Welcome! This is the Real Estate Investing Mastery Podcast. Hey, everybody. Welcome! This is Joe McCall. Real Estate Investing Mastery Podcast. Got a cool show for you. I'm excited about this. And, Jesse... Jesse Mills is our guest and he's going to be on here in just a minute. Just a few little housekeeping things, I want to let you know, if you go to realestateinvestingmastery.com, you can get our Fast Cash Survival Kit. We've talked about that a lot before and you know what's in there. But, it's a... It's a great little kit to get if you have questions about how Alex and I do our wholesaling. How we find higher. All of our virtual assistants and how we train them. And, it's really cool. I think you're going to get a lot out of it.

Second thing is, I'm looking right here online for our reviews. We've been getting a lot of good reviews on iTunes and we appreciate that. And, just wanted to read a few for you here. This is from Podcast consumer, "Best place for new and immediate investors. They have great content. No need to go and get some expensive course and coaching when new and even a little bit of experience. I'm always picking up new ideas." Good. And this is from J. Valcourt, "Superb, Hey, guys. The information you share in your podcast is the best around. No doubt about it. One question that I've been asking myself for a while now, In the case of a lease or purchase... In the case of a lease to purchase or lease option, what protection does the buyer have in the event the seller goes bankrupt and loses the house? Thanks in advance and keep up the good work!" I think we can talk about that today, Jesse. [Laughs]

Joe: Cool. One more review, jewels_74, "Essential. This is essential listening to the serious real estate investor who wants to think outside the box!" Appreciate that. So again, guys, please leave a review. We'd appreciate it. There is a place... One of our recent podcasts where we gave away a bunch of books and videos and stuff like that for people who leave reviews. So, if you go back a few episodes, you'll see that in there and I wish I could remember to tell you which one it was. But, it was called "Leave a Review - Get Cool Free Stuff." [Chuckles] Real original. It was released October 1st, 2014. So, if you go back and look at that, it's a four minute video and we talked about how if you leave a review on iTunes, you'll get a lot of really cool, free stuff. All right. So, let's get started here. This is Jesse. Jesse, I've known you for a few years and you've been doing deals in Minneapolis, doing all kinds of different deals. Lately, you've been focusing on lease options but, you're also doing some other stuff. And, you're also a mortgage broker.

Jesse: Correct.

Joe: You've been busy. You keep yourself busy.

Joe: Yeah. Yeah. Too busy. Too busy. Trying to get a little bit more streamlined and kind of reared at... You know, to the point where I'm like, I could run multiple businesses as I have been. But, you know, not doing in 60 to 80 hours a week. I can cut that down and...

Joe: Yeah.

Jesse: We may lock a million strides this year with that, which is awesome. So...

Joe: Well, good. So, one of the things I wanted to talk about specifically are lease options. It's always been one of my favorite strategies. There's certain times in the market where I've done more lease options than others. But, it's a great strategy for people to get started in real estate. I love it because you can control property without owning it. And...
a lot of times, you can't buy a property with cash because there's not enough equity, or if there is any equity, the seller's just not willing to share any of it with you. So maybe, they're not extremely motivated. Now, lease options is a strategy that you could offer, especially good for nicer homes and nicer neighborhoods, median priced and above. Would you agree with that, Jesse?

Jesse: Yes. Yup. Yes.

Joe: So, it works better with nicer homes...

Jesse: Uh-huh.

Joe: What do you do with those deals? Do you just throw those leads away? Or, could you maybe ask the seller, "Look, I can't get you the price that you want today but if you'd be willing to rent it for a couple of years and then sell it. Would that work for you?" And so, it's a great way to just ask people, "Look, I'm looking for an investment property that I can lease for a couple of year and then buy." And, a lot of people are open to that because they don't want to be a landlord. They don't like the traditional landlord headaches. And, lease options allows them a way to get the price they want, get a good tenant in there who's going to take care of the property, and hold on to a tip of normal rental property with account of someone who wants to buy it without all the typical landlord headaches. So, I guess that's a short brief description of lease options and maybe some of the benefits.

Jesse: Uh-huh.

Joe: But Jesse, let me ask you something about... Let me ask you a few things about your business. You've been... You're in Minneapolis, right?
Jesse: Correct. Yup.

Joe: How long have you been doing real estate and mortgage stuff?

Jesse: I've been in the mortgage business for about 12 years and I've been in the real estate business for about three... three or four years now. I was a sales agent that was employed for a couple years. I kind of run what I got. I shifted from kind of doing like a consumer banking company. You know, a lot of the subprime stuff when I was still around. It's kind of how I get into the business. I didn't really know any better. And then, I moved to a... you know, broker position and got my real estate license. I did that for a while, and then I realize that I just better focus on the lending because I just wanted to be more of an investor. You know, I didn't want to go show off 30 townhouses to a couple... You know, in a month and then, you know, do that kind of real estate. I'd rather get into the investing side. So... And, I started doing that about three or four years ago.

Joe: So, you started... What kind of investing did you get started doing three to four years ago?

Jesse: About fourplexes, my first property.

Joe: Okay.

Jesse: And then, I bought a handful of single-families, couple of town houses since then. And really, it's... You know, I heard of your course I want to say around 2012? So, a couple of years ago. Maybe, even 2011? And you know, I'm so busy kind of with the mortgage business. And, I just... You know, like, "Hey, this one fits. I'm going to try this out and I'm going to see how this will work." And you know, obviously, I have a little bit of an advantage knowing kind of, you know, the rules work in financing, why some will
qualify, and why they don't, and why they shouldn't or why they should. And so, I said, "Hey, you know, this is really cool." And you know, like most investors write, "I want to have a portfolio of properties. That's my nice monthly cash flow." And then do other fun projects on the side for, you know, that short-term money, and quick money. But you know, everybody wants passive income, and so I said, "Hey, maybe I can start doing some of these lease options to get more properties to kind of help my goal or what I want. And, year one was really just playing around with it. And then, year two was, "Okay, this is working and then, they're coming to fruition, and these are happening. And then, we totally wrap it up last year. I said, "Okay, I can make as much money in my mortgage business or more doing this." And you know, obviously, you've got to figure out pretty darn good with the work-life balance or so it seems. And you know, that's... that's where my goals and ventures are... If you get that more fared. You know, you really start figuring it out. You've been...

Joe: Yeah.

Jesse: Once the money starts coming in, you start figuring out time is the most precious commodity there is.

Joe: Yeah. For sure. Well, talk a little bit, Jesse about why lease options? Why? What attracted you to that strategy?

Jesse: Well, I get for... For myself, I mean, I want to get to some of those people. So, you know, I fear the mortgage business. You get paid to get loans done, right? And, if you're a realtor, you get paid to sell houses...

Joe: Uh-huh.
Jesse: ...And if you can't, you don't get paid, period. So, not only are you not getting paid, you're not helping your clients. And, you want to help all the people you can help, and get the best reputation you can. And, you know, it's nice. It flows as well. You're helping more people. You're making more money. And so, as you got hulker, you get some of these people that I know, you know, in my heart of hearts. Then, they should qualify. And you know, four or five years ago before the mess, before the meltdown, they could get in a house with no problem. But now, because of the stringent rules and guidelines, they're stuck having to rent for a few years. It could be a three, or four, five years plus depending on the type of financing you want to get. So I said, "Hey, maybe if I can put someone in the house..."

