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Real Estate Investing Podcast

Brilliant at the Basics Part 5: What is Wholesaling?

Hosted by: Joe McCall

Featuring Special Guest: Peter Vekselman

Joe:

Hey, everybody! Welcome again. This is Joe and Peter. We are at the Real Estate Investing Mastery Podcast. Glad you're here. A lot of you guys maybe listening to the audios, and you may not know that we have a video of this podcast. But, if you go to realestateinvestingmastery.com, you can see the audio and the video there. And, a lot of the stuff that we're going to be talking about in this podcast series, Brilliant at the Basics... We may have some downloads or some things that we give you - spreadsheets or checklists, maybe even some contracts. When we're sharing things... If we have anything that we need to share with you, we'll put that in the show notes, okay? But this is the "Brilliant at the Basics" series that we're doing for the Real Estate Investing Mastery Podcast. I'm Joe McCall. I'm with Peter Vekselman, and this is the second one that we're doing now.

We're going to be talking about just a quick basic introduction to what is wholesaling. And, a lot of you guys know this, but some of you may not. Maybe, some of you need to get a good refresher on it. Because, this is the majority of how we do our deals. Most of our deals, we get it under contract for the discount and resell it at a higher price. So, we're going to dive in to what is wholesaling, look at an example deal, and we're going to get Peter's perspective on what it is. But, let me just say, first of all, if you go to freebasicbook.com, you're going to get the book that Peter and I wrote called "Brilliant at the Basics." We're going to teach you how to get more leads, more time, more money, more freedom by just being brilliant at the basics. So, we're breaking this business down to its most basic elemental points, okay? So, go to freebasicbook.com. You get this book for free, just pay shipping and handling. We get that out to you in a few days, and it's just jam-packed full of information. Everything that we're doing in the series is covered in this book, and it won't take you long to read it as well. So, Peter, how are you doing?



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Peter: I'm great. I'm great. How are you?

Joe: Awesome! All right, so we're going to talk about what wholesaling is, Peter. So, would you take a stab at...? How do you define wholesaling in your business?

Peter: Well, the basic premise of wholesaling, like everything else, we talk about the basics. It's identifying a deal, hopefully in a pretty decent price. Walking it out. Putting it under contract. And then, finding a buyer, another investor that wants that same property, who wants some same deal. And then, the process marking that contract up, a number of thousands of dollars. And then, when the buyer that you find, in a sense, closes the deal, you're making the spread. So it's getting it low, marketing it up higher, and flipping the contract.

Joe: Yup. That's key, because you're flipping the contract. Now sometimes, Peter... We will talk about this maybe more. But, are you signing the contract? Are you double closing? Is it different each time?

Peter: Yeah, it could go in different directions. Most of the time, that's determined by your back-end buyer. You know, how they are buying it. What they're using. And, how they're structuring the deal. But, the good thing, the good thing is that all of the tools are available inside this business to structure at any way you want. There's plenty of short-term funds out there for a double closing, on the assignment of contracts. That's just the paperwork. So, it's just a matter of understanding how to structure it correctly, and that's based upon your back-end buyers' determination if they want to buy it. As long as you get the right paperwork, it's very simple to do them.

Joe: Nice. Okay, good. Now, there's some simple steps involved with wholesaling. Peter, could you just walk through step one, two and three. How you do it in your business?

Peter: Yeah. Well, the first key is you want to find a deal. You want to do some kind of basic marketing for sellers. You can do direct mail. You could do Craigslist. You could do bandit signs. But, you want to find some kind of a seller that's willing to give you some kind of a discount. That discount literally could be determined many times off Zillow. Go



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check out what the Zillow numbers are, and get yourself maybe about 25 or plus discount off of that, and that's fine. The key is to get it tied up. If you got any sense that this is a deal that looks good, get it tied up, get it under contract. In that way, that gives you the ability to control that property. The key to real estate is controlling properties. Whoever controls more real estate, in the end, is going to make the most money.

Next, you want to expose this to buyers. So, how do you do that? Hopefully, you already have a back-end investor database, because if you don't, you want to expose it to places where buyers are. And, where are buyers? They are on prop. They are on websites like Craigslist and websites like eBay classifieds. They are all over the REIA, local real estate associations. Go make a flyer. Go there. There in local meetup.com organizations, you know LinkedIn. So, the key is to expose this property to as many potential buyers as you can.

Joe: Uh-huh.

Peter: Once you got a buyer interested, the key question I was teaching people is find out from that buyer, what are the steps they need to close the deal? That's another thing. Every buyer has got their own steps to go to closing the deal. They might have to go look at it. They might have to send a money guy out. They might have to send a construction guy out there. So, you want to find out, what are the steps? That way you could always be driving the process forward. People a lot of times say, "Well, I got a buyer. So everything is great." No, not really, until you get earnest money in hand. Until you get a contract from them in hand. It's a free-for-all. So, I would say, get as many buyers. Move forward on these deals as you possibly can. The goal being, once you identify a buyer, is you want to get a contract from them to purchase this property from you. It could be an exact contract that you use to get the property solidified. A lot of buyers have their own contracts, or sometimes it can be just nothing more than an assignment form. But, in the beginning, don't be marking your properties up a ton. Just try to make some money. It's just as important to go through the experience of doing the deal as it is to make the money.



