Drag Your Leads Out Of The Trash Can With Eddie Speed

Hosted by*:* Joe McCall
Guest: Joe: Eddie Speed

Joe: Alright. Hey, everybody. How you doing? Joe McCall with the Real Estate Investing Mastery podcast, the best real estate investing podcast on the planet in my humble opinion, right? I'm so glad you're here. This is going to be a great podcast with the one and only Eddie Speed. If you do not know who Eddie Speed is, I have a really good feeling you're going to like the guy after we're done with this podcast because he's just really down to earth. I think of all the people that I've interviewed on this podcast, Eddie might be the one with the most experience, the most deals of anybody that I've ever interviewed, and so we're in for a treat.

Joe: Today we're going to be talking about how to pull your leads out of the trash and so many people... This is what I love about Eddie. He thinks bigger. You know you're out there getting one out of 30 offers accepted when you could be getting three, four, five out of 30 offers accepted... Understanding some of the creative real estate strategies that Eddie's going to be talking about.

Joe: And here's the cool thing guys: We're going to be doing a live webinar together as I'm recording this right now. We're going to be doing a live webinar together on January 16th which is coming up and if you're watching this or listening to this later, and you've missed if it's after January 16th if you go to this link, we'll have a way where you can watch the replay: Joe mccall.com/eddie and you'll be able to watch this live webinar with Eddie. It's going to be really important. I mean, I'm going to be really, really promoting this hard and heavy.

Joe: Now, if you're watching this live right now, the link may not be working right now live as we're doing this, but it will be real soon here. Okay, so first a couple of things here. This Real Estate Investing Mastery podcast... We're recording this live on Facebook and YouTube. So, if you're watching this, you're probably going to have a lot of questions and I want to encourage you, just say hello. Tell us where you're from right now in Facebook or in YouTube. Say hi. Tell us where you're from and we will bring your comments up like this. Cheryl. Hey, what's up?

Joe: Boy, you guys do this to me all the time. You give me hard names...

Eddie: I was going to let you go with one, Joe.

Joe: How are you doing man? I'm glad you're here. Hopefully you're a man. I'm sorry. That's just really insensitive. Sherry, I believe. Hi, how are you? Glad you're here. Boom, baby. Oh, Frank. Yeah, I'm going to be in Tampa next week. I'm glad you're here. And Sherry is from Minneapolis and Cheryl, central Florida and Dale's from New Orleans. We're getting a lot of people in here. I'm glad you guys are here. This is going to be an interactive podcast. I love doing it live so I can get your questions, get your feedback, you can tell us what you're doing. And then I can ask these questions to our guests.

Joe: So, please comment in the Facebooks or the YouTubes, wherever you're watching this, give us a thumbs up. Subscribe to the channel. We're in for a treat. Okay. If you're listening to this later on iTunes, please leave a review. Go to iTunes, leave a review, subscribe to the show. Let us know what you like, what you don't like even, and I'd really appreciate that.

Joe: Well Eddie, I'm really glad you're here. Oh, here we go. Auvi from Denver. Okay. Thank you Auvi. That's much easier. I appreciate that Glen Athenee, what's up, Joe? You probably know some of these guys. Durant and Anjelah from Chicago or Joe. Yeah, from Chicago. Nice. Okay, cool. Eddie, how are you, man?

Eddie: I'm good. How are you?

Joe: Appreciate it. I'm doing really, really good. I'm excited about this webinar. We've been talking about it a long time and so here we are. We're finally doing it and I'm looking forward to this webinar on January 16th, that we're going to be doing. Eddie, you've been around a long time. There's not anybody in this business, I don't think, that you don't know. Right? And can you tell us a little bit about your history? How did you get started in real estate and what's, what's going on in your world right now?

Eddie: Well, I got started, Joe, in 1980 so it's been a long time ago. 40 years, right? I started in the note buying business, started buying seller finance notes. And if you think about it, Joe, you know, people enter the business usually because there's a market niche or a cycle, right? And they learn a certain niche and then over time, as they get more competent, they add to their field of vision. I've had to reinvent myself many times since 1980, but I've still remained in the note business. But real estate investors have been a significant part of my career for at least 30 of my 40 years. Joe, in 1992, that makes me sound old, doesn't it?

Joe: No, you're young, you're a young whippersnapper.

Eddie: Just turned 60 years old, by the way. In 1992, I set up the note system for HomeVestors. Right. So, the guy had, I mean HomeVestors wasn't even a franchise yet. It didn't, it didn't have national recognition. It was a guy that was operating a little small company out of a house. Ken D'Angelo, and I bought notes from he and his brother back a few years before.

