

REI NETWORK RK

Episode: 053

Negotiating Real Estate Liens with Melissa

Hosted by: Gavin Timms

Gavin: Hey, guys, welcome to the REI Network podcast with me, Gavin Timms. Hey, guys, how are you doing? Welcome back to the REI Network podcast. Today I have a special guest. She's actually a business partner of mine. She's been on the show before. And we've got a real interesting subject that a lot of people talk about. We're going to be talking how we negotiate a lien from one hundred six thousand dollars, one hundred and six thousand dollars to six thousand dollars. So we literally got a hundred thousand dollars taken off on a lien to make about twenty five thousand on that deal. All right. And we're going to be talking kind of the things that you can be doing to negotiate these liens, what we kind of did and hopefully give you as much content as possible about. So let me bring over Melissa here. How are you?

Melissa: Good.

Gavin: Very good. I appreciate you coming on and again on the podcast and on YouTube. And I was super busy with what we've got going on in business. So we're trying and keep this show. And to the point. And it was funny, Melissa, because when I kind of asked you about this doing this kind of boring. Right, it's like a boring topic that no one really wants to talk about, but no one knows how to do. And when people understand the things that you can do to renegotiate lines down or get them cleared because you need to have them cleared before you close the property. Right. And it's not always equity live ones probably thinking, well, yes, you have thirty thousand dollars. Equity in the seller's going to clear a ten dollar lien in close and then it all works. But when you have one hundred thousand dollars, there is no equity. To clear that closing, you've got to renegotiate the deal down or there is no deal, right? Exactly. So tell us all on this deal. We will. We want you to make like twenty five. Thirty thousand dollars and all of a sudden we're in closing and we're getting ready to close and boom, we got from nowhere. There's one hundred and six thousand dollar lane on the property. So what type of lien was this and what did we do to go about clearing it?

Melissa: Well, it was an old judgment. And so the guy had a business partner several years ago. They went out of business and it was just it got messy. And so there was not just that one lien that was the huge one. There were several liens that were attached to that property. And to be honest with you, I don't think the guy even knew that they were there because he had had it for buy and hold pages. So they were just sitting there. So when I called him and said, hey, you know, of liens on this property, he was like, what?

And so he explained to me what happened with his business partner. I'm like, all right, how are we going to get this client cleared? Those at that point had judgment and were in some attorney's office somewhere. They've been sitting there forever. And so he was like, I don't I don't know what to do because the property itself was not selling for one hundred thousand dollars. I forgot how much it was. But so the lane was actually more than than what I was picking up the property for. And I thought, well, we're upside down out of the gate, so what are we going to do? So what I did is when I got a copy of the title, I just called the attorneys office and said, look, here's Dale, explain to them what was going on. And they were like, OK, so you're going to pay the hundred thousand dollars? I'm like, no, because there's not that much equity in that property. And so I ended up talking to one of their collection specialists and it took many calls and quite a bit of negotiating. But we got it down. I got it out from one hundred and six to six. And it was just a matter of just really talking to them and explaining to them the property's not worth that much. It needs a complete renovation. I can get it appraised if you want me to, but this is where it's sitting. And I knew the area and it was just really a matter of spending a lot of time and talking to them and explaining to them what was going on and a lot of being nice to people that weren't very nice to me because they're collections people.

Gavin: So yeah, yeah, yeah. And I think the other thing is though as well, like size a tiny six thousand for their business will get nothing right. No one else they were going to when it comes down to lien's, like if they don't sell to you the next person, the contracts, it is just going to run into the same thing. And when you have a deal like this, how do you want six or do you want nothing?

