

FOR AN IDEA WHICH, AT FIRST, DOES NOT SEEM ABSURD, THERE IS NO HOPE.
—ALBERT EINSTEIN

“I’LL TRY,” SAID LUKE SKYWALKER. THE WISE YODA REPLIED,
“THERE IS NO TRY. THERE IS ONLY DO OR DO NOT.”
—THE EMPIRE STRIKES BACK

7

FROM THE IVORY TOWER TO THE SCHOOL OF HARD KNOCKS

1.

As we all sat down to a catered lunch, I wasn’t about to let them rest. We continued to forge ahead.

“Now,” I said, “while we eat lunch I’d like to return to something we talked about this morning—business cards. All professionals have business cards—realtors, title company officers, bankers, lawyers and investors. So should you. This lunchtime is set aside for you to design your own card.”

“What should our cards look like?” Nora asked.

“What does an attorney’s card look like? It’s simple, clean, professional. ‘John Doe, Attorney at Law.’ Same with a doctor or an accountant. Professionals don’t use flashy names like Megabucks Industries. That’s tacky. Try to be classy.”

“What business are we in?” Steve asked.

His wife answered for him. “The investment business.”

“As we eat our lunch,” I said, “be thinking of a name for your business and how your card will look.”

Before we’d finished eating, Steve raised his hand. “I think Mary and I have a name for our company,” he said. “How about ‘Bonenberger and Associates’ in the middle of the card? Then we’ll put our name and number in one corner. In the other corner, ‘Real estate investments.’”

“I like it.”

Philip raised his hand. “Karen and I have our name also. Moore and Moore Investments. Has a sort of ring to it. And we put our name and phone number at the bottom.”

“Kind of catchy. OK. Nora. How about you?”

“I like to use my name in the middle of the card—Nora Jean Boles. Then at the bottom it just says ‘Real Estate Investments’ and my phone number. How’s that?”

“You’re one step closer to being in business for yourself. How does it feel?”

“More exciting by the minute,” Mary said.

With that discussion ended, we finished lunch and took a fifteen-minute break. Mary took time to call home again. Nora sat at the table leafing through the written materials in her MasterPlanner. Philip and Karen stepped out into the hall for a cigarette. The camera and sound crew fiddled with equipment in between bites of sandwiches. I took a moment to huddle with Dr. Lee.

“Where are you?” he asked me. It was his special way of asking me how I was feeling.

“I’m OK. Feeling a bit rushed,” I answered. “These lights and cameras are really cramping my style.”

“I know,” he said. “David and I have been putting out the fires behind the scenes. One of the cameras jammed partway through the second hour, but we got most of the footage.”

He sat waiting for me to speak, his silence prodding me to reveal my deeper feelings.

“There’s so much material to cover,” I said finally. “I don’t know how I’m going to get through it.” I paused, waiting for him to reassure me. I was tired of being the guru.

“Feeling the pressure, are you?” he asked,

I knew what he was doing. But I responded anyway. “Yeah. It’s a lot harder than I thought it was going to be.”

Sensing the right moment, he rehearsed with me the principles of the instructional model we had designed together for the two-day challenge.

“People are more important than the material you have to cover,” he said. “Go where they are. Let them fill up their own buckets. You just provide the well. They won’t remember all of what you teach them. Just whether or not you care. Resist the temptation to push them faster than they can run. That will mean more to them in the long haul.”

“That’s easier said than done,” I sighed.

For months this had been my greatest struggle—the battle between short-term results versus long-lasting progress. After all, my reputation was on the line. I needed short-term results. Five thousand dollars cash in ninety days. Dr. Lee had tried to show me that you can’t change people with mega-doses of information. People change themselves after mini-doses of acceptance from people who care. “Acceptance is harder to give than advice,” he’d told me, “but infinitely more valuable.”

It was strange advice. Moreover, it was risky advice. And I wasn’t sure I was ready to take that kind of risk. Now he said, “What’s your main message? To be self-reliant? Yes! To let go of security? Yes! To take a risk? Yes! Why don’t you follow your own advice? Take a risk! Yes! Forget the five thousand dollars in ninety days. Forget yourself and your reputation. Teach them what you can. But let them be responsible for their own lives. Allow them the privilege of learning from their own failures. And above all, love them. Accept them. That’s your real challenge.”

“But if they fail, I fail,” I responded.

He pondered for a moment. “Yes,” he said, “but you’ve given them opportunity. Hope. You can’t do more than that.”

2.

It was time to begin again. The director called, “Lights! Action!”

“Well,” I began, “principle time is over. Nitty-gritty time is here.” I explained that they needed to learn how to read the classified ads—to notice the subtle clues that indicate seller flexibility. “It’s a numbers game,” I said. “Only one in twenty ads is really flexible. You have to keep calling till you strike pay dirt.”

