

Praise for Upside Down

“In a day and age with such a troubled economy, many are suffering financially. With high unemployment, sinking real estate prices, and falling incomes, Gregg Pechmann brings a much needed message of hope. He personally survived seven short sales and is ready to help others going through this most difficult time. Gregg takes an upfront and personal look at how to not only survive a financial crisis, but come out a much stronger person on the other side. Do yourself a favor and read Upside Down. I highly recommend it.”

— **Jay Peroni**, CFP, Chief Investment Officer, Faith-Based Investor, and author of *The Faith-Based Millionaire*

“Without Gregg’s wisdom we would be up a creek without a paddle. Instead, he helped us fight back against the debt current, and removed each obstacle one by one through short sales and mutually amicable deals with our creditors. Now, we are floating down the river of Financial Freedom.”

— **Ron and Kim Wahl**

“This is a great book for anyone who wants to take control of their financial situation. Whether you just feel you need to control your spending or if you need to get out of debt, Gregg will help you fight back.”

— **Andrew Darlington**, Co-Founder, Veritas Risk Management



HOW WE SURVIVED
7 SHORT SALES

GREGG PECHMANN

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UPSIDE DOWN: HOW WE SURVIVED 7 SHORT SALES

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*To my beautiful wife and best friend, Sharon.
Thank you for your love, your friendship, your prayers,
and your support.
I am truly blessed by you every day.
I love you!*

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FOREWORD

As a career and life coach, I have seen people make dramatic strides forward financially as they identify meaningful and purposeful work. And with that financial success comes an increased sense of accomplishment and fulfillment. We quickly become accustomed to the sense of well-being and affirmation that comes from even apparent success financially. But what happens when the money stops? What if the downturn is “not our fault” and simply a reflection of a “poor economy?”

In *Upside Down*, Gregg Pechmann offers clear strategies and hope for all of us who desire to maintain personal success when work seems to be all-consuming and the money takes a dramatic downturn.

I am not an economist, banker, or real estate investor. I did, however, survive my own financial disaster a few years ago. The bank where I was firmly established with

great personal relationships changed ownership three times within two years. The lines of credit disappeared and forced me into an untenable position. After a public auction of some of my largest assets, I was left with seemingly insurmountable debt. At that point I knew that I had the ability to choose how I would move forward. I could give up and assume that financial success had eluded me once and for all, or I could learn and grow from the experience and get back in the game on my own terms. I chose to re-engage in the entrepreneurial world of business, but with new insight and a new plan. I created a painful process for repayment of my creditors, even though bankruptcy would have provided immediate relief. And during that critical transition, I chose to make deposits of success in the physical, spiritual, personal integrity, social, and family areas of my life.

Today, as an author and life coach, I have been able to create new sources of residual income that far surpass my previous “success.” I have experienced that personal success can continue whether monetary assets are plentiful or non-existent.

If financial success or failure defines us, we are extremely vulnerable. If it confirms our sense of security or lack thereof, we are on thin ice. There must be more to our lives than what can be seen in our bank accounts. Our handling of money can wound us or equip us for service to others. Money is often the place where we feel most conflicted and uncertain, yet it can also be the place that exposes our deepest values and releases our highest abilities. The

principles of how we handle money are not specific to any one industry or profession. Our response to the challenges and opportunities that money presents are more a reflection of who we are than what we have.

This book is not about avoiding responsibility, turning away from money, or giving up on having extraordinary financial success. It is not about stringent budgets, simplifying expenditures and doing without, although the wisdom gained by reading *Upside Down* may lead to action in each of those areas. Rather, it is about living fully, being authentic in our relationships, and having a purposeful plan for the use of money—whether much or little.

Whatever your current situation, you can expect *Upside Down* to bring you new hope and encouragement for the challenges you face—and for the victories you anticipate in the future.

