Big Profits In Creating Small 2nd Notes – Part 2

Hosted by: Joe McCall
Guest: Bob Zachmeier

Joe: So, I know some questions are coming in from people that are wondering like, okay, how do you find number one, private investors and number two, these buyers? Really, you can find buyers that have 10%-15% to put down? Aren't they like in really bad shape if somebody can't get a mortgage? Aren't they like... Is that really a buyer you want in your house anyway?

Bob: Well that's the biggest misnomer about this business is, well, if the bank won't give them a loan, they must be a deadbeat. Right? Cause we actually, I mean do you believe that self-employed business people are the hardest working people on the planet? I don't know anybody that owns a business that does a 40-hour week. I mean, you're 80, a hundred hour a week and so these are the hardest working people on the planet. Those are the people that banks have singled out to, you know, not to give a loan to.

Bob: And the way that you filter from the deadbeats that don't pay their bills on time is you go through a licensed loan originator. So, I have two licenses, Joe. I have a driver's license and a real estate license. I don't have a mortgage lender license; I don't have a debt collection license. I don't have a law degree or a law license. So, basically, I surround myself with people who are licensed to do those tasks. I have a licensed loan originator who qualifies that buyer... Not on the bank's criteria if they're going to sell the loan, but on their ability to repay that loan.

Bob: We get a certificate from a licensed loan originator saying, this person can afford to have this loan. That was the scariest thing about Dodd-Frank and it shut down, most private lenders just stopped immediately when Dodd Frank came out because the teeth of the Dodd Frank Act was that if you give someone who a loan who did not have the ability to repay, they have three years to come back on you and say, you shouldn't have given me this loan, I couldn't afford it. And you have to refund all of the money that they've paid to you, interest and down payment.

Bob: So, when I have them qualified through a licensed loan originator, they've just signed a loan application with a licensed lender. And if they try that trick and come and say, Hey, you shouldn't have given me this loan, I couldn't afford it. You just pull out the loan application and say, where did you lie? That is a felony called mortgage fraud. And you know, I can get you a list of all the penal institutions that you can figure out what prison you want to reside in or we can go a different route. I've never had anybody ever, because I use a lender to qualify my buyers. This is why I don't like to buy notes from other people because I don't know what they did to qualify that person.

Bob: So, I have a title company. I never buy anything without full title insurance. Title companies are mostly owned by attorneys, so they prepare the note and the deed of trust. So, don't go online and find somebody else's paperwork. Just have your local title company prepare the paperwork, right. They do private financing all the time and then a law degree. And then also you have a license debt collector. The loan servicing company that collects the payments, pays the property tax, pays the insurance, the hazard insurance, on the property, pays off the first and sends you your check for the second. At the end of the year they give 1099, some 1098, how much mortgage interest was paid and how much was received. And all the paperwork and everything and accounting was done by somebody else. So, you know, why would you want to do that yourself when somebody else will do it for you that has a license to do that work.

Joe: And you even have a servicing company services that services the mortgage, that handles the notes. You don't have to worry about collecting.

Bob: Yes. I don't have any notes that aren't serviced professionally. I would highly recommend. Again, it's free. Why wouldn't you?

Joe: And yeah, you don't need a property manager either for very good reason. Yeah. Let's talk about private lenders. How, you know, what do you, what advice would you give to people wanting to, you know, interested in this but like afraid of being able to find private money?

Bob: Okay, so I think this is the easiest part of the equation. A lot of people, this is the most challenging part of the equation because it's what I tell them is that you have a six-inch problem. It's between your ears, right? And basically, you think that it's going to be hard to find somebody with money. Let's start off with money comes with trust. So, you don't go to strangers and you don't advertise on Facebook or anything like that. That's a securities violation, unless you have a securities license to attract lenders, lenders are people you already know.

Bob: There are people, if you're a real estate agent and you've sold someone's home, guess what? They've already trusted you once. How hard is it to go back and gain their trust again? And you know that they just got a big check when they closed on their house and they're probably getting 0.2. I mean, the stock market is, it's at all-time highs and it's, you know, everybody's thinking there's going to be a pretty massive correction. And, but I think the best thing for someone that wants to get into this business is this is so easy. I'm good on Facebook marketplace and Craigslist and look for properties for rent. So, if the properties for rent, how much cashflow is that landlord making right now?

