today, I typically average in the neighborhood of \$15,000 profit per wholesale deal. Paydays of \$30,000 for a few minutes work are not uncommon.

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Chapter 3: Advantages and Disadvantages of Wholesaling

Wholesaling has other advantages too. You learn volumes about the business; you learn about opportunities in your local market; and you earn a very good income in the process. Wholesaling can be used as your steppingstone to becoming a rehabber and, ultimately, to helping you put together a rental portfolio that will enable you to generate a lifetime of passive income. As a wholesaler, you take little or no risk; you can start with no money; and you can do it on a part-time basis. You also control how much money you make per deal and the number of deals you do. If one per month makes you happy, then great, but if you want to do ten or more per month, then you will have to increase your efforts.

Another advantage is that, unlike a real estate agent or an insurance agent, you don't need to be a fantastic salesperson to make good money—a good deal is a good deal. If your homes are priced right, then you can sell them to other investors whether or not you're a good salesperson. Of course, the better you become at selling and negotiating, the more money you'll be able to pull out of each deal, but this is true in any field.

As with anything, wholesaling does have its disadvantages. First, as a wholesaler, you have no passive income. You only get paid if you wholesale properties. If you want to take a vacation for a few months, you will not have any income for those few months. Second, you are not always able to wholesale a property and may end up rehabbing it to rent or resell. Third, the market is constantly changing, particularly in a hot area, and you need to keep abreast of those changes by tracking sales prices and talking to other investors. Finally, it takes some time to learn a sufficient portion of your

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Chapter 3: Advantages and Disadvantages of Wholesaling

market in order to support yourself as a full-time wholesaler. Don't expect to be able to go full-time overnight.

Now, I will admit that I started full-time overnight; however, I took the time to educate myself while I was still employed. Even so, by not finding another job, I placed an extraordinary amount of pressure on myself to perform. If I didn't succeed, I wouldn't have been able to eat or pay my mortgage, plain and simple. Worse yet, I would have had to get another job to pay my bills, and the thought of that disgusted me. To be honest, I think this drove me more than anything else. At any rate, I recommend that you do some serious soul-searching before going full-time overnight like I did. Only you can know when the time is right for you to make your move, bearing in mind that the "perfect" opportunity will probably never present itself and, in fact, you may need to create it.

As you can see, the advantages to wholesaling outnumber the disadvantages by a fair margin. Personally I think wholesaling is the best way for people to get their start in the business of real estate investing. In fact, it's how I got started.

Evolution from Wholesaler to Investor

I don't really consider a wholesaler to be a real estate investor in the true sense of the word. Webster's primary definition of an investor is "one who uses money, by purchase or expenditure, in opportunities with the potential for profit." This coincides with my personal opinion that an investor is someone who creates, purchases, or otherwise procures assets that generate a passive income. Since a wholesaler only earns an income if they work, in the strict sense of these definitions, a wholesaler is not

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Chapter 3: Advantages and Disadvantages of Wholesaling

an investor. Personally, I see myself as more of a real estate “dealer.” After all, a car dealership does the same thing with cars that I do with real estate, yet they don’t call themselves “car investors.” On the other hand, some say that wholesalers are investors since they invest their time into the business. In any case, the goal of all wholesalers should be to use the knowledge they acquire along with the healthy income they generate to become investors who use their assets to generate a passive income.

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Chapter 4:

How to Get Started

How I Got Started

Proverbs 14:23 All hard work brings a profit, but mere talk leads only to poverty (NIV)

Getting started requires an investment in yourself. No one – and I do mean no one – can just jump into the marketplace and start making money on a consistent basis by wholesaling properties without first gaining some knowledge. It amazes me how little work many beginners are willing to do. You need to develop knowledge of your neighborhoods, the investment climate, your local investors, mechanics of a deal, etc.

Educating yourself is the only way to gain this knowledge, and education takes time. You must spend time learning real estate terms, how to use forms, how to estimate repairs, how to construct offers, etc. Many people say that they don't have the time to learn. I can assure you that most investors, me included, didn't have a lot of free time when they first started learning about real estate, but we all made the time to learn. If this is what you want to do for a living, if this is where you want to invest your money, you must **MAKE** the time.

My personal experience involved staying up late every night reading and listening to real estate tapes while I was driving, including tapes that I created by reading books out loud and recording them myself. Every one of my "free" moments was spent studying real estate and investing. I say "free" because I made the time by sleeping less, forgetting about TV, and having lunch--not alone--but while trading thoughts with other investors or picking a realtor's brain. Often, I sacrificed my lunch hour altogether and met with attorneys, mortgage brokers, and other real estate professionals. Even now, I set aside time to learn about new techniques and grow in my knowledge of the

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subject. When all is said and done, the same rule applies to all of us. Nothing works until we do.