I had designed an exercise to test them. “On the next page there are ten sample ads,” I said. “Check the one you think is the don’t-wanter.”

“Just do these ten?” Steve inquired.

“Would a blue-vaser ask that question?” I asked.

“Not on your life,” Steve shot back.

“You are opportunity detectives. You don’t need my permission to do anything.” I wanted him to think like a blue-vaser—not dependent on other people but thinking for himself, acting independently in all things.

“Which ad shows the most flexibility?” I asked.

Mary pointed to number five.

Moving out of state. Must sell 2 bdrm, 2 bath upstairs flat fully equipped. Asking \$49,500. Bring offers. Will take back second. Will consider lease purchase. See to appreciate.

“This has several good clues in it,” she said. “‘Bring offers,’ ‘will take second’ and ‘consider lease purchase.’”

“‘Bring offers’ is the weakest clue,” I told her. “It’s like ‘must sell’—everybody uses it. On the other hand, ‘lease option’ really means something. Common sense tells us that if he’ll sell it or rent it, he might not need cash. This opens the door for a nothing-down offer to buy.”

“What about ‘moving’? Is that a good clue?” Mary asked.

“What do you think?”

“Yes, especially if he’s moving out of state.”

I nodded. “The more clues the better. And here’s a tip. The larger the ad, the smaller the flexibility. The seller who gives lengthy descriptions of his property using words like ‘immaculate’ and ‘custom built’ is hinting that the house is great but the financing is lousy. He’s a wanter. You’re looking for a don’t-wanter who runs smaller ads with blatant financing clues like ‘low down,’ ‘will carry financing,’ ‘will trade for equity.’ Once you find the don’t-wanter, then you can check out his property. Do your prospecting on the phone, not in your car. No use looking at a property if you can’t finance it. Let your fingers do the walking.”

We went on to analyze several more ads until I felt they were catching the subtle nuances—reading between the lines. Then we opened actual newspapers to the “Condos and Townhomes for Sale” section and started circling real ads. This brought out more clues and tips such as:

- If an ad says “nothing down,” make sure it doesn’t allude to obtaining a new loan using a Veterans Administration program designed only for veterans.

- The best kind of flexibility is in price and terms.
- The ideal situation is when the seller is carrying the financing with low or no down payment and a below-the-market price. These are rare but so are diamonds.
- The best kind of loan is an existing FHA or VA loan. Anyone can assume them—veteran or not, employed or not. In fact, all it takes to assume one of these loans is fifty dollars, a social security number and the ability to fog up a mirror held under your nose.
- Ads run by real estate companies are generally less flexible than for-sale-by-owner ads because of the added commissions. But creative Realtors can earn their keep.
- Think wholesale! Got to have either the price or the terms or both well below market. If not, you're just gambling.
- "Vacant" is a good clue. Someone is making the payments without the benefit of occupancy.
- "Just reduced" means the seller priced his property too high and has now lowered his price to market. You want something that is 10 to 20 percent below market.
- Never buy a property from a seller who is not highly motivated to sell.
- "Financing available" means the buyer will need to obtain a new loan. It's harder to qualify for new bank financing than for seller financing.

Next I shared with them a one-page sheet—a Bargainfinder—that they could use in telephone prospecting to reduce the anxiety of cold calling. As you can see from the sample, the Bargainfinder is organized so that the easier, ice-breaking questions are asked up front in preparation for the tougher questions, which assess the seller's real flexibility.

The purpose of the questions is to gather information needed to score the property. The Bargainfinder has a place for a property score as well as sections for brainstorming creative sources of down payments, generating a positive cash flow and making a profit.

I took them through a demonstration of the Bargainfinder by pretending to call a seller on the phone and playing both roles.

"Mr. Seller," I began, "I'm calling about your ad in the newspaper. Will you tell me a little bit about it please?"

"What is it you want to know?"

"Tell me the address, some information about the neighborhood and any general information about the property itself."

(The seller responds. This information is not as important as the financing information but tends to put the seller at ease. As the seller responds, just fill in the blanks of the Bargainfinder.)

"How did you determine the price?" (I want to get a feel for value. Is the property priced above or below market? Is there a written, professional appraisal? A Realtor's opinion is not as valid.)

"We've priced the home at sixty-five thousand dollars to sell fast."

