Lease Options and Creative Financing

Hosted by*:* Joe McCall
Guest: Blair Halver

Joe: This is the Real Estate Investing Mastery podcast. Glad you're here. I've got a special guest today. His name is Blair Halver or however... Sorry, Blair. I want to say, the guy from the Czech Republic, he used to be the president of the Czech Republic... Havel, hovel. Do you remember that? Anyway, sorry. Hey, listen, I'm excited about this podcast here, guys. We're going to be talking about creative financing. We're going to be talking about lease option deals, the deals that Blair's doing and some of the really cool creative stuff going on in the business.

Joe: I just wanted to make a quick announcement. This is so exciting. Guess what I picked up Friday? Today's Monday when we're recording this. I picked up my new book from the UPS store. They sent me an early edition and this is such good stuff here. I call it all killer, no filler.

Joe: You can get my book at REISecrets.com. This book has been the culmination of a couple of years of effort and I'm excited about it. It's a thick book. It's about almost an inch thick. And I've been doing the podcast since 2011. I've been, the last four years, taking out episodes and I call them REI In Your Car episodes where I'm actually recording a podcast while I'm driving in my car. As dangerous as that might sound, but I'm just holding the phone like a microphone. I'm not doing video. I've taken the best of those and I've turned them into blog posts and articles and emails and stuff like that and I've combined them into this book.

Joe: And so this book is a culmination of these podcasts and it's just, they're daily nuggets of real estate investing wisdom to help you get more leads and close more deals. And just as an example, I opened up right here in chapter 37: Focus Will Make You Rich and, it's just a couple pages, but I talk about in there staying focused... Shiny objects will make you go blind. Focus will make you rich. Little things like that. These chapters are designed for that. You can just read one every day and get some golden nuggets of juicy real estate investing wisdom like chapter 67, right here: Know What Your Buyers Want, right? Know what your buyers want and you'll do well in this business. So, go get it. It's my best book ever, period. I'm super excited about.

Joe: Alright. Enough about me. Blair is in the house on the podcast and Blair, I've watched him for the last few years with some of the marketing that he's been doing. He's kind of known for some really good creative marketing strategies and tactics and techniques and he's still in that business, but he's also doing a bunch of deals. And so, I sent out a post recently saying, Hey, I'm looking for some guys that are doing, and ladies, that are doing lease option deals, doing some creative deals. And Blair raised his hand. I said, Man, hey, tell me what you're doing. I said, this is awesome. I'd love to get you on the show and talk about it. And that seems like it was a long time ago when we talked last, Blair, is that right?

Blair: Yeah, it was a few weeks ago now.

Joe: Okay, so he's here. He's here and I'm going to show you, there's his name, Halver, Blair Halver. I want to say "hovel" because, what's his first name? Hovel. The president of the Czech Republic... real famous guy. It's not you. So, welcome to the podcast. Glad you're here, Blair.

Blair: No, thank you. Thanks for having me on. It's a pleasure.

Joe: All right, so talk about you for a little bit here. Okay. What got you started in the real estate investing business?

Blair: Yeah. You know, the year I got married, long time ago now, 12-13 years ago now, I read that book, Rich Dad, Poor Dad. I'm sure we've all read that, or most people listening to this. So, you know, for a while, I think for a lot of people in this business, that's what started them off. And so as soon as I read that, I was like, oh man, I got to start doing some real estate deals here. Right? And I started doing some wholesaling deals, virtual wholesaling. I was living in LA at the time and doing deals back here in my home market in North Carolina where I live now.

Blair: And then through those deals I realized that, you know, the part that I was best at and the part that I enjoyed the most was the actual marketing and lead generation part. And I thought, well what if I could just do that part for other investors across the country? And so that was the start of my company Dealbot; we did done for you motivated seller lead generation for several years, started that back in 2009. We've since converted that done for you service into a sort of show you how to do it service. And what we've found is that our clients actually get better results that way when they're involved in the process of generating the leads with us, showing them how to do everything.

Joe: Okay, that's cool. And what kind of deals do you do then?

Blair: Yeah, so you know, when I started out doing wholesale deals as I mentioned, I kind of stopped doing deals for several years when I was just focusing on the marketing service. But just about three or four years ago now, and I, you know, saw all my clients, you know, get making these huge paychecks off of these leads I was generating for them. And I was like, man, I gotta start doing this, you know, my own deals again.

Blair: So actually, instead of going the wholesale route again I went into the creative financing business and doing what one of my mentors Ron Legrand would call terms deals, pretty house deals, you know, lease options, sub to, you know, seller finance, all that sort of thing. And so now I've gotten my house business to the point where 95% of it is delegated or automated. And so I only spend a few hours a week in that business and we do a handful of deals a month. It's not like we're doing millions of dollars or anything, but it's a lifestyle business for me. You know what I mean?

