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Real Estate Investing Podcast Episode # 71

How to Run Your Real Estate Investing Business Like a Business

Hosted by: Joe McCall and Alex Jounblood

Featuring Special Guest: Frank Cava

- Joe:** Welcome this is The Real Estate Investing Mastery Podcast. Hey everybody welcome to the real Estate Investing Mastery Podcast glad you're here for another great show. I'm excited about this. We got a good friend named Frank Cava on the show that we're going to interview. He's actually in Alex's neck of the woods but we're going to be talking about some cool things with regards to hard money and getting your elevator speech down because I think that's super important. A lot of people when you talk to other investors or sellers or buyers even family you get tongue tied. How you present yourself is so important in this business. Alex you're on the line. How are you man?
- Alex:** I'm doing wonderful, spectacular. How about yourself?
- Joe:** Really good. As usual we get on this call and Alex is eating something healthy. I just got back from a subway sandwich place. I'm proud to announce that I did not get any French fries because this place has 1 of those ... They cut the fries actually right there and then they fry them and they put a ton of salt on them and they're really good. I did not get any and I didn't get any soda either. I had iced water.
- Alex:** But you ate the bread didn't you?
- Joe:** I ate the bread but it had lots of vegetables on it. It had lettuce and onions and tomatoes and yellow peppers and some salami and pepperoni and all that good stuff. And cheese!
- Alex:** All right.
- Joe:** Alex you've been busy doing deals? I assume ...



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Alex: Very busy. We just actually closed 1 in my Richmond market the other day. Just got the wire from the bank on that. That was nice. I think a bunch of other stuff going on. I was running around looking at some new construction projects. Today trying to get people on a timeline and the right schedule and all that stuff and even a little extra good pick in the pants to get things to the finish line which they need every now and then.

Joe: Right on.

Alex: I actually also just dropped 10,000 postcards in 1 of my markets. We've been going through all those. My virtual assistants are very busy right now.

Joe: What postcard do you use? Do you use the old fashioned 1 that you've always used in the past?

Alex: I mix it up between that. I try to take different ideas from different people and blend it into my own postcard actually.

Joe: You have 10,000 postcards. You should get at least ... How many calls with that 150, 200 calls?

Alex: I think I'm past that. A lot of them are hang ups though. Let me see. I'll tell you exactly how many calls I've had.

Joe: While you're pulling that up I'll tell you 5 weeks ago I talked about this Frank when we were at Collective Genius and more excited about this now than I ever have been. I've got these other wholesalers in my market and in several other markets and I'm doing the marketing for them. I'm having my VA prescreen the leads. All of the leads are going through Podio out to my wholesalers and these are guys who already are wholesaling deals. I don't have to train them. I don't have to motivate them. They already are good at talking to sellers, negotiating, sitting at the kitchen table. These guys, I love working with them because they have the philosophy that I'm not leaving this house until I get a contract. I'm doing the marketing for these guys prescreen ...

Alex: Those are some good people to be in touch with for sure.

Joe: Yeah. They're wholesaling the deal and we're splitting the profits 50-50. Now you're thinking 50-50 that's crazy but literally Alex I'm not doing any of the work. My assistants sends the postcards. They set up Podio which with Podio you can manage your team like you can give



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them a workspace that's just for their area and everybody can see it. You can manage it from your iPhone or whatever. Then I have a VA who is prescreening the voice mails. Calling sellers back getting some information. The wholesalers calling those sellers, meeting them, getting it sold all that good stuff and I literally do nothing except help set it up.

Alex: Do they don't know how to market for themselves?

Joe: A lot of these guys maybe they do but they just don't want to or they ...

Alex: Are you [filling 00:04:47] postcard marketing or what?

Joe: Postcards that's it.

Alex: That's it?

Joe: Driving them to 24 hour recorded voicemail and my VA prescreens the leads. Imagine if somebody came up to you Frank or Alex and says "What if I did all the marketing for you and I just gave you prescreened leads that I've already asked the questions. They already know they want to sell a property and it's in a good area that you like or whatever." If I gave that lead to you, if you sold it would you split the profits with me 50-50? I'll pay for all of that marketing.

Alex: Sounds like a decent deal if it's for marketing that you have not ... if that person's not already doing that type of marketing.

Joe: What I'm also starting to do now since I have the assistants in place, I'm going to have my assistants send the follow-up letters and contracts. What I'm doing right now is every seller that says no or is not motivated I don't care how far apart we are in numbers I want to send them a letter and a contract. My wholesalers are putting down into Podio after the seller says no they'll update the lead. They'll put in there how much to offer and so we'll send a letter and a contract to follow up. We'll put that in the wholesalers name but we add a special phone number attached to that letter that we can track those calls and they get put in through Podio.

We're doing a lot and the guys that we're working with they love it because I'm giving them free leads. There's really nothing they have to risk. I love it because I'm getting somebody else to do all that work for me.



