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Hosted by: Doug & Andrea Van Soest

Episode 19 – The Single Most Important Skill to Master in Real Estate Investing

Doug: Hello and welcome back to the Spouses Flipping Houses podcast. We are so excited to be back here with you today. We've got a fun topic for you.

Andrea: This is Episode 19, and we are talking about the single most important skill that you *have* to possess or master to be successful as a real estate investor.

Doug: You must have this skill. You must have this skill. We're going to get into that in a minute, but before that, we're still actually recovering from a little bit of jetlag. We flew across the country this week, and that was fun.

Andrea: Yeah, we were at a little Mastermind meeting again. Man, I can't stress how important and awesome it is to just get feedback from other people that are doing what you're doing and doing it well. So we had such a great time, but we're tired.

Doug: Yeah, flying just messes you up for a few days, and we're still trying to recover from that and figure out what time we're really in here now.

Andrea: Well it doesn't help that we took a red-eye home, so that's what really threw us for a loop. Sleeping on a plane is terrible. I mean you don't really sleep. You're desperate to sleep, and then we get back to LAX, we go out to our truck, and the battery is dead in the middle of the night.

Doug: Yeah, it's not advisable to leave your dome light on if you're going to be parked.

Andrea: We had gotten there super early the morning that we left and didn't even realize that the dome light was on. Whoops, that was my bad. I was putting my makeup on in the car.

Doug: I'm running around flagging down some poor stranger to come give our battery a jump, and luckily we were able to get it done.

Andrea: Yeah, I feel like that was really lucky because to have some guy chasing down your car...

Doug: In a parking garage.

Andrea: ... in a parking garage in the middle of the night might be a little scary, so I'm glad he stopped.

Doug: He did a good deed. He was a Good Samaritan to us. But we're excited for this topic. You're going to use this skill every single day in your business, guaranteed.

Andrea: Without it, you're not going to succeed. You're not going to grow, and you're going to have a lot of gray hair. You might have gray hair anyway.

Doug: You might have gray hair anyways, but you're going to accelerate that gray hair.

Andrea: Absolutely.

Doug: So, what is this main skill?

Andrea: I feel like we need a drum roll.

Doug: Okay, here it comes [drum roll].

Andrea: Oh, that was pretty good. It felt like an earthquake. Anyways, the number one skill that you must possess to be a successful real estate investor is you have got to be a problem solver.

Doug: Absolutely. You have to be a problem solver. That might sound, like *duh, of course you have to be a problem solver*, but seriously. Problems will come up every single day in this business, and not just real estate, but definitely in real estate if you're doing this full time. You're going to have problems, and you need to learn how to solve them.

Andrea: I feel like people handle problems in a couple of different ways. They either get super overwhelmed or maybe they even take out their stress on people that are closest to them, people that they love the most, they get angry or frustrated with just because of this other problem that they have. Or they even maybe just want to say forget it, and throw in the towel, and curl up in a corner, and not think about it.

Or then there's the type of person that goes into problem-solving mode and feels like, okay, we just have to find a solution. That's the only option. There's no point in sitting here dwelling on the negative aspect of it. We got to solve this. How are we going to do that?

Doug: You hear people say that you just put on your problem-solving hat. Just get in that mode, like okay, this is our reality, and let's go to work on fixing it, solving the problem. And you can even twist it and make it look like a positive thing, like *hey, I get a chance to solve this problem. Let's get creative. Let's make this a game or a challenge here.*

The better you get at solving problems, the better you're going to do in this business.

Andrea: Yeah. Okay, so we thought that it would be kind of fun if we go through five problems that can and will arise in your business.

Doug: Real-life problems.

Andrea: And some possible solutions, and we'll test Doug's skill here on how he's going to do it.

Doug: Alright. I'm ready.

Andrea: Okay. Problem number one: You have a property under contract, and you're planning to wholesale it, but your buyer backs out one day before closing. So what are you going to do? You've got three choices.

Doug: Ugh, I hate that.

Andrea: Your three choices are a) you freak out and call up the buyer, and you chew them out, and you hope that they change their mind and close anyway.

Doug: Yeah that works.