Joe: Definitely. I love lifestyle business and that's what I've really been trying to focus heavily on. Right? Why do you like creative deals, Blair? What is it about creative deals, pretty houses that Ron Legrand teaches, that I've been teaching for a long time… What is that about? What do you like about that?

Blair: Well, I liked that, as Ron describes them, he calls them golden goose deals. You get paid on the front end a big chunk of money. You get the monthly spread over time. Maybe you got some back-end equity if and when they ever cash you out. So, whether you're doing a sandwich lease option or you're taking title on the front end, sub to or seller financing and then selling on lease option. You know, I like... The longer I own the property, the more money I make on it. And so that's the big draw for me. But the other part is, you know, if I can, uh, convert more leads into deals and my revenue per lead goes up, means I can pay more per lead if I want to or have to, which allows me to dominate my market then because now all of a sudden I can convert one out of 24 deals as opposed to one out of 50 deals that most wholesalers might run into.

Joe: Great point. People forget that. They may think, well, why would I want to do lease options when I can do wholesaling? But the thing you're forgetting is you're going to go from getting one out of every 20 or 30 offers accepted to one out of every 15, 20. Did I say that right? You're going to get more offers accepted when you can offer options. Right? You know, so, yeah. What do you, Blair, what do you do when you're out there marketing for leads and you're talking to sellers? Is your marketing saying, Hey, do you want to do a lease option on your house or do you want to owner financial a house? Or is it just like, Hey, do you want to sell your house? What's your first message to them?

Blair: Yeah, we use very generic messaging because we don't know what situation their house is going to be in. You know, whether they got enough equity for a cash deal or not or if it's a terms deal. So, we just say, you know, we'll buy your house and we'll still even use, you know, all the standard terminology, cash for houses, that sort of thing. And you know, people have asked me in the past well, if you're advertising cash for houses but you really want term offers, is there some sort of mismatch there? But now, I mean the whole point of the ad is just to get them to respond and then you figure out which way the deal wants to go from that point.

Joe: Yeah. Because you know you can, you know how to do a traditional wholesaling deal and there may not... A lease option may not even be in the cards, but so then you could still offer them a cash offer. Like, personally for me, I don't like doing lease options on junker properties, on the lower end properties. Right? A lot of reasons. I've about it a lot before. But so, you would offer a cash offer with the lower end, cheaper property. Right?

Blair: Yeah.

Joe: So, Blair, do you, when you're talking to sellers, do you give them multiple options offers or you, do you try to first figure out what they need and then make them just one offer or how do you typically structure that?

Blair: Yeah, so typically we kind of look at it as we're the doctor, they're coming to us with their symptoms and then we basically prescribe one solution that we think would work best for them, number one, and for us, number two, you know, it's gotta be a win win. And of course, and then if that doesn't work, then okay, well we can do it this other way. And you know, we got to. But once you present them with that first option and they say no, you've got to find out exactly what their issue is with that... We're gonna address that issue. Cause it may be something very simple and we could stay with that same type of offer, a term offer, but if it's something where they don't want to leave the mortgage in their name or whatever, okay man, we can switch over to a cash offer or vice versa. However, which way it goes.

Joe: Nice. Now Blair, I want to ask you about how you make your offers. Can you walk through how you make a cash offer, how you make a lease option offer? And do you ever do, um, you know, I think Ron calls the ax deals. Do you ever do those for least option assignments? So how, first of all, how do you make your cash offers when you're talking to sellers?

Blair: Yeah, so every seller lead that comes in gets an opening call or a discovery call, diagnostic call, some people call it, and then a closing call with the acquisitionist, and in the beginning of course I was the acquisitionist. So, I had my VA do the opening call, the prescreening call. Now I've got a fulltime acquisitionist so she handles all those calls and everything. But we basically, that 15-minute closing call with the seller is where we essentially, you know, for lack of a better way to put it, we ask them questions in order to get them to make an offer to us instead of us making an offer to them.

So, we might, you know, if it's a cash deal, we, you know, really there is nothing to negotiate other than the price. And so, we ask them, what's, you know, what's your asking price? What's the least you can take for the property? Whatever the number they say, is that the best you can do? And then like, you know, we use silence as a weapon at that point. It's like, just shut up. They say a number, just don't say anything they might pipe in again. And if they don't, then you'd say, you know, something like, you know, so you're saying if I don't pay you X, you'd rather not sell the property.

And so, we're trying to get them to negotiate against themselves as much as possible. I find that whatever numbers the seller and I agree to, it's gotta be their idea. You know what I mean? Like they're making an offer to me and I'm telling them whether I could do that, I can make those numbers work or not. Um, there's a, a book by Chris Voss called Neve Split the Difference, have you seen that book.

Joe: Really good book.