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So, I always say, in the beginning if you're making \$3, \$4, \$5, \$10 grand, that's great. So, identify the buyer. Find out what the steps are to get them closing. Make sure you're driving those steps forward. Have multiple buyers going the same direction. Once you get a contract in hand, and once you get hopefully some kind of commitment with them, find that... The next step is, find out from your buyer where they want to close it. Usually, they control the closing. And then, all you do is you get all the paperwork to that title company or that attorney's office. And, you just monitor it, make sure everything is being handled by them correctly. And hopefully, the next step is, you show up and put the closing, and collect your difference between what you had it under contract for and what you flipped your contract for.

Joe: Right. Simple. Simple. So, you get it a discount. And, what's interesting about the way that we do it is, you're not trying to get the biggest discount possible. I mean, if it's closed, we're saying, "Just get it under contract," because you can always renegotiate right? And, if you're \$5000 apart or \$10,000 apart, but you're still closed, just get it under contract. Because number one, you may be able to find the buyer that will pay you another \$3, \$5, \$10 grand more. Or, you can go back to the seller and try to renegotiate with your... within your inspection period, okay? Real simple. But let's... Let's look at an example deal, Peter. Let's say, we have a house that's worth a \$100,000. The repairs, \$25 grand, and the seller owe \$35 grand. So, a seller calls you after he received your postcard. Its estimate says it's a \$100. Let's say, that's reasonably accurate. \$25,000 in repairs, and the seller owes \$35. What would you offer that seller on that house?

Peter: Well, the key thing that we always teach our negotiators here is, you want the seller to make the first step.

Joe: Okay.

Peter: So, do whatever you can to get some kind of an asking price from the seller. If you actually cannot, you always want to start out. You always want to end up at a price. But, you always want to start out at a much lower price. So, if the ARV is \$100,000 and repairs are \$25... So, you want to usually take about a 25% discount from the difference



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between the ARV and the repairs. So, you're at \$75. You want to take about 25% off of that. So, the perfect case scenario in a deal like that is you want to be in it over somewhere around \$50. Maybe, give or take a little bit there... here... there. The key is what you said. The key is to give it locked up, get control, see some kind of potential. The market will determine whether or not, it's a good deal or not. If it's not, you could then renegotiate at a higher price.

Joe: Okay.

Peter: But, get it locked up. Get it under contract that has got any kind of potential in there.

Joe: So, I mean... You're... It doesn't sound like you're making it too complicated. You're just taking the estimate values, subtracting repairs, subtracting 25% from that. And, that's what you're offering? Are you subtracting your wholesaling fee? Are you looking at contingencies or other costs?

Peter: Yeah. We're really not. That's kind of an upper-end where you want to be. On a deal like that, I would start out... I would start out in a low-end. I would start out somewhere around their pay off, because you're already... Somewhere along the line, they told you what they owe. There's a reason people tell you what they owe, if they told you in this case. Because a lot of times, that's literally what they want back. So, I misdeal. I probably literally start out for what they owe at about \$35. The key in negotiations is to make the offer, and then shut up. Watch how they respond.

Joe: So, how do you...? How do you get the seller to come up with a number first?

Peter: Well, the best way is just ask. You know, what...? How much do you want for it? Or, what would you take for it? Or... The more pushback you get, the more you go into it. "Well, give me a number that makes you happy." We usually teach our negotiators to go where at about six ways, six times from the seller before you realize the seller's going to give you the price. But, the ultimate way, if you get to that sixth try in trying to get a price from the seller, and you just can't get anything from them. What you do is... You go to a ridiculously low price, for no other reason than for them to give you a price. So



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on a deal like this, I might even say, "Oh, that? Maybe we're good for \$20,000?" They will likely not going to take \$20. "Great! What would you take?" There you go. So, that's give you the ability to get... To get some kind of a number on them.

Joe: So, you're definitely trying to get them to give you the number first?

Peter: Absolutely.

Joe: And, if they absolutely refuse after six tries, throw them a soft pass offering...

Peter: Yup.

Joe: ...Which is going to be something low...

Peter: Yup.

Joe: ...But, you know you could feel comfortable with. Good!

Peter: Yup. Yup.

Joe: Real simple. All right. So, some of the benefits of wholesaling... You're looking at average profits, \$3 to \$10 grand. I think it's pretty average across the country. Peter, what are some of your average numbers, if you don't mind sharing? What are some of your average profits on your deals in Atlanta area?

Peter: Yeah. That's... I'd say that's what we have in line. We're trying to make no less than about \$8,000 to \$10,000 per deal. A lot of times that depends on the size of your list, your back-end investor database, who you're working with, who your buyers are. You could push those profits easily into tens of thousands. But, I think if you're talking about just strictly across aboard average, somewhere between \$5 and \$10 is a good number to work with.