Dan Miller

Author, *48 Days to the Work You Love*

Life Coach

www.48Days.com

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It took only a few months to write *Upside Down*, but it took years and a lot of blood, sweat, tears, friends, and mentors to acquire the experience and wisdom it represents. Here are a few of the people who have blessed my life and helped make this book a reality.

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To Lindsay Dolamore, Brian Grabowski, Larry Vogt, and the rest of my Florida friends, family, Realtors, and investors: Keep fighting; the tide will turn!

And to everyone who provided quotes, stories and content for this book, thank you!

INTRODUCTION

I know.

You thought your house would be worth a lot more by now.

But instead of enjoying what you hoped would become a huge asset, you feel trapped . . . suffocated. Sometimes your heart races, and you feel like you can't breathe. The stress is so overwhelming, you just want to run and hide . . . forever!

I get it.

I've been there. I know what it's like to feel as if the walls are caving in around you.

I have been through seven short sales. I've lost more than \$6 million in real estate. My income dropped like a rock, and I should have lost my family.

It's scary; I know that much. It was for us. We didn't know where to turn. It was sickening to watch everything I

had worked my ass off for come crumbling down. Nothing I did seemed to help. No matter how hard I worked, it was like trying to plug a hundred holes in the dike with my fingers—and toes for that matter. But eventually, the cracks in the dam grew too big. A flood of debts and responsibilities rushed over us, laying us bare.

I felt numb. And, for a while, I tried denial. But I'm not a quitter. If I was going down, it wouldn't be without a fight.

So, we fought. We fought a system that doesn't want to help consumers. We fought ignorance by arming ourselves with information and a plan. And day by day, piece by piece, my wife, Sharon, and I reclaimed our financial dignity and our sense of peace.

I believe you can, too.

Who needs to read this book?

This book is for the families who are going through a lot of financial pain. You are not alone. I know you're probably experiencing a lot of emotions: fear, depression, shock, anger, and confusion. But my hope is that by reading this book, you will get the direction you need to get back on track. Most importantly, I want you to find peace.

This book is for the home sellers who are in denial. All I can say to you is to keep reading. If you don't address the problem head on, it will run you over from behind. Avoidance and denial won't solve the problem. Actually, the longer you wait to take control, the worse things will get. Understand that there will be an outcome—whether you

choose to stay in denial and “wait and see,” or you choose to wake up and take responsibility for the financial mess you’re in. If you don’t face up to the problem, your life could get pretty ugly; take control of it, and you can minimize the pain and expense you’ll have to deal with. My hope is that you picked up this book because you’re ready to take control.

This book is also for Realtors® and real estate agents. (A lot of you are also going through a short sale or foreclosure yourselves.) I believe this book will be helpful for you and your clients. Think about it: How many real estate professionals or businesses take a true “personal stake” in their clients’ lives? Not many, right? You can be the one who cares not just about the profit, but about the person.

Realtors, you know that buying and/or selling a home is one of the most significant financial decisions someone will ever make. Now, add to that pressure, the stress of going through a major financial crisis. That person—your client—is on the brink of a real, emotional and financial disaster. As stressful as it is to buy or sell a house under normal circumstances, I believe it is 100 percent more stressful to feel hopeless—to be desperate to get out of a bad situation. You cannot put a price tag on the value of caring for your client. Your reputation is too important. The life dividends are too great to pass up.

This book is NOT for anyone who wants to flip the keys (or the bird) at the lender, and walk away. Nor is it for someone who CAN afford the mortgage payment but chooses to walk away anyway.

This book is for the people who are ready to get back up and start fighting for a new, better future.

Please realize that your financial life does not have to be one of turmoil, frustration, and stress. I know it seems bleak now, but this too shall pass . . . trust me on this one.

Sharon and I will share our story in great detail—some of it good and some downright ugly. I think it is important for you to hear it all, not because I like opening up old wounds, but because I believe our story can help you emerge from this nightmare stronger, smarter, and *better* than ever.