Blair: Yeah. My biggest takeaway from that was where he talks about negotiation is the art of letting the other person have your way. And I think that's so important and that's, that's how we deal with sellers. That's how we make offers and we let them make the offer to us.

Joe: So good. Like you know how you approach the seller is so important. I like to say don't try to sell the lease option concept to them. Right? They need to sell you on their house. Because why, when I got started, I was trying to pitch all the benefits of a lease option cause that's the only thing I was doing. I was only doing lease options; I wasn't making cash offers. And I just found myself digging myself into a big, big hole because I talked so much.

And I would be, once I learned to stop and just ask questions and I would start conversation sometimes with, Hey, great. You know, do you mind if I ask you a few questions about your house to see if it'd be something I'd be interested in? I'm looking for a nice house in a nice neighborhood. Do you have a nice house? Is it a nice neighborhood? What kind of shape is it in? And I've even changed that to where it's, sometimes I'll say like, Hey, do you mind if I ask you a few questions to see if we can do business today? Right? Being the reluctant buyer, getting them to tell, sell you on their house, why you should buy their house, it makes all the difference in the world. Right? So, I love that.

Now, Blair... So, if they, you know, you figure out after talking to them, you know, like, yeah, I don't want, they can't do lease option or owner financing or subject to or whatever, they need to have a cash offer. They give you a number that's, you know, close to your ballpark range. But how do you actually calculate the cash offer you actually do make to them after they've told you what they would take?

Blair: Yeah. You know, I guess we, I do it a little bit differently than, so if we're on the phone with them and they give me, they tell me the, they're asking price and I can see that there's at least a decent spread, a reasonable spread between their asking price and what I think just rough ballpark ARV would be, now I know this is a prospect on the phone, I'm going to go ahead and set up a deal meeting and we go out to the house, start the paperwork, you know, really kind of, you know, write in the actual purchase price.

And when I get to the house, my only goal is just to sign it up at as low of a price as I could get it. And whatever that price may be, I'm going to put it out to my buyers list with my, you know, markup in it. And I'm going to let my buyers or the market tell me if that's a good price or not. So, I'm not over here, no calculating ARV and you know, getting pencil and calculator and spreadsheet out for repair costs and not doing any of that. I'm really just finding these deals and then bringing them to my buyers. Does that make sense?

Joe: Oh totally. Yeah. Cause you're, the buyers will tell you what the house is worth. They don't, and they don't care what you think the ARV is or what you think the repairs are or what you think the rent is. They will tell you whether it's a good deal or not. Whether you're doing a lease option, you're looking for tenant buyers or cash buyers. They'll tell you if it's a good deal or not. And then people are gonna say, well Blair, what if you're wrong? Well, what do you do?

Blair: Well then you either renegotiate or cancel if you have to, but there's always a deal after the deal with the seller. As long as you're dealing with the seller directly and not through an agent or bank or something else, you can renegotiate that anytime you and the seller agree.

Joe: Nice. Excellent. So, you're going on appointments, you're going to the seller's house. Right?

Blair: Well, I should be clear, I no longer do all of that, my acquisitionist does. But when I started out, yes, I was all me, it was the acquisition of doing the closing, calling by phone and then we'd go out on the appointments if it looked like the deal... You know, I, my preference was always to get the deal, I don't know, maybe 70, 80% of the way there on the phone before I go out to the house. And that helped me save a lot of time instead of just running it out to unqualified prospects.

Joe: Nice. And then what market are you in? What city?

Blair: I actually live in Morrisville, North Carolina, which is just north of Charlotte. And so, I buy houses in Charlotte, North Carolina. And then we've got a couple of remote markets where we've got, you know, friends and family. And I'm like trying to help them buy a house the smart way. So, we do some deals over there as well.

Joe: Now, let's say you talked to the seller, the cash offer's not gonna work. It's a nice pretty house and you're going to then try to do a lease option on it or I, you know, I guess you, again, you're looking at it more like you may not offer, well, okay. Maybe explain the difference of when you would do a sandwich lease option versus a subject to; do you always try to like take the deed or do you do a sandwich lease option if you can't take the deed? Is that, what's your philosophy on that blip?

Blair: Yeah, I try to get the deed and I've read a lot of what you've talked about in your experience and how you used to have that mentality of getting the deed all the time. And now maybe you've kind of switched your stance on that or no.

Joe: Yeah. For me personally, I used to do a lot of subject tos and when the market crashed, I got burnt really, really bad. Now I never missed a seller's mortgage payment. I got really late a lot of times like it was day 29, hour 24 or 23, you know, and um, but I did not like that feeling of being obligated to make a mortgage payment if I had the vacancies and whatnot. So, I prefer, personally, I prefer sandwich lease options because I can control the property without owning it. I think it was Rockefeller who said the secret to wealth is to own nothing and control everything. Now there is a place for subject to, so I'm not knocking them. And some people prefer subject tos, especially in states like Texas when you can't really do sandwich lease option, you know? But, so what's your philosophy on that?