I have grown into the investor that I am because I took the time to learn about investing. I quickly advanced beyond the most active investors in my market because I spent more time educating myself in a very short period of time than they had spent in years. If you are serious about this business, you must make the time to become successful. I didn't just wake up one morning and "presto" I was a successful real estate investor. I paid my dues. I learned everything I could, and then I applied it. The person who knows the most will do the most.

When to Go Full-time

Going full time as a wholesaler is a major decision that you will have to make. While it is true that you can earn the same amount of money within two weeks that it takes months to make through your job, it may take you months to do your first deal, particularly if you are investing on a part-time basis. After your first deal, it may take you many more months to be able to wholesale properties on a consistent basis. The good news is that once you have the first deal behind you, the deals will become much easier. The more deals you do, the bigger your buyers' list will be, the more neighborhoods you will know, the more private lenders you will encounter, and the better salesperson and negotiator you will become.

In addition, more of your offers will be accepted as your knowledge of your local market continues to grow. The reason for this is that as you become more familiar with local neighborhoods, you become more efficient at identifying deals. Soon you will

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recognize which ones are worth pursuing and which ones are not. In short, becoming a wholesaler is a learning process that depends upon the amount of time you dedicate to learning the business and the amount of relationships and credibility that you are able to establish with buyers, private lenders who are willing to finance your buyers, and real estate agents who specialize in foreclosure properties.

Personally, I made the switch to full-time wholesaling without ever having done a deal. This worked for me, but it was, at times, extremely stressful and challenging. I placed myself in a “do or die” situation and took my hits. But I kept moving forward and never questioned my decision to leave my old job. In fact, I shut that door so tight that I had no choice but to move forward. I *had* to do deals just to survive.

As I said, this strategy worked for me. Your personal circumstances will dictate whether or not you are ready to go full-time. Overall, if you are working a job that is paying the bills, and you are able to complete one deal each month, then most likely you will be able to double or triple your production if you become a full-time wholesaler. Whether or not you choose to fire your employer is up to you. Keep in mind, however, that if you don't perform, you won't eat!

Birddogging vs. Wholesaling

Being a birddog simply means that you work to find properties for an experienced investor. You find the property, line up the seller with the investor, and get paid if they do the deal. It just doesn't get much simpler than that. In fact, in many cases, you don't even have to negotiate the price with the seller.

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The downside is that as a birddog you don't get paid as much as if you wholesaled the property yourself. For this reason, birddogging gets a bad rap from many investors. However, I praise it. As a birddog, you need absolutely no money or credit to get started in real estate, and you risk nothing. The only investment you make is that of your time, which is an investment that you'll need to make anyway as a beginning wholesaler in learning the same things that you'll learn as a birddog.

Birddogging is how I got started. It is where I acquired the rest of the tools that I couldn't learn in a course or book. By being a birddog, I had a risk-free opportunity to learn my market. I learned how to decipher good homes from bad homes, how much to pay for homes, how to estimate repairs, how to negotiate, what areas to buy in, what attorneys to use, where to get the money, etc...

Much of the education you will receive as a will be tailored to the specific area of the country where you invest. This is one of the main advantages of birddogging, as no book or course can cover the ins and outs of every neighborhood across the country. What I do in Baltimore, Maryland, will be different than what is done in Macon, Georgia, or Columbus, Ohio, or Seattle, Washington. You can't use my title company in Texas. My hard-money lenders won't lend in Delaware or any other state outside of Maryland. Repairs in Baltimore tend to cost more than in many other parts of the country. Home values can vary greatly by neighborhood so formulas for determining what to pay for a home can change even within your own investing area. Granted, these are all things that you will learn as you begin investing yourself, but wouldn't it be nice to learn from someone already doing it in your area, someone who can save you time by teaching it to you so that you don't have to learn the hard way?

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As a birddog, I made \$1,000.00 per deal. I did seven of these deals in two months. The money was okay; certainly enough to make a living. But the education was tremendous. During those two months, I acquired a little bit of money and a lot of knowledge, enough to become a wholesaler. I'd like to comment on one of the hang-ups that many birddogs have. They get so hung up on whether or not they are going to get paid and worry about whether or not the investor is going to burn them. Let me say this, the money is just a bonus, the education is your real compensation. I know that \$1000 may be a lot of money to those of you who are reading this right now, it was for me, but in the great scheme of things, in this business, it is nothing. The likelihood of an investor burning you for \$1000 when you have proven that you can bring them good deals is slim and close to none. No smart investor will burn a source for deals for \$1000; that's simply begging to fail in this business. I'm happy to pay \$10,000 for good leads these days, and wouldn't imagine burning someone to save a few thousand dollars.

