



Z-Code Question #2 — Is Wholesaling Real Estate Illegal in Illinois?

Hosted by: JP Moses
Guest Speaker: Joe McCall

Joe: What is up everybody. Welcome to the Real Estate Investing Mastery podcast. I'm Joe McCall and actually, this is kind of a mixture of REI In Your Car and regular podcast.

What's up everybody, how you doing? Joe McCall here, welcome to the Real Estate Investing Mastery podcast.

I got a cool little podcast here for you. I'm actually in my car and I'm going to be introducing a video that we just did. Like I said on the last podcast, if you've not heard it, we just released a course called The Z Code and on The Z Code, it's a little \$97 class that I created that teaches about how to find motivated sellers on Zillow, how to find motivated seller leads, and there are a ton of them. In fact, if you do what we teach in that course, I honestly believe this, you'll never have to worry about leads again.

Joe: Now it depends kind of on your exit strategy too, right? It depends on whether you're doing wholesaling or lease options. You know, I'll be honest, it's going to be harder to do traditional wholesaling with the leads from Zillow. You need to understand more creative real estate strategies like lease options and owner financing and stuff like that.

So, we talk a lot about that in The Z Code course. I want to challenge you or encourage you to go check it out at zcodejoe.com. Z as in Zillow. Go figure. zcodejoe.com. Go check it out. There's a video sales page there, tells you a little bit about it. The course is \$97. It's well worth every single penny of it. So, go check it out: zcodejoe.com. And on this podcast, I'm going to be playing back to you a video or an audio that I created with a friend of mine, JP Moses. And JP Moses works with the company called Awesome REI and Awesome REI is the company that helped me publish that course. So, they're a really great group of guys.

But in this video, JP and I were going through a lot of questions that people were asking about the course and stuff like that. And one of the questions that we get a lot was what's going on in Illinois? Is wholesaling illegal or not? And you know, really a lot of you guys



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probably have been following this stuff on social media. It's been all over. Everybody's talking about it and people are freaking out and hyperventilating that, you know, wholesaling is illegal, immoral and fattening and you can't do it and it's just not true.

Joe: There is a right way and a wrong way to do wholesaling. And this law that's just passed in Illinois has not changed really anything from what I've been teaching and doing for the last five, 10 years, I don't know.

So, we talk about that in this podcast. I talk about my opinion. I'm not a legal advice attorney. I don't even play one on TV, but I've talked to a lot of attorneys, I've talked to a lot of investors that are doing deals the right way. And so, it's important that you understand the right way and the wrong way to do wholesaling in all 50 states and especially in Illinois right now.

So, you know, this legislation just passed a few weeks ago, but dust is still kind of settling. People are trying to figure out what you can or cannot do. But my advice has been all along... well, you know what, I'm just going to share that or save it for the video, the audio. So, you might be listening to this audio. It was stripped from a video. Don't worry about it. There's nothing really cool to see on the video anyway, just two middle-aged guys talking into a camera, but you'll get some good stuff out of it. Hope you enjoy it.

Joe: Go to zcodejoe.com to see what all the hype is about, all the excitement. I love Zillow, man. It's my favorite source of leads. In fact, I just got back from a workshop in LA. I was teaching in LA at an event. I'm going back in a couple of days for an all-day workshop and I'm going to be actually demonstrating and teaching and doing a lot of this marketing there at the event and we're going to be doing marketing. We're going to be talking to sellers live. I'll be making offers and sending offers and demonstrating all of this stuff, but guess what I'm doing for the marketing right now? We're going into Zillow and getting a bunch of leads, and I'm going to be demonstrating how this is all working live at this workshop. It's going to be cool.

All right. Uh, go to zcodejoe.com and enjoy this episode. We'll see you. Bye. Bye.

JP: All right guys, this a big freaking deal for real estate investors if you live in Illinois: Wholesaling houses is now illegal. Or is it? Let's talk about that.



