

## Our First Deal

After taking the QTRE course in Orlando, Florida we were ready to make some deals. We had to start from scratch, I am a dentist and my wife is a physical therapist. The only homes we ever purchased were through a realtor at retail cost using their paperwork. We did not have a title company, lawyer, realtor, mortgage broker, private money lender or anything lined up. We were ripe. We listened to Ron's CD's and the Wolff's CD/DVD's and sent out our yellow letters to pre-foreclosures.

Our first deal was a short sale deal brought to us by one of my employees that had a friend that was in debt over her head. The house was an odd home, built up on stilts sitting 5 feet above the ground. It seemed like a double wide on legs. We met with the wife and discussed the situation. They had a first mortgage of \$233,000. The original debt was \$189,000 and then they borrowed \$44,000 more and wrapped it into a new note. The house on a super great day in ideal condition was worth the \$150,000. Then they had a second mortgage of \$22,500. They were moving out of the house soon since they wanted to qualify for a rental before they had a notice of default served. They had each filed for bankruptcy in the past few years. The husband sold his last house after divorce on a short sale. They were more experienced than we were! We signed a contract to buy, subject to the lien holders negotiating a deal that was suitable to us. We got all the papers that Ron taught us to gather and started off on our first short sale. We called the bank and acted like we had done this before. We knew to ask for the fax number to send the release authorization. After a few days we called back asking for the short sale package from both lien holders. We got most of the things they asked for and then we did a little work on our own. We took photos of the subject house, two sets one showing it looking great and the other from the worst angles. We took pictures of houses in the neighborhood and then went home and did our own comps.

We needed to work with a title company so we called one that we were referred to and they promptly closed their doors the next week broke. The second title company was better they created a preliminary HUD1 form for our deal as a sample for us, no charge! We learned a lot from that agent but they too closed their doors and went broke and the lawyer owner is now sitting in jail on charges of misplacing 3 million dollars. The third title company seemed very good, another referral and they were willing to work with us and teach us.

We did a great work up for the bank with comps, a great narrative and then created a dismal HUD1 offering only \$117,000.00 to the first lien holder and \$100 to the second. They ordered a BPO and we asked for the BPO to call us to get into the house. When we got that call we asked for an e-mail address (to "help" them do their job). We sent them the same package of info that we sent the bank and included our offer price. They were influenced and didn't know it. The first bank countered with \$134,000. I called them and told them at that price they should be ready to call a realtor and sell it. I suggested that they call the BPO ask if their firm would show the house. They did another BPO and apparently did not like the estimate and then paid for a third! The value of homes in the area was going down daily. We were getting nervous.... After all we had \$10 riding on

the contract and it had been weeks. We learned that short sales are slow moving. They came back to us with an offer at \$125,000 and said they would not consider lower. They did offer a lot more. They offered to pay closing costs including taxes, title insurance, doc stamps and up to \$1000 for the pay off of the second lien holder! We agreed and went to work on the second lien holder. They agreed to the \$1000 but only with a 30 day window. It was now just before Thanksgiving with a closing that would have to take place between Christmas and New Years. They also wanted to see a release letter from the first lien holder. The first lien holder would not send us a release or any letter until we got one from the second lien holder! We stalled for a better date and to wait until one bank was willing to budge. In the mean while our sellers got served with papers from the first bank with a foreclosure date of December 18<sup>th</sup>, 2007. I was negotiating with the bank and they served the sellers anyway, I was ticked, so I faxed them a new letter rescinding our offer in lieu of the court action and lowering the offer back to \$117,000 with a closing date of January 31<sup>st</sup>!!!

We waited until 5pm on the 17<sup>th</sup> (night before court appearance) to get the fax showing release of lien from the second bank, sent it over to our sellers and they went to court with the contract and release paper and got a 60 day extension from the judge. The deal was still on. Now we had to find a buyer. Our strategy was to market the house as a starter home, below retail. Buy low sell low and get out. Our exit strategies were to do a 7 day sale and if that failed do a lease to purchase deal. We advertised for free on Craigslist and the calls came in. In addition, word got out in the neighborhood. We had lots of lookers before we got the house. A few people wanted to buy it but were not qualified yet so they were added to our buyers list. We told people that called if you can close on January 18<sup>th</sup> we can deal better after that you will have to bid at auction a week later and will pay more. We worked on connecting with people for private money sources and we were getting ready to show up with 125k at closing and then have an auction a week later. We ordered postcards, got generic signs that we could use before any 7 day sale and got ready to sell it at auction but kept contact with all the callers.