Joe: Cause the house is vacant.

Bob: Well it's actually less than none, right? They're still paying property tax insurance now that utilities are in their name, so they're actually bleeding money on it. And then next question, do you think the tenant that just left the house in pristine condition? No. So, these people just had to go down and spend several weekends getting the house back under rent ready condition and deep down inside they really, really don't want to, they don't want to rent again, but they don't know any better. So, what if you reached out to those people and say, Hey, I saw your house online. It looks really nice in the pictures. When can I see it? I'm very interested in this. And what if you can make more money than you make in rent and you would never have another tenant again?

Joe: What if you could make more money in rent and you'll never have another tenant again?

Bob: Well, you can make more money than rent because you're not the renter and you're turning them into, from the owner of the property with all the liability, to a lender on the property. So, when you go talk to them, it's like, you know... If you sold your house, first of all, you're going to have whatever you bought it at is going to be a capital gain, right? But if you lend on the property, now the capital gain is spread out over several years. You only pay tax on the money as you receive it. So, that would the soften your tax flow.

Bob: But the biggest thing is what if you had a lease that said the tenant is to keep all light bulbs functioning at all times and they're to leave no personal property out at night. And the kid leaves the bike on the sidewalk and the porch lights burned out. Somebody comes trips on, it breaks her neck. Who are they going to sue? The landlord. Okay, so now Joe, you're the first position lender and I'm the second position lender. That person sues the landlord and they get a judgment against that landlord and they go attach it to the property. What position is that judgment in?

Joe: It's behind the mortgage holders, right?

Bob: So, instead of being the guy that's in the cross hairs or getting sued, you're the first one to get paid and you have no property manager. You have no property tax, you have no insurance, you have no vacancy maintenance or repairs. Most people are like, if you just use an easy example, if you have $1,000 of rent and the property is free and clear, you would be very lucky to net $600 a month, right? But if they carry that property, how much deposit does a tenant give them? Typically, one month's rent. How would you rather have 10% of the value upfront?

Joe: So, how do you as the investor, how do you as the investor who called them make any money from this? It sounds like you're just teaching them how to do owner financing.

Bob: No, they're the first. And you're the second. You're the insurance policy that protects their first. So, basically let's talk about the elephant in the room. And this is something you should always bring up. What if they don't pay me? Well, the first thing that would happen is that buyer would lose their $15,000 down payment. The second thing that would happen is my entire $30,000 note would be wiped out if I don't jump in and foreclose for you.

Bob: So, rather than lose this $30,000 note on a property that likely has appreciated in value, I would foreclose on it and I would call you and say, how many payments are you short? I'm going to send you the missing payments and the late fee. And I'm going to keep you paid until I get that property foreclosed on it and I find a new buyer and then I'm going to come back to you and say, you know what? You have just experienced the absolute worst thing that could have happened in this situation and you made more money with the late fees than you would've made if it paid on time. How many investments do you have where the worst-case scenario pays you more than the best-case scenario? That's very compelling, isn't it?

Joe: Oh, yeah. Just to be clear, the reason why you're doing that is because you're foreclosing on that buyer and you're getting somebody else in there who can put another down payment down, right?

Bob: Correct. And likely have a higher sale price, depending upon when in the process that happens and likely is increased in value. But again, for the same reasons we were talking to the retirees, we're using the same thing to insert ourselves into the position as a second position loan.

Bob: And again, if you're a real estate broker or agent, you have a fiduciary duty to always do what's best for the person that you're dealing with. Even if it's not your customer or your client, it's your customer. So, you always offer them the opportunity to do it. Or if you want, I could be an insurance policy behind your first and I would carry the second for $30,000 and they're like, yeah, let's do that. But if they don't, then we say, okay, well then it would just be a normal real estate sale and we can charge a commission. Joe, how much is a real estate agent worth who sells your home for $15,000 more than anybody else could get you?

Joe: Pretty good.

Bob: At least $15,000, right?

Joe: Pays the commission.

Bob: Exactly. So, on these deals, if they opted for just me to be a real estate broker and I'm just throwing out a number, I'm not price fixing or anything, just for an example, what if I told them my commission was 10%? Do you know any agents that get 10% on residential sales? No? Okay. So, 10% of $115k would be $11,500, right? That would be the commission on this hundred-thousand-dollar home that we sold for $115k, right? That seller still walked out with $3,500 more than the gross on the MLS sale or traditional sale.

