



Eight Tips for Building a Successful Cash Flow Business

The note business is truly an amazing market.

As with any business, there is a learning curve involved with consistently making the largest profits possible with the smallest amount of effort. So, to ensure that you close the most deals possible, follow these eight simple guidelines:

Tip #1: Build relationships, not one-time deals.

Regardless of whether you are a full-time note broker or just working with notes part-time, conduct business to ensure that every transaction ends on a positive note. While it is true that there are billions of dollars in cash flow notes in North America, the actual network of finders, brokers and investors who work in the secondary finance market is fairly well-connected and tight-knit.

If you plan on being in the business for longer than a few months, you want to build a reputation as a knowledgeable, efficient and honorable businessperson. The odds of you conducting repeat business with a past contact are good if you leave a good impression in the minds of the note holder, co-finder, or investor – even if the deal falls through and does not close.

Word that you take care of business and treat people as you would want to be treated will spread fast. The only message that will travel faster is the grumbling of dissatisfied customers. The impression that will radiate throughout the note community about you is ultimately up to you.

The heart of the note business is not really numbers and dollar signs. It's people working with other people to find a workable solution to a problem. The human and personable service you provide is a large part of what will make others in the note business remember your name, keep your business card, and call you **FIRST** the next time they need help with liquidating a note.

Tip #2: Follow through to maximize your note deals.

Don't make the mistake of assuming that "following up" or calling people back after you haven't heard from them in a week or so will be construed as being too eager or annoying. Most note deals are not closed on the first attempt. And the vast majority of them do not get sold to the first offer, or even the highest bidder.

The importance of following up has been clearly illustrated by the National Sales Executive Association (NSEA), a trade organization for professional salesmen. Their remarkable statistics demonstrate that vast majority of deals are closed from the 5th through the 12th contact! Here is the data compiled from research by the NSEA:

2% of sales are made on the 1st contact

3% of sales are made on the 2nd contact

5% of sales are made on the 3rd contact

10% of sales are made on the 4th contact

80% of sales are made on the 5th -12th contact

Even more compelling – 95% of your competition will drop a prospect after the third try. Notice that the figures above show that putting out 25% more effort than your competition (by making the fourth contact) will typically improve your sales by 100%!

Also, specific to the note business – you may often hear from a prospect, “Sorry, the note is already sold.”

Keep in mind that different people have different interpretations of the term "sold." Unless the note holder and finder(s) have actually received their payments and all the paperwork is signed and filed, the deal is still in limbo.

So if you're told “sorry, the note's already sold” you should always respond –

“Well, congratulations! I'm sure you're glad the sales process is over and that you're happy to have received your check. Do you mind me asking how much you got, so I can get a feel for the market value of a note like yours in the future?”

If they end up telling you they haven't actually gotten the check yet, BINGO! The note isn't sold yet. Now find out if the seller has signed a commitment letter with an investor yet to sell their note. If you are told they haven't even done that yet, then you are still able to make an offer.

Always take another 30 seconds to inquire a little deeper and make sure the deal is really gone. Don't give up the second you hear “the note is sold.”

Even a seller who has verbally promised an investor that they are going with their offer can change their mind and go with a different investor if they haven't signed a COMMITMENT LETTER yet. So always ask if they've done this. If not, tell them that you might be able to bring them an offer that gives them \$500-1000 more – if they can give you a day or so to work up a competitive offer. Wouldn't you be willing to wait a day for that much more money?

Even if you're told they HAVE signed a commitment letter, you can mark your calendar to call this contact again in about 3-4 weeks. Just inquire again if they have a note for sale, as if you've never talked to them before. If the note deal hasn't closed by then, most

likely there's been a problem with the previous deal, and the note holder will be open to getting new offers to buy again.

Tip #3: Don't neglect your local market.

Even if you live in a rural area, you can typically develop more than enough referral business in your own backyard. In a well-developed residential community or urban environment, your "hometown" market may not need to be any bigger than the county you live in. In more rural areas, you may need to add a few surrounding counties to your target. But, just a few radio stations or publications generally cover a sparsely populated region, so the amount of advertising you will find necessary should not be excessive.

Generally speaking, people tend to respond better to local businesspersons. Remember what was stated in tip #1 – you're building relationships with people, not just conducting business. Local dialect and common knowledge of local areas or customs can go a long way to warming up your client and helping them to drop their guard and start treating you like a person, not an adversary. Take advantage of that intrinsic benefit by conducting effective marketing locally first.

You may find that doing local marketing can be less expensive and ultimately increase your Return On Investment as well (look at Tip #8 below). The important thing is to always make a concerted effort to contact as many of your hometown targets as soon as possible.

Tip #4: Call, don't email.

Email has become an incredible tool for efficient and low-cost communication. Effective communication is a key aspect of any business, but especially the note business.

Because of the ability to work on deals long distance, you'll often work on deals with people you've never met in person or seen face to face. After all, as long as you can send faxes, mail documents, type emails, or talk on the phone, you can close note deals with people far away!