So, my very first lease option, I bought a property myself via my partner. And, we bought it. And, we bought it. It was a bank-owned property that needed a bunch of work. But, we went and found the buyers first. So I said, "What do you want? What are you looking for?" And, we knew we got a rental property or another property, but we knew we're going to do a lease option with it. And, it worked out really cool. Now, they didn't buy on time. They extended twice. But again, I was the owner, right? I didn't have to do like a hard money loan or I have to pay someone back and cause a lot of trouble. [Chuckles] It was my money. So, that paid the extension fees and we made a really good cash flow on it every month. And, it truly was... We did nothing. You know, I've checked in every... a couple times a year. But, what totally counts here is the fourplex that I'm getting calls on monthly or every other month. You know, it kind of rains and pours. Sometimes it does nothing, and sometimes, you get all these calls. And then, it was like, we have no calls on this lease option.

Joe: Hmmm.

Jesse: Nothing. And then, they were really updating the house because it needed work. And so I said, "Hey, we really want to kind of redo that bathroom. Can we do that?" And, I knew the guy was hating the idea. Whether he hate it or not. So I said, "Hey, you know what you're doing. I know your background. You know, it kind of tells how you're doing and
what you're doing. But, yeah, absolutely." Sends us some pictures here and there. And, they go to the kitchen, redo the kitchen. And then, the deck was... They've improved that. They have to tear down the old deck and they put a new deck on. And, ended this all over the course of about two and a half years. So I said, "Hey, if they're not going to buy, thank you for just throwing $30, $40 grand into my house."

Joe: Oh yeah.

Jesse: Even if they don't buy, you know, they got some sweet equity on that they would've had. So, it worked out really, really cool for them. I mean, we hung out at the closing table and, it was a very cool deal.

Joe: And, you've priced it reasonably too, right? I mean, you didn't price that house that was maybe worth $150 today... You didn't try to sell it on lease option for $200 or something ridiculous, right?

Jesse: Yeah, no, no. You know, that's a big thing too. If we're looking at values and most of all, how are you pulling these numbers? You know when... Are you pulling them out of the sky? Absolutely not! So we looked at the cost around at that time. We looked at... You know, you get some real estate data, and you can get a lot of data these days. You don't have to be an agent to do it. And certainly, if you have an agent on your team, or a friend, or somebody knows someone... You know, who doesn't have a friend who knows an agent these days? You can get that info from them. But, you can look at what the forecast are doing. That's a forecast, right? It's... You know, no one has a crystal ball. But you can say, "Here's what it's done the last year, and the last two years, and here's what it should do. Oh, by the way, you're going to fix it up. You're going to do this. You're going to do that. Okay, great," and you can really get a good idea. So yeah, it wasn't big at all. It was like $30 grand that we made on the back-end. We're making $600 a month cash flow, and we got $8,000 down from them.
Joe: That's fantastic. So, how many months did you rent it out?

Jesse: Originally, it was for 24 months and it went almost another year. So, that was between two and a half and three.

Joe: Well, if you look at the numbers then. So, you made $800 net cash flow a month. Is that right?

Jesse: Ah. No, five... $550 or $600 was what we've made.

Joe: Let's just say $500...

Jesse: Uh-huh.

Joe: ...Times 24 months. So, you've made $12 grand in the cash flow... Plus, you've made $30 on the back-end. Is that right?

Jesse: Yes. Yup.

Joe: Plus 30 on the back-end.

Jesse: And an $8 grand on the front. We just didn't...

Joe: But, you didn't...

Jesse: I... at times, but we didn't credit it back to them.
Joe: You didn't credit it back to them...

Jesse: I didn't. And you know what? Had they bought it right way, you know we extended the credit twice. So, I think we're going like a year and a half. It's what we thought they're going to do. And then, we end up another year or so. We have the contract for about as twice in there. And each time, I think... I think I've charged them a thousand dollars to renew it, re-extend it.

Joe: Okay. So you got... You got the $8 grand that you did not credit back to them when they bought the house at the end. So, you made close to $50 grand...

Jesse: Yeah.

Joe: ...On that deal. That's really good!

Jesse: You know what's super cool too? So, you're at it like, Oh my gosh, you know... You know, it sounds like we're making a ton of money and how about this people? The cool thing is, these guys had a large family, four kids I believe, and they ran a daycare, and they were living in this tiny little town house. So, they're in a little 2-bed, 2-baths townhouse paying $1,350 amount of rent. And, we actually drop their rent to $1,150. So you know, I dealt with people like, I say, "Hey, I know I could've got $1,350. I probably could've got $1,400 or $1,500, because they're already paying it. But again like, you know what? We don't need that. We don't... We're not greedy.

Joe: Yeah.

Jesse: We're just trying to do something that's fair, that's equitable and makes sense. You look at market rents and my guys, we could actually drop your rent down and give you a 4-
bed, 2-bath house and almost double your square footage and... I mean... So, with their what...

**Joe:** They still got a good deal. They got a good rent.

**Jesse:** Uh-huh.

**Joe:** And, they got... They paid market... fair market price for the house.

**Jesse:** Uh-huh.

**Joe:** You did that...

**Jesse:** Yes. And when they bought it, it actually appraised higher than what they're buying for.

**Joe:** Nice.

**Jesse:** All right. That's all.

**Joe:** And that's huge for somebody who maybe has bruised credit. Because we know, good things happen to bad people. And...

**Jesse:** Exactly.

**Joe:** ...You're looking for people who have a good reason for bad credit. But, there's a lot of people out there who have rough credit and they need to find a place to live. But, they don't want to have to move into a house for a year or two that they're renting, that they
don't have really any ownership in. And then, get their credit fixed where they can get a mortgage, and then, move again when they can get a mortgage. It just does not what they want to do, right?

**Jesse:** Uh-huh.

**Joe:** So a lot of people have job loss. They have medical bills, maybe divorce... Something happened in the past where they had to... They lost a house through foreclosure, or short sale, or something like that. But, they make good income. They can afford the house. They want to buy again. Does... Does... When they were getting their financing, Jesse... To the fact that they... You could show rental history, help with getting them, with them getting a mortgage?

**Jesse:** It did. Well, number one, you have to show that.

**Joe:** Right.

**Jesse:** So, the system... The whole premise of the lease option is really simple, really. You know, you don't want to overcomplicate it. But at the same point, there are things you want to look for. And, I think that's why it's huge to have a good mortgage guy or gal on your team, because it's how you do things. And, I tell you in the industry today, I never saw many trapdoors and pitfalls... I mean, for people who don't have issues. A man could go out for 10 minutes, but all the things you have to look for, you have to do, whether it's a large deposit in your account, and approve this, and verify that, and prove all your rent checks. So, you want to make sure all that stuff... Everything is a paper trail. You need a paper trail.

**Joe:** Right.
Jesse: You know, that's why we use a title company. We use a title company, and we don't need to. You know, I tell people, "Hey, we could meet at Starbucks or McDonald's here and sign this. And, it's... It's a legal contract. But, I like to do it as clean and tight as we can so when we go to get the financing, that lender, that bank is going to see we did it through a title company.

Joe: Yeah.

Jesse: And, we won't just use the title company than to do the title work. So, the title company loves it. They all make charges but not much at all because they know they're going to get that business in day two or three.

Joe: So, they're also acting as like the escrow company where the tenant buyer, when they're putting down their option deposit money...