HOW TO READ ADS LIKE AN EXPERT

The key to finding the right property is finding the right seller—someone who is flexible enough to sell at wholesale prices and/or wholesale terms. In reading classified ads, you look for bargains indicated by a combination of the following clues:

1. Seller will carry financing: “will carry,” “will finance,” “contract,” “agreement for sale,” “contract of sale.”
2. Transfer: “moving out of state,” “out-of-state owner.”
3. Vacant: “purchased other home,” “renter just moved,” “un-occupied.”
4. Lease/option: “rent to own,” “rent to buy,” “lease/purchase.”
5. Little or nothing down: “little down,” “low down,” “no down,” “no cash,” “little cash to loan,” “low equity.”
6. Priced below market: “under market,” “priced to sell,” “a steal,” “a bargain,” “wholesale.”
7. Will consider trade: “trade for part of equity,” “will consider anything.”
8. Assumable loan: “FHA,” “VA,” “no qualifying,” “no credit.”
9. Flexible: “open to all offers,” “consider all offers,” “bring all offers,” “creative financing.”
10. Desperate: “need a sale,” “highly motivated,” “don’t-wanter,” “need to move property quickly,” “hurry!”
11. For sale by owner: “FSBO,” “no agents,” “owner/agent.”

Less than 5 percent of real estate classified ads contain the right combination of clues that lead to truly highly motivated sellers. Many Realtors like to use these clues as bait to attract potential buyers even though the clients they represent may not be highly motivated to sell. Thus I often find more flexibility in dealing directly with for-sale-by-owner ads (FSBO).

“Oh? What should it sell for?”

“About sixty-eight.”

“I see.” (This is not very flexible. If he had said seventy-five or eighty, we would have gotten excited.) “Why do you need to sell it fast?”

“We’re moving to California.”

“When?” (The closer the moving date, the more flexible he will be.)

“Two months.”

“Have you had any offers?” (This question brings him back to reality. If he hasn’t had any offers, his price is generally too high. If he has had several offers, ask what they were. This tells you what he doesn’t like. It may also indicate that he’s not a don’t-wanter.)

“Haven’t had any offers.”

“How long has it been for sale?” (The longer the better.)

THE BARGAIN FINDER™

FIND IT

Name _____ owner agent Sq Ft _____ Age _____

Address _____ Bedrms _____ Baths _____

City, State, Zip _____ Carport Garage None

Neighborhood _____ Brick Frame

Phone _____ Other _____

Why are you selling? _____

Plans if it does not sell: _____

Any offers? _____ How long on mkt? _____

Value _____

Price _____

(-) Loans _____

(=) Equity _____

Down _____

Balance _____

RENT INFORMATION

Rent Amount _____

(-) _____

Mortgage Payment _____

(-) _____

1/12 taxes _____

(-) _____

1/12 Insurance _____

(-) _____

Utilities _____

(=) _____

positive or negative CASH FLOW _____

What do you feel would be the best price and terms you would accept for a quick sale?

Loan	Amount	%	Payment	Term	Holder	Assum	Balloons
1st						Y/N	Y/N
2nd						Y/N	Y/N

SOURCES FOR DOWN PAYMENT

10 Areas of Flexibility	Seller Buyer Realtor Property splits Renters	Short-term Long-term Partners Investors Options
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TOTAL SCORE _____

The BOTTOM LINE:
(How can I profit from this property?)

Sell	Keep	Refinance	Trade
Could I sell it for a quick profit?	Can it be fixed up for long term equity profit? Will it enhance long term cash flow?	What benefits could come from financing the property?	Is there enough built-in equity profit to trade for something else of value?

FUND IT

FARM IT

LOCATION 2 0 3
 CONDITION 2 1 3
 PRICE 2 1 3
 FINANCING 2 1 3
 FLEXIBILITY 2 1 3

“Six months.”

“What is the current financing?”

“It has an assumable FHA mortgage of \$50,000 at eleven percent with payments of \$525 per month.”

“Are the payments current?”

“Yes.”

“What are you trying to accomplish?” (That’s a nice way of saying, ‘What are you going to do with the money?’ Most buyers never ask that question and therefore never really understand the seller’s problem. How can you solve a problem that you don’t understand?)

“Well, we really wanted to cash out. But the market is slower and we need to move soon. I suppose we’d accept a down payment and carry some financing.”

Ah. Now you're making progress. The seller understands he has a problem and is willing to be flexible to solve it.

"What would be the lowest price and best terms you feel you could live with in order to sell quickly?" (We're getting to the bottom line.)

"I imagine we'd need at least five thousand dollars down. We'd carry the rest."

"Remember," I concluded, addressing the Challenge team, "the purpose of asking these questions is to generate enough information to score the property. If the property scores well, you're onto the next step—calling the hot line and letting us help you draft up an offer. But the first step is to find a highly motivated seller."

"And finding a highly motivated seller is what we're going to do right after we take a break."