Bob: I'm mean, I'm going to, I use the MLS, I'm a member of the MLS. I mean I'm not disparaging real tours. It's just in this society, there are one out of four people... If you go to EllieMae.com and you look at the origination insight report, they publish it every month... You can sign up and have it emailed to yourself. Every month they come out and this is the number of loans in the United States that were applied for that were not granted and it's running right at one out of four people that apply for a loan that are turned away by the bank.

Joe: Wow. That's 25%

Bob: Alright. And a lot of those people, you know, they shouldn't get loans and I'm not a proponent of everybody gets a house, but these are people and when you, that's why I stick so, so hard on the minimum of 10% down. I'm actually getting a better borrower than the banks are. You know, a USDA loan, will lend 102% of the value.

Joe: Yeah, that's insane.

Bob: A VA loan is 100% and FHA loan is 96 and a half percent. A conventional loan is 5% down and I'm requiring them to put at least 10% down and then I'm coming behind that loan with a second position mortgage for you know, 30% of the value and the retirees is investing 70% of the value. How does that 70% loan look compared to all of the mainstream bank loans as far as risk goes?

Joe: Well yeah, it's pretty crazy. Alright. So, question I was just thinking about... What kind of homes are we dealing with here? Are you dealing with, you know, lower end rental properties, class C, class D neighborhoods? Cause you know everybody's, even with owner financing, it doesn't mean that it doesn't take away all your problems. Or you're dealing with more median priced, middle-income bread and butter and neighborhoods?

Bob: Here's the way I basically think when it comes to what I invest in. Real estate is like a pyramid. At the base of the pyramid are the most people that can afford the lowest priced home in that area. Right? So, as you go higher up in price, the number of buyers who you know goes thinner and thinner and thinner. I want, as a fallback plan... What if something bad happens? I want the property that is the highest in demand. The lowest priced houses always have the highest demand and because of that high demand they appreciate at a faster rate than the higher priced homes.

Bob: So, what's kind of interesting is all the notes I own, I don't have a single note that is on a property that I would personally want to live in. That doesn't mean they're scary or dangerous or anything else. I wouldn't invest in a gang invested war zone kind of neighborhood, but I like blue collar bread and butter. You know right now I'm... We used to be between, we were buying flips for $60,000 and selling them all fixed up for like $115k in the same model that we've been talking about. But now those homes, the ARV or end price that we're selling them at is like $165k, $170K. And that's kind of my bread and butter, it's right in that price point.

Bob: Buyers are bringing in at least 10% down, so like $15k to $20,000 cash down payment. And then the retirees are usually, you know... it kind of goes to crickets when you get much over $150,000 as far as the retirees; they don't want to put all their eggs in one basket. So, I like the lower price points. And you know, you go to markets like Jackson, Mississippi or Kansas City or Dayton or Indie or you know, there's, you can buy houses all day long for $20k-$30,000 and they rent for $700 a month, I mean, it's just crazy. This model would just kill it in those markets.

Bob: But I have two criteria for my investment. I bought a bunch of nonperforming loans early on back in 2012 and even though I got them for less than 35 cents on the dollar, I ended up losing money on all of them because I was basically buying someone else's junk. So, I have two rules. One, I want the payment to be cheaper than rent. And two, I only invest in areas where I have a friend that I trust who lives in that town and with boots on the ground in that town and who is invested in that deal with me.

Bob: So, they're like, Hey Bob, you should invest in this. And you know, it's in Missouri or Kansas or you know, somewhere, I don't know, you know, somebody there that's local. It's like, yeah, let's do that together and we'll partner on it and you're the boots on the ground and I'll bring in the money and we can split that. And not necessarily a 50/50 split. It just depends on the deal. I mean, if it's a wholesale price and you're getting the house well below market value, then the deal actually would merit a better than 50% split because the majority of the profit came from the deal. But you know, if it's a deal that can't close without the private financing, then the money has the upper hand, the money should get paid more.

Joe: Right. Alright. So, then how do you find these deals then? What are your favorite... what are some of your favorite ways?