Being a wholesaler may or may not require some risk on your part. This is determined by where you are acquiring properties (we will discuss this later in the course). The primary advantage to being a wholesaler over a birddog is that you have an opportunity to make much more money per deal. My profits as a wholesaler have ranged from \$0 to more than \$60,000 per deal. The longer I do this, the higher my average profit per deal climbs. Currently, I average about \$15,000 profit per deal and rarely make less than \$10,000

You may find out that being a wholesaler is not the place to start simply because it requires some risk and some money on your part. However, being a birddog for a

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while will help you overcome these obstacles. The good news is that it can be done. I know...I did it.

Finding the Right Investor for Whom You Should Birddog

When seeking someone for whom you want to act as a birddog, you should find a seasoned investor who buys homes in volume. If you deal with a rehabber who only does one or two rehabs per year, then you won't get much exposure to the market. In my area alone, there are probably 100 investors who do twenty or more deals per year. These are the types of people from whom you want to learn. They buy two deals per month on average, and if they had someone such as you finding them good deals, they might be able to do a third or fourth deal a month. You can certainly make it easier for them to do their two deals.

In addition to looking for an investor who does a lot of rehabbing, if you are going to learn something, you want to make sure that your prospective mentor has some experience and a proven track record. You don't want to spend your time with someone who has a goal of two houses a month but is struggling to do one deal every two or three months. I warn you about this because some investors tend to exaggerate when discussing their activities. In fact, many investors exaggerate. After speaking with them for a while, you'll find that their numbers are inflated and that they've done two rehabs, not three, and made \$10,000, not \$30,000. You can certainly learn from the investor who is doing only a couple of deals per year, so don't discount the education, but be mindful of whom you are really dealing with.

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To Inc. or Not To Inc.

Many beginners get all wrapped up in determining whether or not wholesaling (or flipping, assigning, etc.) is legal. Let me assure you, it is legal—in all fifty states, as a matter of fact.

The next decision is whether or not to incorporate. The answer is that at some point, you probably should. This is a business, after all, and in addition to shielding yourself and your family from personal liability, you'll want to take advantage of the tax benefits of owning your own company. Whether or not forming a business and incorporating is a costly process in your state, I would suggest that the first thing you do is try to locate deals. Once you have established that you can locate deals and make money as a wholesaler, then you can go through the time and expense of starting a company. On average you will spend somewhere around \$300-\$500 to set up an entity, and that does not include the time to do so.

Since we all have different circumstances and plans for the future, everyone will have different needs and concerns. Therefore, before forming a company, you should express your needs and concerns to a competent attorney and accountant, preferably those who are used by other successful investors and ideally those who also invest in real estate for their own account. However, even the best accountants and attorneys hold different opinions on the same issues and you will notice that the more people you go to, the more widespread their opinions will be. It can be very confusing, but remember your goal is not to find the perfect tax strategy. In fact, as time passes, the accounting rules, tax laws, and your financial strategy will all change. The key is to find

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a competent attorney and a competent accountant with whom you feel comfortable. Be sure they have good references and a track record of success and then place your trust in them. Do not be intimidated by this process, it is really rather easy. Millions of others have done it, so can you. I don't want to lessen the need for "asset protection" but I want to point out that much of what you hear is based on fear. You will be told the absolute worst-case scenarios about what can happen to you- and who is telling you this? Those people who want to sell you an asset protection course. Don't buy into all that you hear, sometimes it complicates things so much that you never actually get around to running your business.

In addition to providing legal tax avoidance and protection from personal liability, establishing a company will give you credibility in time, provided that you follow through on all of your commitments. People will recognize your name and feel more comfortable dealing with you than with someone who is obviously just starting out.

I will not give any legal advice in this course, though I will tell you that I have chosen to operate my business as an LLC, and I frequently buy homes in my personal name.