THE BARGAIN FINDER™

FIND IT

Name Mr. Motivated Seller owner agent Sq Ft 1150 Age 25
 Address 123 Flexible Lane Bedrms 3 Baths 2
 City, State, Zip Any town, Any State Carport Garage None
 Neighborhood Older, Stable, Cookie cutter house Brick Frame
 Phone 555-1234 Other Toolshed in back

LOCATION
1
2
3

FUND IT

Why are you selling? Moving to California in 2 mos.
 Plans if it does not sell: List with realtor, doesn't want to rent.
 Any offers? no How long on mkt? 6 mos.

CONDITION
1
2
3

PRICE

Value 68,000
 Price 65,000
 (-) Loans 50,000
 (=) Equity 15,000
 Down 5,000
 Balance 10,000

PRICE
1
2
3

FINANCING

RENT 625^{no rent}
525/mo
 Payment (-) 50.00
 1/12 taxes (-) 25.00
 1/12 Insurance (-) renter
 Utilities (-) 25.00
 Misc. (=) 50.00
 CASH FLOW positive or negative

FINANCING
1
2
3

FLEXIBILITY

What do you feel would be the best price and terms you would accept for a quick sale?

Loan	Amount	%	Payment	Term	Holder	Assum	Balloons
1st	<u>50,000</u>	<u>11</u>	<u>525.00</u>	<u>Mo</u>	<u>FHA</u>	<input checked="" type="checkbox"/> N	<input checked="" type="checkbox"/> Y
2nd						<input type="checkbox"/> Y	<input type="checkbox"/> N

FLEXIBILITY
1
2
3

SOURCES FOR DOWN PAYMENT

10 Areas of Flexibility: Seller, Buyer, Realtor, Property splits, Renters, Short-term, Long-term, Partners, Investors, Options

TOTAL SCORE 11

The BOTTOM LINE:
(How can I profit from this property?)

Sell	Keep	Refinance	Trade
<u>not much room for profit need lower price</u>	<u>no fix up needed break-even cashflow marginal</u>	<u>could get loan near 10% loan but closing costs too high - not worth it</u>	<u>need lower price to make worthwhile</u>
Could I sell it for a quick profit?	Can it be fixed up for long term equity profit? Will it enhance long term cash flow?	What benefits could come from financing the property?	Is there enough built-in equity profit to trade for something else of value?

3.

On returning from our break, I had each contestant pick a telephone and get ready to make some real phone calls. Mary and Steve settled on a couch at the far end of the room. Karen and Philip found a table in the center of the room. Nora took up her position at the other end of the long room. I stood next to the Moores' table and barked out the following instructions.

"Each of you has circled ten or fifteen potential don't-wanter ads that I'd like you to call. When you find someone home, take them through the questions on the Bargainfinder. If you determine they aren't flexible, excuse yourself and go on to the next ad. Always be courteous. Never burn your bridges. When you get to the tough questions, be sensitive. A house is the largest investment most people ever make, and they are very touchy about it. Try to understand their problem while getting a property score."

Philip chose his most promising ad, picked up the phone and dialed the number. A man answered,

MAN: Hello.
PHILIP: Yes, sir, my name is Philip Moore. I'm calling in reference to the ad you have in the paper, "home for sale by owner."
MAN: Yes.
PHILIP: Yes, could you tell me a little bit about the home, sir?
MAN: It's three bedrooms. It has a real big yard. It has two patios. One about 25-by-25 brick patio with brick sidewalk. It's got a smaller, probably 8-by-10-foot patio in the back. It's got a living room, built-in kitchen with appliances. It has another room you can use as a real small family room or something. It has a utility room, place for a gas or electric washer. It has a gas grill and utility shed outside. It doesn't have a basement.
PHILIP: What's the mortgage balance?
MAN: Oh, there's no loan on it.
PHILIP: No loan? Okay. All right, I know this is a very personal question, but could you tell me, what are you trying to accomplish, or what's your goal with this?
MAN: I want to sell it.
PHILIP: (Laughing): OK, so you can be flexible?
MAN: Somewhat.
PHILIP: Somewhat? OK. And the price again is how much?
MAN: Forty-six five.
PHILIP: OK. You're the owner, right?
MAN: Right.
PHILIP: OK. Could you give me the square footage?
MAN: I don't know that.
PHILIP: It has a garage, you said?
MAN: No, it has a utility, a storage shed outside.
PHILIP: Like a carport?
MAN: No, it's not for a car; its probably about ten feet wide and maybe twenty feet long. It's for storing lawnmowers and stuff like that.
PHILIP: Tell me, is it a brick home or a frame home?
MAN: Frame.
PHILIP: All right, thank you very much, sir. 'Bye, now.
MAN: 'Bye.

Philip hung up the phone, looking puzzled. Somehow, he knew he should have gathered more information. I had been watching over his shoulder and decided to assemble the group to process this call so that we could all learn from Philip's experience. We stood around the table where Philip and Karen were sitting. Philip played back the call on his tape recorder. We all listened.