Bob: Well, they're all around you. I mean, it's just when word gets out, you should go talk to all your escrow officers and mortgage lenders. I get a ton of business from my mortgage lender, people that can't quantify with him, and he sends me people to be financed. He's the winner in the equation. We had a dentist that had 16 owned properties and several of them had had for over 20 years and they're all worth over $200,000. And he had the mortgages paid down to 40 grand on each one, but he couldn't even refinance out. He's actually selling his practice and retiring and he's going to have to carry the note on his practice and he needed to free up some cash to be able to do that and the bank wouldn't refinance him out of any of those homes.

Bob: So, we actually gave him a private money loan for $165 grand. He went in, paid off a bunch of those $40,000 mortgages that got him below the 10 cap and he started refinancing a lot of the properties and he ended up actually being able to buy four more houses before he lost his income, you know, for his retirement, more rental properties, and then he paid the loan off. So, that was a little short-term loan. But it's kind of funny. Here's a, you know, high income producer. I mean well into six figures, probably more than halfway to seven and the bank wouldn't give him a loan.

Joe: So, you know, somebody who's just getting started in this, they like the idea. Obviously, they get some of your training and you'll teach this stuff, but you know... Do you do any direct to seller marketing like postcards or letters or do you send, do you just go on the MLS and look for properties that have been on the MLS for over 90 days that are in your target price range and just make offers at 90 cents on the dollar? Could you do that?

Bob: You certainly could. Honestly, Joe, I mean, I've been doing this for 10 years. I can't keep up with the people that call me every week. I don't advertise at all. I mean, I seriously, I have a radio show and I have, you know, advertisers that help me pay for that radio show. But that is the only advertising I do other than putting up traditional real estate signs. But if you're going to, depending upon how you're looking, I mean the best way to attract a buyer is abandoned signs.

Joe: Well, I understand buyers, but I'm talking about the sellers. The houses. Buyers are easy. I totally agree. Right?

Bob: So, basically you have to get your message out. And I actually have a commercial that runs on the radio and it says if you want to list your house, call somebody else. If you want to sell it, call me. Well if you ask them that question, you want to list or sell, what do you think the answer is?

Joe: Well, yeah, I want to sell it. That would be a great postcard. Do you want to list your house or do you want to sell it? Call me.

Bob: Right. And the easiest thing is once you've done one of these deals, you send a postcard to every house on that street. Hey, here's all the recent sales, but look at this one and your kind of just patting yourself on the back. Cause that was the one I sold. If you want to find out how this neighbor of yours got more than anybody else in the neighborhood, you should call me.

Joe: Yeah.

Bob: And what if you don't have any inventory at all and you've got no properties to sell. So, let me just ask you, Joe, if I came up to you and offered you $1 million for your house, would you sell it to me?

Joe: Yeah.

Bob: Okay. So, your house is for sale, isn't it? What you just took a picture of your own house and put it out there.

Joe: Alright, so I'm looking at this one house right now in Florissant, Missouri, which is a good blue-collar neighborhood. It's full gut rehab; an investor's trying to sell. It's been on the market now 323 days. And maybe that's a high number because they fixed it up, you know? So, but it says here, back on the market, no fault of the seller. Okay. Total gut rehab, they're asking $155k for it. Great solid blue-collar neighborhood, $155,000, four beds, two baths, 1400 square feet. So, I call the seller up, or the realtor even and say, Hey, you know what? I'm interested in this house and I'm gonna make a, I'll make you an offer for, they're asking $155k times 0.9, I'll make an offer for $140k. And they say, yeah, sounds great. Let's do it. Is it as easy as that? Now I go find a buyer. I mean, I go find a private investor now, so I'm going to buy it for $139,500. I got to find an investor who will invest. Well, I've just lost my numbers. $155k. I'm sorry, I'm doing this on the fly on my keyboard.

Joe: I'm going to offer them $140k. Okay. $139,500 actually. Right? Then I'm going to find a private investor at 70% of that. I'm going to find a private investor who has got $97,650. I'm going to

Bob: It's not 70% of the purchase price. It's 70% of the ARV.

Joe: Oh. Which is, let's just say it's $155k.

Bob: The value, you're offering less than they're asking for it. But if you go and look, I mean, I always look at Zillow just to see what it is, but of course Zillow doesn't know about that specific home, but they're very accurate on the average for the area... as long as your house is within the same square foot range as the average.