Blair: Yeah, my preference is to get the deed and primarily because I want to be in total 100% control. And the only time, actually I can only think of one, I've had to, you know, quote unquote down sell or switch over to doing a sandwich lease. And that was because for some reason the seller got kind of antsy about letting the title transfer before they were paid off in full. So, to save the deal, I said, well why don't I just lease the house from you and buy it a couple of years. So, we just turned that into a sandwich lease option. But so, you know, I haven't been through the whole downturn like you have when I was, you know, back in the downturn I was still doing wholesale deal, '08-'09. So, you know, you've probably got more experience in that than I do.

Joe: Well maybe, and I made a lot of stupid mistakes. It wasn't because I was smart and but I mean anyway, so, you all got to be careful. Even if you're doing sandwich lease options, like you could still get hurt when the market falls. You gotta make sure you have reserves. You need to make sure that the numbers work, like the, you gotta make sure the property's cash flow. Okay? No, the other thing I had a problem with it, it was more mental than anything, was convincing the seller to sign the deed over to me while the mortgage stayed in their name. And, I just had a hard time for some reason trying to convince the seller of that. And it was more just the mentality mindset of in here. Right. But what have you done to kind of overcome that mind block? Does that make sense?

Blair: Well, yeah. Yeah. And my, I was just thinking as you were saying that is because you're a realtor, you've got realtor brainwashing going on. Just giving you a hard time, man.

Joe: Well, it's true though I'm an investor first, realtor second.

Blair: There you go. There you go. But, yeah, no. My own thing is, you know, if I'm going to solve this huge problem in the seller's life, I need to make it work for me too. And my preference, I was just saying is, you know, I want to be in 100% control now and forevermore on that deal. So, if for whatever reasons, the house maybe one day need some work and I wanted to put some money into it, you know, I don't want to put money into a house that I don't hold title to. So, if I'm just leasing it from the seller, I wouldn't want to put any money into it. So, but if I've got the deed now I've got that option. Not saying I would, you know, need to do that, but now I've got more options I guess is the big point.

Joe: Okay. Yeah. Talk about how you structure your offers. What are the numbers have to look like for it to be a good creative financing deal for you?

Blair: Yeah, so I'm looking for, I mean, my bare minimum criteria is at or below market value. I mean, the more equity we can get, the better. Of course, for the lower the price, the better. I need a monthly payment that gives me, at least, I mean, it depends on the deal. At least a hundred, $200, 300 bucks a month spread or more is always better, of course. And then, you know, we typically set these things up with an indefinite payoff term, you know, for buying sub to, there's no time limit on when I got to have that thing cashed out. And so that's my preference. But, you know, I would even break even on a deal on a monthly if I knew I was getting a big equity spread. You know what I mean? So, like, if I had a buyer lined up that was, you know, wanting to give me $30k, $40,000 on a deal, but I'm going to break even on the monthly, I'd do that deal all day long.

Joe: Yeah. Yeah. I wouldn't... You got to have the cash flow. But I'll agree with you to disagree on that. The cashflow is important, but I, you know, if you got a lot of equity in a deal, it's hard to turn that down. You just gotta be prepared for, well not if, but when there's vacancies on that house, are you going to be able to cover that nut every month? So you're okay then with little bit of equity, cashflow or a lot of equity, no cash flow, but the key to do it, I think that what I didn't do back then, I always had like a five year balloon where I had, I promised to refinance them out in five years. But you're saying you don't even have that in there. You try not to do any kind of a balloon or refinance limit in your deals, right?

Blair: Yeah. Yeah. I mean if we owe the seller any equity after we buy it, we just give them a seller carry back with no payments, no interest and no balloon on that. But we make it due on sale so that whenever we cash out of the property, they are secured against the property to get their equity out at whatever point in time that is promised them anything. You know, you don't want to make them any promises that we can't keep, you know...

Joe: So, if they, if they have some equity in the house, you'll give them a promissory note and record that against the property so that when you do sell it, they will get their equity out of it, whatever you negotiate it at. So, when I was doing these subject tos I would try to get at least 15% equity in the deal. So, if it's worth just simple round numbers, a hundred grand, I would try to get the loan balance to be at least 85 grand. Or you know, let's say they owed $70k. So, I would give them a, but I had to be in at $85k, I would give the seller a $15,000 second position note. But then the cool thing is who gets that principal pay down, right? You do, the investor does, right? So, if you, if you hold that thing for 10, 15, 20 years, you know that thing, you're going to have a lot more equity and profit in that deal. And you've had somebody else make any mortgage payments for you, right?