Jesse: Uh-huh.

Joe: ...Make it out to the title company, right?

Jesse: They do. Yup.

Joe: And, why.... Why is that important?

Jesse: Well, it's important because when they go to see the... You know, when they get to financing and then go look at the paperwork and what not. Now, it will still take some time explaining how have... You know, the signing of the contract and what not, unless you truly stay in the middle, which we do that in some of our deals too.
Joe: Yeah.

Jesse: But, you know... They go say, "Okay, well, who's Home Solutions Group? Because I see you're buying from a seller, you know, John Anderson..."

Joe: Uh-huh.

Jesse: So, if they see all of these checks going to Home Solutions Group, it's going to raise a red flag. You know, again, even though everything is completely legit and above the order to make sense. But, you know, they just need an easy breezy when they're looking at it.

Joe: Right.

Jesse: So they see that as all notion, that it's under the title company and is all escrowed that way. So...

Joe: And then...

Jesse: Now, the payments go directly from the tenant buyers to the sellers, dealers...

Joe: Okay, so you don't have a third party involved with that?

Jesse: Not for monthly payments. I do for the option deposit, but not for monthly payments.

Joe: Okay. I actually recommend the people to use a third party because in that review... One of the reviews that I've just read... I get this a lot. The question is, "Well, what if the seller stops making the payments to the bank, or stops paying the mortgage?" Or, "What if... You know... Really, because the worst thing that you want to see happen is,
the tenant buyer's been paying this rent every month, and then 10 months later, the bank post a foreclosure notice on the door because the mortgage, underlying mortgage hasn't been paid. So...

Jesse: Yeah, absolutely.

Joe: ...We actually, our escrow company will actually withdraw the rents from the tenant buyer's account every month and pay the mortgage directly. And when they do that, they also are making sure that the mortgage is current before the tenant buyer moves in. But, they will collect the rent from the tenant buyer, pay the mortgage company, and then send whatever's left, either to whoever's supposed to get it, the investor or the seller, whatever. And, that also just kind of helps make it more professional. Because you're right, you could close these deals at a coffee shop. In fact, one time, I had a deal fall through because I was... I had a house that I was advertising as a lease option. I had a tenant buyer who was a... who had $10 grand to put down on the house. And, I met them at a Starbucks because I... You know, I work from Starbucks. It's one of my offices. So, what's the big deal?

Jesse: [Chuckles] Yeah, right. They don't meet about 3,500 locations around here.

Joe: [Chuckles] Right. And I... Then, I walked in. I meet them and they're like, "Why are we here? Why don't we meet at your office?" "Well, my office is in my house." And...

Jesse: [Chuckles]

Joe: ...And they say, "You don't have a real office?" "Well, yeah, my real office is in my house." And, I didn't bring any business cards with me...

Jesse: [Chuckles]
Joe: ...And, they said, "You don't have any business cards either?" I said, "No?" [Chuckles] And, they said...

Jesse: [Chuckles] They can take your money and get you a latte though? [Laughs]

Joe: Yeah. They didn't feel comfortable about it all. And, they walked that way. They walked out. And, I can understand. I didn't want to push them and do anything and... But, like... That was a deal I just lost because I didn't have the appearance of being more professional. But anyway, I did find somebody else for it. And, I started using my realtor's office to meet clients after that. And now, I do have my own professional, quote-unquote office, where I could meet people if I had to. But...

Jesse: Yeah.

Joe: ...Sometimes, that stuff is important, right? So, when you have... I love the fact that you are using a title company to close these lease option deals. That's really important.

Jesse: Well, we haven't too. Joe. We've been running a title work on it as well. So, it's not yet insured. Title position should like you do with the mortgage?

Joe: Yeah.

Jesse: When they're actually insuring it. But, what they do on this... You know, up to the day of closing, you know what's on the property, which is huge.

Joe: Yeah. You're making sure that the property is not overencumbered.
Jesse: Absolutely. So, we know, the day they've moved in that we did everything we could on our part to take care of it. And so, we're paying for that and then, they're motorizing everything too. So, the buyer... In the buyer's mind, they say, "Hey, this is official. I bought this house today."

Joe: Hmmm.

Jesse: If you didn't go all those lengths, you know, they said, "Oh, this is cool. This is our house." But, I mean, I think that really sinks the idea in their heads that, "Hey, this is official as of today."

Joe: So, those of you who don't know and I maybe should have clarified this at the beginning, what is a lease option? It's simply leasing a property out for a couple of years with a contract or an option to buy it in the future at a certain predetermined price. That's all it is. And, it's a great way to sell properties. If... Instead of renting it out, I always recommend doing a lease option. But, what... Jesse, why do you choose to sell on lease options, and not on a contract for deed, or not some kind of wrap mortgage?

Jesse: Oh, why would I sell it that way?

Joe: Yeah, why do you prefer lease options over wraps? Let's say... Or, selling a house contract for deed.

Jesse: Well, when we sell a property that way... You know, not like it's a big difference and it's a big deal, but in the event you need to get someone out, it's a little faster and I think it's a little more economical. So, the eviction process is much easier than the foreclosure process.

Joe: Yeah.
Jesse: Now, every state is different. So, certainly, I can't answer... I can't probably answer that for every state. But, see that you want to check with a local attorney and a local real estate attorney at that. But... You know, it's nice... It's nice that way and they don't have really... You know, it can't be misconstrued as equitable title. So...

Joe: Yeah.

Jesse: But, sometimes real. You know, if someone's going to put more money down. I tell you, what we've really been like in lately is... Buying on a contract for deed and then selling it on a lease option.

Joe: Interesting.

Jesse: Uh-huh.

Joe: So, you're buying it "subject to" or you're buying it with owner financing, right?

Jesse: Owner financing. And we're giving the chunk most of the time...

Joe: Yeah.

Jesse: 5K, maybe 15K. Or, recruiting all of their... Almost all that's there as soon as we get that buyer put it in there.

Joe: Interesting. And, you're taking it over "subject to?" I mean, are you taking over the existing mortgage or do these properties don't have a mortgage?
Jesse: One of them doesn't, and of them does that we're just taking the last couple of months. So, I'd say more often than not, they do. And we have our contract... You know, like you said, through an escrow company. And, I've talked to a couple of our title companies in there too. And, they all think that's awesome and they want to set it up. But, they're more on the idea stage right now versus doing it. So, she'll probably be talking more about Bel Air. But, we're having our contracts that, at any point in time period, our buyers, our tenant buyers, whether that's us or someone that we're wholesaling it too, can ask the seller for proof of the mortgage being paid. So, if you ask the seller, "Show me last month's statement." They're not going to do it. That meant that there's a violation right there.

Joe: Yeah.

Jesse: But, I agree and I thank what you're doing. And, I usually add along for that Joe...

Joe: Yeah. Uh-huh.

Jesse: ...And, they charge per month, right? But, it's not too bad.

Joe: Yeah, they charge per month. There's cheaper services out there. If you just go to Google, "escrow payment services" or something like that, there's several companies I know that people use that's cheaper. You know, a lot of times... Some title companies will do it just... If you just ask around or you google some services. I'm trying to think of some that I've looked up before. There's one company out of Washington, I think called Evergreen something. And, there's another one called "specialized loan payment services," I forget. [Chuckles] But, you can just Google it, ask around in some REIA groups and you'll find. I think it's important to have that escrow company. I like the idea that you're doing a quick title search on the property to make sure it's not overencumbered.
Jesse: Uh-huh.