Joe: Yeah. Alright, well let's just say this house, Zillow is, well, they just, okay, they just cut their price... Five grand. So, let's say the ARV, the true ARV of the house is $150k. Alright, and so I'm going to go get $150k times 0.7. I'm going to get a private investor to put down or to give me $105,000 and they'll be at 70% of $150k at $105,000. I'm going to advertise the property to a buyer for... let's say it's worth $150k today. Well, they're selling it for $155k. I'm going to advertise this house for what, $170k, owner financing?

Bob: Well it depends on how much work needs to be done. I mean, if it's a full gut rehab... Oh, they did the rehab already?

Joe: Yeah, yeah, yeah. It's, it was a full gut rehab. It's been completely fixed up.

Bob: And why do you think it hasn't sold?

Joe: Well, they're going to say it fell, it fell through. They've found a buyer for it and the buyer couldn't get the financing so it fell through and it's back on the market now and it's overpriced.

Bob: Well, you know, according to anyone looking online that house, you know, there's something wrong with it because it's been for sale for almost a year. Right?

Joe: Well, yeah, I think if you were going to ask me, knowing this neighborhood, I bet you the days on market are so high because they, they bought it and they put it back on the market pretty quickly. So, it's still calculating the old days when it was needing work. Does that make sense?

Bob: Right. And oftentimes what happens is, you know, Zillow, when you buy something wholesale and it gets recorded at that price, what does Zillow do to the value immediately?

Joe: They drop it.

Bob: They drop it to what you just paid for it. So, so now it's showing up right on the front page of Zillow. Everybody knows how much you paid for it.

Joe: Oh, by the way, I'm sorry, it says on Redfin for 323 days. So, it's been on Redfin. I don't know if it's been on the MLS for 325 days. So, alright, so can... I appreciate you doing this for me cause I, this is helpful to me and I think everybody listening to this. They're advertising this house right now for $155k. Let's just say it's really worth $150k and so I'm going to make an offer at 90% of that, which is $139,500; that's a pretty good deal. Like, you know, they're used to, that's really close to a full price offer.

Bob: Yeah. And I mean, they're going to pay that anyway because of the... You know, I don't ever try to go around a real estate agent. I mean, I've heard you say this many times on your podcast that you know, Hey, employ the realtor and then once they figure out that you're not going to try to cheat them, they will be active searchers for you to find houses.

Joe: Yeah. Yeah. Well that's a great point. That's a really good point. Alright, good. So, I'm going to offer the seller $139,500; let's say they take it. So, I'm going to go out and get a private investor and I'm going to borrow, I'm going to get $105,000, which is 70% of the ARV. So, they're well protected. I'm going to turn on an advertise the house for $165k as owner financing. Okay.

Bob: Sure. And how do people buy cars? They haven't bought a car on the sell price in 30 years. People buy cars based on the monthly payment. So, the way to advertise it, I mean, of course the Reg Z comes into play. If you're going to give the payment, you have to give them the rate and the term and the amount. But you know, that's the way you attract your attention. And again, I'm dealing, you know, I'm purposely hunting for contractors, roofers, electricians, framers, those kinds of people.

Bob: So, where I find my people, I actually, you know, I put up bandit signs around the paint supply store, the plumbing supply store, the electrical supply store. And those contractors are going there several times a day and you just gotta sign, you know, that basically says, you know, "own for less than rent" and a phone number. I mean, you don't need... Everybody over advertises. I mean, the information that you put on your, the idea of an ad is to get a phone call. The idea of a phone call is to set an appointment and not to give the whole thing out. If you want to learn how not to advertise, just go get a real estate magazine and open it up. And you know, three-bedroom, two bath, 2200 square feet, two car garages. I mean, every single word of that ad is pushing people. The minute you said three bedrooms, anybody looking for two or four disconnected, right?

Bob: So, now you've got a, and what you're looking for is a renter that's paying more than the payment would be that on your home. I mean, you could go to your title company and get a list of all the out of state owners or people that get the property tax bill sent to a different address than the property. That would pretty much tell you that's a rental, right?

Joe: Oh yeah. $34,500. Okay. So, now I've got, I find a buyer who's got 15%... in this house, in this area, I can get 15% down. Find a buyer who's got $24,750. I need 15% of $165k. They put down $24,000 which then leaves, I would create then a second, I'd have to put $9,000, about $9,000, of my own money in to create a $34,500 note. Right?

Bob: And what if you didn't have $9,000? Cause I'm sure people listening, maybe, maybe don't. You think somebody would split that note with you?