You'll learn real strategies and practical steps for going through a short sale. I'll teach you how to fight back financially. Since my own experience with short sales, I've helped many people through the process—some of whom were more than \$1 million in mortgage debt. I coach people every day, helping them use the same strategies I used to free myself from a financial nightmare. I know what I'm sharing with you works.

Obviously, there are no guarantees that if you read this book you will avoid foreclosure. (And I am not an attorney, so don't expect a lot of gobbledygook lawyer jargon.) All I can do is share my story and tell you how I made it through seven short sales. Hopefully it helps.

My goal is to empower you to conquer the “insurmountable” dragon standing before you. It will not be easy; fighting a dragon is never easy. And I'm telling you right now, it will take a lot hard work. Regaining financial wholeness requires a total commitment on your part. But if you focus on the other side of this battle, if you keep your

eyes on the goal of financial peace, just imagine what it will feel like when it's all over:

When there is no one calling you asking you for a payment;

When you can pay your bills *and* buy necessities for your family;

When you can breathe a big sigh of satisfied relief, knowing that you took control, and you *won*.

It's going to feel pretty amazing. How do I know? I've been there, remember? I survived, and I *know* you can, too.

Now let's go slay some dragons!

OUR STORY

Sharon turned to me with tears in her eyes. “And let me tell you something else! Get that thought out of your head right now! We will get through this.”

How did she know? How did she know I was actually entertaining the thought of suicide?

That’s how demented my thinking was . . . I was considering literally killing myself so my wife and children could have a chance at escaping the financial and emotional disaster our lives had become. The problem was, my insurance policy was only \$1 million. I needed triple that amount to cover the upside down mortgage debt and leave Sharon and the girls some money.

The pressure felt unbearable. Depression took over. I didn’t want to see anybody, I didn’t want to eat.

I felt as if I had a piano on my chest all the time. Breathing no longer came naturally; every breath took effort. I was completely exhausted and embarrassed.

I felt flat-out *defeated* because for the first time, I had no answers. Worse, I knew I was the one who dug the hole that was swallowing us.

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Sharon told me to stop at ten homes. (Men, listen to your wives . . . even if they do not know anything about your business. I am convinced they have a sixth sense.)

Don't worry, honey; we can always sell them and cash out." For years, that had been my brilliant answer. And now, my life was crumbling all around me.

Let me rewind a bit and explain to you how I got to this point.

In 1992, I started a manufacturing business. Why? Don't ask me. I knew even then that it wasn't what I wanted to do for the rest of my life. I'd left college early and was completely lost. The college life had wreaked havoc on me. Drinking, partying, living like a heathen, and playing college hockey all the time is a recipe for destroying the soul. And that's exactly what was happening to me. I decided I needed real world challenges, but I had no idea what I wanted to be when I grew up.

What does someone with an entrepreneurial spirit do when he has no idea what to do? He starts a business. That's what I did, anyway. I moved to Florida and started a company. For the next nine years, I worked like an animal, seven days a week in a business I hated.

Maybe it's because I was working like a maniac (or maybe it was the fact that I had grown tired of getting metal chips in my eyes), but I began imagining what it would be like to invest in real estate. I dreamed of retiring at forty and enjoying a very comfortable life funded by residual income.

In 1997, I took my first step toward that dream by buying a residential lot. My plan was to buy a lot and build a duplex. I would live on one side and rent the other side to cover the mortgage. During the construction of the duplex, I met my lovely wife, Sharon.

Everything would have been great if I'd stopped there.

In 1999, I moved into the finished duplex. Life was good. By 2000, I'd built a second duplex and purchased a condo on the beach. Sharon and I married, and by 2001 we had built and moved into our first home.

By 2002, I had endured about all I could stand of the manufacturing business. That summer, I closed up shop and took a leap of faith in a new venture. My good friend Brian Grabowski had convinced me I would be awesome in the mortgage business. With just \$15,000 in savings, I decided to make the jump to a 100 percent commission job in a business that I barely understood. (This is a common theme for me: I plan, but once I get bored with planning, I make the leap and go for it.)

