



MOM'S HOUSE HOME STUDY COURSE

# CHAPTER SEVEN

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When we talk about the time from start to cash, we're going to start using just some simple timeframes. We're just going to say January 1st is the time that you find out that your mom has to move into senior living. At that moment, you realize you're going to probably need to sell mom's house. We're going to compare your cash offer, which can be really seven to 10 days, 14 days maybe, to what the retail side might look like. And what happens when the family chooses the retail side, what kind of hole they can really dig for themselves. In the time frame to cash, if we stay, we start off in January the first, what normally happens when you go to sell a house?

Almost everybody knows a realtor. So they call up the realtor and the realtor comes over and the realtor says, "I need you to clean this house out, everything in it, and I need you to update this kitchen, this bath, this paint, this awning, this driveway," this whole list of things to get the house to be retail ready. The time frame that's behind that is at least six months to cash. We'll kind of go through that January 1st.

January 1st, it takes you a couple of weeks to get all the kids rounded up to decide this is what we're going to do. You start talking to that realtor, say January 15th. Even if you take their advice, it takes 30 days to 60 days to clean out a house. The reason why is not the physical side of it, it's more the family. They always want to have the kids to have their say or the grandkids to come out and pick out a piece. There's always, "Oh, this is grandma's house, the kids need to come over and pick out one piece to remember grandma," and that is what slows this process down because you want to see the claws come out, wait until people's stuff starts getting divided up.

You have to remember that mom is moving from around an average 2,000 square foot house down to 144 square foot room, she doesn't need a lifetime of stuff anymore.

Very quickly, she'll fill her room up, the rest of the stuff either needs to be sold, thrown away or given away and the timeframe to give that away is usually pretty long, with the average child living 400 miles away.

They usually just don't show up the next day and pick out their heirloom and move back... or go back home, that usually takes, "I can't get there for another three weeks. I can't get there for another month." And by the time they get all the family through, very easily, it can take 60 days to get the house cleaned out. So hopefully if they were smart during that 60 day process, they've also already started to interview rehabbers.

Because remember, the realtor said, "Here's the list of things I want you to do." Now of course, a smart person's going to go out and get three bids from every trade to make sure that they're getting a good deal. If there's a list of 10 things to do, someone has to meet 30 different contractors there. A brave soul wants to rehab the house. If you're not in that business, rehabbing a house, it's hard to matter to the contractor.

Fortunately for us, we do so many rehabs a year, our own company, that we have full-time crews that do this for us. We do this at scale. But if you're a one-off rehabber or just a layperson that's trying to rehab mom's house, it's really hard to get the scheduling down to rehab the house with any type of efficiency or scale. If you do all the things that the realtor suggests, because remember it's not her money or his money, if you do all those things and you get three contractors, that process could easily be one to four months to rehab that house quickly, so let's just say it's two months.

So now, we're already...

It took January to figure out the realtor we're going to use. It took two months to figure out where all the stuff was going to go. Now the house is cleaned, and we can start rehabbing which is another two months.

We are already into May and we're just now getting into the rehab.

So June 1st, we start to list the house.

It's not pretty enough so we have to clean it.

It's cleaned up now, it's ready for the market, you take pictures, you get another market, you got lucky, you sold it in less than 30 days and now you have 30 days to close.

What happens in that six to eight month period is if you just moved mom into senior living and she has some savings in her checking?

If you're spending \$6,000 a month on mom's care, after eight months, you've already spent almost \$50,000 of mom's nest egg on waiting for the house to sell to try to get those extra dollars out of it. Depending on how much mom already had in the bank, this could be a gigantic burden for the family because now she's dug a \$50,000 hole of not having the money there to pay for the care.

The problem that we've seen with the rehabbing of a house is mom needs money at that moment, so who's going to pay for the 10 different contractors to come through?

Does that fall on the same most responsible child that's taking care of mom?

Does that fall on our brother Fred because Fred has more money than everybody else?

Is it his responsibility to kick in the money?

Who's going to manage the rehab?

Is that the same person that's taking mom, making sure she's taken care of and okay?

The siblings, they all have their input. Everyone thinks no one else is doing enough work and I'm doing all the burden and everything's on me. Even scarier is when one of the kids says, "Well, I know a painter, so let's use that painter," and, "I know a plumber and let's get them to change the toilets on." When they start to piecemeal these rehabs, I've very rarely seen it when a family does a really good job on a rehab. In fact, most of them always say, "I was going to put new paint and carpet, we'll be ready for the market," and anyone that's really in this business knows that that's not even close to the truth.

When I said 10, I mean literally, it's probably like 25 different contractors it takes for a real rehab from start to finish.

If you want to know where your value comes in for the family, you should be able to do a \$40,000 rehab, that costs you \$40, it might cost the family \$60,000. That difference alone is our \$20,000 profit or \$15-20 that we're looking for in a rehab.

That is... When you do that math at your rehab costing \$40 and it might cost them \$60,000, by the time they do the math, they really haven't netted anymore money. Plus they've put on a ton of time and effort and dug a 50,000 square foot hole for mom now to try to climb out of.

Maybe they'll net more money on the house at the end, but they've dug this big hole now to climb out of financially.

One thing you always see is the people that look at the TV shows and they see the before and the afters, they think it's so easy.

What I really like is when one of the adult children has already just recently done a rehab and they know how much work that it actually takes, those are usually pretty logical people because they know they over budget, over time and just the hassle factor was through the roof.

One of the questions you always ask yourself, "Does the family want to rehab the house?"

And the answer is never.

They don't want to rehab that house.

Sometimes people think that they have to because that's what mom would have wanted or that's what dad would have wanted. And maybe you don't get to buy that house, but you want to have the chance at buying a house like that.

No one wants to feel like they're low balled in these situations.

We're always about building trust and not low balling people. Our offers are truly based on how much rehab that needs to go in the house. I think walking the families through exactly what your rehab numbers are going to be is very beneficial so that way they can justify it to their brothers and sisters.

They always feel overwhelmed in these situations because they've never dealt with this usually before, it's always a new thing. They're already out there trusting advisors to help with placement, to help with long term care insurance, some other things, your goal is to create a situation where you're that trusted... you're the house guy. You're the person that they go to when they have a house to sell, just like the other trusted advisors that they're working at this time. There's different types of families out there and you just need to know which one you're talking to at the time.

Some families are more practical than others.

In my 21 years in real estate, I've even been invited to a wake right after a funeral because they wanted to get the house sold and that was actually the time all the siblings were in town together. The mom wasn't barely in the ground yet and I was over at there the house giving an offer because that family wanted it done like this.

And then I've had other families where mom passed away 20 years ago and the house has been sitting there vacant for 20 years. They've been paying taxes and insurance on a house for 20 years because they weren't ready to, for a vacant house I should say, they weren't ready to deal with it yet.

Every family's different, but know a couple fundamental truths:

- Your value is being able to rehab at scale,
- You are the easy button,
- You can help them turn that into cash quickly where they don't have to dig a six to eight month hole of not knowing where that money's going to come from to pay for it.

We're now going to discuss what problems that you can solve for the senior living community.