Joe: Oh, yeah, all day long. So, what would my payments be on? What would I be receiving in payments, monthly payments, on a $34,500 note, approximately?

Bob: Like $230 ish. $234 or $235?

Joe: So, I hope you guys are listening or paying attention to this because you may not... I've created a first note of $105,000, a second note of $34,500, right? To create that note, I had to bring in $9,000 of my own cash to get the seller the price that they needed to walk away with. By the way, Bob has a calculator I think that does all of this work for you. Right?

Bob: Lots of, lots of them. Now, a $253 payment would pay back your initial investment in 35 months. I mean, that's a pretty good gauge of an investment. If you can put your money in and have it all back out in three years and you're going to get paid for 27 more, that's a pretty good investment.

Joe: Well, yeah, and then you start looking at the return on investment in terms of, you know, your rate of return. It's insane. I don't have the calculator in front of me here, but like you're talking about creating a $34,000 note with only $9,000 and if you don't have that $9,000, you can find another private investor who would bring that with you... Would somebody give you $9,000 to create a, what is the half of that? An $18,000 note, $17,000 note?

Bob: Sure. And what if, what if you even bypassed, and this is something that a lot of people think that you have to season a note to sell it. I mean, we sell them all the time, ethically and without a single payment ever having been made based on the qualification of the buyer and based on the amount of money that they put down. I mean, that's becomes a very secure investment. So, you know, you look at this, it's $253 a month. So, it's basically you say, how many other people do you think would like a payment of $253.15 a month in this country? Do you think anybody else would like to just get mailbox money with $253 a month, with never a tenant or a toilet or anything? Now what if I just said, you know, I don't have the $9,000, Joe, I've got this $34,000 note. Would you give me $24,000 for it?

Joe: And it's a good buyer. Yeah, sure.

Bob: Right, right. So, not only, basically you needed nine, they just paid you $24k, so you want to walk with a $15,000 profit on the day of the closing.

Joe: This. Yeah. Yeah. Go ahead. I'm sorry.

Bob: You're, you're cutting the head off the golden goose though. I mean, you're eating the golden goose for dinner instead of harvesting the eggs.

Joe: Well, yeah, when you look at this number's guys, you're... My mind was blown when I heard Bob talking about this the first time because the... Holy smokes, like I can make more money doing this strategy then I can, and I'm offering the seller 90 cents on the dollar. I'm offering the seller 90 cents on the dollar and I can make more money on this than I can a regular wholesale flip. It's insane. And I get, if I'm staying in the middle of it, I get better cashflow on this, then I would be buying it and renting it out to a tenant. So, anyway, I know we dove deep in the numbers...

Bob: And then you ask them, you know, and let's say that we found a landlord, a burned out tired landlord and they have this property and it's vacant and we go pick it up and they do the, you know, the note behind you and then you talk to them about the liability of, you know, in the slip and fall accidents and things like that and they're going to actually make more money and never have any more... Do you think that investor might own more than one rental property?

Joe: Oh, yeah.

Bob: Once you show them the light on one? I mean, you've just got 12 off market properties that nobody else knows about.

Joe: And so again, if you're an investor though, how do you make money on that with his properties? Do you just, you make the money by structuring the deal?

Bob: Right. Does that, does that buy-and-hold landlord have buyers who are able and ready, willing and able to pay higher than Zillow value price for the home? That's your value. That's what you're bringing to the table. They're in the rental mode and you're educating them. And then basically it's like, I don't know how to do this. And it's like, well, what if I jumped in the investment with you and did it with you? And then let's just say you, you pick up this $34,500 note and you paid $9,000 out of pocket for it. And let's just say that you season it four payments.

Bob: So, you collect four payments. Now it's proven that this guy's paying on time and the first is being paid to. So, that retiree that funded the first is happy because they're getting their check on time and you call that person up and you say, Hey, you know what? I've got another opportunity and I think I'm going to sell this note that I did with you. Hey, you're in first place. Do you want to buy out my second? Would you like an extra $250 on top of the payment you're getting? What do you think the answer is gonna be?

Joe: And then what do they say? Oh, but it's a second. It's risky. It's like, when you own the first, how much risk is there? How are you afraid of yourself?

Joe: So, what would you sell it to that seller, to the first investor, for?

Bob: Face value.