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- JP: Next question is from Robert S. He says, what do you think about the news or noise lately about wholesaling now being illegal in Illinois.
- Joe: It is. It's illegal, immoral and fattening. You can't do wholesaling. You shouldn't do it. You're going to go to jail for the rest of your life. Probably get the death penalty and uh, it's like a serious federal offense, capital crime, wholesaling is illegal and you shouldn't do it.
- JP: It's also of the devil really, when it comes down to it.
- Joe: Satanic.
- JP: So, on a serious note... let's give some context for people who don't know about what happened in Illinois.
- Joe: So, wholesaling, here's the thing, like we've been hearing this for years. This is nothing new. Okay? The only new thing that happened is actually was a law that was passed, right? But the local licensing board, which is responsible for enforcing that is still trying to figure it out as we are recording this right now, they're trying to figure out what this means.
- Joe: Like, does that literally mean that if you are in the business of buying properties on your own and then rehabbing them and fixing them up and selling it three months later... So, I'm not even talking about double closes or assignments or wholesaling, I'm talking about as a business owner—is the state actually saying that you have to have your real estate license to buy a property for sale by owner and to sell it for sale by owner?
- Joe: I think that is crazy. Obviously, everybody thinks that it is, but I've talked to, and I've heard of attorneys in Illinois that are saying that will never happen. It'll never happen. If anybody challenges that in court, there's no way it could stand. Okay, but so what? Get your license, right? I have my license; I have my real estate license with Keller Williams. It's not a big deal, but there's some things you need to understand though.
- Joe: Okay, you can get your license. In fact, I recommend to people that you should go ahead and get it, but you need to make sure you're hanging your license with a broker that's an investor friendly broker, right? So how do you find them? Just ask around. You go to your local real estate clubs, there's some brokers there. You can go look on Facebook groups or Bigger Pockets. Try to find the investor friendly brokers. And there's a lot of these virtual



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brokers that are around the country now too. I think EXP is one where they don't have a physical office, you know?

Joe: So, you find an investor friendly broker and you say, listen, I, and this is how I approach a broker. I always put it into their perspective. What's in it for them? What's the benefit to them, why they should let me hang my license with them? And I say this, I do a lot of marketing and I come across a lot of leads. I'm an investor, okay. And I'm not looking for to do traditional listing brokerage stuff, right?

But I'm an investor and I do a lot of marketing and I have a lot of leads that I can't do anything with and I want to refer them to an agent. Some other agents or to the broker or the office. But I'm looking for a broker that I can hang my license with that will let me do my own deals. I buy a lot of properties for sale by owner, by owner, and I sell them by owner. I don't want to list them on the MLS. I also do a lot of rehabbing. I do a lot of buy and hold investing, um, et cetera.

Joe: You see how I'm kind of phrasing it like I'm not using wholesaling language. I talk about how I'm buying properties by owner and I'm selling them by owner. Of course, you disclose that you're an agent and all of that, but you should not have a hard time finding a broker that'll let you do that. It's not that big of a deal. Okay? There is no law and they could never do this... I mean, maybe they could maybe in Illinois, but like they could never tell you that, "Okay, now that you have your license, you cannot buy and sell properties by owner."

You can't, okay? That's overreach. And uh, if that ever goes to court, there's no way that the state could win that kind of law. So, to make a, a quick, easy answer, this question, number one, get your license, not a big deal. And number two, double close on the deals, right? So, and I've been saying that for years and years, double close on the deal.

Joe: Use private money, your end buyer's money. If you've got a good buyer, some buyers that you're working for, use their money to close on the deal. Use transactional funding, you know, go out and get some business credit cards like a, you can go and get some business credit cards that you get like a \$100,000 credit limit and you can buy these houses, close on them, turn around and sell them.

JP: Yeah, I think, I think what you just said is the bottom line. Really what it comes down to is they're still trying to figure out the people who made this regulation or law, whatever it is,



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are still trying to figure out exactly what it means and how it applies in different situations. It's not critical that you really understand it. If you understand that the worst-case scenario is you get licensed or you go through a licensed realtor for every transaction, neither one of which invalidates buying and selling a house and double closing, right, rather than assigning a contract, for example.

JP: I think the bigger thing to recognize here is the opportunity this is in Illinois because all the, all the wannabes, all the Johnny Come Lately's are going to go, oh man, now it's illegal and they're going to go away and they're no longer going to be your competition. They're not going to be cluttering the atmosphere, and that creates a unique opportunity for everyone who's really serious in Illinois and says, okay, you know what? I'm willing to get a real estate license.

I used to have a real estate license for three years in Tennessee because I got a license specifically for the benefit it would give me in wholesaling houses. Once I realized in Tennessee really the benefit and the costs weren't really working out, I just let my license go, but if I were in Illinois, I would have no problem checking that box.