Joe: Because that would kind of stink if 12 months later, the guy is ready to get a mortgage. And then, you find out, there is a... you know, $50,000 lien on the property and the guy couldn't buy even if you wanted to.

Jesse: Exactly. Yeah.

Joe: So, you told... You're all about disclosure. I'm sure, you have the... I hope you do. We'll see here in a minute... [Chuckles]

Jesse: [Chuckles]

Joe: ...You have the seller fill out a seller's disclosure statement?

Jesse: Uh-huh.

Joe: Yup.

Jesse: Yup.

Joe: And, one of the things that I do too is I... I don't... I require it, but there's nothing I can do if they don't. But, I do require that the tenant buyer get an inspection done on the property. Because, you don't want them to move in and then, realize that, "Oh, there's a bunch of stuff wrong here." And then, they have to move out even if you say no. If... You know, maybe in 18 months, when the contract is up, they say, "Hey, I'm not going to buy this house because you didn't tell me that this, and this, and this was wrong with that or whatever." Well, a great way to avoid that is again, do the seller's disclosures. And, also
require that they get an inspection before they move in or sign away their rights to get one. So, they've at least initial and acknowledge that they need one. Does that make sense?

**Jesse:** Yeah. Yeah. And, that's what we do in ours. It's... We basically say, you know, "Are you going to get an inspection, yes or no?" And, it's right there in the option contract that they have. And then, we give them the same rules and abilities you would kind of do in a normal sale. You know, 5 days to do it, and then 3 days to argue or counter negotiate whatever they find. And then, we decide just like in a normal purchase transaction. Yeah, if they say no, I'm good to go. Then, if they want one, then you sign it. So...

**Jesse:** So when it comes to buying properties, if I'm right, you're... The ones that have equity and maybe some monthly spread difference between what the payment to the seller and the bank isn't what you could rent it out for...

**Jesse:** Uh-huh.

**Joe:** ...You're going to probably buy those "subject to" or contract for deed, right?

**Jesse:** Sure.

**Joe:** Because that's something you want to keep for your long-term portfolio.

**Jesse:** Yup. Yeah. Or, it can even be just something in the middle for a couple of years.

**Joe:** Yeah. Okay. Then, let's talk about... What are some of the benefits of lease options for sellers? Why would a seller want to do a lease option, Jesse?
Jesse: Well, the beautiful thing when we're talking to a seller and you're talking about a lease option, it's key to really remind them, in a professional, polite way, the position they're in, right? You know, and when I'm talking with our team, and our VAs, and everyone we're working with, there are really a few things that you need to find out right away. Do people of equity are good enough? Are they motivated or are they not? Right? You've kind of got too pass, and each forth got into another path. So, if you don't have much for equity, they know, and when you're talking to them saying, "You know. You'll... A $100,000 is worth a $105,000 which you got to pay an agent, and you're going to do this and that." And, then you fix it up, pay that closing cost. So now, you're coming to the table of money and that's your position. So, that's... That's an option. It's not a great option but it's an option.

The other option you have is to stay put your house and not move, even though you really need to move. Because, you want a bigger house for your family, or you have a job, or you know, whatever the reason is that you want to move, or have to load. So... But you stay put and just be miserable. Or, you let the house go. Now, that's it! You got really three options. Oh wait, but there's also our option, which is selling it on lease option...

Joe: [Chuckles]

Jesse: ...Number four...

Joe: Right.

Jesse: But since I'm talking to some of you who are ready to let it go anyways. That's one of those calls I got yesterday, like "Man, if you're already at the point where you're just going to let it go and trash your credit for years, which is going to cost you thousands of dollars, because of what it's going to do to your credit. Why not give this a shot? You have nothing to lose and everything to gain."
Joe:  Uh-huh.

Jesse:  So, it's really painting, you know, "Here's the options that you can have." And, I think the fact that it's a free service, right? They're not paying for it. That's the hallmark that if this doesn't happen, you're not in a worst position than when you are in it now. In fact, you're on the same spot, but at least we've tried it. And, if it does work like it does for most of our properties, you're going to be super happy.

Joe:  Yeah. You know, I present it sometimes as the least-worst alternative. Because obviously, right? Everybody would love to sell their house. But sometimes, it's just not going to happen.

Jesse:  Uh-huh.

Joe:  I love asking the questions to sellers sometimes, "Look, what are you going to do if you can't sell this house? Have you thought about that?" Because I can guarantee you, the Realtors aren't asking their clients that question, right?

Jesse:  Uh-huh.

Joe:  So, "Mr. Seller, what are you going to do if you can't sell this house? You're going to rent it out?" And that a lot of times too, will tell you their motivation. They'll say sometimes, "Well, no. I'm just going to stay here until I do sell it." Well, they're probably not motivated.

Jesse:  Uh-huh.

Joe:  So, there's nothing much you're going to do for them. But say, "Yeah, you know... I don't know, man. I don't want to rent it. I don't want to be a landlord. I'm moving to Florida."
I'm worried about renting a property that far away." Well, that's when you can say, "There might be a better option for you." And again, I am not selling anything. I don't like when I'm talking to sellers... And I hear people do this... Trying to sell them into a program...

Jesse: Uh-huh.

Joe: Say, "Look at this. It might be for you. It might not. But, what if you could rent it to somebody who wants to buy it? Whom will take better care of the property? Maybe, even fix it up. Have a better interest in the property and take better care of it. So, there's... Once you explain it... I even pull away some and say, "Look, this is maybe not for you. It's probably not for you." Sometimes, I'll even say that.

Jesse: Uh-huh.

Joe: But this is what... These are some of the advantages for lease options. "Now, if we could do this for you, what would you want to do then?," right? So anyway, talk about some of the benefits to buyers, Jesse. And, you work with a ton of buyers in the mortgage industry. Why would a lease option be a good option for them?

Jesse: Sure. Well, I mean... Again, let's look at that... The first one that we ever did and I really said we got luck on that. But, it was a perfect scenario. I mean, you know, I sold something that should be... Well, it was one of my testimonials on the site. But, I actually almost put on more depth on it, right?

Joe: Yeah.

Jesse: We're paying $1,350 a month of rent, every month, in a smaller house, in a townhouse, right? We have no control. You've got rules. Stop if you can't do. And, we actually
dropped their payments to $1,100 a month. We gave them a bigger home. It's a stable family home versus a townhouse. And, they had the two years, instead of sitting, going up. "I wish the landlord would fix this up." Or, "Gosh, I wish the landlord will paint this room or upgrade the appliances." They got to do that themselves in their own house. And, we basically gave three years of their life back to do that. And, we gave them an opportunity that when they bought it, they also had equity. Now, you can't sell and you're going to have equity, because again, no one has the crystal ball, and we don't do that. But, the probability and possibility of it is certainly there. You know what you're going to get when you rent for two years. You're going to get 24 months of someone else getting rich of your dime.

Joe: Yeah.

Jesse: So, I kind of just make it real simple and put my hands on it still like, one hand, you got this option. You're kind of going backwards every month. And this option, you're moving ahead, you know, with the rent to own. Now, let's say you don't even go ahead. Let's say it doesn't appreciate, but at least your dollar every month is going to something that's staying flat. I still rather stay flat and go backwards. Doesn't that make sense?

Joe: Uh-huh.