Joe: Face value?

Bob: Well, you can discount it. Yup. I sold $300,000 worth of seconds last year and at par and exactly what was owed on them. Because I mean, this is the difference. If you're going to go try to sell that note to an investor, they're going to want to discount you deeply. On a second, I mean, you could be discounted 20%-30%. The person already owns the first. They already have gotten a taste of the four checks that came, and now you're offering them on the same reliable buyer to own the second position and get an extra $250 on it when they're in first. Most people are going to want to do that.

Bob: And you know, I just have so many retired people that came to me and they did all the right things. They worked 40-45 years. They paid off their house and they basically don't have the money to take a car vacation. And I introduced them to these notes and they are unbelievably, they're going to their Bridge parties and playing cards with people and Pinnacle and telling all their friends. And they were going to Florida on vacation and all their friends say, how do you afford that? It's like, Oh, you got to talk to my friend Bob. I mean, Bob, Zachmeier will hook you up.

Bob: And, so, I mean, that just kind of feeds on itself. And that's why I say I don't have to advertise because I've been doing this long enough where it just every, every time I go to a national event and speak, I mean, I literally come home with at least seven figures of capital that people want to put to work.

Joe: Yeah. That's awesome. Awesome. Awesome. Well, Bob, this might be one of the longest podcasts I've done in a really, really long time ever. And this has been so good. We might have to break this up into two parts, but how can people get ahold of you? How can they get these calculators that we were talking about? And you know, you do some, you do some really amazing coaching calls every week, but how can somebody reach you, get your books, stuff like that.

Bob: So, my email is just very easy. Bob@notecarry.com. My website notecarry.com, you can sign up for my coaching. I'm very inexpensive as far as coaches go. Basically $29.98 for a year of my coaching and access to all my calculators. I do a one-hour webinar 48 weeks a year. So, I've recorded over 220 webinars and then I constantly am adding more calculators. The market's changing. So, a new deal comes along. I'll build another calculator to put it out there, but notecarry.com is the best site. Bob@notecarry.com.

Bob: And then if you just go to YouTube or just Google my name and search under videos there, I've spoken at many major events and they recorded the presentation and put it online. There are at least a dozen videos where you can actually see some of my presentations.

Bob: My coaching is a membership site, so I don't have any of that online for free, but are several places that I've spoken on some of the best-known note educators in the country. And so that, that's just, I mean to see what you want. But your biggest thing is, how many deals they're like the ones we described today on the call, how many of those do you need to do to afford 10 years of my coaching? It's like one. And, and then I, you know, I have a deal for returning members on New Year's Eve... Every year I knock $1,000 bucks off the $2,998 price. And, so it's $1,998 you get to write it off this tax year, but it doesn't hit my bank account until next year, January one.

Bob: So, basically, I get to use that money free and clear for 15 months until April 15th of 2021 that's why I'm willing to do it because I can put that to work and earn for over a year and not pay taxes on it yet. So, it's kind of a win win for everybody and that's pretty much the secret to success in this. I noticed all of the speakers that you've had, they all have the same common theme and that's make it a win, win, win, win, win deal. And so many wins you can't count them on one hand, you're going to be just massively successful.

Joe: Nice. You also have a deal board, don't you? Where people post deals, they have deals, need money, they have money, they need deals...

Bob: I do. We have, it's on Podio, and that's a membership benefit. We have a Facebook page, then if people need some help from other members. And we have a group Facebook page and then I actively, you know, if somebody has a deal, I'm not, I'm not a coach that calls you every week and kicks you in the butt to go out and put up signs or something like that. But if you have a deal, I mean I will schedule a time with you and just sit down and we'll structure that deal and then I will put that deal on my next week's webinar. And oftentimes we fund them, you know, within a minute on the webinar.

Bob: And I have over half of the members in my group... I have members in 26 States... and over half of the members in the group are not deal finders. They're millionaires, placed their money, and they're looking for somebody that's been educated and that takes the same precautions I do for the investor to protect their, you know, their interests. So, it's quite common and that's something I put, on any personal deal that I'm not going to hold myself, I put on my note carry members first. They get first access to it because they're paying for my coaching.

Joe: Cool. So, notecarry.com is some information about your coaching and then also you've got some books on Amazon. What's your, what's your book you'd recommend to folks?