Eddie: And so I set up the note system where they were operating and generating seller finance notes to a specific recipe. You know, a very defined underwriting box. I had bought notes from real estate investors before then for sure. But I, this really launched a whole long theme of us working with real estate investors essentially, Joe, to create creative financing strategies they needed to go take advantage of whatever niche they had. And that's what's led me along the way for all these years.

Joe: Nice. So, you how many deals would you guess that you've been involved with? Just guess.

Eddie: I quit counting about six or seven years ago, Joe. Six or seven years ago I was at 40,000. So, I don't know, more than 40,000.

Joe: Okay. That's amazing. You've seen all kinds of cycles up and down. You know, there's so many questions I could ask you about, you know, like where are we now and where are we going? And I'd like to ask you more about that later on down the road. But let's talk about, you know, most investors that are watching us or listening to us right now, Eddie, they don't care how many deals we've done in the past, right? They're thinking about themselves like, how do I do more deals, right? I'm doing the marketing, I'm working hard, I'm doing what I'm supposed to be doing. I'm making the offers. But like everybody says, I'm frustrated with the poor quality of leads. I'm frustrated with throwing leads away that don't have enough equity or they're not motivated enough.

Joe: Or maybe what am I doing wrong, they're saying, right? And even experienced wholesalers... We've talked about this a lot. They're on the verge of going out of business, Eddie. You know, the market's changing and they're like freaking out. What do I do? So, let's talk about those guys. They don't care about us. They don't care that you've done 40,000 deals. What would you say to them? What's the problem?

Eddie: The issue I believe is that wholesaling became such a thing for a window of time, Joe, maybe five years, right? And you went and I were in a mastermind together for years. We know each other well. We've, you've counseled with me about a lot of technology things and you and I've talked about deals for all these years. So, we've, we're always, as, as investors, we're always looking for the niche and wholesaling became a thing and now of a sudden it's a real popular subject. But the reality is, is the biggest wholesalers, the business, business is worse now than it was two years ago. And that's without exception. And somebody says that's not true. That just means they weren't doing much business two years ago because they were crushing it two and three and four years ago. And they're not crushing it now. And let me give you an analogy, Joe.

Eddie: What if we owned a convenience store, right? We sold beer and chips and gas and you got it, right? What if we said, we don't take credit cards, right? We only take cash. Oh, by the way, we only take $20 bills. That's all we take. Don't come in the store and try to buy anything with other than a $20 bill. But we don't have any. We don't, we don't take small bills and we don't take anything bigger than a $20 and no credit cards. In my mind that's what wholesaling alone equals. It is that... you know, you hear everybody say it, Joe. Like "Now listen, my real estate advisors, my coach, my coach says stay focused." Well the problem is there is a degree of being so focused that you are far from getting just anything other than one little squeeze of the lemon instead of getting the juice out of the lemon. That's what I think the industry issue is.

Joe: Yeah, agree. Totally agree. So, what do we do about it? What are you doing?

Eddie: Well, you know, so what happened to me was you and I have some mutual friends and they were running masterminds. You know, what I call the ninjas, right? The hundred houses a year plus guys. And we were sitting around one day and they were saying, yeah man, Oh these guys, you're really complaining. You know, their margins are getting thin and their conversions are getting further apart, you know, and so, you know, they're really complaining. I'm saying, well it's really kind of stupid to me because all they'd have to do is just add creative financing to their business and they could keep their margins, they can keep their conversions where they are and their margins would get bigger. They would make more money per transaction.

Eddie: And they're like, what? I'm like, just buy on terms and they're like, well give us an example. And so it was just sitting around with people that you and I mutually know well, and I gave several examples, you know, of deals that I've done. No, seriously, nobody will do that. And I'm like, of course they'll do it. You just have to know how to dictate the terms.

Eddie: Joe, let me ask you a question. You and I know personal friends, people we go to church with people that we, our kids have gone to school with. Or your kids still are in school with... my kids are grown now, but you know we've all been around the community, right? People that really wouldn't know me from the real estate investor groups or any, you know, that kind of thing wouldn't necessarily be listening to our podcast today, but they are all somebody that we know has called us in the last month or six weeks or two months and they said, "Hey, Joe got our property sold!" And you can tell by the tone in their voice what the next sentence they are ready to say is, which is, "I got my what"? "I got my price." And what I have learned after 40 years and looking at literally hundreds of thousands of deals is that people will give up the farm if the closing statement has the number on it, they want it to have.