Melissa: Yeah, that's kind of where we ended up. We you know, they dropped it down in increments. So we went from one hundred and six to eighty six. We kept going down and finally out of. So here's here's how much room I've got on this so I can give you six thousand dollars. I know that's an incredibly large sum, but that bill is. But he's never going to sell the property for what it is right now. It's deteriorating. It's not going to get any better at once. He can sell it. So you can still put the lane against him. I don't know what else he owns. I need it all for this property. And he knew that I was going to do that. By the way, I talked to him. He's like, just get it off the property. He wanted rid of it. And so, you know, after many phone calls and and getting our closing attorney involved where he would agree to pay that amount. And we. Exchange and paperwork, they agreed to it and then he still has to known on him personally somewhere, I don't know what they attached to, but I took it off of that property once I explained to them the valuation of the property, I had to show them the tax records, what the tax assessed value was and all of those things. And it just it just took a lot of talking and making them understand where they where it is. I showed them I had the drop box with the pictures in it. Here's a condition of the property. Here's how much rents are collected. And then once I saw the actual value, they knew they were never going to get that out of it.

Gavin: Yeah, yeah. So I think a lot of people listen, though, like everyone wants to be in real estate and just not the easy deals, right? It's like titles clien, ready to go. You sell it, you make 10, 20 K and you move on to the next. And it couldn't have been any easier to buy and walked in once, put his in his money, blah, blah. Right. Well, the reality is the reality is it's far from that. Right. And I think sometimes, especially when you get into lien's,

you've got to be willing to be in it for the long haul. Right. We had a meeting yesterday. We just hired another acquisition as well. And we kind of were talking about contracts and closing ratios and stuff. And when we looked at it, we believe that if we want to do six dollars a month, we need 12 contracts a month. Right. So that's 50 percent, 50 percent. So that's probably going to give you a twenty five percent drop off of pad location. Numbers don't work. It's not a deal because we lock in this without seeing it. And then you got twenty five percent is really reality of lien's on the property. Things taken months. I mean, we're close, we've we're closing one right now. There's been in closing. We're going to make twenty five thousand on this one. We've had this for four months right on the contract?

Melissa: Just over four months and the same thing. She's got IRS lien she's got a judgment laying there. So many things attached to that property. And it's really just a matter of, you know, playing the game, filling out the forms and getting them to sign things. And then, man, different people call in the attorneys office and just negotiating that and saying, OK, what, she owes you thirty thousand dollars. But we're going to close this next week. So if we give you five thousand dollars, the property, I mean, because the properties and we'll do the same thing, the property is not worth that where you take five thousand dollars most of the time they will if you add.

Gavin: Yeah, absolutely. It's just like anything, any other negotiation. And people don't understand that as hell. There's a thirty thousand dollar lane. Oh so that's it. It's done. It's will now go and get it down to two thousand dollars and make the deal work. Whatever number you need to get to, to make that deal work because someone else behind you isn't going to do it or they know the collections, they won't get the money anyway. That's really good. What what are the types of lien's to people come across. Like what do we come across and what are people going to kind of typically see when that whole entire wall, some of the most common ones that we get to, to what we have to kind of clear title on?

Melissa: We've had several lately that have gone into tax sale, which happened in June, and the owners actually didn't even know that they were in tax sale. They say they didn't know it. So you all you've got to do as well for here is just call the county and get the redemption amount. You've got to do a lot of paperwork and get down and fill out some paperwork and find out who picked it up for tax. They'll get the forms to them, get them to sign it. So we we've seen a lot of tax liens, but it was that you get those at that time of year when the tax sale runs, you're going to see more of those. Pop, we get title problems where somebody whose parents died and they didn't transfer the property. And you have to kind of go through that process. But that's probably that's kind of something different. We got a lot of IRS leads lanes. We've got municipal tax lanes, fire dues, old fire dues and a lot of times old water bills. We have a huge problem around here with tenants going and not paying their water bill and they leave with those five thousand dollar water bill. Water is really expensive here. And so it it adds up really fast. I always say that. So I have to negotiate those down quite a bit.

Gavin: Yeah. So and that's a great list. By the way, guys, if you can get the water shutoff list, people that have been on the water shut off off. That's a great list for you to market to if

you can get it in your area. So what liens, Melissa, would you say the hardest to negotiate.