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- Alex:** All right so the amount of calls I've gotten so far 257.
- Joe:** Nice.
- Frank:** Alex is that high or low for you based on 10,000 pieces?
- Alex:** We're in the middle of the second day so let me see what does that type of response come out to. Actually it wasn't a true 10,000. I think it was like 9400 after I split it down. Let see 258... 9400 that's almost 2.7% just like you said there. In this market, we're I'm at right now I'd say that's about average if I dropped that up in the Richmond area I think it would a lot higher.
- Frank:** It's good response.
- Alex:** A lot of them are people who are just cling in and then hanging up after they listen to the message. I've got a virtual assistant working the top of the list and a virtual assistant working the bottom of the list. The virtual assistant at the bottom list is calling all the leads that called in the oldest leads and calling them hang ups and everything like that until they meet in the middle. They're calling everybody and trying to maximize the list as much as we can.
- Joe:** That's huge.
- Frank:** We get through about 40 to 50 calls a day. How many are you guys hitting the day?
- Alex:** That sounds about right. One assistant I could get between 50 to 60 calls a day. With 2 I can double that.
- Joe:** My assistant I'm doing something wrong. He can handle about 30 calls a day.
- Alex:** Are you talking about leads or are you talking about calling and saying "Hey we realized you called us give us a call back ." That's easy to do if they don't pick up.
- Frank:** You have to blend the messages.
- Alex:** Yeah.



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- Frank:** We got a debate in our office on what works better. Is it a recorded message? Is it a call center? Is it funneling your calls into your office?
- Alex:** That's an age old debate right there.
- Joe:** I can settle it.
- Frank:** Okay.
- Joe:** 24 hour recorded voicemail get 2 to 3 times the calls with that.
- Alex:** Yeah but they don't necessarily ...
- Joe:** It doesn't matter. You get a phone number that's all you need.
- Alex:** That's what you got.
- Joe:** You make your money on the phone.
- Frank:** 10,000 mail pieces in our market usually generates around 150 calls and out of those 10,000 pieces that's usually 5 deals. We usually net about 15,000 a deal so basically 10,000 mail pieces brings in about 75 grand. How ...
- Alex:** That's not bad.
- Frank:** I think it's pretty good. How does that stack up against how you guys are seeing it?
- Alex:** It depends. It really depends on where the wind is blowing that month I would say. It's not a sure fire 5 or 6 deals. You got to really work it and squeeze it and try to massage the most you can out of it because a lot of people sometimes get the same postcard. A lot of people will be like "Hey I hear that you're the fifth postcard I got over the last couple of months and we're ready to sell. I've got all my postcards here and I've got an appointment at 9 and I've got appointment at 11. I got at appointment at 2, an appointment at 5. Which 1 do you want?"
- Joe:** Frank, are you counting rehabs or are any of those all wholesales deals?



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Frank: We have 3 separate businesses. We have a fix and flip business. We have a wholesale business and then we have a buying whole business where we own rentals. Those businesses are a little different. The reason I built this company the way that I did is I used to work a national builder. The thought process was when the national builder ... We didn't go belly up but everybody had tough quarters. I saw that with the company with a billion bucks in the bank you can choose to have 1 business. If you're a small guy like us you have to have a little bit more security so I had 3 different tentacles into the market place.

What we do the rentals are ahead against inflation and basically I'm in my 30s. When I'm in my 50s I should own a bunch of houses with no mortgages. The wholesale business is basically to have monthly cash flow and to cherry pick the best deals that we want to fix and flip. The fix and flips we used to say we didn't want to make less than 20 grand deal but that became a headache so now ... If we can't make at least 40 grand on a deal I'm not going to touch it.

Joe: I just got a message from Alex that his headset is acting up. Let me introduce Frank to you guys, Frank Cava. Frank where are you from?

Frank: I am living in Central Virginia. We have an office in Charlottesville and we do a lot of our business in Richmond but I grew up in [Florida 00:11:12]

Joe: You're an SCC fan right?

Frank: Oh yeah man. I went to the University of Florida.

Joe: That's all right. Won't hold that against you. I guess you're a Miami Dolphins fan aren't you too?

Frank: I grew up a Dolphin fan.

Joe: That was so funny at the last mastermind you were at. Todd Toback was sharing a clip from the Jets and it was just like a freeze-frame. Was it Dan Marino?

Frank: They had Dan Marino against the Jets the clock play.

Joe: The clock play. Got to YouTube and just do a search for the clock play and maybe add Dan Marino or something on there. Just with that 1 screenshot Frank knew immediately what play



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that was and what game it was. I thought that was hilarious. Frank you mentioned you are in your 30s.

Frank: I am.

Joe: You've already got quite a successful business which is awesome. Talk about how you got started in real and how you come about this business that you have right now.