Joe: There's a lot of advantages to having your license too. Number one, you get access to the MLS, but you also get access to a lot of tools in the back office of the MLS. Okay? A lot of MLS's have connections to Realist, which is owned by CoreLogic. CoreLogic owns ListSource, you've heard of that... and RealQuest and another service called Realist. So, you can go into Realist and download, at least here and I've heard this in other states, five to 10,000 records a month for free lists. So, you can go in and buy list of absentee owners with equity and stuff like that. Um, and you can also, like I do a lot of deals virtually, there's a tool in the back office that I can go into and get MLS data on any property in the United States so I can go in and get property data all over the country on any property.

Joe: So, there's a lot of advantages to having the MLS. Sometimes, too, it gives you credibility. If you're a serious wholesaler in Illinois right now, I would be excited because like this is going to eliminate a ton of the competition. It's freaking everybody out. And, um, if I had my license, I'd be like, you know what? All these other, uh, shucksters that are trying to, if I'm talking to the seller, I might say, you know, all these, I wouldn't trust all these other wholesalers, they don't have their license. I'm actually a licensed real estate professional in the state of Illinois. Now I'm not looking for a listing. I want to buy your house, but you



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need to be careful of anybody who comes around here that doesn't have a license because they don't know what they're doing.

JP: That's beautiful because you totally checked the box of disclosing your agency and also framed it as a benefit to them. Love it.

Joe: So those wholesalers don't have anybody that they have to report to. You know, I have a real estate commission that I have to answer to. I have to take an ethics class every two years. I have to go through all of this training. You know, you can look me up, I have a broker that I hang my license with, et Cetera, et cetera. But, um, you know, there's some good brokers out there too, by the way, that aren't going to get involved in your day to day business, right? They're not going to require that you sit into an office there, they're going to let you work from home. You're going to have rules that you have to abide to that you didn't have to before. Like you're going to have to disclose that you're an agent. But you know, just because when you...

Joe: This is important to understand: just because you have a license doesn't mean you have to use the realtor's contracts for your own deals. Okay? When you're doing your own deals, you can use your own contracts and you just got to disclose to everybody that you're an agent... you're not representing them, you're representing yourself and make sure that your broker doesn't have a problem with that. Now if he does, find a new one.

JP: There's an often-related question to this that I hear that isn't, it wasn't asked specifically by someone, but people have asked: If I'm licensed, doesn't that mean that every real estate deal I do has to go through my broker and my broker has to get a cut? If that is the company policy with your broker that your deals that you're a principal in to buy and sell have to give them a commission, then yes, you're required to, not by law, but by company policy.

Joe: That's a company policy thing. It's not a state law.

JP: Exactly. So, you want to make sure if they say, "No, those wholesale deals you're doing, I gotta have a piece of that because I'm your broker." He may even think, or she may even think your broker, that that's a legal requirement because a lot of times their company policies, they act like their legal and they believe that they are sometimes.



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Joe: Yeah, so just find a broker that doesn't require that. Here's, I'm with Keller Williams, I've been with them for a while, but you know what? I haven't been in that office for about four years. I don't even think they know I exist. I get emails from them. I never read them. I just pay my dues every single month. And you know I have an assistant who's a licensed realtor, so she kind of helps me do the licensing requirements and stuff like that. She doesn't take the classes for me. I wish I could let her take the classes for me, but I still have to take them. But like, they just don't even know who I am, which is fine.

Joe: I have a Keller Williams email address. I have no idea what it is, but you know, I don't know if I would be able to get into a Keller Williams again today because at the time, I was good friends with the broker who was a very investor friendly broker. Right? Done a lot of deals, all kinds of deals, lease options, wholesaling, short sales, foreclosures, you know, traditional listings. And he actually invested in a brokerage, which by the way, did you know that you don't have to be licensed to own a brokerage? Okay. You could actually, I know several investors that have done this. You can actually buy a brokerage, create a brokerage or buy a franchise, a brokerage and a, you don't have to be licensed yourself.

Joe: You have to hire somebody under you that's licensed to run the brokerage. But as the owner, you don't have to be licensed. I know several big investors that do this. And so, when they need to do, when they need to wear their realtor hat, they get one of their employees, the broker, to do the realtor stuff for them. Okay.

Now again, there's virtual brokerages out there that, uh, I'm not sure what the requirements are, it's varies by state, but EXP realty is one of them. There's a bunch of them. Like if you just start going around to Bigger Pockets or Facebook groups and stuff like that and finding out who are the investor friendly brokers in these certain areas that are in your state or asking around at the local real estate clubs, there's a lot of mom and pop brokers that do real estate deals themselves. And you know, you have to pay them some kind of fee, but it's, it's worth it. And if you ever need help or support, they're there for you. They can help you with their stuff.