Melissa: IRS liens.Yeah.

Gavin: Are they do they typically are they more firmly they want that money or is there still some negotiation to be done, do you think?

Melissa: No, they will negotiate. The problem with IRS is getting in touch with somebody and they have forty thousand hoops you have to jump through. So you have and you have to get all of these documents from the seller. And typically, if it looks like it's going to get real deep in IRS lien, I honestly get a transaction coordinator to take me out of the middle of it because it's worth the two hundred dollars, because that person is getting the seller Social Security numbers and all of that information that I don't really want my hands on. So if I if I can clear that information without social and stuff, I'll do it all day long if you've got. To get people's Social Security numbers because of fraud and how bad it is right now, I'll usually pay a transaction coordinator or two hundred two hundred fifty dollars if there's a big enough spread and if it's worth it and let them do that. And that takes me out of that liability. So I will tell everybody, be careful. Don't get peoples socials. I don't. There's just too much wrong going on.

Gavin: Yeah, that's really, really good. That's a great point. And we obviously, as we talk about this, we're not attorneys. We're not we can't give any legal advice either, which we haven't. I mean, we're telling you basically to get on the phone and have conversations, find out what works and what everyone's thinking. Well, what paper do we fill out? Well, you just got to ask, what do I need to do? What what do I need to to send to this person? And people, when you have conversations, will give you the paperwork that you need and who you need to send it to. You just need to get on the phone and ask questions and the answers will obviously come back to you. So don't kind of overthink that went when you're doing it. So how many of all properties would you say that we close have liens on? No, I have no idea. And I know. But I'm just curious, what do you think? If you were guessing.

Melissa: I would say at least 50 percent of our properties have some sort of title issue. Now that might range from bad deeds that just had errors on them, deceased parents. liens, tax sale, that could go as far as just liensitself, I would say that was probably the majority of them, but at least probably 50 percent of everything we pick. I mean, we just happened to be in a region of the country that has been kind of lax historically to get things recorded correctly. And covid didn't help that because you had one person going into an office maybe one day for a year to try to get things done. So everything is behind.

Gavin: Yeah. So what I guess what would you say regarding a lot of people when it comes to marketing talks about the probate list? Right. So everyone wants to probate, say all the biggest deal, but then you've got to say, what should you do pre probate or it's in probate? When can we buy it? And we do a little bit of probate. Right. We were just talking earlier this morning regarding know we probably need to focus on a few different lists and build some relationships with people. But in the process, what's the best way to approach a deal that's in probate? We might have to come up with a

scenario, I guess, but like, how would people go about it if it's in probate? Can you contract the property while you're waiting for probate to clear up? I mean, one of the things that people are going to run into, one of the biggest, I guess, objections that we see in probate.

Melissa: So the one thing, unless you're in Alabama, obviously, I don't know your probate laws. And so the first thing I would tell you to do is just do a little bit of research and find out what your probate laws are. As far as Alabama goes, if a person has passed in the last two years, it has to go through probate. If it's beyond two years, you can get that process done without it going through probate. But there are all kind of gotchas in there. Did they die with a will, that died without a will? Are there you know, did they have children? All those children deceased are their children's children deceased? They can go on for quite a while. We just closed one maybe earlier this year or late last year. Honestly, I don't remember that was in probate. And the lady's husband had passed ten years before. That's how long it had been stuck in that they had a lot of assets. And this one property in a really good location was the last one she had to get rid of. And it's the one she was living. And she had since got remarried. And I had to jump through and work with the court to actually get that one close. They knew what was happening. They didn't have a problem with it, but I had to get approval of my contract. And so she had to actually take the contract to her attorney. They took it to the probate court and said, is this contract OK? They approved it. We signed the contract and then I had to wait for it to get through. The process was as it was getting through that process, had the buyer lined up. I had the buyer on the hook. No, that I don't have any control over this. It's in the probate court. I've been approved. We can close it, but until probate signs off on it, I can't guarantee it. So you're going to have to agree to ride this wave with me, which they did. And it was really just a process of talking to the probate attorney who her probate attorney and the clerk at the probate court and just try to coordinate like where are we and kind of what's going on with it. It was a process of just getting approvals. So it really not that hard. It just takes time. And the first any time anybody says anything to me about somebody died, especially if it's a husband or wife, the first thing I ask is how long as I've been how long how long ago was that was a year ago. Two years ago. Five years ago. If we can get beyond that two years, I'm like, OK, did he have children, children's children, all of those things? Because you just those are the smart things to ask because there are there's an heirship affidavit. So let's say. They died two and a half years ago, then you can go and get heirship affidavits from people within that different for every state for here you need friends not directly, not direct family members, but friends that knew who the children of the deceased were. I mean, you just got to have some history. So it takes a little bit of digging to do.