Joe: So, explain that a little bit more.

Eddie: Well, the issue with the wholesaling business is you have to buy the property at a discounted price so you can sell it for more than that. If it's worth $200k, you got to buy it for $160k, $150k, $140k... whatever market you're in, and once you do that, then all of a sudden, you're going to make profit. Right? You bought it for $160k, you're going to sell it for $180k or you bought it for $150k and you gonna sell it for $170k or whatever the number is. Right? Here's the issue, Joe, the issue is that 19 out of 20 people will not accept the $150k or $160k price. There's sticker shock; something that they can't get over. And so, I'm saying, what the heck? Give them $200k, give them $205k, right?

Eddie: Because I can figure out when to pay them and how to pay them in a way that the closing statement says exactly what they demand it says. In other words, that's a good looking Under Armour little hoodie thing you're wearing there, Joe. I'm familiar with that. Right?

Joe: Do you have one? Do you wear hoodies?

Eddie: Well, if you felt compelled to send me one I wouldn't... I mean extra-large would probably be good, but no I've got one and they're cool. So, Joe, I'll tell you what, I will pay you 250 bucks for that hoodie.

Joe: Nope. Okay. Yeah, that's a good deal. I'll get, I'll, I'll sell it to you for $250.

Eddie: I think you can go buy another one for $85, right?

Joe: Yeah. 30 bucks.

Eddie: Here's the thing, when you heard that and when your audience heard that, you had a little bit of a thought in your head, the old man's crazy.

Eddie: Yeah. Okay. Because you heard a price, you didn't hear how I was going to pay you back. Okay? You heard price, right? I believe that more customers are focused on price than they are focused on how they're going to get paid back. So, in my mind, make your regular wholesale offer. Just does the regular old thing you always do well, offer him $150k, tell him what a great deal it is, right?

Eddie: And when they push back and you end up wadding up that piece of paper and throwing it in the garbage 19 out of 20 times, then you go back and dig for your garbage can and you pull that deal out and unfold it, you know, and say, I've talked to my underwriter and we're in a position where we could offer you $200k. It would require that you carry financing for us. We can't pay you $200k cash today, but if $200k is the number you insist on, my underwriter assures me there's a way to make this work. I'm going to write an option today for $200,000 and then give us a few days to work through the details of what those terms are.

Joe: I don't know if that just went over everybody's head or if you just understood what Eddie was just talking about. Let me, let me give a little bit more context into this because we're in these big masterminds together and even at the mastermind... First, you see the guys on Instagram and Facebook and they're just rolling in the money driving their Bentley's, showing their flashy jewelry, you know, and like first of all it's like they're going broke trying to prove to broke people that they're not broke. Enough of that. Right?

Joe: But you sit them down and even at the masterminds, you know, everybody is talking about how much bigger their business is than anybody else at the masterminds. But when you sit them down, have a couple of beers, have them, talk to them and like real brass tacks, let's talk about your numbers. How is it really, you know, no one else is listening, it's just you and me. You talk to these wholesalers... And Eddie does. It's not as good as you think it is, right? Almost every single body that is in these masterminds... I'm telling you the truth. It's not going as well as you may think it is or as they say it is. Okay?

Eddie: Joe, are you saying people exaggerate?

Joe: Yes. I don't, I try hard not to. Right? But yeah, people do. I mean, they, they don't want people to know that they're struggling and that they're having problems. But there's a lot of wholesalers in this business, wholesalers that are making good money, but they're not making as much money as they used to. Right. Their overhead is still high. They're spending way more money in direct mail and marketing and other things, and it's just, that's just not happening. So anyway, Eddie comes in the room and says, Hey, have you thought about doing this?

Joe: You know, I was trying to, I was going to do an imitation of you, but I can't, I wish I could. I'm not good at doing imitations. But you know, and, and you see these, these eyeballs start bulging out. Like, what do you mean? Talk about that again. So, you're talking about here giving the seller the price that they want, as long as they're willing to carry back some financing and you're using an option agreement to give them so they could sign that and who wouldn't sign an option agreement or at a price that they want... If they can just give you a few more days to figure out how this might work. Okay. So, and that's where you guys come in. You can help people that you're working with come up with different creative ways to structure that offer. So, can you talk about, what are some of these creative ways that you could give the seller the price that they want and how can we start using, doing some of that ourselves?

Eddie: Alright. So, if your listeners are at a point where they can write something down, this would, this would be a key point that I want them to write down, right? I want to teach you how to get paid for their property before you owe the seller the money. Okay? Right. You're going to get paid. You're going to get the money from someone else on the property you bought before you give the guy that you bought the property from his money. Otherwise you're giving him $150k and you hadn't gotten paid yet, right?