Frank: Thanks Joe. The way that I got into business is my dad and my granddad are electricians and I used to go to work with them when I was a little kid. I always told my dad I was going to work with him when I got out of high school. He goes, "No you're going to college." I've always had a love for construction, real estate but I don't use my hands. I'm a terrible mechanic but I'm pretty good with using a spreadsheet, using my brain. I went to work for 1 of the nation's largest home builders out of college and I started off at the bottom rung of the company and work my way up.

By the time I was 29 I was the vice president and we were building and selling over 400 houses a year almost \$200 million each and every year. In my time with them we brought more than 3000 houses off the ground. We built and sold 2000 to 3000 houses each. My experience in real estate is into the billions for sure. I've got 3 facets of what where I'm pretty knowledgeable. I understand land development. I understand the sales side of the business. I understand the construction business.

In 2009 I was just sick and tired of working for a big company and being told no all the time. I'm someone who likes a challenge so I said if I can figure out a way to quit my job and survive in the housing abyss of 2009 I can figure out a way to make money in real estate in any market. Quit the business and started off with a real estate and over the last 5 years we've been able to build a business that does fix and flip, wholesale and has a rental portfolio as well.

Joe: What year did you leave the housing business?

Frank: I started my business in '07 and I did a deal here, there on the side and then I quit full time in January of 2009.

Joe: Where you in Florida at the time?



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- Frank:** No I've been in Virginia. In 2009 it was awful. It was a terrible real estate market.
- Joe:** How did you figure out wholesaling? Did it start with rehabbing because you already knew how construction and how it worked?
- Frank:** It did and the way that I used the wholesale I used just wholesale through networking. We'll bring us a deal and I would say "This things worth 100 grand if you put some money into it and we can get it for 30." I make a couple of phone calls and just sell it for 40 or 50. I used to do 4 to 10 wholesale deals a year and probably made 100 grand or so. I focused a lot of my networks on the fix and flip business. In the last 3 years I've become very diligent on postcards, following up and running the wholesale business that we do a lot more of that now.
- Joe:** I'm writing some notes here down. I know you're big on systems Frank and 1 thing I like about you is it seems like you surrounded yourself with good people that can start implementing those systems. It took you a while to get there. Talk about the evolution of your business. You started up small. You're doing pretty well right now and you started with the worst of the economy.
- Frank:** That's right.
- Joe:** Talk about the evolution of your business. How did you grow it?
- Frank:** The reason that I grew my business, the way that I grew my business is because of this. In 2006 I was running a profit center with 75 employees. If I'm good at managing team or putting systems in place because I used to have a team of 75 people so that was in May, June of 2006. By January of 2009 less than 3 years later my team was 23 people and unfortunately I've hired and groomed and taught people the business but I had to fire a lot of people too. That was awful. I hated those days and it was usually mass days we just laid off a ton of people at once and it was dictated to me by the corporate office and I had to do it.
- When I started my business I didn't want to have to fire people so I groomed very slowly. I used temps. I used part time people. I used subcontractors and for the first 2 1/2 years it was completely just me, 2 1/2 years in I actually brought in a gentlemen who's my business partner who runs our wholesale business and gave him the ability to run that business and we've grown slowly. Right now we have 5 full time employees and we can sustain that because we have a model that works month after month after month and we grew slowly.



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The philosophy if you're looking to bring someone on is my philosophy is this. When you have someone working and its going to cost you about 75% of a full time hire is going to cost you that's usually when I bring in somebody new. If you're using a temp or you're using ... If you're using a VA you may never get to that number but sometimes you need physical people later on so that's how we did that.

Joe: You're still doing some rehabbing right? I remember you've talked about before you slowed that down a little bit. Why is that?

Frank: We've slowed it down but we've got 12 of them going on right now Joe so I don't know how slow that is. We had 25 going on at 1 point. I slowed it down for 2 reasons. Number 1, it's a cash intensive business. You've got debt. You've got ton of risk. That's number 1. Number 2 wholesaling is easier. I still love the fix and flip model but I'm more selective. We did a deal about a year ago and my private manager looked that up. I have a full time project manager. He's like "We can make 40 grand on this house." I looked at it and studied it real close and I was like "It's made of wood. It was built before 1920. It's probably infested with termites. It's probably a hassle and there's 1000 things. We're going to be able to estimate. Screw it. Let's just wholesale this thing."

We actually bought it, put it back on the market and we listed it [4099 00:18:31]. We got 41 offers in 3 days. We ended up selling it for 101 grand. We made almost 30,000 and didn't touch it. I don't like to pound my chest and have too much pride. I take the path of least resistance that's going to give us the best result and that's how I run this entire business.

Joe: Alex and I have talked about that a lot because when you're in a good position you can just cherry pick the best deals and rehab them yourself. There's something to be said when you're rehabbing there's so many moving parts and you're so reliant or dependent on the inspectors and permits and contractors. Then once you got it on the market you have to find a buyer who's picky, who's going to ask you to fix a lot of things or change a lot of things. Then you have the underwriters you have to worry about as well. Then you have to realtors you have to work with.