Blair: And if I can get a long time to pay them off or an indefinite amount of time to pay them off, I don't mind paying the higher price. If I can get longer time... it kind of works in tandem like that higher price, longer term for me and vice versa.

Joe: Okay, cool. Now when you get it under contract, you now own it or you control it, now you turn around and you advertise it. Are you advertising it as a lease option for tenant buyer? Are you advertising it with a like a wraparound owner financing kind of land contract? What are you doing there?

Blair: Yeah. Yeah. So, we put all our stuff out as lease options and that's primarily because here in North Carolina it is, you know, you want to look at how long does it take you to get the house back in case the tenant buyer defaults there. So whatever debt instrument or paperwork allows you to get it back the fastest in your state. That's the one you should use in North Carolina. Here they actually have a specific statute pertaining just to lease options, which I prefer because now all we gotta do is follow the letter of the law. Nobody can say anything. You know what I mean?

Joe: It's actually, I've read that, I've read the law and it's actually really good. I mean you have to, they require you to record the, if somebody has a lease option, you're required to record the option. Right? Are you required? Like, is there something to do with the, you have to prove the mortgage is current every month or something like that to the tenant buyer?

Blair: No.

Joe: What else? Cause I had a lot of people ask me about that and in my lease options course I just refer them to the page from the website of North Carolina and it spells it out really clearly in there, like what you have to include in your contract and gives you the specific paragraphs and stuff. But can you just summarize that? What is it in North Carolina that's unique to the lease options?

Blair: Yeah, the main thing is you have to, there's are specific that have to be included in the lease option agreement. For example, you have to have in 14 point bold part right above the signature line, the right of rescission, the three day right of rescission, the option, the memorandum of option has to be recorded within five days of signing, and you know all this other stuff and the penalties if you don't follow the rules very, very specifically are kind of onerous. It's like treble damages and all that stuff.

So that's why, I mean, I always tell everybody, get an attorney to do these things for you so you make sure they're done right, all the paperwork done right and above board. But you know, other than that, the other main thing is, what happens when a tenant buyer defaults, we have to give them a 30 day right to cure. So, we send them a known as by certified mail. If they are in default on their lease and they don't bring it current within that 30 days, now we have the option then to go to a judge and get the option canceled if we want to. Typically, we don't because they'll eventually get caught up anyway, but if they don't, then we just evict them and just get the paperwork all canceled out like that.

Joe: You know, which is what we did anyway before. I mean, that's what I, yeah, that's what I always did anyway. I always personally, for my deals where I have tenant buyers in them, I'm always trying to work with them and give them more time. If, at the end of the two-year lease option agreement, if they still can't get a mortgage, if they've been paying the rent on time, I'm going to give them more time to get a mortgage. I'm not gonna kick them out and just try to get the next person in there... that's not the goal. Right? Some people teach, I'm not going to name names, like I hope they don't buy it so then I can get somebody else in there and get more option deposit money. But that's not what I do. That's what I know. I don't teach that. I don't recommend that. We'll just leave it at that. Okay. So yeah.

Blair: Yeah. No, I'm with you man. If they're making the payments, they're taking, you know, taking care of the house, you know, then stay in there long as they want.

Joe: Yeah. Very good. So, I wanted to ask you about marketing, so let's cycle back to marketing and kind of start there. What are you seeing working right now for you and you, you know, some of the people that you're helping with marketing? What's working well for them, especially on more on these more creative deals. Right? Cause you're targeting nicer homes. That's what I wanted to ask you. You're targeting nice homes and nice areas, right? So, what is a nice home for you? And then we'll talk about marketing.

Blair: Yeah. So, in Winston Salem, our median prices about $115k and down in Charlotte it's about $250k. So anywhere North of the median, you know, is typically a nicer home. Of course, you're going to have some big expensive houses that need a lot of work. But you know, that's another story. But so that's what we're looking at. And you know, right now it seems about half our deals coming from our virtual assistant making outbound calls and text messages to for sale by owner, for rent by owner and expired listings. And then the other half of our deals, they're come through our website just organically or we actually do run Facebook lead ads... If you're familiar with those, the form pops up right on Facebook. And so, they just get them in and, and we just get them on the phone. Like, the whole point is to get the seller on the phone as quickly as possible.

Joe: Excellent. What kind of things do you use to get the deals 70% to 80% of the way there before viewing the home? What are you looking for before you make the appointment to actually go out there?

Blair: Yeah. You know, that's the closing call. So, we use our scripting on the closing call, talking to the seller to get them to essentially make an offer to us. So, we're asking what's the least you can take for the property? What's the least you could take on the monthly payment, you know, or if they've got a mortgage. So, I assume you're okay if we just cover your payment. How long could you give us to pay you off? You know, I assume you'll sell with nothing down, you know, all those sorts of things. And we get good answers on all that. Then we're going to the house and all the, you know, good answers defined by what we were talking about earlier, the deal criteria. Like if they're not just ridiculous on the price. And if I can get a monthly spread on the cashflow and the time to pay them off, you know, is minimum three years, you know, then we'll go out to the house and sign them up.