Eddie: I want to teach you how to go find a customer and do a wrap note. Predominantly, you could do a lease option, you could do a rental, you can do other things. I will tell you this, I will argue all day long, I can find the very best buyer with pure seller financing with very proper marketing techniques, not the old school junk property stuff, but very, very laser focused, smart marketing to attract what I call a true deserving buyer with a significant down payment.

Eddie: I want you to find him and start getting the down payment from him, which is your same thing as your transactional money, right? Your same income that you would have gotten flipping the house and then start collecting a payment from him before you start or are obligated to make payments to the guy that seller financed it to you. Right? So how am I going to pay back the guy that I bought the house from? Well, this is just a simple mathematical way. Okay, this is over simplified, right? But we're going to start out slow. Guy's, $100,000 in equity, Joe. So, we say, okay, we will pay you your full hundred thousand dollars over 20 years. If I did it at zero interest, my payment to them would be 5,000 bucks a year. Okay? Okay. If I did a smaller interest rate, like one to 3%, my payment would be a little more.

Eddie: But let me ask you something, even if I'm paying a little more money because of interest, it's when I'm paying it is that makes it a bargain, right? If I'm paying it way out in the future... In other words, which would you rather have? Would you rather have $1,000 today or $2,000 in 10 years?

Joe: I don't know. 10 years. Probably two grand in 10 years.

Eddie: Well, mathematically, if you did that, Joe, that would be about 11% return. Okay. So that's a pretty, your instincts were pretty good, right? But what do you think most people would take?

Joe: The money now?

Eddie: The money now because intuitively in our mind, we all have some understanding of present-day value dollars versus dollars due in the future. And so, you're just inversing that strategy and you're buying that property with tomorrow's dollars, but at today's price. And so, there's a, there's a zillion different ways to cut it up.

Eddie: This works with deals that have virtually no equity where you can do a sub to, right? There are conditions to that. But we can train that. You can do a deal with 50% equity or you can do a deal with virtually all equity or it can have all equity... They don't have any debt against it.

Joe: So, there's, there's not a deal that you'll pass on.

Eddie: I cut up a deal for a student yesterday in a coaching call... this is probably one of the toughest deals I've ever cut up. And I showed him how to pay $206K for a property he can resell for $190k and he makes $20,000 at the closing and $500 bucks a month for 25 years.

Joe: Can you talk about that one?

Eddie: Well, you get in trouble when you start running math, you know, now here's what basically what it was is the seller had about 25% equity, right?

Eddie: And they owed 75% and it was a three and a half percent interest rate loan. Okay. And so, I figured out a way to pay for their 25% equity plus a little more way over time. So, it wasn't with today's money. And then we, and then we calculate it and sell it on a wrap note and the interest rate on the rap was seven and a half percent. So once again, I'm selling that loan to what we call a penalty of, selling that property to what we call a penalty box buyer. He doesn't have bad credit, Joe. He has a significant down payment and good credit for some goofy reason he's not bankable. Probably the two most common reasons are self-employed and people that are here legally, but they're not legal citizens. They're green card holders, which is a huge part of the population today, right?

Joe: Even in the Midwest and we're not just talking about Texas.

Eddie: So, once again, I show somebody how to go find that buyer, which is all over the place. And once again, you know, as crazy as it sounds, I'm kind of overpaying for the property, but it's how I'm overpaying for it, right? I'm overpaying for it paying them out over, you know, the next 25 years. Of course, I can go pay retail if I'm going to pay part of the money I owe 'em 15, years away, 25 years away. Of course, I can overpay.

Joe: Right, right. So bottom line, you're giving the seller the price they want as long as they're willing to wait for it. Right. You're getting creative here. That's the whole point of what we're talking about here.

Eddie: Joe, you said, you said something at the beginning of the podcast, and I think this was a really, really important part of the story. You said, Eddie can show you how to find the 20 or 30 deals for the one deal you closed and the 19 to 29 deals, depending on what market you're in. Right. And how thin you're operating as far as your business, your wholesale, you're throwing deals in the trash. You said Eddie can go show you how to scrape out two, three, four, five of those deals. Now, I didn't say I could fix all 19, did I? No, I didn't say I can fix all 29 deals. So sometimes you're not going to get together with a customer, but I will tell you this: with a modest effort, not even a, not even a ridiculous effort, just a modest effort. You surely can change your conversion from one out of 20 to two out of 20. I mean, or...