If you got a buyer who's getting a loan, there's just a lot of issues involved with that. You can make great money at it but with wholesaling you can either make a quick nickel or slow dime as they say. With wholesaling it's just a few moving parts and you can make anywhere from a couple of thousand to \$50,000 wholesaling deals and a lot less effort but there's still a place for



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that. There's still a place for rehabbing and you're doing a dozen of them right now. What's your goal Frank? How many do you want to have at 1 time? What's your sweet spot?

Frank: I want to run 3 \$1 million plus businesses. On the wholesale side of the tracks if we're going to make a million bucks, we need to do about \$7 million a year in revenue. That's going to be 20 to 30 houses depending on the scope of those houses. That's what it looks like. I mean if we can gross a million bucks we can pay salaries and everybody else. There's plenty of money leftover so that's what we look like on the fix and flip side of the business.

Joe: What do you see the market right now? Do you feel like it's a strong market to continue rehabbing? Are you bullish on the future?

Frank: I am but I think you got to be very mindful of what's going on in the market place. You need to know your personal risk tolerance. You got to know your skill sets. I know how to do this. I had a 150, 200 houses under construction at any 1 time and know how to manage that team. If you're on your own and you're trying to pick your space and say "Where is my niche in this market place?" You got to know what your risk tolerance is and you have to know what your cash position is. If you're paying hard money do you have bank money and what you can weather in the market place. That's 1 of the most important things about getting into this market because I don't have a crystal ball.

I feel like the market is pretty strong right now. The inventory is still low. Joe we've done over 100 fix and flips in the last 4 years and 90% of them has sold in less than 30 days. We know the rights ways to market and how to sell those properties very quickly. What I've noticed is 2009, 2010 and all the way through today, if you price something to the market that's valuable and it gives people more value than they think they should get for their dollar, it's going to sell relatively fast. I don't care if the market is going up or down, if you do it that way you're going to be able to move you inventory.

Joe: There will always be a demand for inventory. Maybe going down or maybe going up but there's always be demand for ... Alex I don't know if you're back yet or not but you can feel free to interrupt me anytime.

Alex: Can you hear me?

Joe: Yeah.



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Alex: Okay. It's working again. It's really cool. I'm listening to Frank. He's done some big businesses sounds like ... Definitely as far as rehab and construction nothing compared to ... I haven't done anything compared to what he's done over his business time spend. 100 some properties under construction, was that you or was that a major company that you were working?

Frank: Personally my business alone is fix and flip over 100 deals in the past 4 ½ years but what I had over 100 construction once is when I worked with the national builder.

Alex: Okay. It's like wow you're working some subdivisions at that point. That's awesome. Actually I have question for you. When you're on the flip side so to speak and you're selling a property, do you look at the market and say, "This property sold for 235. This 1 sold for 235. This 1 sold for 225. It looks like I could get 235 for this so I'm going to attempt that." Let's say you're not getting hits on that. When would you choose to reduce the price at that point?

Frank: Your question is the most important question in the entire fix and flip process. It's important to figure out how much you think the house is going to sell for when you acquire the house. Then through construction we check the value all the time. The market is a living breathing thing. Most houses are fixed and flipped inside of 6 months but we'll check it probably 3 or 4 times. What we do is we realize that when you put a house on the market, the most views, the most traffic, the most everything you're going to get is going to be in the beginning.

I work in central Virginia which is Richmond, the Charlottesville and even in that swath of about 75 miles and its about 75 miles wide in about 20 miles tall it's not a very huge market but there's different submarkets. You need to know what market you're in and you need to play it the right way. To answer your question specifically we got a rural property that's' been on the market almost 30 days and we priced it at 130. It's the right place to be and you just got to sit down and let it go. We have another house that we got under contract last week.

Joe you'll love this deal. Bought this house for \$190,000 of the direct mail piece. We fixed and then flipped it while I was in San Diego with Joe. We bought it on May 1st. We ordered countertops. All the supplies literally showed up on May 1st. On May 11th it was back on the market and on May 12th we put on a contract for 312,500. Its' going to be a \$75,000 \$80,000 profit deal. On that house Alex the way that we priced that is we looked at the market and said, "The market here, it's Richmond. It's not over aggressive. It's not like suburban Los Angeles or 1 of these metropolitan places where people going to put a ton bids in. It's a pretty conservative



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place so we thought the market was probably 315 on the upper end. I was real happy with 312,500 and I got contract in 10 hours.

Alex: 10 hours.

Frank: It depends on your market and what it is. In [some 00:25:41] instances, I underpriced market. I've done this model probably 10 15 times in the past 2 years where I think if something is really worth 300 and it's a hot market I'll put it on the market to 275 and I'll get a ton of people that put bids in and it will gross it. You might be able to list that house for 299 it take a month to sell or you list at 275 to get 6 contracts over a weekend and you get escalation that gets you like a 310 net. It's going to depend on your market in a lot of instances and where you are.

