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Real Estate Investing Podcast Episode # 76 **Can I Wholesale Property without a License?**

Hosted by: Joe McCall

Joe:

Hey everybody, Joe McCall here, Real Estate Investing Mastery. How you doing? Just wanted to do a new Q&A here about a certain topic that just came up in Facebook. Now those of you don't know there's a really good group called Wholesaling Houses Full Time that Alex runs, my podcast co-host and so just go to Facebook to look up Wholesaling Houses Full Time and you'll see a great group there. There was a threat that just was posted recently and I wanted to throw my 2 cents in there and it's all about, can you wholesale properties without a license?

Now the Real Estate Commission in Ohio in their latest newsletter just issued a notice in their newsletter, a newsletter notification or whatever you call it. I just wanted to read it to you and give you my 2 cents and tell you what I think is really at stake here in what this is all about. All right? Again this is just my opinion. I'm not an attorney. I don't play one on TV. Every state is different. You got to look at your state law, contact an attorney, and you know what? Why don't you call your Real Estate Commission and ask them what they think about this okay. I'm going to tell you what I think. I have been doing this for a long time and this is what I've always thought and I've always taught.

Number 1, it says on, let me just read it to you, it says, "Beware of seminars that teach unlicensed real estate activity, the division enforcement section wants all licensees and the general public to be aware of individuals, groups, training seminars, coaching programs or otherwise which may be providing instructions on how to circumvent real estate license law. Beware of seminars that provide instructions on wholesaling and option purchase contracts. Language included in these schemes include tying up the real property, putting the house in contract until a buyer is found, and placing the home in contract for the purchase of ... for the purpose of reselling the property."

Despite what is being taught at these seminars, a real estate license is required to engage in these activities. The seminar instructors advise attendees that they can place



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a property in contract or under an option contract, at which time, the attendee can then re-market, market and resell the property for a profit. The instructors also advise attendees how to bring buyers and sellers together through the use of an assignable contract for a fee. It is the position of the division that pursuant to Ohio Law, the aforementioned activities are those for which an Ohio real estate license is required. However, licensure requirements or the potential requirement for a license is not conveyed to attendees of these seminars, presentations, or coaching programs.

In other words, they're just reiterating what the law already says. If you're going to broker real estate, you need a license. Obviously right. Pursuant to REC da-da-da. The Ohio Real Estate Commission may impose a civil penalty up to 1000 dollars a day for unlicensed activity, and each day a violation occurs or continues, is a separate violation. For example, under most circumstances, if an individual is involved in unlicensed activity for one month, a civil penalty 30 grand may be issued. You may ask, "I'm a licensed real estate broker or sales person, why are you telling me this?"

Well this certain code provides that discipline maybe imposed on a licensed real estate broker or sales person for authorizing or permitting a person to act as an agent in the capacity of a broker or sales person who was not then licensed as a real estate broker or sales person. Steer clear of any individual, group, organization or otherwise, that is promoting unlicensed activity such as what is mentioned above. Be very careful that you are not working with the person engaging in an unlicensed activity and if you witness this activity; feel free to notify the division. All right.

Well, I got a few comments to say about this. I think they're right. I think they're absolutely right, and I've looked at the Ohio Law. It's the same, virtually, the same in all 50 states. Right. You cannot find a property for another and make money from that if you're not licensed. Okay. That's brokering real estate. I've always taught if you're going to be wholesaling, whether traditional wholesaling or wholesaling these options, you need to do one of several things. Okay, number 1, go ahead and get your license. What's the big deal anyway, right? Get your license, it doesn't cause that much money and it's a small investment that will keep you out of a lot of trouble.

I know lot of people are thinking, what do you say? I got my license, I'm actually more liable now, and more under scrutiny with my license in regard. Well, here's the thing. With the license, comes more accountability. I say, "What's wrong with that?" Really, what is wrong with that? Now, there are more rules and regulations that you have to



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follow, but by and large, those are good rules and regulations that you've to follow. I always recommend getting a license. I got mine about 8 months ago. I have wholesaled lot of properties with the license, and lot of properties without a license, so you just have to be really, really smart on how you're doing it.

Let me add, something in here. After I was watching the video, I think I need to make this important distinction. If you're doing deals as a realtor, disclosure, disclosure, disclosure is a really, really important thing. You full disclose, when you're marketing, when you're talking to sellers, and you're paper working your contracts that you're a licensed agent. All right, but you're doing these deals on your own and you're not representing anybody. One of the things that I do in my contracts is I'll write a non-brokered transaction, okay. I will disclose that I'm an agent but this is a non-brokered transaction.