Joe: Yeah. And just going back to your old leads, the dead leads in your woodpile...

Eddie: Dig them out of the trash.

Joe: If you start going back to those leads and start offering the price that they want on creative financing terms... So many people are out there right now. You're looking at your Podio and your deals app in Podio is zero, but you've got thousands of old leads in there. What if you could just go through those leads and start calling them back and offering them something like what we're talking about here.

Eddie: So, Joe, here's what I learned. So, so as you know, in Note School, which is our training business within a 12 month period, some have already been, more have already bought and are planning to come, but 150 of the top 300 guys in the business are going to come through Note School within about a 12 month, which is pretty crazy. Right? And so in that number, these are all the Ninja guys, right? And don't be intimidated if you didn't buy a hundred houses last year. Cause I'll be honest with you, the guys that bought a hundred houses last year don't know any more about creative financing than you do. That's just what I've learned. I'm not being disrespectful because they're awesome at what they do, but they don't understand our niche space.

Eddie: So, they start at the same level that you did at, well, five houses last year. Right? But here's what I've learned. I've learned that the real estate investor who's not Eddie Speed, who would like to actually have Eddie Speed in their pocket at the kitchen table and just pull Eddie out and have an immediately structure a deal because they don't think, they don't like know as many ways to structure as I do... What I learned was, is I was giving them the advantage of not needing to come up with all of the details at the kitchen table up front. Just slow it down, write an option; within seven days we'll work out the details. And Joe, you understand the psychology very, very well. Sales psychology, extremely well. You're very smart at it. So, Joe, mentally, it's a two-part closing, but number one, they've already mentally sold the house and they don't even know what the terms are yet.

Joe: And I'm assuming it's a flexible option too, right?

Eddie: Yeah, yeah, yeah, yeah. I mean it's like...

Joe: You're not tying it up. If they sell it in the next week, then that's fine.

Eddie: Yeah. I mean, but once again, they're giving you time to go back and iron out exactly the different ways you can structure it and you give. But once again, they've been willing to let you tie the property up so you can get to that and you're not trying to cheat somebody. If somebody walks in next week and gives them full retail, full cash up front, you're not going to make their life miserable. But the truth of matter is they're not converting on the wholesale buy low-sell high model and they are stuck. Many times, they're stuck on price and so you can just give a price they want and they're happy as they can be.

Joe: Okay, cool. I want to ask you some questions. Well, mainly I guess before I get to my common questions, I'm thinking of some objections, common questions that you probably get a lot. Can you go through another couple example deals of what we'd be talking about? Let's use a hundred-thousand-dollar house. Okay. The seller owes, let's say it's free and clear, but they're not super motivated. They're stuck on their price and they're like, you know, I want my price and I'll just wait until I get it. But you know, they might consider some kind of creative financing. What are some common ways that you might present an offer to that kind of a seller?

Eddie: So, one of the ways I might do it is, is I have a private lender that would loan me $50,000 at a pretty cheap rate, probably 6%, okay? 50% mortgage, you know, and in what we call a yield starved, deal starved market, meaning investors don't have a lot of places to go put their money today. Right? And so that's a pretty good deal for an investor. I will assure you that we can raise significant lump sums of capital at 6%.

Eddie: So, I get a guy to loan me $50,000 at 6% then I say, Mr. Seller, I'll give you 50% of the price at the closing and I'll give you the remaining 50% with payment starting in five years. Whatever combination. I can pay the private lender off before I even start paying the guy the second lien, and of course the second lien is going to be carried at what? 1%-2% interest. Even if he won't agree to 0%, he'll agree to something. Maybe he'll agree to 0% for five years and maybe then the interest rate will kick in and be 3%, whatever combination he can do. Then all of a sudden, I gave him full retail with 50% money up front, Joe, and I made a killer deal that I can resell with 20% down, you know, carry it at 6%-7% interest and all of a sudden, I own my own bank.

Joe: You've been, you're giving a 50% down payment, which is hard to turn down... Giving the seller the price they want, 50% down payment. Now the private investor gives you a note. They lend you the money. They're going to be in first position on that house?

Eddie: The seller is going to subordinate, right? The seller is going to seller finance, but he's going to subordinate. By the way, I've looked at three or 400,000 seller finance notes in my career. Okay? So, the perspective that I have, Joe, more than any other single person in the industry is, I know what's acceptable to a property seller that's willing to carry seller financing. I know what's acceptable in their mind. I know what the pattern is. Okay? So, I know how to offer things to them that I've learned from seeing deal after deal after deal. They're okay with this. I'm not saying Joe McCall would be okay with it. They're okay with it. So, this is like, yes, I'm going to give you full retail. You're going to carry a second mortgage for half the price. I'm going to get a private mortgage, which is going to be in first position for the rest of the price.