Jesse: Yeah, that makes sense. Great.

Joe: Good. Talk about rent credits. You've got a... This whole thing with Dodd Frank...

Jesse: Uh-huh.

Joe: ....A lot of people concerned about owner financing in particular. Lease option's still somehow get thrown into it just because nobody really knows.
Jesse: Yeah.

Joe: But, talk about... When you... Do you offer rent credits? Are they big, small, what... How do you do that?

Jesse: Yeah, we do. And, we really correlate that with the size of the property.

Joe: Okay.

Jesse: So, we've got a couple of bigger homes, you know $700,000 to $900,000 and you know, they're not flying off the shelf the way we like them too, of course. That's the average person. But hey, we prefer to give it a shot. So, that's going to be $500, $600, $700 a month rent credits, and something like that. Whereas if it's a $100,000 property, we're talking about $200, $300 a month. But, the way we position it is where the seller pays the closing costs.

Joe: Exactly.

Jesse: And, that's what you want to get it through.

Joe: Uh-huh. They're just seller concessions.

Jesse: Well, because if you really don't go that way as a seller concession, now you're going to prove your market rent.

Joe: Uh-huh.
Jesse: Okay, what's the market rent? And now, you're both at market rent. And then, they pay you above the market rent in how much? You know, if you're not paying above market rent or it's below market rent, that's going to be possibly thrown out when it comes the time to get that loan. But if you say, "Hey, we're going to give you seller concessions... Now, you need to know what those rules are which is again, the importance of having a good mortgage professional who knows what those concessions are. There are different amounts for different loans to values. And if you're doing FHA, which 90% of the time you are, or you're doing the conventional loan... You know, you can't get back 12% seller concessions on a property. It's just doesn't...

Joe: Right.

Jesse: ...It won't fly. But, 3% are... You know, up to 6% sometimes, you're fine.

Joe: Yeah. So, you're giving the rent credits not towards your down payment?

Jesse: No, because it's towards your closing cost.

Joe: Towards your closing cost.

Jesse: Yup. So, the option deposit goes towards the down payment, and that's the only thing that goes towards the down payment.

Joe: Right. So some deals, you'll stay in the middle of, and some deals, you'll wholesale. What we mean by that is, you get a seller who agrees to do a lease option. You get it under contract for a certain price and for a certain rent. And, by the time you get into that contract, you may stay in the middle or you may not. You just don't know, it depends on the numbers, right?
Joe: Uh-huh.

Jesse: So, what makes you decide that you're going to sell that contract, or sign that contract to someone else?

Joe: Well, we look at what their rents for. We look at what they need. And right off the bat, which... You know, a couple I just picked up in the last few days are... You know, they need $2,100 a month and that's basically what the rent is for. There's not a lot of spread in there. You know, and they're in an area that yes, in a few years it might appreciate, that it might be a decent amount. But, the right kind of at the top, that's one that I just want to wholesale. I don't want to hold unto it. I just want to wholesale that out.

Joe: All right. So, who are you going to wholesale that contract to?

Jesse: So, we're wholesale that to... First off, we look at the list of our buyers that we accumulated. You know, and the beautiful thing is, once you get the systems working and you get the wheels turning, every week, we're adding buyers to our list. I mean, almost daily, we have new people coming out, which is awesome.

Joe: Right.

Jesse: You know, I had it some were... Some will go and some will not. But.. You know, it's a matter of filtering and adding. So, we'll go buy a list first. And we'll say, "Okay, great. Who wants to be in this part of town? Who's got this much money for deposit? Who wants a 4-bed, 4-bath and kind of afford $2,100 a month? Then, if there is no one on that list that fits that exact piece, then we'll start to market it.

Joe: So, you're wholesaling the contract to a tenant buyer?
Jesse: To a tenant buyer. Yup, we're going to a tenant buyer, do it on someone on our list or someone that was maybe referred to us, maybe by another mortgage lender, maybe by an agent or someone who just comes to us for marketing systems. And said, "Hey! Yeah, I'd love to get your house. I can't... And, I am sick of renting. But yes, I do have some money down. I got them secured in my name," and we see if all the puzzle pieces fit together."

Joe: How do you get paid on a wholesale deal like that?

Jesse: So, on a wholesale deal like that, we are retaining the option deposit from the buyers as our assignment fee to the sellers.

Joe: Okay. Okay. And then, how does that money get to you?

Jesse: So, they all pay the money to the title company. It goes right to the title company, and the title company will then cut us a check when we do the core quote closing, which is really signing the lease agreements, and the seller agreements, and then, the option paperwork.

Joe: And, the assignments...

Jesse: ...Go with the assignments and it's done.

Joe: Right.

Jesse: You know...
Joe: So, you can explain the paperwork then, on a wholesaling deal. And by the way, I know the answers. [Chuckles] If anybody is wondering... Yeah, I know the answers to this. But, I'm glad to hear this. I like for you guys hearing this from Jesse's mouth instead of mine.

Jesse: [Laughs] Instead.... Instead of the author's mouth, right?

Joe: Right!

Jesse: Yeah.

Joe: Okay. So, how do you...? How does the contracts work? Can you kind of walk through an example deal from beginning to end with... in regards to paperwork?

Jesse: Sure. Sure. So, first off, we're getting our paperwork done with the seller that says, "I would like to... This is what I need for my house." They're telling you their net, okay? And, that's always a conversation because I always put down a bigger number, and they go, "No, no, no, no, no... You have payments in commissions. You don't need to inflate this number, right...?"

Joe: Right.

Jesse: ...To pay 6, 7%, or 5%. And, I need to know what you need to walk away with. And, I'm telling you the mortgage balance. So let's say, "Kate, you need $150. We're going to get you $150 but don't go over $180 necessarily because that's why we're talking. You can't get it. So, we're going to get you what you need to get. If we can get more, fantastic! What do you need per month to cover all the mortgage payments, and taxes, and insurance, everything?" And then, we make sure that that works. And again, it's a matter of numbers. If they got a crazy interest rate and then financed at a... Sure, they'll get to a time when they need $2,000 a month, and the rents on it are $1,300. You know,
are you willing to come down? Are you willing to eat a little bit of that every month? So, we got to figure it out first. But, once we have that kind of nail down, and they're signing the paperwork, "Here's what I need for the monthly payments. Here's what I need for the mortgage or for the pay off and the purchase price." Then, we will go to our tenant buyers to get them in. And, really just advertising to them what those numbers are. And...

Joe: So... With the paper, what's the agreement you sign with the seller?

Jesse: We're not agent. We don't represent them. We are going to give them a lease... a lease agreement, basically, which is based on the numbers we've already discussed, and what we put down on paper...

Joe: Yeah.

Jesse: ...Just give me that amount or more. And, it doesn't take effect until we give them that actual lease and then, give them the actual option contract.

Joe: Okay. So, you have... You're getting the property on... under an option contract, right?

Jesse: Yes. Yup.

Joe: Okay.