It turns out, Brian was right. I trained with him that summer, and by October, I began pursuing a full-time career as mortgage broker.

I figured that if I worked 50 percent as hard as I had in the manufacturing business, I would be golden. Well, I worked even harder in the mortgage business. Part of my motivation came simply from the fact that I enjoy working. I love accomplishing goals—especially if it's a challenge. My attitude has always been: Tell me I can't do something; then watch me, and take some notes along the way. But I had a little extra motivation: Sharon was pregnant with our first daughter, Annabelle, and we had decided it would be best for her to be a stay-at-home mom.

I saw a huge opportunity. Most mortgage brokers I knew were flat-out lazy, or had no idea what they were doing. (I never understood that. Why promise something that you can't deliver?) I knew if I outworked them, I would get the business. My plan of attack seemed obvious: Answer everyone's phone calls, help as many people as possible, build tons of relationships with real estate professionals, continually educate myself, and get better every day. Simple, right?

Using that formula, I earned \$35,000 between October and December 2002. Not bad. But as good a start as that was, I couldn't have imagined what would happen next.

My business took off like a rocket the next year. Whatever I touched turned to gold. As a result of my innate persistence and my passion for helping others, the money rolled in.

In 2005, I earned \$750,000 as a mortgage broker. The

crazy thing is, that kind of cash—and what it took to earn it—suddenly seemed normal to me. My workday started at five a.m., and I didn't come home until eight p.m. or later. Phone calls and business consumed my waking hours. I loved the rush and excitement of those times, but I was not learning to steward anything I'd earned.

A new set of ideas took root in my mind: Invest until it hurts. What am I going to do, just look at the money in my checking account? Real estate debt is good debt. We can always sell and cash out at any time. Keep buying; it will pay off later. Leverage, leverage, leverage!

I was STUPID! STUPID! STUPID!!!

That's how I ended up owning twenty-one homes worth \$6 million. I owed a whopping \$4.5 million in real estate debt. Here is another stupid rationalization: I was still \$1.5 million "in the good" . . . so no worries, right?

**“Learn from yesterday, live for today,
hope for tomorrow.”** —Albert Einstein

But in 2006, the scales began to shift. Our properties didn't rent as well, and my income dropped to \$350,000. That's not a bad salary, except that our expenses and lifestyle had grown to match the previous year's earning.

Then the real estate market tanked—big time. The bubble burst and my business did a free-fall nosedive. It was like getting hit over the head by two sledgehammers: My income dried up, and my investments flipped upside down

in value overnight. We started selling off properties, but the process was slow.

Sharon and I decided to move to Tennessee in September 2007. During the mortgage boom, we'd visited the state for

My income dried up and my investments flipped
upside down in value overnight.

some much-needed vacation time. The more we visited, the more we fell in love with the mountains and the sense of peace and protection we felt there. It seemed like a natural move for many reasons. And as it turned out, the people we met in Tennessee were a huge help in dealing with the financial reality that was about to hit.

The move was exhausting. We packed up our house, and moved to a place where we knew no one. During our visits to Tennessee earlier that year, I'd interviewed with several companies and had received three offers. Although it was a blessing to have a job, I was starting again at zero to build a new clientele. The crazy hours started all over again.

Did I mention that we had a new baby? Our second daughter, Francesca, was born a few months earlier. The financial stress, the new job, caring for two small children, and the fact that we knew no one in the area strained both of us—but especially Sharon. Little did we know then how much *more* stress we would face in the coming months. Our marriage was about to go through the fire and be *severely* tested.

Before we left Florida, several friends and business associates chided us: “Just hang on, the market will turn around.” Their advice challenged our resolve, until one night we saw Dave Ramsey on television. His message about financial peace—as unattainable as it seemed at the time—offered a thread of hope and the reassurance that we were on the right track. Shortly after the move, we made an appointment to meet with one of his counselors.

The counseling session was enlightening, to say the least. And the drive home from that meeting was an experience I will never forget.