Andrea: Or option b) you pretend like nothing happened. Like it was just a bad dream, and you hope this will somehow work itself out and just kind of put it in the back of your mind. Don't think about it.

Or option c) you stay calm, you call up the buyer, and find out what is the issue. And you relax because you have their earnest money deposit right, because you should have their earnest money deposit.

Doug: Yes.

Andrea: And you get moving on finding a replacement buyer ASAP, and you let the seller know what is going on, and ask for an extension to close, and reassure them that you will get the deal done.

Doug: Alright, well this one is an easy one. You definitely go with number C, you go with option C. Yeah, freaking out, ignoring it, yelling at people solves nothing. This is a real problem that happens if you're going to wholesale houses.

Answer C is absolutely correct. You find out what happened, maybe talk to them calmly and see if they will change their mind. If not, you're going to keep your deposit because that's how you run your business. Definitely get an earnest money deposit from your buyers. No question about that. Do that.

And then just call the seller. Let them know you're still going to close. You had some issues, but calm them down, and just assure them that you're going to close the deal, and get an extension to go find another buyer, and then close it.

Andrea: Yeah, and sometimes we really like to honor our agreements with our sellers, so if you are able to go ahead and close it with your own funds, and then carry on finding a buyer, you can do that too. But I know for some people starting out, that's not an option.

Doug: Good point. Yeah, if you're able and have the ability to close it, go for it.

Andrea: Yeah, okay, so problem number two: You're a landlord, and your tenant is now two weeks late on their rent, but this is the third month in a row that they've been late, and they have only been renting from you for six months.

Doug: That's not good.

Andrea: And they are asking for two more weeks to be able to make this payment. Now you really like this person, and so you feel bad, but you're realizing that this is beginning to be a pattern, so you've got to do something. What are you going to do?

All right, here are your choices. A) You're going to give them two more weeks because after all, you like them, right? That's an option.

Doug: That's an option.

Andrea: B) You're going to respectfully decline the extension they requested and serve them with a three-day notice. C) You're going to tell them that it looks like this isn't working out, and you're going to offer to release them from their lease if they are out in two weeks, and you will keep their deposit. What are you going to do?

Doug: Hm, okay so this is a good one. I think this one has two possible answers. I would go with B or C, or B and/or C.

Andrea: I think and.

Doug: Yeah, and that's probably the best option. A is out of the question. At this point, they're early on in their lease agreement with you, and this is becoming a pattern.

Andrea: You really should have served a three-day notice the first time that they were late.

Doug: Yeah, you're learning a lesson here at this point in this agreement that you should have done this from the beginning. Being a landlord is a lot like being a parent or a teacher in a lot of ways. I think we mentioned this before, but you really have to set the rule up front no matter how much you like people.

You have to set the rules up front, and understand that is a business you're running. It's not a charity. You're not doing this just to take care of people. I mean, that is part of our business, but the bottom line is that you have bills to pay. You have a mortgage, probably, to pay. You have other things.

And you're essentially letting this person take advantage of you, whether they intend to or not. Whatever the reasons, you're not benefitting them, the tenant, by continuing to let them do this in life either.

Andrea: And you're definitely not benefitting your business.

Doug: You're not benefitting your business. So B for sure, respectfully decline: "I'm so sorry. We can't allow that anymore. We're going to

serve a three-day notice to pay your quit.” which is the first process in removing them as a tenant.

Or, maybe they’ll get the message and they’ll come up with the message all of a sudden and pay you. And now you’re setting a precedent for how you’re going to collect rent. And C as well, because if sometimes, if a tenant is not going to pay you, and they’re just going to drag it out and wait for an eviction, it’s better and cheaper for you (and can be better for them), to just say, “Look. I’m sorry, but this looks like it’s not working out. We’ve got a pattern here of for whatever reason, you’re not able to pay the rent. Why don’t you just be out in two weeks, and we’ll call it good.”

But definitely serve the three-day notice anyways, just in case they’re not out in two weeks, you’ve already got the process rolling for a possible eviction in case you have to go that route.

Andrea: Right, and the goal there in telling them to be out in two weeks and you’ll let them free of their lease, the goal is to avoid eviction, because that is a real burden on you, and it’s a long and expensive process. So it might seem contrary to what you would think you would do by telling them, “I’ll let you out of your lease for two weeks.” But really, it’s the path of least-resistance.

