

Abandoned Properties – One Of The Best Kept Money-Making Secrets

By Reggie Brooks

When I began my career as a real estate investor in 1985, I stumbled across a little known area of real estate that had the potential to make us a ton of money. This was an area of the market that went unnoticed by most people. This was the area of abandoned properties.

How To Profit From Abandoned Properties

You might pass these properties on a daily basis, but just never paid much attention to them. You could be passing up hundreds of thousands of dollars in profits! These are properties that the owner has walked away from for whatever reason. It could be a divorce situation, an illness, a death in the family, a job relocation, or any number of other reasons. Do we care why? Absolutely not! Don't waste your energy trying to figure out why sellers do what sellers do.

A \$58,000 Profit Right Across The Street

I remember a young lady in one of my 2 day classes. In the first day of class, we taught a whole day of unconventional ways to find profitable deals. One of those methods was how to find and profit from abandoned properties. The next day, the young lady came to class and told us an interesting story about an abandoned house right across the street from her house. She said that when she got home from the first day of class, she put her key in her front door to go inside. Suddenly, for no apparent reason, she stopped and immediately turned around. Across the street was an abandoned house. She had unconsciously seen the abandoned house every time she walked out of her front door, but until now she just never paid any attention to it. The windows were broken out, the grass was high, there was trash in the yard, and on and on.

After the class was over, the young lady stayed in touch with me. I had asked her to keep me informed as to the progress of her deal. It took her around three months, but in those 3 months she successfully purchased the property, fixed up the property, marketed the property, and made a profit of \$58,000! By the way, she had no money, no credit, and no job, but she was still able to make this kind of profit.

Why Abandoned Properties?

When you work with abandons, you have an excellent opportunity to use the best financing in the world – seller financing. There are several reasons why we prefer seller financing over conventional financing.

Rarely will a seller ask to see your credit report. If you have credit problems, it usually will not become an issue. Many times the seller is completely open to many creative strategies that will help to eliminate their abandoned property problem. After all, what does the seller have to lose? His abandoned property is just sitting there not making any money.

The seller may have a mortgage to pay on it every month, because he wants to keep his credit clean. More than likely, he'd like to rent it or sell it but he feels that he'd have to spend a lot of money to fix the property up before he could market the property. In the meantime, another month goes by and another mortgage has to be paid. The taxes and insurance will also have to be paid. Money will still have to be spent on maintenance and upkeep. The repairs might become extensive, since the property is vacant and subject to vandalism. The neighbors are probably complaining about the eye sore. The Department of Building and Safety might have become involved. This can all add up to the seller having to spend a sizable chunk of cash every month, which can also represent a sizable headache for the seller. You guessed it. The seller is probably very motivated!

How Do We Find Abandoned Properties?

Here's one of the easiest ways to find abandoned properties. The first thing to understand is that the more affluent the area is, the fewer the abandons you'll find. The less affluent the area, usually the more abandons you'll find. I encourage you to find an area somewhere in between the two extremes. If you keep your eyes open, you'll find properties that might have the windows broken out, they might be boarded up, you might see the grass and shrubs overgrown, you might see trash, handbills, newspapers and other signs that this property might be a good candidate for a profitable abandoned property.

Keep a pen and a pad of paper with you at all times. I teach my students to take different routes to and from their normal destinations and write down the addresses of any properties that might

be abandon property prospects. This might require that you leave home a little earlier than usual, but it is certainly worth it if it brings you just one abandoned property deal.

Using A Little Known Government Program With An Abandoned Property

Several years ago, I was taking my aunt to an appointment with a dialysis center when I came across an abandoned four unit building. This property showed all the classic signs of abandonment: boarded up windows, tall grass, trash, etc... I wrote the address down and called my title company as soon as I got a chance. I gave them the address, and they gave me the owner of the property and the mailing address. I wrote an offer and bought the property for \$82,000. We fixed the property up using a little known government program called the Rental Rehab Program to maximize our profits. This program provided a 3 to 5% loan when the prevailing interest rates were 12% The program also allowed any qualifying tenants to drastically reduce the amount of their out of pocket monthly rent by going on the Section 8 Government Subsidy Program after the rehab was complete. The average wait for the Section 8 Program at the time was 6 to 8 years. This was truly a win-win deal for everyone involved. We kept the property for a number of years, putting a positive cash flow in our pockets every month. We eventually sold the property and made a lot of money.

The Best Financing In The World

With the property needing as much work as it did, it would have been almost impossible to get a conventional bank loan to finance it and, at the time I was in no position to pay all cash. So, what is the solution? As I mentioned before, seller financing is the best financing in the world. The seller of the property financed the entire deal for us.

Here's the point: Abandoned properties are one of the best kept money-making secrets in our industry. They are very good candidates for many of the government loans and grants that can super charge your profits. Tap into this area of real estate and watch your profits soar.