"I sound very bad on tape," Philip lamented.

"For a first-timer, you sounded great!"

"I didn't get all into it. I didn't find out the value of the home. Um, what kind of terms he was interested in. It happened so fast that..."

"That's what the Bargainfinder is for. You need answers in all five major areas: flexibility, location, financing, price and condition. If you hang up without scoring the property, then you're just wasting your time. But on the whole, you asked some very gutsy questions, like, 'What are you trying to accomplish?' and 'So you can be flexible?' But you didn't dig deep enough. When he said, 'I can be somewhat flexible,' you should have asked, 'What do you mean by "somewhat flexible?"' You also didn't ask about his main motivation for selling. Is he moving? Did he inherit the place. Was it recently vandalized? Did a tenant move out and leave a mess?"

"So," Philip said, "it wouldn't do any harm to call him back. But he'd know my name."

"You've nothing to hide. Call him back tonight."

"OK."

"Let's hit the phones again," I said. "Everyone this time."

After another thirty minutes of calling I gathered the group together for another teaching session. I wanted to show them what a cubic zirconium looks like. For my demonstration I chose one of Mary's telephone calls. We played it back.

MARY: What is the existing mortgage on the house?

WOMAN: Existing mortgage? Why would you need to know that?

MARY: Well, just to know how much you still owe on it.

WOMAN: Why would you need to know that? I don't understand the question.

MARY: Well, you know ... just to know how much financing you're going to need?

WOMAN: Well, we're not doing the financing. You'd have to come up with your own.

MARY: How much of a down payment are you looking for?

WOMAN: That'd be up to the bank.

MARY: Okay, well, what type of interest is on the mortgage you have right now?

WOMAN: We got our loan six years ago, and it's not assumable.

MARY: Has the property been on the market very long?

WOMAN: No, about a week. Had a lot of people look at it.

It didn't take the group long to realize that this was not a flexible seller and that any further time spent on this call would be a waste.

The Challenge participants blue-vased themselves through several more calls. They were groping, but gradually the rough edges began to get knocked off. As they became more comfortable with the process, they made smoother and smoother transitions between questions. I drove them on, encouraging them, knowing that if they could hurdle the fear of

talking with strangers about totally foreign concepts their self-esteem would grow. Steve called me over to process his last call.

“Listen to this,” he whispered as he turned on the tape recorder. “I think we have a hot one here.”

We both listened to the tape. The seller was moving out of state. The three-bedroom house had a small, unassumable mortgage with a price tag of \$122,500. This was the first red flag. The seller told Steve that she had recently listed the property with a realtor and that this reduced her flexibility because of the commissions involved. Another red flag. She wanted \$60,000 and would consider carrying the balance of her equity.

I called the group together again to process Steve’s call. As we listened, I could see that Philip was catching on quickly. Nora, on the other hand, looked tired, suffering from circuit overload.

I showed them a way to buy the property with nothing down and actually pull five thousand dollars out for themselves at the closing. But I advised against trying it.

“Now, let’s stop being creative,” I said, “and start acting like businesspeople. Let’s get to the bottom line. What kind of mortgage payments would we have if she accepted our crazy offer?”

“Shoo-ee!” exclaimed Steve.

“Two or three thousand a month? Couldn’t rent it for enough to even make the payments. We don’t even have to run this through our Bargainfinder to begin to realize that this one is a cubic zirconium. Remember, use creative financing only to make a good deal great—not to make a bad deal average. And this one was a bad deal. So we pass on it.

“What you’re looking for,” I continued, “is a lower-priced property with a low loan balance. Now, let’s do a role-play. You be the buyer and I’ll be the seller. You can ask me any questions you like but remember to get a score. All you know is that my price is fifty thousand dollars and my loan balance is ten thousand dollars. The ball’s in your court.”

NORA: What’s your terms? Will you carry a mortgage?

SELLER: Yeah, I’ll carry some. My equity is forty thousand. If you gave me fifteen thousand down, I’d probably carry the rest...about twenty five thousand.

MARY: What about the location?

SELLER: It’s an okay neighborhood. It’s coming back.

KAREN: How firm are you on your price?

SELLER: Well, I might be a little flexible.

PHILIP: What’s the condition of the home?

“Philip, don’t move on too fast. He’s indicated some flexibility. Explore it further.”

NORA: Um, would you take forty-five thousand for it?

“Nora, the first person to mention a number loses. Avoid suggesting numbers. Keep giving the ball back to him.”

NORA: What’s the lowest price you would take?

“Not bad. Maybe a little too strong. Better to say, “What price did you have in mind?”
“What do you mean by flexible?”
“Good.”