Bob: If you're interested doing notes? I mean I published this book October of 2018 it's called Who Needs the Bank and that book just went viral and it outsold my other five in three months. And it is, I wrote it actually for my coaching students to hand out to their potential friends and relatives that might have money to finance and it just educates people that they can be a bank. And it compares the lending on a note... all of the things we talked about today... compares the risk and compares the reward versus the bank versus the stock market versus a rental property. You know, what if they don't pay me? That's addressed. I mean every question.

Bob: I basically just for several years took notes of every question I'd been asked and I just put it all in this book. And each chapter is three pages, four pages at most, long. And then it includes the title page, but I mean you can go to the index and look at whatever question you want to answer and go straight to the answer or it's a two-hour cover to cover read. And I literally have coaching students who are buying them by the case and handing them out to everybody and that's where they're finding all their funding. And so, the book is definitely doing the, you know, it's fulfilling the purpose that I wrote it for.

Joe: Nice. That's really good. Really good. Alright. Anything else, Bob, you want to say?

Bob: I recently purchased a motor home in Florida and drove it 2,200 miles and the entire trip, Joe, I had you in my ear. I basically did nothing but listen to your podcast on the way home. And you know, it's just funny. I mean everybody's like, well, why are you doing that? You're already doing all this stuff. It's like I got some awesome ideas. I mean unbelievably good ideas that I can tweak my model and add a couple other little aspects to them and actually make it better. And just keep an open mind. You know, the market's changing and you've got to change in front of it and you can't wait to, you know, to have what you were doing go bad like my REO did. You've got to constantly be looking at what's coming next and we can do a whole nother podcast, Joe, on using the same exact model except now turning it into a lease option model.

Joe: Well, let's do it. Is that okay?

Bob: Okay. Sure.

Joe: Awesome. Let's end this one and I will, we'll talk in just a second here and schedule that next one. Okay.

Bob: Alright, sounds like a plan.

Joe: Piqued my interest in that... Lease options? I'd love this. Alright. Hey guys, this has been a great podcast. I hope you've been enjoying it. I hope you get a lot out of it. It's going to be one of those, you're going to need to rewind it and take notes. So, go to notecarry.com, check out Bob's site. Go get his book on Amazon, Who Needs the Bank. In fact, I have Kindle Unlimited and I can get it for a dollar, no $0... for some reason I can get it for free.

Bob: Well if you’re a Kindle member, they have the book on Kindle. That's correct. And then just one other thing, I do have a conference one time a year. I put on a three-day conference. I just had it October of 2019. It was the 11th year in a row that I've done it. And on that conference, I donate 100% of the proceeds to the Make-A-Wish foundation. And that little conference, you know, one time a year for 11 years has generated over $500,000 for Make-A-Wish. So, it's a pretty cool thing. I mean, that's a, you know, give back in your community. And I set a goal on my 50th birthday to donate $1 million to Make-A-Wish before I died. It's pretty cool. So, I just, I think I'm gonna make it, so that's pretty cool.

Joe: So, when is your next event, conference?

Bob: It'll be the first or second week in October of, I do it in October every year. It's a, Tucson weather is fantastic. We're right on the campus of the University of Arizona at the Marriott and they are actually on the board of directors with me for Make-A-Wish. And they give me the room in the hotel at just unbelievably low prices and that's what enables us to grant 10 to 11 wishes every time we hold the conference. But it's October and just kind of stay tuned...

Bob: But that is called the Note Business Builder. And actually, in my book, Who Needs the Bank, every website I have is in the back on the last page. Note Business Builder is the conference information. We don't have a date selected yet. I always plan it around the University of

Arizona football games so that there's not a home game and we don't have the hotel booked up. And so that way people can come. We have 135 people attend this year at the conference.

Joe: Nice. Okay. Awesome. Bob, thank you so much. And don't get off yet, we'll talk here in just a minute. Guys, if you want a transcript of this podcast, if you want to get the notes and the links that we talked about, go to realestateinvestingmastery.com, realestateinvestingmastery.com and just go to the search bar to search for Bob. You'll find this podcast there.

Joe: And thank you very much, guys. We will see you on the next episode where we'll be talking with Bob again. It probably won't be as long as this one, but we'll be talking about how, how does this whole all the same deal structuring with lease options, which sounds really awesome. All right. Thanks guys. Thanks, Bob.

Bob: Yup. Alright, no problem.