Jesse: And then, when we are signing the lease with the tenant buyer, we're signing the lease with them. And, the other disclosures that let them know again that, "Hey, it's not contingent on financing. And, this is the courage you need to buy it in." You know, it's very black and white. When I tell people, you know, on what we use these days, that can be 70 to 100 pages on the small side to a couple of hundred pages. I mean, that's...
ridiculous. So I tell people, "Hey, I'll bring the ice pack, and you'll bring the pen. It's nuts." So, these agreements are really simple. I tell our both parties that this is very straightforward. The seller is agreeing to pay the mortgage every month, take care of the property beyond anything what the tenant buyer's going to do, which is specifically how I got $1,000 amount in there, right? So anything under it... rent and a 30-day period, our tenant buyers are going to take care of. So there, if it's exit labor, replacement, repair... Because it's essentially their house. But, if it's anything worth $1,000, then the owner's going to take care of that, whether that owner is us or we assigned it back to the actual sellers.

Joe: Right. So, you sign an agreement to lease option the property with the tenant buyers, right?

Jesse: Uh-huh.

Joe: So you're... Are you signing that agreement as the property manager or as the landlord?

Jesse: Yeah. We're signing it as the landlord...

Joe: Okay.

Jesse: ...And then, we sign another paper basically that says, "Hey, we're assigning this and all of our interests back to the title owner of the property...

Joe: Right.

Jesse: ...And, they will now be your landlord." And, all of this really took place in a matter of 30 minutes, right?
Joe: Yeah...

Jesse: "And now, they'll be your landlord. And, that's we're going to talk to for everything." So, on an assignment deal, we're with the landlord for maybe half an hour. I mean, on paper, I guess. I like it that way.

Joe: And, you're not representing the sellers... You're not asking the seller...

Jesse: No.

Joe: "Hey, is this okay? Is this person okay for you?" But, you're letting them know who you're assigning it to. They're accepting responsibility. But, because you're not brokering, you are not going back to the seller and is asking them their permission to assign this contract. Am I right?

Jesse: Yeah, absolutely. No, we're not doing that. We're not representing them. We're not... We say, "Here's who we've got. We're going to take our contracts to rent your property, and to purchase your property, and we're actually going to assign this to a buyer that we're working with."

Joe: Yeah.

Jesse: And, here's a good thing about this buyer, and let me tell you about the buyer. But yeah, we're not asking permission and this is how it's going to be. But we also, at the same point, the seller needs to be comfortable and happy. And so, they say, "What's this going to appear?" and why can't they qualify and "Tell me about that." And then, we're doing the normal background checks, like you with... and even our regular tenant. Criminal history, and eviction checks, and employment checks... And then, we're doing on a mortgage side... Obviously, we're doing everything you would do for a regular
mortgage pre-approval. So, we're looking at income. We're looking at your debts. We do a full mortgage application. We don't say, "Oh, you might need to make $5,000 a month in order to get this property. You'll make $2,000 but gosh, I hope you get a new job in the next two years." That's something that we will never do.

Joe: All right. Good.

Jesse: So this means that you can't afford it today, but the big thing is, why? You kind of hit on the beginning. That's just it, why? There's reasons people can't qualify, and some are good and some are bad. Some of them just lay down their car payment last month, and they couldn't pay their credit card last month. And then, got a collection with Dish Network from three months ago. That's something I'm a little scared of. [Laughs]

Joe: Yeah.

Jesse: I don't think you got your back on your feet just that. If you went through a foreclosure that was two and half years ago or two years ago, and you still need a little more time to technically qualify. "But, what caused your foreclosure?" "I went through a divorce." You know, with 12 years of doing mortgages, divorce beats up a lot of people.

Joe: Yeah.

Jesse: How could you mark before the divorce? It's just tough. So, you went through a divorce or had a medical issue. "Okay, is that medical issue ongoing? Are you still dealing with that?" "Oh, no, no. It's an isolated event. Gosh, it really hit us with $30,000 of medical debt, and we had a judgment, but we've paid it." You know, I can see on their credibility that they did pay it, so they're good to go. But there, in this time gap, right? A bankruptcy, a foreclosure, short sale... It's a time-suck. You're in this period of time that you could have all the money in the world, and you could have a phenomenal transfer.
But if you're in that time window, three years, four years, two years, depending on the event, you're not going to get a loan.

Joe: Yeah.

Jesse: And that's an easy one, go with it, because you say, "Hey, if you can afford it today. You make the right money. Your bills are okay, you're on time. Or maybe a couple of them, you just need to pay off in the next year, and you should be able to do that. But, June of 2017, that's as fast as you can do it, period." So, that's when we're going to put the option through.

Joe: You're only putting people in the house who can afford the house, and who have a realistic chance of getting a mortgage?

Jesse: Yeah, absolutely. I judge our success by how many people purchase and come through. That's it. That's the only thing I judge or successes by. You know...

Joe: And then, how long do you typically give them? Is it a year or two or six months? Twelve months? Are you looking for? I mean, do you take somebody that you think can get a mortgage within a certain timeframe? And, what is that?

Jesse: Yup. So again, that's the crucial part of this. I tell you what. You know when I know there's people that don't go that in-depth with it. They've say, "Hey, you want to buy it. You want to sell it. You got some money down. Fantastic!" And, they don't really do anything different after that day. And, I tell our clients, "Hey, I like the values." You know, everything we do afterwards as well. So, we look and say, "Okay, did you have a bankruptcy or short sale or foreclosure? If you did, then what is the timeframe needed?" It's absolute going to be 24 months from that date, or 36 months from that date. So if it is, that's the day you have to go buy. If they didn't have a derogatory event,
they call it, like that... Then, you send me your local credit score. Then, we'll look at a credit repair company that we use, and a couple of them that we have used and kind of looking at new ones. Then we say, "Okay. Hey, guys. What's the chance we can get this score up 60 points? And, how long you think it's going to take?" So, they will look at that. So, that might not be 2 or 3 years. That might be 12 months. So, we give them enough time that we know they should be able to clear it. And then, what we like to do is even extend it after that for another 6 months. And, we give the option for that because we don't want anyone to think that we just want their money for the option deposit. We really love them to get the house.

Joe: Yeah, that's important. I set it up where they cannot be kicked out of the house if they can't get a mortgage. That's important. So...

Jesse: What if it expires before the option? What if they have 24 months and then, they don't get a mortgage in 24 hours? Then what?

Joe: My contract has a clause for them to extend it if they want. The price may go up and they may have to pay an additional deposit...

Jesse: Uh-huh.

Joe: ...But, it does allow them to extend it if they're willing to put down an additional deposit.

Jesse: And, how about the appraisal? Because that's something that we address too. But I'm curious, what are you doing?

Joe: If the house doesn't appraise...
Joe: ...Then, the contract automatically gets extended until it will appraise.

Jesse: Okay. So, just until a little appraise... If that's basically a language.

Joe: Yeah.

Jesse: Okay.

Joe: And since... But you know, nobody knows what it's going to do in the future. The prices may fall. The prices may go up. And you know, it's... In California, it's a bigger deal. These kinds of issues, these kinds of questions... Because, sellers are seeing prices go up now. And so, they have a question... A seller in California may ask, "Well, why would I want to tie up a property at a certain price? What if it's worth more?" And then, I'll also... I'll ask them, "Well, what if the property is worth less?" We need to have at least some kind of bottom line number. What’s the least that you'd be willing to take. And then, let's look at that, "Is it realistic?"

Jesse: Uh-huh.

Joe: And... But sometimes, they may still say no. What I've done before, sometimes is I'll say, "Well, look. Let's do this. This is your bottom line number, and let's add some language in the option contract that the tenant buyer will get half of the appreciation, or I, the investor will get half the appreciation, and you get the other half. So if the option price is $400, but it appraises for $500...
Joe: ...The sale price will actually be $450, somewhere right... right in the middle. And a...