SELLER: What do I mean by flexible? You name it. I need out. How long has it been on the market? Maybe eight months. We’re behind on our payments. We don’t want to lose it.
KAREN: How much cash do you need?
SELLER: I really need about fifteen thousand dollars, but I guess if I got more I could lower my price
STEVE: If we gave you twenty thousand dollars

“Don’t give him solutions yet, Steve.”

PHILIP: Would you take out a second mortgage on the property?

“That’s a solution. Understand his problem first.”

STEVE: How can we settle the issue with you? What do you need from me?

“Good. Give the ball back to him. Let him solve it. The person asking questions is in control.”

NORA: What are you trying to accomplish?
SELLER: Well, like I said, we’re behind on some payments and we need to...”
STEVE: What would you consider a reasonable offer on your home?

“Listen to him, Steve. Let him talk. Keep silent. What does silence mean? It means, ‘Tell me more.’”

SELLER: We got a few payments back. We don’t want to lose the house. And if we got twenty thousand or thirty thousand out of it we’d probably be happy.
PHILIP: So if I gave you twenty thousand dollars you’d be satisfied?
SELLER: Well, maybe. If I got it real fast.
PHILIP: I could probably arrange for that. OK. Can we come out and look at the house?

“Good. OK. Let’s process this example. Here’s a \$50,000 house that can be bought for only \$30,000 if you can just come up with \$20,000 cash. Where do you get the \$20,000?”

“Get another mortgage,” Philip suggested.

“That’s one solution. The new loan would have to pay off the existing loan of \$10,000 and the seller’s \$20,000, plus your problem-solving fee of \$5,000 and closing costs of maybe \$2,000. That totals \$37,000. Would you be excited to buy a \$50,000 property for only \$37,000 and put \$5,000 in your pocket? You bet! OK, group. Back to the phones.”

The rest of the afternoon was spent on the phones. Toward five o’clock I let them return to their homes. Nora gathered up her new learning materials. I walked with her through the lobby of the hotel and into the parking garage. We chatted by her car while she fumbled

through her purse looking for her keys. She looked overwhelmed—like a wet puppy in a rainstorm. We finally found her keys still in the ignition of her car.

But the door was locked.

We finally called a policeman to break into the car. After she drove off I went back to my suite. I crashed on the bed—tired to the bone. Things had gone worse than I'd expected. Our telephoning should have uncovered at least one possible diamond instead of the cubic zirconiums we had ended up with.

"It's a numbers game," I rationalized to myself. "Our number just hasn't come up yet."

4.

At 9:00 that evening, the Challenge team reconvened at the Bonenberger's small home for the final session of the first day. We crowded into the tiny living room. The hot camera lights made it even more uncomfortable. It was so far from the intimate atmosphere I wanted.

I began by reminding them of the next day's schedule. We would meet at 8:00 A.M. at a park near the Daniele Hotel dressed in jogging clothes with a portable tape player.

"I got two great calls on my newspaper ad," Mary said excitedly when I'd finished talking. "But I'm still not sure what to do with them."

She explained that the seller wanted five hundred dollars down with a price four thousand dollars below market. She'd given it a score of twelve. I gave her the assignment of calling the seller and setting up an appointment for us to see the property at 10:30 the next morning.

"Let's break camp for tonight," I said, knowing that they must be weary. "It's been a long day on the mountain. Time to pitch the tents, roll out our sleeping bags, make a fire, rest up for the morning. I'll bet you're a bit sore between the shoulder blades—you're probably not used to carrying heavy backpacks. Your face is sunburned. And those new hiking boots are heavy and awkward. Your ankles are tired and aching."

"And the altitude is getting to my head," Mary added, laughing.

"Yes," I said. "And looking back down toward the valley it doesn't seem like we've come very far. Looking up, we can't even see the peaks hidden in the clouds. Maybe Mount McKinley is too tough. Tell me how you feel. Let it all hang out."

"I'm still nervous," Mary said, this time more seriously.

"That's why we practice on smaller mountains at first. But even that won't be easy. You'll slip and fall—scrape your knees. Maybe break a finger, or suffer frostbite. This is where we separate the sheep from the goats, as Reverend Bonenberger would say. Lots of people have dreams and goals, but they get to the place on the mountain where you are now and they turn back. They were just daydreaming. Not willing to pay the price.

"None of us has ever climbed a mountain like this before. We have a rocky road ahead of us. But let's give it our best shot. And if we fail...?"

I paused for effect.