Two days before the closing, we had a new caller take a look at the house. I felt like a Ron clone, when I told him how to use the lock box by just hitting the ZERO button using the same scripting that Ron does on the CD's. He called me to let me know he locked it up and said he liked it and was going to buy it for his daughter. I asked him if he could close on Friday, 2 days later and pay cash. He said maybe but had some concerns about the title and all liens being released. I connected him with our title agent. They talked on the 17<sup>th</sup>, and then he called me to tell me that he checked with his bank, and they would cash in a CD and have a check in a few days! I told him that would not work, that our verbal agreement over the phone was for \$139,000 if he could close on the 18<sup>th</sup>. I asked him if he would be ok calling his bank and tell them that it would cost him a deal to wait 3 days. I went back to my day job... root canal..... and called him back at 1pm... he said he called the bank and told them to have the check waiting! He said it would be ready at 8:30am. Closing was at 9:15am. I suggested that we meet and sign a contract. He said he would just see me the next day and I didn't need a contract, just his money at closing! I agreed and told him we would sign one for my records at closing. The last hurdle was the bank insisting that the deal was NOT assignable and no third



# A. Settlement Statement

U.S. Department of Housing  
and Urban Development

OMB Approval No. 2502-0265  
(expires 11/30/2009)



<b>B. Type of Loan</b>			
1. <input type="checkbox"/> FHA	2. <input type="checkbox"/> RHS	3. <input checked="" type="checkbox"/> Conv. Unins.	6. File Number PREHUD
4. <input type="checkbox"/> VA	5. <input type="checkbox"/> Conv. Ins.	7. Loan Number	8. Mortgage Insurance Case Number
<b>C. Note:</b> This form is furnished to give you a statement of actual settlement costs. Amounts paid to and by the settlement agent are shown. Items marked "(p.o.c.)" were paid outside the closing; they are shown here for information purposes and are not included in the totals.			
D. Name and Address of Borrower Chuck Freehauf 13130 SE Flamingo Drive Hobe Sound, FL 33455		E. Name and Address of Seller JSB Opportunities, LLC 13130 SE Flamingo Drive Hobe Sound, FL 33455	
G. Property Location 13130 SE Flamingo Drive Hobe Sound, FL 33455		H. Settlement Agent Community Land Title Corporation	
		Place of Settlement 2400 S.E. Midport Road, Suite 214 Port St. Lucie, FL 34952	I. Settlement Date 01/22/08 DD: 01/22/08
<b>J. SUMMARY OF BORROWER'S TRANSACTION:</b>		<b>K. SUMMARY OF SELLER'S TRANSACTION:</b>	
100. <b>GROSS AMOUNT DUE FROM BORROWER</b>		400. <b>GROSS AMOUNT DUE TO SELLER</b>	
101. Contract sales price	139,000.00	401. Contract sales price	139,000.00
102. Personal property		402. Personal property	
103. Settlement charges to borrower (line 1400)	1,558.00	403.	
104.		404.	
105.		405.	
<b>Adjustments for items paid by seller in advance</b>		<b>Adjustments for items paid by seller in advance</b>	
106. City/town taxes	to	406. City/town taxes	to
107. County taxes	to	407. County taxes	to
108. Assessments	to	408. Assessments	to
109.		409.	
110.		410.	
111.		411.	
112.		412.	
120. <b>GROSS AMOUNT DUE FROM BORROWER</b>	140,558.00	420. <b>GROSS AMOUNT DUE TO SELLER</b>	139,000.00
<b>200. AMOUNTS PAID BY OR IN BEHALF OF BORROWER</b>		<b>500. REDUCTIONS IN AMOUNT TO SELLER</b>	
201. Deposit or earnest money	5,000.00	501. Excess Deposit (see instructions)	5,000.00
202. Principal amount of new loan(s)		502. Settlement charges to seller (line 1400)	0.00
203. Existing loan(s) taken subject to		503. Existing loan(s) taken subject to	
204.		504. Payoff of first mortgage loan	
205.		505. Payoff of second mortgage loan	
206.		506.	
207.	119,846.81	507.	119,846.81
208.		508.	
209.		509.	
<b>Adjustments for items unpaid by seller</b>		<b>Adjustments for items unpaid by seller</b>	
210. City/town taxes	to	510. City/town taxes	to
211. County taxes	to	511. County taxes	to
212. Assessments	to	512. Assessments	to
213.		513.	
214.		514.	
215.		515.	
216.		516.	
217.		517.	
218.		518.	
219.		519.	
220. <b>TOTAL PAID BY / FOR BORROWER</b>	124,846.81	520. <b>TOTAL REDUCTION AMOUNT DUE SELLER</b>	124,846.81
<b>300. CASH AT SETTLEMENT FROM OR TO BORROWER</b>		<b>600. CASH AT SETTLEMENT TO OR FROM SELLER</b>	
301. Gross amount due from borrower (line 120)	140,558.00	601. Gross amount due to seller (line 420)	139,000.00
302. Less amounts paid by/for borrower (line 220)	124,846.81	602. Less reduction amount due to seller (line 520)	124,846.81
<b>303. CASH FROM BORROWER</b>	15,711.19	<b>603. CASH TO SELLER</b>	14,153.19

SUBSTITUTE FORM 1099 SELLER STATEMENT: The information contained herein is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction will be imposed on you if this item is required to be reported and the IRS determines that it has not been reported. The Contract Sales Price described on Line 401 above constitutes the Gross Proceeds of this transaction.  
SELLER INSTRUCTIONS: To determine if you have to report the sale or exchange of your primary residence on your tax return, see the Schedule D (Form 1040) instructions. If the real estate was not your primary residence, complete the applicable parts of Form 4797, Form 6252, and /or Schedule D (Form 1040).  
You are required by law to provide the settlement agent with your correct taxpayer identification number. If you do not provide your correct taxpayer identification number, you may be subject to civil or criminal penalties imposed by law. Under penalties of perjury, I certify that the number shown on this statement is my correct taxpayer identification number.  
All Parties hereby authorize Community Land Title Corporation to retain and commingle any amount under \$50.00. Any amounts over \$50.00 will be reimbursed to the appropriate Parties.