Alex: That's cool. That's good insight. I don't know if you seen the markets around here. What a lot of us are doing is taking small little 700 square foot houses and turning them into 2000 square foot houses. We refer to that as doing a pop top. Seems like a lot of people are catching on with that so they're really putting that out there. There's a lot of different houses like that that are out there so buyers have a lot to choose from when it comes to that. That's been interesting to see how that's affected the market over the last I would say 4 to 6 months from that.

Joe: Alex, how do you that? Do you jus build up or you built out?

Alex: You do both. 700 square foot house you might do a little addition off the back as far as foundation is concerned. You're ripping all the walls down except for maybe 1 or 2. Then you're building everything new from that point up. You might do a cantilever over the back. You know what a cantilever over is right? Basically you're building up and then going out with no ... It's hard to explain over the podcast but you go up. Trying to help people understand what that would be. You go up and then you make like a 90 degree out and then go up again type of thing. You're actually hanging a little over the ground technically so to speak to pick up some extra square footage that way.

Joe: Is this easier for a permitting standpoint to do as well because you don't have to tear down and rebuild?

Alex: It's a little easier on the permit side than new construction because you're not going through the whole it tear it down process and getting all your cut off letter for your utilities and your



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road inspection and your hazmat inspection and all these different inspection that you have to go through to tear it down.

Joe: I'm assuming these little 700 square foot homes they got to be in good desirable neighborhoods. Are they close to the beach or ...?

Alex: The interesting thing is they are Norfolk most of them. In Norfolk the market is interesting because a lot of people it might not be the best neighborhood per se but a lot of people grew up in these neighborhoods and are coming back to the neighborhoods and they like living in a house. That they're okay with the neighborhood because they grew up in it and its like new construction. You get a lot of military people that way too.

Frank: I've only done 2 but I flipped 2 houses in Norfolk and we just renovated and the dollar per square foot that we got on the houses in Norfolk that we flipped was less than the ones that people had knocked down to the ground and gone up. I think the important thing here is guys is to realize there's not 1 right answer. You got to look your market. You got to really know your market and study it and you need to look at what's going to give you the most pop. I'll give you an example of my market here Alex.

We're doing a modern house. This thing is cool as anything. It's going to be the coolest house we've ever built. It's got non galvanized metal on the front corrugated metal so it's going to rust and it's got these cool panels. It would fit in very well in California. The reason I'm doing it is it gets about another \$25 per square foot than traditional construction. When we looked at it I was like, "All right let's do the math here. We got 2000 square foot house, I might be able to sell for 50 grand more. Is it worth bringing in an architect for \$7000 to draw and do plans? I think we can make another 30 to 40 grand on this house if we do this versus a center hall colonial. We're doing it."

Those are the things that you got really know and own your marketplace. If you do you don't have to do 1000 deals. You can do 6 deals a year and make 200 grand. You just got know what makes the most sense.

Alex: That's good.

Joe: I saw something yesterday Keller Williams is doing this national conference call. Some dude sold 1400 houses last year in 2013. 1400 houses guess how much his net receipts were in sales.



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- Alex:** 1400 houses.
- Joe:** What he netted after all commissions?
- Frank:** If you were going to say how many millions of dollars in sales he did for 1400 houses.
- Alex:** I mean to start with I'd use a medium of 250 that's 3.5 million right?
- Frank:** It will be 35 million. He did 5.3 million sales so if you divide that by 1400 that's less than \$4000 a house.
- Joe:** In commission.
- Frank:** I'm just saying those were the dollars for the houses sold. He didn't make \$5 million. He sold \$5 million worth of real estate.
- Alex:** A realtor right?
- Frank:** A realtor, so his average house sold for 4 grand. It was something like inner Detroit or something like that but then there was another guy ...
- Joe:** That's a lot of transactions.
- Frank:** There was another guy that got 13 million over 323 transactions. I'd rather do 323 and make 13 than do 2 bajillion and make \$9 a house.
- Alex:** Exactly.
- Frank:** What I would like in your business is you get to steer the ship, you can be your own boss. Hit the places where you can get the most impact in your business and that's what Alex and I are both talking about here is where can you maximize the dollar for your effort.
- Joe:** That's good. For me right now that's leveraging other wholesalers.
- Frank:** Yeah. You're a master at it Joe. It's unbelievable.



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Alex: Hail the leverage man.

Joe: I just rather be on vacation with my family in Yellowstone but some people ... By the way we're going there in a month for 3 months. We're going to be down for 3 months in an RV. I'm looking forward to it. You're absolutely right Frank. You got to know your market. If you're going to be doing this at other markets, you got be working with people that you trust that know those markets as well for sure. I want to talk Frank about raising hard money. I'd first like to ask you about some of your favorite ways to get seller leads right now. What are you finding that's working well? What kind of postcards do you ... How are you doing that right now?