"You'll never be successful unless you learn to handle failure. I know it sounds crazy, but if it hadn't been for failure, I'd never have become a millionaire. I literally failed into my first million. I graduated in the one-third of my MBA class that made the top two-thirds possible. I

felt lucky to have graduated at all. I remember sitting in my business classes in college feeling the same way you probably feel right now—totally confused, even dumb. At the end of my second year, I began recruiting for a job. I sent résumés to the top thirty companies that I wanted to work for. I interviewed. I called. I had my hopes up. Most of my colleagues were landing jobs and bragging about their starting salaries. All I received was rejection letter after rejection letter. In fact, I’ve brought the rejection letters here tonight so that you can see for yourself.”

I pulled out a thin, black leather book measuring 8.5 by 11 inches. Bound in the book were dozens of letters. I continued to talk while I thumbed through the book slowly.

“In a few short months I received rejection letters from Gillette, General Foods and Kodak, Quaker Oats, Campbell Soups, Lipton, General Mills, Exxon, Nestlé, RCA, Hershey Foods, Max Factor and General Motors. Recognize any of the names?”

“Things were looking bleak, but I had one ace in the hole. Procter and Gamble—the company at the top of my list and the giants of consumer marketing, makers of Crest, Ivory, Charmin and Tide—invited me to come to their headquarters for interviews with the top brass. My interviews in Cincinnati—on April 11, 1974—were thrilling. I fell in love with the people, the company and the city. After so much rejection, I felt I’d finally found a home. I flew home and waited for the offer to come in the mail.

“On April 15 the letter came. I should have known not to open it. Nothing good ever happens on April 15. This is the day that Lincoln died, the day the Titanic sank and the day our taxes are due. Nevertheless, I ignored these ominous warnings and ripped open the envelope to find a letter from Michael R. Walker, the personnel supervisor of Procter and Gamble, informing me that they didn’t want me.

“I’ll never forget that black day. I couldn’t understand it! Had God let me down? Why wasn’t He answering my prayers? Opening the doors for me? I had no idea where I was going to turn. The semester ended. The few of us without job offers felt like dregs at the bottom of the barrel. One by one, the last of the responses from my thirty hand-picked companies trickled in. Ford, Hallmark Cards, Macy’s and General Electric. All said no. I still had no job.

“Do you know what kept me going during the hard times? It was those rejection letters. They made me mad. I put them in a special file and vowed that I would be a success even if some of America’s greatest companies thought differently.

“But I still didn’t have a job. I shared my predicament with a successful local real estate developer, who offered me a job selling recreational land. At first I rejected the idea. I felt it was beneath me. ‘I have a masters degree in business administration. What will my colleagues think?!’

“But necessity got the better of my pride. That summer, as I worked beside this man, I learned lessons I could not have learned any other way. With the confidence gained there, I bought my first investment property, and my second, and then my third ... and so on. You know the rest of the story.

“A few years ago I bound my file of rejection letters into this leather book. I entitled it The Many Failures of Robert G. Allen. While there are millions of my other books in print, there is only one copy of this one. It is one of my most prized possessions. Why? It constantly reminds me that from the ashes of failure grew my greatest success.

“Where would I be right now if my prayers had been answered—if Procter and Gamble had hired me in 1974? Probably still be in Cincinnati making a nice living—saying to the world, Please don’t squeeze the Charmin. But because I failed to get that job, I was forced to look in a different direction, to take a road less traveled. And where has it led me? To a life of financial freedom. Today I earn more and work less than even the president of Procter and Gamble, and I wouldn’t consider trading places with him for the world.

“You see, sometimes God answers prayers by closing doors, not by opening them. And not till years later do we see the wisdom of our failures—when the fruits of our failures become evident. We have to learn to defer judgment until the final verdict. You must learn to see the good in every setback. If you do, your failures will not be so painful. Failure, in fact, will no longer be failure, only feedback.

“For example, look at this letter dated July 7, 1978, from St. Martin’s Press turning down the manuscript of a book I had written entitled *Nothing Down*.

“How could I know, when I received this letter, that *Nothing Down* was a winner? If I had chosen to accept this failure, *Nothing Down* would never have become the all-time largest-selling financial hardcover book in the history of publishing.

“Therefore, if you refuse to accept failure, you cannot fail. You may fall down a cliff or two. But you must learn to get up, dust yourself off and keep climbing.

“Only those who are willing to fail again and again deserve to make it to the top. You three haven’t even begun to fail enough to be worthy of success. You may have to call dozens, maybe hundreds, of sellers before you find your diamond. There will be problems to solve, obstacles to overcome. You’ll be rejected and defeated at every turn for weeks on end. But if you persist, you’ll make it. And won’t it feel great to stand on top of that mountain?!”

Mary could hardly contain herself, “When I buy my first property, I think I’m going to fly away!”

“You’ll look back down the mountain and remember all your failures with a smile. They will seem only a small price to pay for what you enjoy. And, then, the greatest and most misunderstood wealth secret of them all will be clear to you.”