Joe: Some of the other benefits is you can do this business part-time if you want, full-time if you want. You can do it while you have your job. We have a lot of clients that were



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working with who have a full-time job. Maybe, they don't want to leave it. But, they're wanting to do... They wanted to get extra income so they can pay off debts, they can take more vacations, etc. You can do this business virtually from anywhere in the world. Peter likes Atlanta for some reason. I don't know why. I'm just kidding...

Peter: [Chuckles]

Joe: No, Atlanta is a beautiful city. But, I've preferred to travel, right? So...

Peter: In a box.

Joe: Yeah! I prefer to... I would prefer to travel. We got back from a two and a half month RV trip. In fact, if you go to freebasicbook.com, you'll see one of the videos that we film while I was on my trip in Washington State. But, you can do deals virtually from anywhere in the world. I mean, Peter really wanted to. He could take a week off, and his business would not slow down a beat. Now, you can also... This business was special when you're wholesaling. It eliminates a lot of the typical constraints in real estate. You don't have to use your own money to tie these, to buy these properties. You don't have to have perfect credit. And there's a... You don't even have to have your license to wholesale deals. Very little risk, if any in this business. You have a property under contract, if you can't buy it, then you don't buy it. You just walk away from it. And, you're in and out of these deals really, really quickly.

So when you look at rehabbing, there's a lot of risk involved. You got to get financing. You got to deal with the city and the inspectors. You've got in all of the unknowns, and the unforeseen things that are behind the walls. You may have problems that you don't know that were there when you buy it. Then, when you finally get it fixed, you've got the buyers that you're worrying about that are really picky. You got realtors that you're working with. You got the buyer's banks that are always changing the rules. And so, there's very little risk when you're wholesaling a property. You're in and out, that's why I love it so much. Can you think of any other benefits real quick, Peter?



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Peter: Well. Look, you hit the main ones. I mean, I think a lot of people are scared to get in this business. You know, money, loss of money. If you understand how to wholesale, you don't have to worry about it. People are scared to get in this business because of mistakes, and guess what? If you buy a property, and you go into a renovation loan, and you make a mistake, it can be very detrimental. Here, you don't have to worry about that. Worst, you back out of a contract. That's why you have the diligence period in here. So, this is a very forgiving, not only is it financially lucrative business to be, and structuring things from a wholesale perspective. It also gives you the bid. It's a very forgiving way to set things up. And, if you just understand some very basic structuring of paperwork, and what paperwork to use, and I do mean it's very basic. You have the ability to literally insulate yourself from pretty much anything that can go wrong.

So, it's a great business to do, like you said, on a part-time. Obviously, we take it too much higher level at a full-time level. But, this is a kind of business that whether you're a brand-new beginning... You know, people will say, "Oh, I'm a beginner, what should I start with?" You should start with wholesaling because of all the benefits. Well, I've been doing this for 20 years. And now, I got 50 rentals and now, I'm sick and tired. And now, I got toilets and tenants. What's the next step? Wholesaling. You know what I mean? So, this is really the answer to so many things in this business. People just ask me this question. I tell them, "This is a near-perfect way. If you understand the art of wholesaling, you could do it the way you do it. You know, being locked up in a box all over United States somewhere, and still be popping deals or..."

Joe: [Chuckles]

Peter: You know, you could go to a very high... [Chuckles] high level. And, you're not limited by geography, by time, by money, by knowledge. It's a perfect way to set up this business.

Joe: Exactly! So guys, again, go to freebasicbook.com. Get a copy of this book. [Freebasicbook.com](http://freebasicbook.com). There it is. So, you just pay shipping and handling. \$5.95, I think is what it is. And if you're also... We talked about, if you're looking for people right now that want to get this business going full-time. You want to jumpstart your success. You're tired of trying to figure out, "Well, how do I get this stuff to work in this system?"



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And, what marketing do I do? And, who do I sent out? How do I go to my buyers, etc. etc.?" You make your money talking to sellers and making offers, right? All that other stuff is important, but this program that Peter and I are doing is... will do all of that set-up stuff for you. So, you just need to worry about actually talking to sellers, making offers. We've got the systems in place.

We just take exactly what we're doing in our business, and we've duplicated it, and are giving it to our partners. So, if you want to apply for that kind of a program, and just check it out, there is a video that we did and some detailed description on this website. You can get more information at peterandjoe.com. [Peterandjoe.com](http://peterandjoe.com). Join our inner circle mastermind. We do coaching. We do... We set up your business and run it for you, and partner with you on deals, if you want. We can even do transactional funding in "lend on" deals. So, there's a lot of opportunities that we're doing this, so that we can find other partners that we can do deals with in other parts the country. So, we're really looking to grow and expand this. [Peterandjoe.com](http://peterandjoe.com), if you want to apply for that. Or, if you just want to take the next step, then get this book "Brilliant at the Basics," freebasicbook.com. Thanks a lot, Peter! We'll see you everybody later. Take Care.

Peter: Bye.