Real Life Experience

As I mentioned before, I started out as a birddog. My first few deals were deals that I found specifically for one investor. Our agreement was that he would pay me \$1,000 for each home I found that he bought. I would go out and look at dozens of homes per day. I stayed on top of the market and whenever I found a home that I could buy cheaply, I took it to this investor. In most cases, he made an offer and signed the

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contract. He cut me a check as soon as the offer was accepted. We did seven of these deals in two months. Over the course of those two months, I put a little money in the bank, found a hard-money lender, and became comfortable submitting my own offers. The following month, I wholesaled my first deal and netted \$7,000. In eight weeks I made \$14,000. Within my first three months, I had made \$23,000. Not too bad for a beginner. What I did wasn't the result of some special talent or gift. With some time and effort, you can do it too.

Today I find myself on the other side of the table. I'm rewarding others for their hard work. Just today as I write this, I paid a birddog \$10,000 for bringing me a deal. The house settled a few hours ago, and I never took title. My birddog walked out with \$10,000, and I walked out with \$30,000. The investor to whom I wholesaled the home will make about \$40,000.

I would like to make one final note on birddogging. I highly suggest that every beginner start out as a birddog. It isn't always possible to find someone to work for, but if you can, don't ever worry about how much the investor is making off of the deals that you bring to them. You will not be able to put a dollar value on the education that you can receive as a birddog. In fact, you will learn and still make money as you learn. How many places have you heard of that will pay you to go to school? Working as a birddog for a seasoned investor can shave years off your learning curve.

Become an Acquisition Expert

If you are reading this, I'm going to assume that you are interested in wholesaling. If you truly desire to become a successful wholesaler, it is imperative that you become

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an acquisition expert. The wholesalers that make the most money are the ones who buy the best deals. The ones who buy the best deals are the ones who have put the time into setting up their networks to do so.

I frequently mentor beginning rehabbers on a one-on-one basis. It's much easier for me to teach someone my rehabbing methods than it is for me to teach someone successful wholesaling. I teach all of the methods in this course, but it is up to individuals to build their own pipelines. If I were to mentor someone in the field of wholesaling, I'd have to give up my pipeline that I have spent years building. I can teach people how to build their own pipelines, but most just want mine handed over. I'm not willing to give up my pipeline.

Acquisition experts spend a lot of time establishing relationships and building their pipelines. No matter what the market is doing, if you have a pipeline in place, it is going to give you a steady flow of deals. You can do deals virtually overnight, but you won't put your pipeline into place overnight. It takes time.

Today, after eight years in the business, my pipeline throws deals worth \$20,000-\$30,000 at me with very little effort. If I did nothing, I could make \$150,000 to \$200,000 per year on wholesale deals that simply fall into my lap. In the beginning I didn't have a pipeline. I didn't have money, credit, or experience. All I had was time and desire. I applied myself during the time that I had available, and I became an acquisition expert. No one can ever take that away from me. I will always be able to make money from the time that I invested years ago.

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Testimonials

“\$101,363.50...my biggest deal to date.”



I just want to let you know about Steve's wholesaling course and how it has improved my life. I first got to know Steve in 2003 and have followed him ever since. I got his materials, read them and...just started doing everything he talked about. I just applied them, and tweaked them only slightly to fit the area that I'm in...

Last November I flipped two lots to a local builder and received a check for \$101,363.50. That was my biggest deal to date, but this year also looks great. I've already closed a deal for around \$50,000 now (in the second week of 2007). So I'm rolling right along...

If you're on the fence and you're considering Steve's wholesaling course, I can promise you that it will truly help you build and grow your wholesaling business.

*Steve Cavanaugh
Lapleda, MD*

“I've finally been able to quite my job as a bartender ...”



I've been dabbling in real estate for about 4 years now and until about 3 months ago I was basically just spinning my wheels. I closed on my first wholesale deal on October 26, 2006 using Steve's wholesaling course as my guide, and also going to the website often to ask for advice and support.

Since then I've closed on 3 more wholesale deals that have netted me \$15,500. I've finally been able to quite my job as a bartender and as of January 1st 2007 I am now a full-time wholesaler here in Tampa.

I never would have been able to do these deals if it weren't for the help of Steve's wholesaling course and this website. Thanks, Steve! I'll see you at the top!

*Stephani
a.k.a. TampaSteph
Tampa, FL*

“...step by step, exactly what I needed to do, and how to do it.”



I finally got started...after months of fruitless endeavors, fueled by courses that didn't give enough of the detailed nuts/bolts I needed to know. (Steve's) material laid out step by step, exactly what I needed to do, and how to do it...

Thanks Steve, for sharing your day to day experiences, it has helped me and many, many others. Your material is for anyone looking for THE best resources that will enable them to really get going and actually DO some deals.

*Zoe Kivio
Albuquerque, NM*