As a note finder, you are not a salesperson. You're simply looking for people that already want what you offer – the ability to trade money later for money now. If the note holder doesn't want to sell, you shouldn't waste a lot of time trying to convince them otherwise.

Still, you need to "sell" yourself – your abilities, your knowledge about notes, the accuracy of your market assessment, and certainly your honesty and your character. Because of the fact that the other party may never actually see you in person, it is that much more important that you develop a relationship where both of you are comfortable with the other.

Always strive to establish a real "connection" with the other party, despite the distance. When given a choice, make an effort to interact with prospective note sellers, finders, or other contacts by phone rather than e-mail. This is especially true if it's your first time "meeting."

Calling your contacts on the phone generally gives you much better results than e-mail, for four reasons:

1. You'll be able to develop a sense of trust and rapport between yourself and the contact much more effectively on the phone.
2. Any key questions asked via e-mail are more likely to go unanswered, glossed over or even ignored completely.
3. You can more effectively communicate a sense of excitement, urgency, positivity, or anything else you want to convey through your voice inflections, volume, and tone.
4. On the phone, you will have much better control of the situation, especially if you're trying to get more information, or negotiate a note deal.

When you're ready to close a deal, issues of control during communication are even more important.

Making an offer to buy a note via e-mail is not recommended. If you've been working with a client that prefers email communication, you can certainly email them and tell them you have an offer ready for them, but you need to talk to them for a few minutes to go over the details. If the note holder truly wants to sell, it should not be too much to ask for them to talk to you for a while, regarding the **LARGE AMOUNT OF MONEY** you are ready to offer them.

On the phone, after you make an offer, you might hear "well, that offer is not high enough" or "I'll think about it and get back to you," or maybe even dead silence.

In all of these situations, you have recourse. You can ask:

"What is the price you're seeking that would convince you to sign a commitment letter with me to sell the note immediately?"

or -

"OK, but I can only honor this offer for about 24 hours. Can I ask what is keeping you from making your decision today?"

E-mail doesn't give you the ability to immediately respond to the seller's statements or thoughts. In fact, it puts you at a disadvantage, because waiting for an answer to your e-mail puts you on the seller's schedule as you wait for a reply.

On the phone, you have the opportunity to **STAY IN CONTROL** and maximize your odds of closing the deal.

Tip #5: Be open to any type of cash flow that you could profit from.

The cash flow market is a lot bigger than simply notes secured by conventional Single Family Residence (SFR) and private residential homes. While the residential seller-financed note market is already estimated to be an over \$91 billion industry – with nearly \$3 billion of new notes created annually – there are even more opportunities for unbelievable profits for note finders and investors out there.

By allowing yourself to take a crack at notes on manufactured housing, commercial and multi-unit rental properties, and manufactured homes in parks and on private lots, you will literally expand your potential for profits two or three-fold.

There are an estimated \$105 billion in business notes – cash flows secured by a company or corporate entity – as well as another \$70 billion in manufactured housing industry! And these industries will continue to expand – about \$25 billion in new business notes come into play each year. In fact, approximately 90% of all business sales are financed by a "carry back" note by the seller.

It is estimated that 43,000 or more mobile home notes come into the secondary cash flow market each year. Roughly 900,000 used mobile homes are being re-sold every year in a market with limited financing. A safe assumption is that nearly half of those re-sales can be attributed to used mobile homes in parks.

By using an Internet search engine, you can easily make contact with mobile home retailers and park community managers who could clue you in to a huge market of residential notes that you have previously been ignoring.

Don't neglect to consider vacant land or development property as well – contractors, land developers, attorneys, and realtors can all tip you off to the existence of notes on land parcels – and the note holders who are looking to get rid of them.

You can also look into cash flows that are not secured by real estate – the possibilities are nearly limitless. A few examples are structured settlements, court judgments, military pensions, large vehicle notes on automotive fleets, RVs, trucks, buses, planes, and boats, lottery payouts, large casino winnings, trust funds, and pensions.

Payment contracts on expensive purchases, such as water filtration equipment or commercial leases on computer hardware and office equipment, can be a lucrative, specialized market for any qualified note finder or investor.

Just about any situation where an individual or company is receiving scheduled payments for a promise made or services/products rendered can be a source of profitable note deals. Use your imagination, think outside of the constraints of just "regular notes," and you'll soon find a niche market you can "own" in your area or even nationally.

By passing up notes in the "other" category, you're literally leaving money on the table. Don't miss out on the opportunity to expand your note operations beyond purely SFR and residential real estate.

Tip # 6: Always make sure you cover the three “Money Questions” thoroughly.

The most important thing you can do when gathering information on a note is to determine if you have a motivated seller or not.

A common pitfall that inexperienced finders fall into is wasting time chasing deals that they can't close. In order to get a note sold, the holder must have a valid reason to sell in the first place, and the price expectations they have needs to be somewhat in line with market value. These three simple questions will give lead you towards the answers you need:

- 1) Why are you selling this note now?
- 2) What are your expectations?
- 3) How much do you need?