Doug: Yeah, right. What’s worse? Going through the whole eviction that could take several more weeks and cost a lot of money, or having your property back in two weeks without having to spend that money

and they don't get an eviction on their record, which for them is better as well.

Andrea: Okay, problem number three: You just sent out a huge mailer, direct mail, to a list of potentially motivated sellers, and no calls are coming in. So you're a little baffled. Then you notice, you go kind of check out what's going on here, or you go check out your postcard. And you notice that you put the wrong phone number on the mailer. And we have done this twice.

Doug: Real-life problems here.

Andrea: Real-life problems people. But we came up with a good solution, so Doug, here are your options. A) You can quit this business right now because obviously, you are not detail-oriented enough to be successful, and you're kind of a dingbat.

Doug: I don't think that was on there. You added that in.

Andrea: No you're not a dingbat! You are actually very detail-oriented. See, this can happen to anybody.

Doug: Hey, it happens.

Andrea: B) You can switch strategies to something else because direct mail is obviously too expensive and too risky. Or c) you can laugh at yourself, because it's kind of funny, and you can try very quickly to purchase that phone number that you put on there that was the wrong phone number, and see if you can still capture any of those leads.

Then, put a system in place so that does not ever happen again.

Doug: The obvious answer is C and yes, this has happened to us more than once. So that's why C is the correct answer. You put systems in place to make sure this doesn't happen again. Make every effort to track down whose number these calls are going to and if it's some other poor sap who is going to be getting phone calls, hey work with them. Let them know.

Andrea: Ask them to redirect the number, but I thought that was pretty creative that we got in there and purchased that number right quick to be able to capture those leads.

Doug: Yeah, do what you can to fix it, and then move on.

Andrea: Okay, problem number four: You have been working with three realtors lately, and they have sent you a total of about 20 leads from listings on the MLS that they think you might be interested in. So you make offers on each one of them, but you've had no luck. And so this agent is getting a little frustrated with you and kind of starting to

think that maybe you're not for real, because they've done all of this work, and there's been no outcome. So what do you do?

- A) You switch strategies because working with agents obviously doesn't work.
- B) You do nothing, and you keep making the offers, hoping that something will stick.
- C) Or c, you call up the agent, and you help to educate them on exactly what type of properties you're looking for, and explain the benefit of working with you as a client. They'll have multiple purchases; there will be double commissions, etc, and then you encourage them to keep looking and sending you better qualified leads.

Doug: Okay, good. This problem happens, especially if you're working with agents, and that's the way you're trying to find deals. Again, the answer is C. Well a couple of things here. I've noticed that you've only made 20 offers, and to be honest, this is kind of a numbers game in this business, especially if you're just making offers on the MLS.

Some people might have better ratios, but we notice that you might get one out of every 50 offers you make on the MLS. It kind of depends on your market, and what you're going after. So just hang in there, and definitely you want to encourage those who are working hard for you to find a lead.

Educating them on what kind of property you're looking for and what the benefits are of your offer, and encouraging them that there could be multiple repeat deals if they work with you, and double listings and all of that to keep them motivated to continue to work hard.

Andrea: Right, and the reality is that if they keep getting frustrated, then this might not be the realtor for you to work with.

Doug: True.

Andrea: You need somebody that kind of understands your process, even if you have to educate them on what that is. You need someone that is going to be patient and hang in there with you.

Doug: Yeah, yeah, absolutely. We might do an episode some time on working with agents, and what agent to look for, and that whole process.

Andrea: Okay, last one, problem number five: You have completed a beautiful rehab, and I know it's beautiful, because I did it. And you have listed this house for sale, and you are getting concerned because the house has been listed for three weeks now, and the calls are kind of slowing down. It's not really being shown anymore, and no offers. What do you do?

A) You totally stress out, 24/7, and you do not sleep every night because you are laying awake worried about the fact that you got into the wrong business, and you're going to lose all of your money.

Doug: That never happens.

