

How to Turn Problems into Opportunities

By: Lonnie Scruggs

A man named Mark was calling from Florida saying he wanted sell me a mobile home note. The note was secured by a mobile home just a few miles from my house. That got my attention. By the time I got off the phone I had learned all kinds of good stuff.

Mark had bought and lived in a double wide mobile home while in the Navy. He was discharged from the Navy and wanted to move back to Florida. But he had one little problem before he could move--finding a buyer for his 16 year old double wide. After trying and failing to find anyone with cash, he was forced to sell and take a note. He finally sold the home to a deadbeat couple for \$13,000, \$1,000 down and a note payable \$200 per month, 60 months, zero interest. He had only received three payments and had to hire a lawyer to help him collect them. It's amazing what people will tell you if you ask enough questions.

So Mark was now living in Florida and trying to collect payments from a deadbeat in Virginia who wouldn't pay. And he didn't want a note to start with, he wanted cash. When he got to Florida, he tried everywhere to find a buyer for that note. But he soon found out that selling a note secured by an old mobile home was more difficult than selling the mobile home. Who wants to buy notes secured by old mobile homes? Somehow he heard about me and after several calls he agreed to sell me that note for \$3,500.

At the time I bought the note, there were 57 payments of \$200 remaining with a principal balance of \$11,400. This note had a "confessional judgment" signed by the buyers, which meant that if they were even one day late on my payment, I could repossess the home without the usual court procedure. Since they knew I would repossess the home in a heartbeat if the payments weren't made, they paid me on time. But after receiving 19 payments (\$3,800), the park evicted them for being lousy tenants.

This couple were real pro's who knew how to use the legal system to their full advantage. They were able to stall off the eviction process for several months. When the couple knew they would have to move, they tried to sell the home without any luck. Then they called me to see if I would buy it. They still owed \$7,600. And by the time the sheriff showed up, they owed the park \$1,890 in rent and legal fees.

To avoid the chance of them testing out their chain saw on the home when they left, I agreed to pay them \$300 and satisfy the balance of the note, providing they left the home clean and turned the keys over to me. That was the best offer they got, so they agreed. (With the sheriff and park manager coming in the door, they didn't have a lot of negotiating leverage). Paying deadbeats goes against my grain, but sometimes you have to go with common sense.

As soon as the deadbeats drove away, the couple next door came over and asked if I would consider taking their 14 x 64 in trade on my newly acquired double wide. It was their lucky day. I pulled out my yellow pad and my HP12C calculator and we talked and ran numbers until we had a deal. They got my double wide (which needed work), and I got their 14 wide (which was in good condition) plus a \$6,000 note, payable \$300 per month for 22 months.

The 14 wide was sold 9 days later for \$7,950, \$1,500 down and a note payable \$169.06 per month for 48 months. Now, let's see if we can figure out what I've done and how I'll come out on this deal.

I originally paid \$3,500 for the note, received \$3,800 in payments, and paid the deadbeats \$300 to move. So I now have a double wide with no money invested. In order to keep the home on the lot and stay on good terms with the park, I agreed to pay the \$1,890 that was owed by the deadbeats. So my cost in the home was now \$1,890.

The payments on the 14 wide amount to \$8,115 ($48 \times \169.06) plus the \$1,500 down payment for a total of \$9,615. Payments on the double wide amount to \$6,600 ($22 \times \300). Total amount on both notes and the down payment amount to \$16,215. Deducting the \$1,890 I paid to the park leaves \$14,325. If the deadbeats had stayed, I would have received a total of \$7,600. But because they had bad habits and got kicked out of the park, I'll receive an extra \$6,725 ($\$14,325 - \$7,600 = \$6,725$).

Analyzing this situation, it seems like everyone had a problem except me. The seller had a problem selling his mobile home, and a bigger problem selling his note. The deadbeats had a problem with bad habits which got them evicted. And the park had a problem evicting the deadbeats and collecting their money. By being able to turn problems into opportunities, I not only solved all of their problems, but made a very good profit. And you can do the same if you learn to look at problems as opportunities. So be a problem solver.

To your success,

Lonnie