Stemming from 3), you can add these two questions:

3a. Have you received other offers?

3b. Is there a “magic number” that will get this deal closed? In other words, what is the dollar figure that you won't say “no” to?

Don't be afraid to ask these questions. While it's certainly the seller's right not to answer them, it casts a shadow of doubt over their status as a serious seller if they aren't willing to talk about these very relevant topics. If the seller gives you vague answers or refuses to address your questions, you probably have an unmotivated or unrealistic seller.

Don't forget that your time is valuable too. Even if you have plenty of time for all the notes you're investigating, the answers to the three “Money Questions” will help you determine which note deal is the priority for you (i.e., the one that you feel has the best odds for success).

Lots of professional negotiators use variations of these three questions to feel out a sale. Mortgage brokers, loan officers and most successful salesmen in many fields use a variation of this technique.

If your note holder tells you that no one else who is calling them about their note is asking these questions, this would be a good time to politely suggest that perhaps nobody else they've talked to is really serious about buying their note. After all, what kind of

buyer wouldn't want to know what the selling price is on an item for sale? Even if the price can be negotiated, a starting point is not too much to ask.

If you consistently ask these three critical questions and explore the responses, your number of profitable note closings will increase, and the amount of time spent on unsuccessful inquires will decrease.

Tip # 7: Be flexible and open-minded to cash in with “creative” deal-smithing.

The most common way to buy or sell a note is to make a discounted offer today for forthcoming future payments. This is the driving force behind selling for most note holders – the desire to have a large amount of liquid funds immediately, rather than having to wait for small payments stretched over the long term.

Still, creative note finders and buyers will be able to close more deals and make more money by trying to find a creative solution when the risk factors make the price that the seller needs impossible.

If you take the time to learn how to create and become comfortable with partial purchases, split funding solutions, reverse partials, and future option agreements, you will have very unique tools in your “bag of tricks.”

Learning how to apply these more uncommon cash flow techniques can be the difference between saying “Sorry, I can't meet the price you need - good luck” and being able say this to your note seller:

“I understand that you need this much in order sell your payments today. Unfortunately, I can't match the figure you've specified. But, I have another solution that I think you will find very attractive . . .”

Tip # 8: Three words: marketing, marketing, and marketing.

You've probably heard that “marketing” is the key to successful business:

“If you're not marketing, you're not in business.”

Or, perhaps more harshly . . .

“If you're not marketing your business, you'll soon be out of business!”

Even so, most people do not fully appreciate the critical role that marketing plays in any business, but especially the note industry. Even the most experienced and successful professionals can neglect to keep up on the basics! You should always have a few business cards on hand – even on weekends, or in casual social settings. Keep them in your wallet, and check to make sure you have some every time you check on your cash

level. Take some time to practice or refine your “elevator speech” – something that you say in less than 30 seconds to sum up your business and what you do.

You can indirectly market your business by forwarding an online business, special interest or news article that has relevance to your company to people in your email contact or past customers list. Just write a brief “I thought of you when I saw this article” message to accompany it. Have your business name and contact information in the email of course.

When was the last time you updated or revamped your website? Many businesses make the mistake of hastily throwing up a website, and then doing nothing to keep it current or improve it. An outdated or unprofessional-looking website will scare away more customers than you imagine.

Your website’s attractiveness, layout and ease of operation are critical. Internet customers are typically impatient. If they can’t figure out how to get what they want out of your website in the first ten seconds, the odds are good that they will move on, seeking what they could have purchased from you from another merchant.

Also, make sure that your phone number, email address, physical or mailing address, and your hours of operation are on your site. Put this critical information where it’s easy to spot.

Optimizing your website’s content for search engine optimization can have a huge impact on your overall visibility on the World Wide Web. Do the research to find out how to do it yourself, or pay someone to do it for you. Either way, it will be well worth the time or money spent.

Finally, don’t forget about unconventional marketing techniques. There’s more you can do than print, direct mail, web, and phone directory advertising. Today, you can put your business name and contact information almost anywhere – on the back of a cab, on the side of a bus, on a bus station bench, in a restaurant bathroom. All of these could be a low-cost way to reach new customers.

Don’t neglect to think outside the box. Contemplate who your customers are, where they are, and what you could easily do to make a meaningful and memorable impact.

Sponsor a local youth athletic league if you want to reach the lucrative market composed of parents or baby boomers. Volunteer your note services or a free cash flow evaluation for a fundraiser raffle. Send out inexpensive “thank you” gift baskets to remind your top repeat customers that you appreciate their patronage.

Building a successful note business doesn’t take advanced education, a mind for math, or natural sales ability. Working with cash flows is an opportunity for lucrative profits available to anyone willing to learn the basics, work diligently and honestly, and continually promote their business.

Those who incorporate all of these practical business guidelines into their everyday note business are sure to come up head and shoulders above the rest.

*For more helpful tips on the note business please visit www.dalbeyblog.com or www.dalbeywealthinstitute.com. And if you would like to learn more about the cash flow business, visit Russ Dalbey's *Winning in the cash flow business* website*