I'm intending to buy this property for myself, and I'll even disclose on my contracts that I may sell this property or resell this property for a profit. Right, so everybody knows what's going on, I give full disclosure. That's really important. Now some of you may say, "Well, should I do these deals as a traditional realtor as in fact getting the listings for the property?" No, I don't think you have to do that but that's something that you should talk to your broker about to make sure they understand. What I do is I get a property under contract, I actually close on it and then I resell it for a profit after I own it. I disclose that I'm an agent and I disclose that I may or may not resell this property for a profit later on. Just make sure your broker is on board then you now and they know what's going on. Okay.

One other thing I wanted to say about this in regards to doing deals as a realtor. Many times, if you're going to be flipping lease options, if you do those as a realtor, I recommend you do them with the traditional listing because you can make actually more money doing flipping lease options as a realtor with traditional listings because you can get the front-end 3% commission and many times quite possibly get the back-end 3% commissions. Another thing too is if your flipping lease options and you don't want to get your license then I would suggest you stay in the middle and do it as a sandwich lease option.

Okay, so I can talk a lot about that. I just wanted to enter up this video and interject these few things. Right. Now let's say, you don't want to get your license. That's fine, okay. My 2nd option now that I want to talk about is go ahead and close on the property.



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If you're doing traditional selling, go ahead and close on the property. There's no law that says you can't buy a house and once you own it, then you can sell it as a for-sale-by-owner to somebody else. I once talked to somebody in the real estate commission in Arizona which by the way the real estate commission is made up of what, realtors, that's right.

Maybe some commissions that will allow one non-realtor to be in it, but this is a question that doesn't matter if your attorney says it's okay, if the real estate investment club that you're in says it's okay, what the matter is guys is what the real estate commission which is made up of realtors says. Okay. That's what matters. Now you can fight it until your blue in the teeth, blue in the face then it just doesn't matter. I'm just saying now, look instead of fighting them, join them. Okay, go ahead and get your license. It's not a big deal, but let's say, you don't want to get your license, go ahead and close on the deal. All right. Real simple. Use transactional funding, close on the deal, and then you've no problem turning around and reselling it as for-sale-by-owner.

I talked about this Arizona Real Estate Commission that I talked to a couple of years ago. They totally agreed. Then they said they have a problem with using the sellers' funds, using the buyers' funds, the B-to-C to close the A-to-B so in other words, there's A-to-B, the B is the wholesaler and the B-to-C, right. They did have a problem with the C buyer using the funds, their funds to close the A-to-B part. Regardless they said, we don't have a problem with this if the wholesaler who is in the middle actually closes on the transaction with money and then a second later, turns it around and sells it to someone else. They have no problem with that, okay. It's the intent is what they're talking about here.

It's the four others that you've to be really, really careful of. What do you do? You use transactional fund. You either use your own money if you don't have any money, use transactional funding. You may think, "Oh, that's too expensive, I don't want to use that." Well, it's not true. Both Alex and I provide transactional funding to friends and clients that we work with but a lot of title companies out there, you'll be surprised who will still do double closings, have their own transactional funders behind them. There's a couple of companies here in St. Louis for instance where if you do the double closing for them, they require that you use a transactional funding partner, and they have one that they could recommend to you.



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They only charge like \$250-300. I've seen prices anywhere from \$250 to 500 for the right to borrow their money for a couple hours while the transaction is closed on the A-to-B and you sell it on to the B-to-C. All right? That's my, that's my 2 cents on this whole issue. This isn't something new. This isn't anything to get all excited about, and don't freak out and think, "Oh man! Wholesaling's dead, I can't do this anymore." Get your license or use money to close on a deal and then turn around and sell. I always do double closings, okay.

The 3rd thing I want to say if you're doing lease options, one possibility you might want to talk to the commission about this or talk to an attorney about this is hire a realtor to market and sell your properties for you. Okay. Hire a realtor to market and advertise properties that you have under contract that are representing you, hire a realtor to do that for you, okay. That's another 3rd option you can look at. One thing I want to say too, you've to be really careful with some of the techniques that are out there that people are teaching about "co-wholesaling." I've bought some of these courses recently, and I've been looking at them and I'm really cautious and wary of it because this is what they teach.

You go out and find a buyer who's already buying properties, an active cash buyer. You get them on the phone, you talk to them, you find out, okay, what are you looking for? What kind of property are you looking for? Then they talk about going out and finding a property for them. All right. That is called co-wholesaling? That is brokering. Okay. Finding a buyer, and then finding a property for them, getting it under contract and then assigning your contract to them, you ask any real estate commission across the country that is co-wholesaling, that's brokering. Okay. My caution to you is don't do that. Get it under contract, get a property under contract, close on it immediately, resell it to the end buyer.

All right, well that's my 2 cents and all I've to say about that. Listen. If you've anymore questions, go to realestateinvestingmastery.com. There's a place there where you can record your questions and we'll get those answered. Anyway, take care. Bye, bye.