TIN#

JSB Opportunities, LLC

L. SETTLEMENT CHARGES:		File Number: PREHUD			PAID FROM BORROWER'S FUNDS AT SETTLEMENT	PAID FROM SELLER'S FUNDS AT SETTLEMENT	
700.	<b>TOTAL SALES/BROKER'S COMMISSION based on price \$</b>	@	=				
Division of commission (line 700) as follows:							
701.	\$	to					
702.	\$	to					
703.	Commission paid at Settlement						
704.							
800.	<b>ITEMS PAYABLE IN CONNECTION WITH LOAN</b>	<b>P.O.C.</b>					
801.	Loan Origination Fee	%					
802.	Loan Discount	%					
803.	Appraisal Fee	to					
804.	Credit Report	to					
805.	Application Fee	to					
806.	Processing Fee	to					
807.	Underwriting Fee	to					
808.							
809.							
810.							
811.							
812.							
813.							
814.							
815.							
900.	<b>ITEMS REQUIRED BY LENDER TO BE PAID IN ADVANCE</b>						
901.	Interest from	to	@ \$	/day			
902.	Mortgage Insurance Premium	to					
903.	Hazard Insurance Premium	yrs. to					
904.							
905.							
1000.	<b>RESERVES DEPOSITED WITH LENDER FOR</b>						
1001.	Hazard Insurance	mo. @ \$		/ mo.			
1002.	Mortgage Insurance	mo. @ \$		/ mo.			
1003.	City property taxes	mo. @ \$		/ mo.			
1004.	County property taxes	mo. @ \$		/ mo.			
1005.	Annual Assessments	mo. @ \$		/ mo.			
1006.		mo. @ \$		/ mo.			
1007.		mo. @ \$		/ mo.			
1008.	Aggregate Reserve for Hazard/Flood Ins, City/County Prop Taxes, Mortgage Ins & Annual Assessments						
1100.	<b>TITLE CHARGES</b>						
1101.	Settlement or closing fee	to	Community Land Title Corporation		50.00		
1102.	Abstract or title search	to	Community Land Title Corporation		50.00		
1103.	Title Examination	to					
1104.	Bank Package/Settlement Fee	to					
1105.	Chain of Title for Lender	to					
1106.	Courier Fees	to					
1107.	Attorney's fees	to					
	(includes above item No: )						
1108.	Title insurance	to	Community Land Title Corporation		475.00		
	(includes above item No: )						
1109.	Lender's coverage						
1110.	Owner's coverage 139,000.00 --- 770.00 (reissue \$295.00)						
1111.	ALTA Endorsement(s) 8.1						
1112.	Florida Form 9 Endorsement						
1113.							
1200.	<b>GOVERNMENT RECORDING AND TRANSFER CHARGES</b>						
1201.	Recording fees	Deed \$ 10.00		; Mortgage \$		10.00	
1202.	City/county/stamps	Deed \$		; Mortgage \$			
1203.	State tax/stamps	Deed \$ 973.00		; Mortgage \$		973.00	
1204.	Intangible Tax	Deed \$		; Mortgage \$			
1205.							
1300.	<b>ADDITIONAL SETTLEMENT CHARGES</b>						
1301.	Survey	to					
1302.	Pest Inspection Fee	to					
1303.							
1304.							
1305.							
1306.							
1307.							
1308.							
1400.	<b>TOTAL SETTLEMENT CHARGES</b>	(enter on lines 103 and 502, Sections J and K)				1,558.00	0.00

I have carefully reviewed the HUD-1 Settlement Statement and to the best of my knowledge and belief, it is a true and accurate statement of all receipts and disbursements made on my account or by me in this transaction. I further certify that I have received a copy of the HUD-1 Settlement Statement.

\_\_\_\_\_  
Chuck Freehauf

\_\_\_\_\_  
JSB Opportunities, LLC

The HUD-1 Settlement Statement which I have prepared is a true and accurate account of this transaction. I have caused or will cause the funds to be disbursed in accordance with this statement.

\_\_\_\_\_  
Community Land Title Corporation

\_\_\_\_\_  
Date

WARNING: It is a crime to knowingly make false statements to the United States on this or any other similar form. Penalties upon conviction can include a fine or imprisonment. For details see: Title 18 U.S. Code Section 1001 and Section 1010.