Eddie: So, I'm going to borrow $50,000, you're going to lend me $50k on a second, and this is what we'll call a soft second, Joe. I mean, it could be zero interest, zero payments with payments that start in five years, seven years. I mean, it could be just a lump sum of money that's due 15 years from now. I've structured it 20 different ways and that's why I like being able to put somebody in a class, right? It's just shows them what we've done in different ways and they're like, Oh yeah. And then they can start seeing it. So, that's one simple way to do it is I use partly private capital and partly the seller carries the balance of the financing.

Joe: Alright, so I'm looking here, so you've got a $50,000 first position note that the investor's giving you, a 6% interest. That's 50,000 times 0.06 divided by 12. That's $250 a month you're paying your private investor. You're delaying the payments to the seller for five years. I mean, this is one of the things you offer and you're then turning around and you're putting a retail buyer, you're selling the house with owner financing. And this is, I want to have a question for you later about those kinds of buyers and are there really a lot of them. And I don't think people realize there are, but so they're going to come in and they're going to put down 10%, 20% on the house. You're going to charge them not an exorbitant crazy interest rate. You're charging them 7%, 6%-7%?

Eddie: If you called a mortgage broker today and you're going to get financing and you need what is calling non-QM loan, Joe? Non-qualifying mortgage. A non-Fannie Mae/Freddie Mac/FHA loan. Okay? Non-QM rate today is about 7%. Okay? So, I'm not charging him any more than the mortgage companies are and if I am, not much. And so, I'm giving people home ownership that otherwise wouldn't experience home ownership. Right?

Joe: That buyer now is paying, he's paying the taxes and insurance.

Eddie: Yeah, he owns the house. I'm the bank. Go ahead.

Joe: Do you... your private investor's in first position, the seller now has a second position note. Are you creating a note for yourself at all through this?

Eddie: Yeah, so I'm carrying what is called a wrap around, right? So, I have, I have underlying financing, which is the first lien, the private lender first, and the seller second, right? Now I staggered when the payments start on the second. Right? So, it let me give a chance to pay off the first. And once again there's a myriad of ways you can do this. But this was just one quick example and then I do what's called a wrap around, which means that I'm responsible for paying the underlying mortgages, but the guy that I sold it to is paying me on my wrap note. So, the simplest way I could describe a wrap note is it's the same thing as somebody leasing a property and turning around and doing an Airbnb.

Joe: That's a good way to do it.

Eddie: Right? Of course, you're responsible for making your lease payment, but you've written it into the agreement that you can use it as Airbnb property and you collect Airbnb money all month and as long as you pay your lease payment, the landlord is happy with you.

Joe: That's good. And then you have servicing companies that do all of, that take care of this for you. Right?

Eddie: Yeah. The one thing that I'm real focused on is to do this compliantly and legally and doing it, you know, doing things in a proper manner. I mean, yes, you're going to close it. You're going to use a licensed loan originator to originate your note, right? Which is inexpensive. You're going to use a loan servicer. Everything that you're doing is in done in such a manner that you're doing it like a regular mortgage lender. And we show people how to do that. And I mean, I wish I could make it sound complicated, but it's really not. It's like people find out how easy it is and they say, is that all there is to it? And I'm like, well, yeah, but yes, we show people the right vendors to use.

Joe: So, this may be an obvious question, but what is the difference then? What are the advantages of being the bank versus being a landlord?

Eddie: You know, at the end of the day, this is the one thing that I've learned after 40 years of dealing with real estate investors, there is a point of tolerance that most people, not everybody, but most people burn out being a landlord after a period of time, whether it's five years or eight years or two years or 10 years. But most people reach a mental state where they can't deal with being the landlord anymore because of the tenants and toilets thing, right?

Eddie: I don't meet anybody sick of being a lender or the bank. 10 years later, I don't meet any, I don't meet that guy.

Joe: Yeah. There's a reason why the best list to target in your marketing are landlords, right?

Eddie: There's a definite pattern to it. So, I would say that yes, you can, you know, I can debate different income of rental property versus notes and all that stuff and I can do a fairly decent job of whiteboarding it out and proving my case that you'll actually make more money doing what I do.