Frank: We get our leads through a couple of pretty easy channels. We send back just a standard postcard that says "Hey we want to buy your house. It's got a couple of paragraphs that talks of what we do and the fact we'll pay cash. We can close the house and its more or less hassle free." Then I've got inside call person that just literally beats the bone. We've got an answer center and then Kyle goes and physically meets people. Yesterday he met with somebody. He was their seventh appointment. He called me afterwards he's like "I just closed them." I was like, "How'd you close them?"

What we really focus on Joe we have a sales meeting once a week and then we do huddle almost daily where we just talk about how to problem solve and close deals. I'll do what any good salesperson does. God blessed you with 2 ears and 1 mouth. Shut your mouth and open your ears. Listen and find out what's important to those people and solve their needs. That's what he did and that's what closed the deal.

Alex: He was also the last guy in there that's helpful too.

Frank: The last to enter the first in its all about listening to what those people's needs are and solving those problems. Tell me if you think I'm wrong here Alex but if you do that you're going to get the deal more than the people who don't.

Alex: Yes. If you listen to the people definitely. You got to solve what they need. A lot of people will come in and say, "Thank you for being such a good listener but I've got 6 other people I'm going to meet with and then I'll call you back." It's always good to be the last 1 sometimes in that instance. You could be the last 1 to say "Here you got all these bids right here. This is what you're looking for. Your reality is set now that you've got all these bids so you can see what you really can get from this. Let's make a deal today. What's it going to take kind of thing."



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- Joe:** It's having that attitude. I'm not leaving this house until I get a contract.
- Alex:** On the first shot that's difficult though. It's how you overcome I've got other 6 other appointments. That might be another podcast.
- Joe:** You got to have the right people doing that.
- Frank:** Yes.
- Joe:** It's important to get them trained or find somebody who's already good that that. It's a real skill. If I were to hire another acquisitions manager I would probably go to a used car dealership or ...
- Alex:** Or a timeshare place!
- Joe:** I'll try to hire some of those guys at the used cars salesman. I'll go to the biggest used car lot I could find and try to hire somebody from the ... Anyway Frank let's talk about hard money because obviously if you're going to be buying these deals a lot of times if you're wholesaling them you need to cash to close on them. Sometimes you can make more money if you buy it. Maybe take the carpet out, take the stink out a little bit and put on the NMLS. Money is an important part of this. What do you recommend to people who are thinking about that topic?
- Frank:** In our business I like to have cash available and we've got cash available in 3 way. Number 1, I invested my own money in this business. That got us pretty far but I went to a bank second but bank money is cheap. Right now I get bank money for 5 1/2 % which is very inexpensive. If you're going to borrow bank money you got to be bankable. You got to show tax returns. You got to actually have money and you're going to need to put some money in the houses. We used bank money, we use our own personal funds and then the other thing we started to do a couple of years ago is we started reaching out to folks who are just private investors.
- We get loans from people between 8% and 12% interest and the upside is I can call ... It's funny. One of my hard money guys called me yesterday and said, "Hey Frank I got extra \$3 million when do you want to start investing it?" If you do a really good job at this, money starts to fall out of the sky. It's going to take me a while to invest \$3 million. The most important thing is to know what you're doing and be able to speak in a way that makes people feel very comfortable that if they're going to put their money in you, you are going to be able to not only return their money but give them a nice return.



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You've heard me for the past 40 minutes or so talking. I know my business. I own my business. I know my numbers. I know that stuff and I never miss an opportunity to tell people what it is that I do and I make sure I hit on the couple of really important topics. I talk about my experience. I talk about what it is that I do and I ground it and make it so people know I sometimes reference the fact that "You ever seen 1 of those shows on TV where people buy, sell and flip people houses? We do that." Everyone wants to do that and people get excited about it.

If you turn on anyone the TV shows at 9:00 at night you can find 6 of them at any given time playing on a network. People are into that stuff. It's hot right now. You say things trigger and then what I use is I really establish value, trust and need. I tell them about the fact that we add value to houses. I talk about my track record the 100 plus deals that I've done in the last 4 years plus the 3000 I did when I worked for a [public trading 00:38:07] company. I always make sure I see it with we're always looking for good investors. You happen to know anybody that might want an opportunity to invest?

You can say this to 1 of your uncles at a theme park which actually happened. We're having ice cream. My nephew was on a ride and he looked to me and goes, "All right so when can I write you a check?" Those are the kinds of things it always beyond your game because you'll never know when it's going to turn around and help you.

Joe: It's surprising too the people that you find that do have a ton of money and you have no idea. They don't dress the part. They don't have really nice cars. They drive minivans. Then they find out what you're doing and ... I got \$500,000. I got \$1 million I'd like to lend on 1 of those deals. I like that. You tied right into the elevator speech. When you say you're raising hard money you're not talking about going to hard money lender? You're talking about private money from private investors, right?