Andrea: No way. Option b) you drop the price by 10 percent, hoping that it will generate some interest, and you'll get a buyer. And option c) you can ask the agents who have called for feedback on the listing, the agents that have already shown it, and you can go back to them and say, "Can you let me know what the buyers were thinking? How come they decided not to make an offer? Figure out what is wrong.

Is it a price issue? Is it a problem with your rehab? Maybe it's not as beautiful as you thought. Or is it something else? And then go fix that issue and be patient.

Doug: Okay, so A is the answer that typically happens, just because we're humans, and that's natural, and you know that's what we do. But couple things here, so I've noticed that the house has only been listed for three weeks. Now, this may depend on your market and what your history is on selling homes of course, but three weeks, in general, for the most part, that's not a very long time.

There were times that we're used to selling properties the first week, when the market was so hot, buyers were out there.

Andrea: And even just certain properties if it's in a certain neighborhood or the rehab really is exceptional compared to what else is out there and available. There's always just those certain reasons why one does sell super fast.

Doug: So what I would do is I would check and see what the average time on market for all of the homes in that area— what's their average days on the market before they go pending? Before you freak out for over three weeks, because you may be priced right. There may be nothing wrong at all, and the average days on market is say six weeks.

So don't freak out over that. So obviously C is the answer here. You want to do a little more investigating. What is it? Maybe there's something wrong in that house that's throwing people off that you could actually go back and fix, be it a little repair item or something.

Maybe it is your price, but we don't know. You do a little investigating before you freak out. Don't do B; don't just drop 10 percent all of a sudden.

Andrea: Right.

Doug: I'm not saying that price drops aren't in your future, but that's a huge amount to drop just to generate interest. So it really will depend. Also on the market, you can see if the market is crashing for some

reason, you certainly don't want to be that guy who is chasing the market down, maybe a 10 percent drop is in order at that point.

Andrea: But one more thing about price too is that you don't have to make a huge drop, but typically, agents have sort-of little parameters set up to be notified by on the MLS when certain things change. So when there is a price drop, a lot of agents have their notifications set up so they will get an email.

So maybe you do a \$500 price drop, just to get it popped back up on everybody's radar.

Doug: You don't have to go dropping huge chunks.

Andrea: Right, yeah. But if it's an issue where you tried to cut a few corners and maybe you left the carpet in the bedroom that has stains on it, and the agents are going to tell you when you call them that people were a little grossed out by that carpet, I'd go back in and change that.

Maybe there's just some little other thing that you can fix right quick that would change the appeal.

Doug: Yeah, and oftentimes that is it. And you can go in and put just a little more money into it to fix those things that are turning people off, and all of the sudden your property will have a lot more interest.

Andrea: So that is pretty much it. I just cannot stress to you enough the importance of being a problem solver. It will keep your sanity; it keeps you sharp in this business to continually look for creative ways that you can solve problems and make things better. And it's just absolutely essential.

As we sat in our Mastermind meeting and I looked around the room at these 30 other sharp and successful people, the one quality that I could assess that every single person in that room possessed was the fact that they are great problem solvers.

Doug: Yep and just come to expect it. If you expect it, then it's not such a big shock when a problem arises, and you're ready for it mentally. Like, *okay, here's another one of these. Let's shoot the solutions at it and go fix it.*

So problem solving, get it down. Gotta have it, and everybody can develop that skill.

Andrea: Yeah, if you tend to be more negative, and you don't look for the good, you can shift your mindset.

Doug: Yeah, start training yourself, training yourself to react differently to things.

Andrea: Look for the positive.

Doug: That is all. Once again, we want to encourage you to head to our website, [SpousesFlippingHouses.com](https://www.SpousesFlippingHouses.com), get your free gifts while they're still there. We've been saying that for a few weeks now, but we are going to be taking those away soon, and probably going to get something else out. Also, like us on Facebook if you haven't done that. We have a Facebook page.

Andrea: And if you head on over to iTunes to leave us a rating and review, we would really appreciate it.

Doug: Yes, it does help us. Please do that. We love the feedback too, so continue to give us feedback. Andrea@spousesflippinghouses.com

Andrea: Yeah, that's for if you have any questions. We're glad to answer them. Other than that, have a great week.

Doug: Take care!