Gavin: And the heirship affidavit, what is that? For the people listening.

Melissa: This is saying who the heirs were. So was I like in that particular instance, they had he died without a will, so we actually had to get some of those. So she was his wife and she had a child and then she had a grown child. And so they had to actually sign off and say, yes, I'm aware that she's selling the house and then I'm an heir to the property and I agree for that to be sold. And then the other part of the heirship affidavit says, I had to get two people that were not family members to sign an affidavit which basically says, yes, I'm aware that she was married to him and these are his only children. That's just

trying to substantiate that there weren't nobody is aware of any outlying children or grandchildren. Somewhere that's getting cut out of an estate is pretty much all it is.

Gavin: The other big thing as well, when you're dealing with probate and things that are going to come up is that there might be multiple people involved, meaning there could be two brothers and three sisters and then all four of them are all on ready to sell. And there's one that's just dig in their heels and not having any of it. It will not clear. So that's why the negotiation then needs to go. Well, can we get her on the phone? Can we speak to can we have a conversation? What are we going to do to get her to actually sign this document and do the thing with probate guys? And why it takes long is because a lot of family members don't get on and they will literally dig their heels just because just to annoy everyone else in the family and they don't really care about the money. This lot. Now, what they were doing the opposite, what everyone else wants to do, because the one family fall out. So you have to see if you can you become like the peacemaker and trying to piece everyone back together to get these things done. And there's a lot of work that goes into it. And I don't think there's anything that we've told you that doesn't rely a bit of research. Right. No. One, as Melissa said, research. What it is, how does probate work in your state. In Alabama, it's two years, but it could be different in every state. So the first thing is Google that I don't understand it and then get on the phone and you just have to be willing to work it. And you are you prepared to do that? Most people in Alabama, and I might say in Alabama, actually do a lot of business that are not willing to go through the hoops to make the money. So when you make twenty five grand and go oh, how did you do that? I just got on the phone and had conversations. It's not rocket science and you don't need to be an attorney. Melissa comes from a thirty five year paralegal background, so she has the lingo when she speaks. Right. But when I do it I act like I'm as dumb as a broche right. And you just having conversations. I had I got this person. I got this. What forms do I need? One. I got a file to get it done so you don't need to know any anything. You just have to be willing to have do the work and you will get through it by asking questions and then go, you need this. The latter. You need to do that. OK, great. You got to do that then. It's now and you figure it out as you go. You've just got to be willing to do it. And most people with liens are not willing to do it. But when you negotiate him, that's one of your biggest deals, right? Biggest deals we make. Twenty five grand from one hundred grand. lien, what if we would have got it down and we were making eighty grand and we got one hundred grand off. Right. I mean had gone either way there. So just something that people need to think about. You got to be willing to have conversations, build relationships, and there's nothing worse than like. People trying to figure out what a mortgage broker does. Right. If you're doing great finance, I'm not a mortgage broker, so let them do that work. I'm not an attorney. Let them do that work well that you're paying them to do. You don't need to know everything. You just need to know how to communicate to get it done. That's how I would say it. What do you think?