Joe: Good. Excellent. What do you think about Dodd-Frank?

Blair: Yeah, I personally am not worried about it because all my options are lease options... with seller financing. But I have a lot of clients who are in Texas and they don't want to sell on a lease option. They want to sell with owner financing and so the only difference is they got to get an RMLO involved just to sign off on the deal. Yeah.

Joe: A licensed loan originator, right?

Blair: Yeah. Yeah. Somebody in... You know, the whole point is you want there to be some third party who takes a look at the buyer's situation and says yes, they have the ability to repay. No, Mr. Investor, you are not setting them up to fail. Right. And that's the whole point. You know, we don't want to set anybody up for failure. Otherwise we get into that realm you were talking about earlier that we don't even go to, where we just were trying to just collect option fees and kick them out. No, we don't do any of that.

Joe: Yeah, very good. What are some of the systems you're using, Blair? What do you guys... Do you keep it simple? Are you a system techie type of a guy that wants the latest and greatest software and stuff?

Blair: Yeah. You know, I like to say that I'm very simple. We use Mojo as our primary hub for the dialer and for the CRM. We use to use Podio. We use some other stuff. We're trying to melt it all together and now we just use Mojo to keep it simple. Now having said that, I've got about 150 zapier zaps working in the background, so it's not exactly simple, you know what I mean? But I try to keep it simple. That's the idea, anyway.

Joe: Well, you should take a look at REI Simple. That's the reason why I called it very simple is because it is. There you go. Our CRM, we love it. Um, okay, so I wanted to ask you about, can you give us an example of deal you've done in the last few months that might just be a good lesson object lesson for folks? How did you find the deal? What was the seller situation? What were some of the numbers?

Blair: Yeah, so this was, you know, and I sometimes I hesitate to share this deal because it's sort of a home run deal. They're not all like this, you know, you get the singles, doubles, triples in between the home runs. But yeah, the home runs are fun to talk about it cause they're...

Joe: I love talking about them. I've been having a lot of them lately.

Blair: There you go. Yeah. It seems like, you know, the more singles you get, the more home runs you get, right? The more advanced you get. But, let's see. A couple of months ago, this seller lead came in, I think it was an expired listing and VA called them up, ran the opening call and then handed them over for a closing call with our acquisitionist. And this particular seller, the house was probably worth $430,000 tops, ARV; it was in great condition. Beautiful house, beautiful neighborhood. The seller wanted $413,000. I don't know how he came up with that number, but that's what he and he owned it free and clear. So, we were able to negotiate an extremely low monthly payment with him. So, we've paid$ 1200 or we are paying $1,200 a month principal only. We're paying tax and insurance on that. So, we took title and obviously there's no loan on the property so it wasn't a subject to deal, straight owner finance.

Joe: Nice.

Blair: And then the only other thing with the seller is we agreed to a $5,000 down payment. So, we actually wanted to line up our buyer before we closed on that one. Cause we're kinda iffy on the actual price. So, but then we put it out at four $449,900, so call it $450k so we're in at$413K and our price $450k on a lease option. And I want to say about 60 to 90 days later a buyer came along who wanted to rent the house and they said, and we asked them, what if we can help you buy this house? They're like, oh yeah, sounds great. It turns out they were self-employed, they had their own trucking company, couldn't get a loan with a traditional mortgage company, but they had piles of cash because they're in business and they're doing well.

So, we got a $45,000 option fee from them and $2,000 a month, which was still low for the house in my opinion. But I was happy to get $45k in, pay five out to the seller... so now I keep $40k on the front end. I've got a five to $700 a month spread and I've got a little bit of back end depending on how long they go, you know, cause I'm paying $1,200 a month towards the principal with the seller. So, if they went, you know, 24 months, 30 months, I'd have that much pay down and that much backend in there. So that was a home run for us.

Blair: So, like 40 grand on the front end plus the cashflow. We're still in the house and we're getting all the benefits of the depreciation and everything else. Now since that deal has happened, sadly enough, and unfortunately enough that buyer, something happened with their business, like they went out of business like within the first few months of getting into this house and they really didn't even call us. They just moved to Florida and left the house in pristine condition. Didn't ask for any of their money back.

I think, you know, like again, I'm like, I kind of feel bad for him and I, and we've tried to reach out to them, trying to give them some of their money back in exchange for them finding some termination documents, that sort of thing. But they've already left the house, moved to Florida, we can't get ahold of them. It's like, do I walk away from with.... So anyway, so now we've got that one back on the market and, but you know, we're already 40 grand to the good on that deal. So, you know, whatever we get now is just gravy.