Jesse: Yeah.

Joe: So, there's... You just kind of have to be a little creative and think about that. But, you do need to have some kind of number on there.

Jesse: Yeah. You know, what I just went through with a seller this week. And, the husband was all on board and gets in. The wife just have a lot of questions still, "So, yeah. But, what if doesn't appraise?" and "what if this" and "what if that"?

Joe: Yeah.

Jesse: And, I don't want to have this headache anymore in two years. So if it doesn't appraise in two years, what are you going to do? Well, you can't try to sell it because it won't appraise anyways.

Joe: Right.

Jesse: So, it's not like it doesn't appraise for one person, it doesn't appraise, period, for anybody. So, you got a property back in your hands in two years no matter what. So, who do you want to have in there? You have to go get a brand-new renter? Or, just a regular renter? Or, do you want the guy who's been there for two years taking awesome care of it...

Joe: Yeah.
Jesse: ...Treated like his own, giving you a better rent because of it. And, he still wants it, and you still wanted him to have it. You're on the same boat.

Joe: You just give him more time.

Jesse: Just more time. Absolutely! And that works for everybody!

Joe: Yeah. So, you know, it's a... You definitely want to create it as a win-win win for everybody involved. I want to ask you a couple more questions, Jesse. What... Have you looked at Dodd Frank? Do you feel like it applies to lease options?

Jesse: I felt it affects people that says... I say it does. And, people won't think it does. It's a lease. A lease is a lease. It's three to four agreements. Now, at least, that's how I do mine, and I think that's how you do yours, right?

Joe: Yeah.

Jesse: Yeah. It's not one thing tied together. So, it's strictly a lease, and then, you also have the option to purchase. So no, I don't... I don't... In my opinion, from what I've seen and heard, think that falls under Dodd Frank. It's not seller financing.

Joe: But, we're not attorneys. We don't pretend to be one. We don't play an attorney on TVs

Jesse: Absolutely.

Joe: So, get...

Jesse: That's what I've been told. It's what I've read and heard...
Joe: Yeah.

Jesse: ...That's my opinion. But, yeah. Certainly, you absolutely want to talk to a real estate attorney, a local attorney in your area. Because it's really different state by state...

Joe: Right!

Jesse: ...Or, it can't be.

Joe: But still, the rule... Even when Dodd Frank came, it didn't change anything that we're doing. I mean, we're only putting people into the homes that we know have a realistic chance of getting a mortgage in one or two years. And, we're not setting up somebody into a lease option just because they have enough money down. We want to make sure that they have the income that they... Once they fixed their credit...

Jesse: Uh-huh.

Joe: ...They have the income where they could get a mortgage...

Jesse: Uh-huh.

Joe: ...That's important. And we're also making sure, you know, they don't have $50,000 of unpaid child support, or alimony, or unpaid tax liens and stuff like that. That have to be paid before they get a mortgage.

Jesse: Yes. Yeah. And, that's.... I'm glad you brought that up too. Because, when we talked about what I'm putting my mortgage at and I'm looking at somebody saying, "Yay or
nay" and "Is this realistic or not?" In any liens or judgments, just everyone listening out there, they have to paid 100%.

Joe: Oh yeah.

Jesse: So, I mean, you could have an 800 credit score and super low debt-to-income ratio, as you could make a ton of money every month and have no debt. But, if you got a $10,000 lien or judgment, it's got to get paid. And unless they say, "Oh yeah, I've got $15,000 on my account, and here's my statement to approve it. I'm going to go pay it." Then, you know, the owners is a little bit on them to do it, because they said they would. And, they've proved they could do it. But, if you don't think that's going to happen, you got to say, "I'm sorry, but that has to get done."

Joe: Right.

Jesse: And, one thing that I've done, and I kind of done more just file-by-file of what I'm doing right now is actually just creating a standardized form that we're going to use, which is our mortgage pre-approval. And really, it's just saying, "Okay, today you'll qualify. Why?" and here's why we think you should. And by no means, it's based on today's rules, today's guidelines, which my little asterisk says can change at any point because it can. I certainly don't control it. But, here's why we think you should base it on the events. And, here's what should change. So, if somebody comes back and says, "You are sending these people up." We could say, "Absolutely not. Here's the rules and guidelines of why they should be good to go." Now, if somebody goes on buy a new speedboat, and all of a sudden, they can't afford the house anymore. That's unfortunate, but we tell them up front, "We're going to continue to work with you, and talk to you throughout the option term. Next year, two years, three years... And, do not incur any more debt. And, if things change, you let our mortgage team know, whether it's us helping with the financing or one of our other mortgage portfolio partners."
Joe: Right. And, I like the fact that you're getting that in writing too at the beginning.

Jesse: Yeah. Yup.

Joe: So they know what they need to do...

Jesse: And, I hear people say, "I know I... I know I need to pay this and this and this. And, I will pay this off in the next three years." I understand that it's going to hinge on us getting. I have written that out. You know, we'll have in our file values in caps, right? So if somebody says, "How the heck did you think this house is worth this?" "Well, here's why. There's a content that support that." So at the end of the day, you've said this many times and it's so true, as long as you're doing the right thing... It's important to know the details, but as long you're in the right thing and being able to prove it, I think you're good. Everybody can see that.

Joe: Yeah.

Jesse: And we've dealt with people and I've been screwed over, unfortunately. I had two this year that was screwed over. And it's... "Now, tell me what happened." and I say, "Okay. Well, you didn't do this. You didn't do this. They didn't do this. Here's all the things that should've been in the paperwork, and should've been there." Just that... That's how we do it. We want to do it the right way. And, a lot if that is just integrity.

Joe: Right. Well, Jesse. I got two questions for you, one how can someone find a mortgage broker like you in their market, if they want to do lease options? And number two, do you work with people yourself in your mortgage business with other investors doing lease options around the country?
Jesse: Yes. So, I would be absolutely happy to help anyone else who has questions on it in myself, or someone on our team. Because, you know, it's kind of like working with an investor-friendly Realtor, right?

Joe: Yeah.

Jesse: There's investor-friendly realtors and investor-friendly loan officers and mortgage consultants that kind of get it, and wanted to know... need to know what you're doing, how you're doing it. But so, I'll be definitely happy to work with anyone, help them out with that, ensure they're on the right direction. And then, yeah, a lot of other wholesalers that we're working with right now, I really find that they know wholesaling, just straight regular wholesaling inside and out. And, they can move deals quick. But, when it comes to lease options play, they're not sure what to do. And, a lot of objections they get: they don't know how to get around. And, that's really our specialty that we've been doing for the last three years. So, we're on a flip side on that. So if anyone is on that position, again, we're helping our local... Kind of other wholesalers here in the market. We're helping do that and then, we're getting solid leads to do just the regular wholesale. Let's say, "Corey, you go do this, and do this, and also, we'll share it." But then all, on the flip side, you can't move it because they don't have equity. You don't know what to do.

Joe: Uh-huh.

Jesse: We'll take care of that and help you. So... But otherwise, as far as if you're if you're going to talk to someone in your local market, I wouldn't work with someone who... It doesn't have to be a broker. It might not necessarily be a mortgage broker to the fact that we work with banks that are under controlling our money and our decisions. And then, we kind of do both, but essentially, I've got forty different places I can go, right? So it's not, I go to Wells Fargo, or a U.S. bank, or Bank of America. I'm just here naming names, right?
Joe: Yeah.