Frank: I still call it hard money Joe but the guys that are out there looking for you are going to charge you 2 to 6 points and they're go to charge you between 12% and 16% interest. I'm good at this and it's hard to make money if you're paying those loan shark rates. I'd rather find somebody that's got 750 grand in IRA and would like to make 12% doesn't need points.

Joe: You hear that Alex? You're a loan shark.

Alex: I'm a loan shark? That's exactly what I do. I've got a lender that I pay 12% and no points. I don't make payments. It what sells.



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Frank: You do it all at the end.

Alex: Yup.

Frank: That's what I ...

Alex: It's accrued.

Frank: Yeah man. It's an easier process. If you're new to this game you're going to have a little bit less leverage. If you're new to the game what you really need to know is number 1 you need to know what you're doing or have a good solid team. This is what I teach people. I've literally flip houses that are 300 miles away that I've never stepped foot in because I have the right people doing the right jobs.

If you got the right team in place which usually encompasses a project manager or a construction crew and a good solid realtor that can pull your comps in the beginning and get you to the sales price at the end. If you can articulate that even if you have little experience, you can get people to get involved in this and give you money at the rate where you can make really nice returns for not only yourself but for them as well.

Joe: If you had borrow money for a hard money lender pay those points you just factor that in to your acquisition cost, right?

Frank: It shrinks the market though Joe because there's so many people doing this now. If you got to give up 4 points on a \$200,000 house that's 8 grand. That means your acquisition price is going to be \$8000 lower so it makes it a little bit harder for you. True you can find that money but it's not only just finding the money, it's finding the deal and being able to make sure that deal is going to be profitable and if you can ... It's not how much you make, it's how much you keep and it's a really big part of the process.

Joe: I like that a lot. Instead of asking the question how much money can I make -- we've talked about this at the mastermind -- it's how much is it going to cost me. When you're looking at a deal, when you're looking at an opportunity you need to ask yourself that question. How much is this going to cost me? You'll get a much different answer. When you're talking about the elevator speech that you give reminded me of a guy I know. He's raised money from several different private investors this way. When he's at it he'll go to a Starbucks or a coffee shop in a



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wealthier neighborhood and will intentionally start doing business calls with other investors and other partners in his business while he's there at the coffee shop.

He will actually talk intentionally about good deals and how much his investors are making and talking loud so that other people in the coffee shop can hear him. And I kid you not, he's gotten at least 3 or 4 private lenders with good sums of money just by doing that. People will walk up to him and as they're leaving and give him his business card and say "Hey please call me." What you're talking about is you're not asking people for money Frank. You're telling them about the success you're having and you're just opening the door for them to just step right in if they're ready.

Frank:

That's it. It's a slightly different tactic than your friend that's kind of becoming the town crier. But it's not really that different. He's talking about his business and he's hoping people are going to overhear him. I talk about my business and I try and intrigue people. If they have an interest, they're going to let you know. The other thing that happens is I know you're a big ... You leveraged other people's time and money and you're really good at partnering with people helping them maximize on deals.

I don't go to the REIAs as much as I used to but people come to me ... I invariably speak at a couple of them a year. There's usually a couple of people that really want to spend time with you. There was this lady who would call me and ask me questions and everything like that. I was like "I go to Richmond every Wednesday. Pick a Wednesday and I'll pick you up at the coffee shop. I'll drive you to Richmond. You can pick my brain for the entire day but I'm going to be conducting business when I'm not in the call. If you want to just tag along, come on."

She jumped in the car with me and by the end of the day she put me in touch with a hard money lender that has lend me over \$4 million in the past 18 months. I talk to her, found out what her best value was and I told her I'm like "You're not a wholesaler. You're not a flipper. You're a great networker. Why don't you connect me with somebody that has money?" She's like, "Okay." I pay her a small finder's fee on every deal and at the same time it's given me the opportunity to grow my business with rate that make a lot of sense.

Joe:

Bottom line the money is there. You got a good deal and if you got the experience and you know how to network, the money is there. Money is the least of your problems really if you're good at finding deals.



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Frank: The other thing with raising money is if you need to raise money, you need to make it an actionable item. We're all talking about how we go and find wholesale deals. We send mail pieces. We have a team. We do this. Alex was talking a little bit about managing his projects and going to seeing events. Lending some of his valuable time during his day overlooking projects. If you need cash, you got to have on your daily to do list of find money and you can do it passively like I do it because I don't need to be aggressive with it right now or you need to know that "I need to grow this business. I need to find some cash." You need to make that an actionable item.

You need to get yourself in front of the right people where you can find that money because it won't just fall on your lap. Once you have a bunch of it then it falls in your lap but at first you got to take some steps.

Joe: Some of those steps ... We've talked before this podcast Frank you're willing to give away a free giveaway. Something like an elevator speech outline or a map of how you can create your own unique elevator pitch. Is that right?

Frank: Yeah be happy to do it and if you want I can do it right now.

Joe: Yeah. You can go ahead.