Joe: How long do you have it under contract with the seller?

Blair: Yeah, so that particular seller, you know, normally I will, I said before, normally we would just set it up on long term. So, this guy wanted to get paid off in three years. So, we've got a three-year balloon on him. But fortunately, with that guy, he is, he seems pretty flexible. And I think if we got to the end of that three-year term and our buyer wasn't ready to cash us out, we could go to him and say, Hey, why don't we extend this? I'll give you another five grand. We could spend another five years or whatever. He'd be like, all right, whatever. You know these people, and this is what's interesting, very instructive, is this seller was not like a super motivated, desperate seller.

He was just tired of dealing with the house. He didn't need the money. You know, he didn't have a mortgage on the house, he didn't need debt relief. He just wanted it to be off his plate. And so, we took it off his plate and negotiated a low monthly payment and now you don't have to worry about, and that's all he wanted. As long as he gets his price Eventually, he's happy.

Joe: And the cool thing too about these creative financing deals, right? Like if after three years you see he doesn't want to negotiate, you can just give them the house back. Right?

Blair: Yup. That's right. That's exactly right. No risks.

Joe: Cool. Now, what are you finding working best now for buyers?

Blair: Yeah, so two main sources of buyers for us are paid ads on Facebook and then pointer signs in the area. Yup. I will put 15 to 20 pointer signs out in the neighborhood. They call in and we use PATLive, they call in, they got a script and they screen them and then we set up an alert on Voxer for my team. And so ever a buyer lead comes in that's got some money, we get an alert, we get on the phone and talk to them, we get them out to the house.

Joe: Well nice. Very cool. And because they're all local you have... Do you have like a dispositions manager that helps you sell these things or do you work with local realtors? What do you do?

Blair: Actually, I let my acquisitionist handle the dispositions as well. So, I mean I've just got a small team, I've got an acquisitionist who lives in Winston Salem and then one down in Charlotte. And then I've got a full time VA so it's just the four of us doing deals.

Joe: Cool. All right. And do you mind sharing just approximately maybe how do you structure the payment? How do you pay these guys? Is it a percentage of the deal or flat fee or what is it?

Blair: Yeah, so one of the acquisitionists, she handles all of the admin work for the business as well. And so, because of that, I pay her just the $600 a week salary for all that stuff. And then any deals that she brings in, she'll get 20% of the front end profit up to $3,000 per deal. So, we cap her commission, her bonus, because she's getting that weekly salary. Now, the other guy is down in Charlotte. He's not getting a weekly salary; he's just getting 20% of the front end with no cap. So, you know, on that $40,000 thing, he made eight grand off of that deal. You know what I mean?

Joe: Nice. Very cool. What would be some advice, Blair, to somebody who's new to the business and they like this idea? You know, maybe they've been studying wholesaling but they're getting frustrated maybe with too much competition, too many sellers saying no to their offers and they know they could do something with these leads they're throwing away, but they just don't know to start. What kind of advice would you give to somebody in those shoes?

Blair: Yeah. Send all those leads over to me. No, I'm just kidding. Somebody who knows what they're doing. No, you know, it's kind of one of those things where if ever you want to start doing something that you haven't done before, you got to find somebody who's already doing that and just, you know, ask them, okay, how do I need to do this? You know? And that could be, you know, a mentor like you or me or anybody else, but somebody who's got some experience doing it, whether they're a virtual mentor or direct mentor and that sort of thing. But, uh, you know, now I forget the question or where I was going with that.

Joe: Any advice you'd give to somebody new getting started and one of them, I agree it would be to get a mentor, right? Somebody that can help you, hold your hand and help you not make mistakes, partner with you on deals. Yeah, that's really good advice.

Blair: Yeah. And you know, one of the things is, you know, and I think it was Sandler Sales Training that said this, it's like you can't learn to ride a bike in a seminar. So, like, you can go through all the trainings you want and you're only ever going to get 90% of the way there, if that. You gotta just go out there and start doing it. And you know, the way you get good at anything is first you gotta really suck at it and hopefully a mentor can help you skip some of that, you know, suck this part. But, you know, the faster you can get through that, the faster you can get to getting really good at doing these deals.

Joe: Excellent. How do you pitch the sandwich lease option to a seller who's asking what's in it for them to sell the house 15% below market value? I don't think... That can apply to any type of deal you're doing. Like, and I really liked what you said, Blair, you get the seller to come up with the offer, right? Sometimes I'll just say, you know, I understand this is your situation. What would you like to see happen? What would you like to see happen? What do you think we, where should we go from here? All right, that's a great question to ask. Where do you think we should go from here? Another thing I like to say is, Oh, it just skipped my mind, but you're just probing. You know what I'm saying? Hey, well, you know, if I could fix that problem, what would you want to do then?

