

Chapter 5

The Secret to Buying a Distressed Property

The DNA of a Deal Finder

Prospective homebuyers unintentionally pass up countless incredible deals. It takes a trained, educated and searching eye to recognize an unusually good opportunity. Indeed, the best deals often don't even make it to the advertisement page. These deals go to the swift, inquisitive and qualified -- almost never to the underprepared, unimaginative and unsure.

Because distressed sellers need to sell as fast as possible to avoid foreclosure and other unaffordable costs, a deal maker's ready supply of cash is the king of distressed properties. However, uniquely prepared and competitive individuals can still compete at the negotiating table, even before they have used their acumen to accumulate surpluses of cash. These people have completed the necessary research on their personal home buying market well in advance, know how much money to offer, and may even have a bank ready to pull the trigger on a shaky mortgage.

Formal education and years of schooling usually do not play a factor in finding a deal. Recent studies have chipped away at the (incorrectly) widely held belief that the most influential Americans are graduates of the most influential institutions. An astonishing number of this power and money elite never even graduated from college -- and what they lack in book knowledge they more than make up for in courage, frugality, ingenuity, intuition and street smarts concerning the real estate market. Real life is their university. This deal finder comes in all sorts of packages, many still donning their decade-old jeans and worn-out sneakers. Deal-finders will often brag about their discovered treasures -- but only after the deal is done and never during the hunt.

Many lessons learned by the deal finder can be applied to the one- or two-time home purchasers in search of that ever-elusive deal. Their common traits include in-depth knowledge of the real estate market, the courage to keep asking questions of good advisors, and the hunger to continue searching for the uncommon deal. Although luck can play a major role in any deal, most have found that the harder they try, the luckier they get.

Distressed Homes: The Most Common Uncommon Deals

Besides uneducated or uninterested sellers, homeowners who are forced to sell quickly are among the best sources for deals. Although foreclosures can create a wonderful opportunity for a below market purchase price, an auction can force you to compete with many others, including professional investors and flippers. Bidding at auctions requires its own set of skills, not completely unrelated to playing poker. However, many of the best deals are to be found once the seller enters panic mode but before the gavel lands with the word "sold."

Finding the Uncommon Deals Using the Most Common Means

Deals are a lot like worms: you need to get your hands dirty to find the prize ones. You usually cannot see them until you do some digging, but once you start, they'll begin to appear. You want to spread the word that you're looking for a home and would prefer a steal. Because a deal can come from just about anywhere, make sure as many people as possible learn about your quest, especially friends and family. The internet has yet to conquer deal finding; good old gossip and information trading still provide the most common routes to uncommon deals. In fact,