Eddie: But the truth of matter is, is my business is very, very, very scalable. Joe, on any given day, we have about 1400 to 1800 assets under management. Okay. I mean that's not huge but that's fairly big. And I do that with a micro staff. Right? And if I owned 1500 rental properties you know I wouldn't have a micro staff.

Joe: Yeah, that's a great point. Really good point. La Forest here is asking does Eddie use an RMLO to qualify buyers? What does that stand for?

Eddie: Residential mortgage loan originator.

Joe: Good. And that's to... Cause a lot of people are going to be asking about Dodd-Frank. Right. And so, you already mentioned it but to protect yourself against Dodd Frank, how are you working with the law?

Eddie: Well I mean once again that's the purpose in hiring an RMLO, I'm teaching you how to be compliant with Dodd-Frank requirements.

Joe: So, when Dodd-Frank came out, right, it really didn't slow you down, did it?

Eddie: I tell you what really happened, Joe, and this is funny, but when Dodd Frank came out, the guys that were creating a lot of seller finance notes, hundreds per year, they said because of Dodd Frank, they started originating better loans. We are working diligently and revisions in Dodd-Frank as it relates to seller financing so that you are not going to be as restricted in what you can do. And so that hasn't happened yet and I don't want to future speak it and act like it's a guaranteed, but it definitely is something that we think is going in our direction. But I'm showing you how to go do it right now with full disclosure to the seller and to the buyer and everybody involved in the transaction. There's absolute full disclosure and that you're qualifying the buyer in such a way that you can say with confidence this guy is going to pay me back.

Eddie: You are practicing good lending practices. Every smart mortgage broker in the world will tell you... In fact, you asked me a number while ago, you said how many people couldn't get a mortgage, so let me give you a number. Okay. According to the Mortgage Bankers Association, four and a half million people were turned down for a mortgage this year, this past year, that had perfect credit.

Joe: Four and a half million.

Eddie: Now, Joe, that means they went through the process of getting a loan application to only figure out they got turned down. How many people didn't even try to attempt to get a mortgage because they knew they weren't bankable. And so, if you want to know how big the market is, it's gigantic.

Joe: Yeah. What are some of the reasons they're getting turned down?

Eddie: Usually it's how they get paid. Right? I'd like to see your tax return, Joe.

Joe: You might be more impressed with it than the mortgage broker would be.

Eddie: Well the, the point is you're self-employed, right? And you're not cheating the government, but you're self-employed and I'm looking at your nice office there and that's part of your house. I'm betting a hundred bucks. Right. And we could go on and on and on. Right? And I'm just saying it's all legitimate. You're not doing anything that's inappropriate. But once again, self-employed people struggle with this. And what about people that are paid predominantly by commission or predominantly by bonuses? Okay. So, we could go on and on with people that are living, that are our neighbors and that live around the environment we're in and for whatever crazy reason, they're not bankable the way somebody else is bankable. And that's exactly the market niche we're looking for.

Joe: Yeah, and you're not taking advantage of them either. You're not doing short term balloons, not charging them super high interest rates and you're not doing adjustable rates either. These are fair, normal mortgages that a bank would give.

Eddie: Joe, here's my belief: if I have any influence in the seller finance industry, and hopefully I do, I want to teach the real estate investor how to offer a superior product, which is a good house to a good buyer so that their mortgage that they're owed money on, the real estate investor is owed a mortgage, I want to make sure that he has an incredibly high percentage chance of having a trouble free long-term cashflow. We're not selling junk property to junk buyers and praying cashflow.

Joe: If you want to... Sometimes I do this, I go to Google and I do a search for real estate fraud. Alright? In the news. So, go to Google search real estate fraud and click on the news button and you'll pull up, it pulls up all the recent news stories on real estate fraud all across the country. And most of the stories that you see, maybe not most, but a lot of them will be from people that are been taken advantage of. Poor lower income homes and buyers. And putting them into owner financing situations and properties that should never be, they're not livable, right? And these are buyers that could never in a million years afford the house or be able to get a good traditional normal mortgage in a few years. They're taking advantage of a poor situation... That just is not gonna look good in the local news.

Eddie: And, I know specifically some of those articles you're talking about. In fact, the Washington Post and the New York Times and stuff are calling people that are actually doing lease options on unrepaired properties and they're calling it seller financing. Although that's not what it is. You know, they're not really, you know, they're in the press so they can't be wrong kind of thing. But whatever it is, let me just tell you something. That is not the asset class we're chasing. I've been in this business for 40 years. I've can tell you with a thousand percent integrity that me or somebody on the founding board of the seller finance coalition, which is another guy that runs most of our operations and Jeff, our pal Jeff Watson and some other guys, there's about five or six of us... We've been in well over 300 congressman's office talking about what seller financing does for people. And when we look those Congressman in the eye, I can tell you with a thousand percent integrity, we're talking about helping somebody get home ownership through owner financing that otherwise would not have been available to them. And we're saying that expecting that customer to pay us back and can pay us back.