Melissa: Yeah, and most attorneys, if you just ask your closing attorney will tell you if you ask when they know you're going to do it and they're not going to have to. So nine times out of ten, if you just ask your closing attorney, it's all right, because if he comes back and says, we got this probate issue, all right, what do I need what do I need to do to clear that I'll do it? Because if you're relying on somebody else to do it, it's probably I don't get doing so. Just ask them. They'll tell you. You don't have to know. And when you're

negotiating the stuff, to be honest with you, you're right. I've been in law for thirty plus years, so I understand the process. I've done it and I know how to speak their language. But for those who don't, not knowing and being honest and playing stupid and just throwing yourself at their. So you're going to get a lot further with him anyway, so I'm really sorry, I just don't know. Can you please help me find you know, a lot of people don't like to ask, would you please help me out and admit I just because it makes you feel like you're stupid and you don't know what you're doing. But to be honest with you, if you're putting yourself under that person and you're elevating what they think they know, they're going to be more apt to help you. I mean, that's just the way it goes with sellers, buyers, negotiating lanes or anything else. I can get around it because I have that experience. But if you don't, you don't need it.

Gavin: You really don't. And people, if you're likable, are willing to help you. Right. And Melissa is right that no one wants to know it. All right. Someone who thinks they know what they're do when they don't know what they're doing, they're going to be lying to them for you. Right. Right. So coming in and just being normal, having a conversation, asking for help, asking that you're willing to do anything, you're willing to fill anything out, you'll do exactly as they say. You just need some guidance on what to do. And nine times out of ten, they're going to help you that they really, really are. And hopefully listen to this. If one of you get a lien cleared because of this and make some money, then obviously we've done a job by kind of telling you what to do. So that's that's awesome. Just on a on a side note, just kind of talking about lien's other thing. I just want to touch on real quick here before we get done is we made some transitions in the business as well to start buying a lot more property in this market. And I suggest if you anyone listen to this experience, you need to be looking for private money and you need to be taking these deals down, because if you want to stop making your ten or fifteen thousand dollar spreads on your wholesale deals again, which is nothing to to which is great. All right. But you already the art of this business is finding discount properties. If your wholesaler's and rehabbers and you make your money when you buy, not when you sell. OK, so if you've already put the asset in, you've already got that lien cleared. Right. You've gone through all of that to make fifteen thousand one. If you could purchase that property on the MLS and make forty one if you could buy that property and stake forty thousand sixty five thousand dollars on that property. Right. You remember then moves in our opinion and I will speak for both of us here I think is the work has already been done. The art of finding the deal is where you make the money. So once you've got the deal, don't get lazy. We're renowned for it so we know better. We got lazy and got stuff going on. Let's just do it. But what if we just buy it and just turn around five grand in it it on the MLS and make forty? Why wouldn't you do that? And that was kind of like, what are we do it like we have the ability to find these kind of properties. Why aren't we capitalizing on it, especially with the whole talin, especially in the market and the flips? And our biggest challenge right now is deciding. And this is just pure honesty is deciding when you just wholesale, when should you flip? Right. And that is a moving target for us of when you should do what? Because this market is insane. Like, I'll give you an example real quick. What are you talking about? So we buy property and I can put five thousand in a list it within a week and get make forty thousand dollars. Right. Or am I going to put forty thousand then it's going to take me eight weeks, then I'm going to list it and I'm going to make forty five thousand dollars. Right. So you're probably thinking well yeah, just take the fall but sometimes

you don't know is he going to get beat up. So you have to look at locations and that that's where we're right now in business. I mean you can add on this, that's all discussions like when should we flip, when should we wholesale? How much should we put in? What finishing should we do for the area? Because it's just a moving target. Well, what do you think on it?