Jesse: They might say "No, I can't do it. Sorry." and it's a denial. Well, they don't have a lot of options because they make their call. With my company, I can say, "Now, Chase won't do it, but I'll go to this company. I'll go to this company. I'll go to this company." So, you want to find a guy or girl who works in an institution that has a lot of different options, that can go and lower credit scores, somebody who understands FHA. That's huge. Some places don't even do FHA. Most do, but not all of them. Because that's going to be your best chance of financing for most of the tenant buyers that you're going to work with.

Joe: Well, it's also important that you're presenting these lease options in the right way to the banks, right?

Jesse: Yes. Like them, that's when it comes down to paper work, and the paper trail..." How are they getting their money? You want to be able to do that.... To prove it.

Joe: Well, another question I have. You know, when I was first getting started back in financing was easy...

Jesse: Uh-huh.

Joe: ...It used to be easier to get financing from a lease option because you can kind of do it as a refinance. Which, refinancing doesn't have as many requirements. Is that true anymore? Do you see that ever coming back? You know what I'm talking about?

Jesse: I do. Yup. I'm not seeing that with the lease options. But again, certain banks and lenders will look at it differently. So, it's not going ruin it out, but if that's what you really want to go for, you probably want to buy it on a contract for deed. Because of you buy it
on a contract for deed, then you have equitable title. And then, you need a 12-month history from the time you buy it. Sometimes six months, but most of the time, twelve. So, once you've been in there for that 12-month or maybe 6-month time from the day the contract was signed, then yeah, then let's look at it as a refinance and you can go off of the value of the home at that time, which is huge! Right? We got a property that the owner wanted to sell on lease option for about a $150,000. It's worth probably $170,000 to $190,000 depending on the COPs. And all of a sudden, he came down to $110,000. So I said, "You know what? I said I'm signing this and wholesaling this. We're just going to buy it." So, we give him a $10 grand down. We gave him $10 grand down. Contract for deed... Boom!

So as the language, we're in there for 12 months. When we go and get it appraised, as long as it's still around that $170,000 - $190,000 mark or higher, we just got a ton of equity. And if it's an investment property, and you need 20% equity on that property. Guess what? Now, we have it. But, if it's a lease option, you're still purchasing it. So, you need to come to the table with 20%. Well, that's for the investment property, obviously. Right?

Joe: Yeah.

Jesse: You're going to live there, you only need three and a half percent now with FHA.

Joe: Interesting.

Jesse: Uh-huh. So, yes. So, the contract for deed is easily what you want to go if you get to try that and do a refinance out of that and it's meeting your property.

Joe: Okay.
Jesse: Uh-huh.

Joe: That makes sense. Well Jesse, thank you very much for your time. If people want to get a hold of you, is it okay to give them your e-mail address?

Jesse: Yes, absolutely.

Joe: So, it's jesse@homesolutionsgroup.net.

Jesse: Yes.

Joe: Can you go and spell that out, Jesse?


Joe: Cool. Good. And...

Jesse: Can you call...? There's also a call number to it... 612-326-0345. And, I'll say it again slowly, 612-326-0345. And yeah, I'll be... I'll be doing it for a while now. And, I've gotten these deals through which is awesome.

Joe: Yeah. That's nice.

Jesse: It kind of go with you as you have, which is... You know, just gives you that much more confidence if you're doing the right stuff, which is cool.
Joe: Can I ask you? How many deals are you doing on average a month? What's a good month? What's a bad month for you?

Jesse: Bad months probably one or two, and then on good month, then five or six.

Joe: Awesome.

Jesse: So, you know, we're not where we wannabe with it. It should be probably double that. But, we're also doing some traditional wholesaling. And then, I'm still doing mortgage full-time so...

Joe: That's... That's still fantastic. That's really good. Pat yourself on the back.

Jesse: Oh. Thanks. Thanks. It's because of you, man. So, thank you for everything. You just got an awesome... an awesome way to make money. I think I called Sonja, whatever that it's called that... You know, I want Shark Tank. I think that if the salinity is right, you got all these people who...

Joe: [Chuckles] Yeah.

Jesse: ...They don't know that it's all money you put...

Joe: Yeah.

Jesse: ...Into this idea. And, the money that you can put into a real estate course, which is education. And, what you can get out of it is just insane. His line is huge. It's kind of like follow the steps, and you get to do what you going to do. You know...
Joe: Well. You're absolutely right. And, a lot of people will spend like $15,000 to go to trucking school to...

Jesse: Yeah.

Joe: I'm not knocking truckers. But, people will spend a lot of money to go get educated to get some kind of degree or technical degree that will pay them $30 or $40 grand a month. Let's just look at the numbers here, okay? 30... Let's say $35,000 a year, I've meant to say before. $35,000 a year... That's about $3 grand a month. Now, how easy or I mean... I know some people again who are maybe just getting started like, "Man, that's amazing. I'd love to make $3 grand a month." But, that is so easy to do. I mean, we could... I'm not trying to brag you, but we can probably do that in our sleep.

Jesse: [Laughs]

Joe: So, just think about all these... I... I... I know what you're going because you see these people spend hundreds of thousands of dollars of their own savings and investments into these businesses...

Jesse: Uh-huh.

Joe: ...Where they're... they're only... They're barely eking out in this existence. And, they have to be stuck in a little... outlet or strip mall working 60-70 hours a week in some kind of franchise to make $40, $50 grand a year. It doesn't make sense. [Chuckles]

Jesse: Yeah, I know. You get to the point and you can assess your business, right? And absolutely, if you're just starting out and $3 grand a month is big. That's awesome. Why not do that in a week versus a month?
Joe: Exactly.

Jesse: I want to have a team helping you do that in a week versus a month. But, you get to the point where I've got people say, "Yeah, I've got this much start or this much down." And I mean, it's got to make sense, and you get to the point where... That's not going to be about $5,000 or more. It's hard to grab our attention. You know...

Joe: Yeah.

Jesse: ...Just because everything needs to make sense and you find those other opportunities out there. So, just following the system and doing the work. So...

Joe: Good. Good.

Jesse: That's it. Thanks for having me. Thanks for having me. [Laughs]

Joe: [Laughs] Good. Good, man. Hey, listen everybody. Go to realestateinvestingmastery.com to get the show notes, and to get the e-mail and the phone number. I am going to be doing... At the time I'm recording this... Next week, I'm going to be doing a webinar on wholesaling lease options and on the strategy. And, the purpose of me interviewing Jesse was not to promote my webinar or my course, but I'm just letting you know next week-ish, I'll be doing a pod, I mean an interview webinar... One of those three things on the wholesaling lease option strategy. I want to do more deals. I want to do more of these deals and so, I'm looking for people to partner with on these lease option flips all over the country. And, so by the time this podcast comes out, I probably have already done that webinar. It will probably be recorded, and I'll either be replaying the webinar, or I will be doing a new one. So, if you go to wholesaling... My main wholesaling lease options website is at wholesalingleaseoptions.com. Wholesalingleaseoptions.com. I think I'm going to have a link to the webinar at
WLOwebinar.com, WLOwebinar.com to get more information on the webinar. Anyway, thanks Jesse, you've been a great guest. I sure appreciate you.

Jesse: Well, thanks Joe. Thank you.

Joe: All right, everybody. See you later.