WEALTH SECRET NO.9. THERE IS NO FAILURE— ONLY FEEDBACK.

As Philip and Karen walked out of the Bonenberger home into the humid Missouri night, they looked up and down the street. It was a white neighborhood. Neat, white houses lined both sides of the street, their lawns immaculate. A jet passed overhead, reminding them how close they were to the airport.

They got into their car—a brown Chevrolet that they had borrowed from Karen’s father.

Karen observed her husband as they drove. He was bubbling with enthusiasm.

“He’s picking it up so fast,” she thought.

As long as she had known him, he had been a budding entrepreneur. They first met when he was fourteen and she was twelve. He always seemed to have money. Or the knack to find it when necessary. And he had a way with words. In the ninth grade, he was on the student

council and debating team. A straight A student. Sort of a square until his friends started razzing him. To placate them he began smoking and hanging out with the wrong crowd. At first, his gang was just involved in mischief—breaking windows, vandalizing, cafeteria fights. Just to be cool. Then they gravitated to more serious things, like stealing hubcaps, tires, carburetors. But stealing scared Philip to death. Couldn't even shoplift a pack of gum without the look of guilt on his face giving him away.

At the age of thirteen, he learned a better way to earn money. He couldn't steal the stuff, but he sure could sell it. His friends would rip things off at the mall—a stereo, some women's clothes, a camera or a television—and he'd buy it all for a hundred dollars and peddle it down at the black housing projects of St. Louis. After a while, he developed a regular clientele. He'd call around and find someone who wanted to buy a hot refrigerator. Then he'd flag down a truck driving through the neighborhood and pay the driver five or ten dollars to deliver it for him. It was good money for a young teenager. Sometimes as much as five hundred dollars a week—enough to buy him a gold tooth, fancy clothes and to give some extra money to his mother.

She, like Karen, never suspected a thing. She thought he was working a part-time job after school.

It wasn't until Philip had been arrested that they learned where the extra money came from. By then, Karen was pregnant with Marcus. She was only fifteen. Philip came to see her.

"I've been busted," he told her.

"Busted? What're you talking about?" She acted surprised but she knew that he'd been flirting with trouble. Her friends at school had warned her. "Philip is a bum. He's gonna leave you. He's goin' around with the wrong crowd." She didn't want to believe them. He was always so considerate when he was with her. But the stories about him always got back to her.

"I'm goin' into the group home," he said. "It's a home for delinquent boys. I'm gonna be gone for three months. I'll call you."

"What for? What'd you do?"

He never told her the whole story.

Even in the group home, his entrepreneurial talents flourished. He'd buy a pack of cigarettes for 95 cents and sell it to the other boys for \$1.50 on time—until they got their weekly allowances of money. He became so successful at it that the home employees forbade him to do it.

After his stint in the group home, Karen begged him to go straight. By this time, he was a father feeling the responsibility to provide. He turned to selling balloons. The principles were still the same—buy low, sell high. Except this time it was legal. Karen remembered the first day they sold balloons together. It was the first time he had ever tried to sell a legitimate product. They rented a helium tank and inflated dozens of balloons and took the city bus to the arch monument on the banks of the Mississippi. Philip gave Karen pointers on how to sell and what to say, but it was she who sold her bundle of balloons even before they made it to the riverfront.

Karen smiled at this memory.

Philip then tried selling other things—roses on street corners—with some success. It wasn't like the old days, but he was bringing in a sixty- or seventy-dollar-a-day profit.

But none of his family ever appreciated his selling skills. His brothers ridiculed him. “Get yourself a real job,” they chided. “Don’t be a bum selling roses and balloons on the street corner.” He ignored them. They could not know how much he enjoyed the thrill of the sale, the freedom of being on his own with no one to tell him what to do. When things were going right, it was the most exciting feeling in the world.

As in the fall of 1982, when the St. Louis Cardinals made it into the World Series. The series went seven games. On the last night of the last game Philip gambled and bought two hundred pennants for fifty cents apiece from a wholesaler. He knew that if the Cards lost, he wouldn’t be able to sell them all. Nobody wants a pennant from a loser. He positioned himself outside the stadium by the statue of Stan Musial, his ear glued to the transistor radio. Luck was with him. St. Louis beat the Milwaukee Brewers by a score of 6-3. The fans poured out, jubilant. They mobbed him. He sold one pennant for four dollars. Another fellow wanted ten—eight dollars apiece. He stuffed the money in his pockets until they bulged. If only the Cardinals would win the World Series every day of the year, he would be rich!

“Those were good days,” Karen thought to herself as they pulled up in front of their apartment on Leduc. She had been with him that night at the stadium.

And she was with him now.