Frank: My elevator speech I didn't really deliver it to you but you got the gist of it from what we're talking about. I talked about my experience, the success rate that we've had and I do a couple of things. I talk about value. I talk about building trust and I articulate a need for money. I do it with my level of experience and with my story. Your story or anybody's story is going to be different because we all have unique paths and journeys. What you need to do more than anything is just have a framework and a structure.

What I've done is I've used my experience in giving people the opportunity to leverage it and have a good deliverable but you can customize that's fit you. It goes something like this. I call this the customize elevator speech in 37 seconds or less. Here it is. Have you ever seen the TV shows where investors buy houses, fix them up and then sell them for enormous profits? I do this but I follow very specific set of guidelines and parameters that make those guys look like they're from the Wide West. I follow a proprietary system that allows me to find properties that are the placed under market, add value quickly and then sell them making a quick and tidy profit.



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With 1 eye focused towards profit and the other focused on capital preservation, I entered the market of buying existing homes, fixing them, adding value and then flipping them quickly for fast profits. We have a few select investors that we closely work with and they are generating nice profits with consistent returns. The challenge is we need more investors that meet our criteria to do business with. I'm pretty strict because the system I follow works and has sold more than 100 properties in the past 4 years with 90% of these deals selling in less than 30 days. I have the experience, track record and strategy and just need another person that has some extra money to invest and make a big return of investment. Do you know anyone who'd be interested?

Joe: Nice. Clap! I'm applauding. That's really good.

Alex: It is good.

Joe: That's the whole push versus pull thing. You're not pushing anything down anybody's throat. You're pulling them into your world. You're talking about capital preservation. The key word there protecting capital and fantastic returns. People are thinking the whole time you're talking about that is, how can I get involved with that? That's really good. Frank, we're getting close to our time that we're done here. I sure appreciate your time. Any closing thoughts or anything else you want to say about this whole topic of finding money and rehabbing or ...?

Frank: The only thing I'll tell you is this is borrowing money is usually something that it's going to start with your concentric circle. You're usually going to start with friends and family. If you're going to do the fix and flip game, if you don't have a lot of experience, find someone that can help you with that process because the last thing you want to do is jeopardize an important relationship by borrowing money and not being able to return it.

Using the strategies that I talk about if you're mindful and you are very intently desiring paying that person back with the parameters that you set forth, this system works. It works well and it's beneficial for everybody involved. You got to make sure that if you don't have a ton of experience, you find someone that can walk you through the process so you don't make a lot of mistakes.

Joe: Frank, you do some coaching yourself. This is something that we've talked about in the past you're just starting to do this. I'm excited about that for you. You just bring so much experience to the table. You have a website for that or any place that people can get a hold of you?



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- Frank:** There's 2 places Joe. Thanks for asking. The first is frankcavacoaching.com. My last name is spelled C-A-V as in Victor A and the other 1 is xperiencedinvestor.com and experience is just an X, xperiencedinvestor.com.
- Joe:** We'll put those in the show notes but again just to repeat its frankcavacoaching.com and xperiencedinvestor.com and there's just an X for the experience part. Alex, do you have anything final comments you want to add to this?
- Alex:** Private money is definitely something in your concentric circles like you said that starts with people that are close to you. You treat them right and treat their money more important than your own then you'll do fine. You have to have that attitude. You have to have the attitude that even if I lose money on this deal, I'm still going to make sure that my lender gets their money or if the crap is going to hit the fan I'm going to do my best to protect them more than even myself and that's the attitude that I have.
- Frank:** Amen. Those are fantastic words of advice.
- Alex:** Good luck with that. Let me know how that goes.
- Joe:** You got to make sure that you're paid first.
- Alex:** Absolutely.
- Joe:** Frank, thanks so much for your time. Sure appreciate it and I look forward to seeing you. I think our next mastermind is in Tampa in September I think.
- Frank:** Yeah.
- Joe:** Is it right?
- Frank:** Yup.
- Joe:** Maybe I can twist Alex's arm to come. We're full Alex you may not ... we do have a waiting list. I don't know if you can get in even if you wanted to.
- Alex:** Oh no!



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- Frank:** That's where you pull the scarcity clothes boys and girls.
- Alex:** I like it.
- Joe:** It's true too. It's true. I was just talking to Jason, the guys who leads mastermind the other day and he has taken about creating a third group and I think I talked him out of it.
- Alex:** Really?
- Joe:** Yeah. I think he needs to keep it at 2 and just raise the prices for new members.
- Frank:** Oh boy.
- Joe:** If you call Jason by the end of the day you might get the old pricing.
- Alex:** Thanks Joe.
- Joe:** He is going to be raising the price. Anyway, it's always good fun Alex. Thank you Frank. We'll see you guys. Go to realestateinvestingmastery.com to get the show notes of this call. We'll put Frank's websites on the show notes there frankcavacoaching.com or xperiencedinvestor.com and thanks guys. We'll talk to you all later.
- Alex:** Take care.
- Frank:** Bye guys.