“Well, are you going to say something?” I asked Sharon after three hours of silence. Our conversation with Lisa Barber, lead counselor for Dave Ramsey, had left us shell-shocked.

“I don’t know what to say . . . I just want to curl up and not see anyone,” she said. It was one of the first things we agreed upon in a long time.

We had never done a budget before, so it was an eye-popping experience for us. Every time I tried to bring the conversation back to fixing my real estate mess, Lisa pulled us back to the budget. I remember thinking, “How the hell is worrying about a stupid phone bill going to help us now? We need to fix this big mess, *now!*!”

Well, the numbers didn’t lie. Here was the damage:

- I was running a deficit of \$16,000 per month.
- My income was about to drop to \$50,000 a year.
- I had seven homes that were upside down in equity, totaling \$2.5 million.

Not a good recipe for success.

I felt like I had been hit with a two-by-four right across the forehead. I was overwhelmed. I was scared for the first time in a long time.

All kinds of questions and fears filled my head:

Do we have to file for bankruptcy?

What will happen to us?

Will we have to move again? (Eventually, we did.)

Could I lose everything?

What will everyone say?

How can I make it up to Sharon? Will she ever forgive me? Will she leave me? (I wouldn't blame her if she did.)

How is Annabelle going to handle this?

How does a short sale work?

Do I have any chance of getting one short sale done, let alone seven??!!

And many more questions

All of this was running in my head, and I was just starting a new job, unsure how much money I was going to earn. Depression and dark thoughts were a constant battle. Crying like a baby seemed to happen at a drop of the hat. I had totally blown it. I messed up before, but never like this, and never with three other people depending on me.

Everything I had worked for was gone. I knew I had to start over, but how? What was the first step?

It was time to draw the line in the sand . . .

Notes from Sharon . . .

We felt good about moving to Tennessee, but getting settled wasn't easy. We rented a little cabin while we looked for a new house. Actually, we looked at fifty-five houses in the first week! About two weeks after the move, fear struck my heart; had we done the wrong thing by moving? Then one day, I saw T.D. Jakes speaking on television about vision and about repositioning one's life. I suddenly realized that all I had was time—and I was wasting too much of it worrying. I remembered I had to intentionally seek God in all this fear and uncertainty. That was my first line in the sand!

From that day on I determined to make the most of this season, to be hopeful, and to trust the Lord. Honestly, walking in faith is difficult for me—sometimes it feels ridiculous! You see, I am a detail person, a perfectionist, and calculator at heart. To take a leap of faith was very, very rare for me! But the more I trusted God, the more I saw that he was working to connect us with the people we needed in our life. Just three days into our stay at the cabin, we saw Dave Ramsey on Fox Business News. As Gregg and I sat and watched Dave's show, we laughed, teared up, and got angry with ourselves over our own financial mess. Dave's message spoke to us—big time.

The truth is, we got rich very quickly. Because we didn't have enough biblical wisdom or life experience to know what to do with all the wealth, we blew it! After watching Dave's show that night, we promised each other that as soon as we found a home, we would go see Dave Ramsey's staff and begin financial counseling. We needed a plan; we needed to understand this stewardship thing Dave kept referring to. We needed to figure out how we were going

to stay married, raise Christian girls, and for Pete's sake not go bankrupt.

Two months later, just three days after we moved into our new home, we headed to Brentwood, Tenn., to see Lisa Barber at Dave Ramsey's office for financial coaching. Wow, what a trip that was! No one could have prepared us for that three-hour ordeal of rehashing and thinking through our losses, our purchases, our mindsets, and our mistakes and failures.

After the meeting, Gregg and I drove home. It was a five-hour drive, and for the first three hours, neither of us said anything. We sat there numb, stupefied, silent . . . empty. We were humbled by our mistakes and the path ahead. Have you ever felt that way? As if your life is flashing before you and you see . . . nothing?

Gregg broke the ice by asking me what I was thinking. I told him I didn't know what to think. I didn't know what to say. I was just numb.

UPSIDE DOWN