What if I could get you that price that you need? Would you be willing to wait for it for a little bit? Right. And just by asking the questions, right? So, and one more thing I'll say to this too, if the seller is motivated, it's not a big deal what happens. We had a seller the other day, this is about two weeks ago. She bought the house four months earlier. She bought the house four months earlier and she was wanting to sell it because she was just going through a divorce. I mean tragic, sad story, right? You know what she said? I don't care how long you lease option this thing. I just want to get out from under it. Right? She didn't care how long; she was super motivated. She'd only been in there four months. So, if a seller is motivated, would you agree, Blair, like subject to lease options, they don't care. They don't care. They just need get that monthly payment monkey off of their back, right?

Blair: Yes. They just want to be done with it so they can be free and just move on with their life. That's all it's about for them.

Joe: So many people ask these what if... I'm not going to knock this question, but a lot of people are just beginning, ask too many what if questions, like what if they say this, why would they want to take that? That doesn't make any sense. But you know what, yeah, it doesn't make any sense. It's just like, why would that guy and... I use this analogy a lot. You know, they go out and they buy a $5,000 treadmill and they get up there don't they? They get expensive. It just sits in the, you know, in the basement, collects laundry, you know, are you one of those, I'm one of those...

Like, that just collects clothes and every time they walk by and it reminds them of how fat they are, their wife is always ticked at them for buying that thing and just letting it sit there and not using it. And they have a garage sale and they're just like, I'm so sick of this treadmill. I want to get rid of it. And they sell it for 100 bucks. Like why in their right mind would anybody rationally sell a treadmill they'd paid five grand for, for $100? The pain is great enough. The pain is there.

That's why motivated sellers will do this thing and we're not, we're not taking advantage of them. They're glad you're taking this property. They're glad you're buying this treadmill for a hundred dollars so they don't have to put it in their little Toyota Prius to the dumpster because they don't know how that, you know, like how are they even going to get rid of this thing. They have no idea. So, yeah. Don't overthink this.

Blair: Yeah, I'm with you. My answer to that, my answer is usually just very simple. I don't know why, but they do. Yeah. That's all it is.

Joe: Cool. So, what's your advice, Blair, to people who are looking for a mentor? How do they find them?

Blair: Yeah, I mean, you can find them locally, go to your REIA, or you can find them virtually online. The main thing that I would look for is, are they still doing deals? Right? You don't want somebody who is not doing deals anymore and they're just mentoring and teaching. You've got to have somebody who's actually still in the trenches. I think that's important.

Joe: Do you do any coaching, mentoring yourself, Blair?

Blair: I do. So that we converted the Dealbot marketing service into a show you how to do it. It's focused primarily on getting leads in, but also how to convert those leads into deals and how to set up all the systems and everything else, so.

Joe: Very cool. How can people get ahold of you, Blair?

Blair: Yeah, go to BlairHalver.com and you'll see our webinar on there. How to consistently do five or more deals a month without wholesaling, rehabbing, chasing deals, or working 80 hours a week. So that's my schtick and you guys can check it out.

Joe: I'm quiet. I'm typing this in here. Yep. BlairHalver.com... There it is. Cool. And if you're interested in working with yours truly just go to JoeMccall.com/apply. On that page I think we have a case study of some deals that we're doing right now and how we're doing that, so... Cool. Thanks for any final words of advice, Blair, to somebody who's listening to this.

Blair: You know, something I wanted to say earlier when you mentioned your simple lease options course. I've been through that course and it's an excellent course. I'd recommend that for anybody, so definitely check that out. Yeah, no, seriously, seriously.

Joe: Appreciate that.

Blair: I say that with all sincerity.

Joe: It's the best lease option course out there. It might be the only one. I'm just kidding. SLOclass.com. There are a few other guys that teach it, but like, I love lease options, the simplicity of them, the ability to give sellers different choices and not just get one out of every 40 offers, except the beginning, one out of 20 or getting three out of 40 accepted because now you can give them different things. So, go to SLOclass.com. SLOclass.com. You can get the show notes at realestateinvestingmastery.com or reimpodcast.com because we transcribe all of these episodes that we do and you can download, listen to the audio, have them, read them as well if you want. And good. I think this is it.

Joe: Hey, thanks a lot, Blair. Appreciate it guys. Again, if you want to get more information about Blair, go to BlairHalver.com... Blair Halver. Go check him out. And, this is the Real Estate Investing Mastery show. And guess what my book, again, if you missed the beginning of this podcast, my new book just came out. Go to REISecrets.com. Thanks guys. We'll see you later. Thanks Blair. Appreciate you being on the show, man.

Blair: Thanks a lot, Joe.

Joe: Bye bye.