Melissa: Yeah, so I like the pretty things and so like that and it's hard. You know, the one that we have in closing now after we flipped it, I put too much money in one hundred percent dead and I look back at it now what did I do that I didn't have to put that much money in it. But you just you have to be careful. It's easy to get carried away. You know, I wanted the really pretty high end cords because it was going to make the house look like I would want it to. Look, I did not take into consideration the crazy market. Right now, people just want countertops. They're not worried about why courts. And the funny thing is, is my magic is actually the one that said, what do you do? And I thought, oh, stop me. So the ones that we're doing now, I'm literally,

Gavin: Let me say that let me just say one thing. And this is really important. Yes, we overspend. Yes, we put blew the budget. We did all of them, things bought. But we still should be around twenty eight thousand dollars, twenty seven thousand dollars on it. So when we say we did that, the only reason this deal works is because we bought at the right price. That's the only reason most of you live. Listen to this. What if not born at the right price and now you're upside down the property that you're going to bring 20 grand to the table? Right, right. We're making twenty eight. We should have made probably 60. So we overspent by 30 grand, let's say, but we still made twenty eight grand. And that's the only reason because we bought right, I just wanted to identify that.

Melissa: That was a good lesson because I mean, we're making it so we're not losing money. And, you know, for me it was oh, I got to correct that because it's an easy mistake to make you get in there and you say and it was in a good area, but you just see all of these things and it's easy not to pay attention to, oh, I'm spending two hundred dollars on that picture instead of sixty five dollars on that picture, because it's the little things when you get to the end of the budget, you're like, oh crap. So yeah, it's easy to do it, but it was a lesson. We're still making money and so we're OK in that. But I learned going forward because we had that conversation was like I got to I have to get better hoteling because right now the market doesn't demand me to do the high end flips. A couple of years ago it did, but now it doesn't. So you just you got to be able to pivot with that and change. And that's something that I'm learning. And so instead of foot and five thousand dollars worth the courts in the house, you're going to get eighteen hundred dollars a granat. That's just as pretty as expensive. Just, you know, just making some minor changes.

Gavin: Yeah, absolutely. So a few tips there guys. You should be looking at again bringing money in, which is a whole nother episode. We could talk about that by and taking down your deals, you know, with deals and trying to expand on them profits because we've already done the work. You've already negotiated a lien. You've done all them things OK to work to to get the deal.

Melissa: So and one other thing, the negotiation doesn't end just because you've got it locked up with the seller. Let's say you got it locked up with the buyer. You've negotiated those liens down. Everybody's happy. One last negotiation is to happen. Hi, Mr. Sellers. I got all these liens knocked down, but, you know, I had to put all this work into. Is there any way you could drop that? Just five thousand dollars. And it just happened to me as well. I know we've got one in closing. And I went back to the seller and I said, look, and this one had thirty three thousand dollars worth of wings on it. And I said, well, here's the deal. I'll get these liens and lock down so that I can make it work. They wanted rid of the property, but I need it for this instead of that, because in order for me to take care of these liens and to get those liens off for you and so they won't attach it to any of your other assets, I really need that lower. And then I went back to the buyer and said, hey, I've had to do all of this stuff. Could you jack that up by a thousand dollars? And he went up three thousand. So we just built in another eight thousand dollars. And they're walking out. The sellers are they're not making any money, but they're getting rid of liens.

Gavin: Really really good. So negotiate, have conversations, not rocket science. You don't need to know everything. You just need to not pick up a phone and talk and ask questions, ask for help and get through it. Lola, listen, I appreciate it. Thank you for jumping on. I know it's crazy right now. I have a good weekend. Happy birthday as well. Thanks, guys. We'll talk to you soon. If you're interested in work, by the way, go to REInetwork.com/join. These are the conversations that we cover on our calls on how to actually get through and actually close deals as well. So we can definitely help you with that script. All right. REInetwork.com/join. I'm going to appreciate it and I will see you soon. Thank you, bye bye.