Joe: Yeah, and it's, I think it's important understand this too, because unfortunately these bad actors have put a bad name in the industry. We're not talking about cheap class D properties in, you know, in St Louis. We're not talking about the thirty thousand-fifty thousand-dollar homes that people shouldn't be living in that need a lot of work. Right? We're talking about bread and butter, middle-income, medium priced homes, blue collar homes, right?

Eddie: Joe, I'll tell you what's going to happen to you, and you won't believe this but it, but it's absolutely going to be true. You start initiating the creative financing, buying on terms. Your average property that you buy will be above the median priced house.

Joe: Really? That's fascinating. What that means is St. Louis, for example, Dallas as an example, pretty similar markets, I think, in pricing... You're going to be dealing with $150k-$250k houses, right?

Eddie: Listen, that's the house they don't want to discount. They still need to sell it. They just don't want to discount it.

Joe: And those are the, that are newer, not as much deferred maintenance and you get better quality buyers for those homes who can't afford it. I was just, I did what I said. I went to Google and searched real estate fraud. And here's the story in Jacksonville, I think Florida, of somebody that, a mother of a family that's living in a Motel 6 after losing thousands in a real estate scam, and these are low... I'm just reading the story here really quickly. But these, these are in low end homes that we don't want to be doing business in. It's just, I see it all the time, Eddie. It's very frustrating to me.

Eddie: Let me say something to you that, and I'm really saying this to your audience, I, this is my heart's desire to teach you guys; this one thing. I want to show you how to own your own bank. Okay. So, so let me just ask you a question. If you're going to own your own bank, that means that your bank is going to collect long-term mailbox money over time, right? So, we have to start out with a good house selling to a good buyer so that we can get long-term predictable income, right? We can't start out with a junk house looking for a buyer with more issues than a bank would want to deal with and expect the cashflow. That's craziness.

Eddie: So, what we're doing is, what I want to do is I want to show somebody how to create transactional income up front. And that is predominantly gained by the down payment when you resell it. Okay. So, that down payment is your flip money up front, Joe. But then you create a cashflow, which is, you know, the payment you're receiving minus the payment you're obligated to make on the underlying mortgage. Right? And that produces cash flow. So, a typical, fairly typical $200,000 deal makes $20,000 at the closing and $450 cashflow for 20 to 30 years. That's the generic answer, but that's not very far from exactly where it's going to land just about every time.

Joe: That's really good. And that's without the landlord headaches and hassles.

Eddie: Dude, that's wealth!

Joe: Yeah. I want to, I just want to emphasize that point because a lot of people have been around for a long time think of owner financing, they think class D neighborhoods, they think $50,000 homes. They think they can buy a property that needs a ton of work and not putting anything in it and sell it with owner financing and they're going to be okay. That's what's going to get you on the local news.

Eddie: That's not the student I'm seeking, right? If somebody comes to me and they're not trainable and I can't change their mind about selling that kind of property to that kind of, in that kind of a situation, they're just not my guy. I want to train people how to go sell a better property to a better buyer. And that's just who I'm looking for.

Joe: Yeah. This is John Mooney here from San Antonio. He says, hello. And Texas is a good market to talk about this, right? Because can't do lease options in Texas. You can do assignments maybe, but you can't do long-term sandwich lease options in Texas. And so, this is where now a lot of investors have gotten creative and done owner financing or contract for deeds, land contracts. So, there's, there's people, especially in States like Texas, maybe North Carolina, where it's actually easier to do owner financing or wraps than it is lease options. Can you give us a few more examples of a way you would structure these kinds of deals?

Eddie: Another way to do it, Joe, is obviously to take over an existing mortgage. Okay. And you know, I have been highly, highly exposed to taking over an existing mortgage, a subject to and how you do it and how you structure that transaction. So, one of the things that I would tell you is, is that they have an existing mortgage that's probably 5% interest or less. Okay. And, and if they happened to be delinquent on their current mortgage, you know what it's going to take to bring it current. But assuming it's going to take, you know, a few thousand bucks to bring it current, then there's another way to take over their existing mortgage and depending on how much equity they have as to how you would pay them back. Okay.

Joe: But so that's the first example I gave you is where they had all equity. This example is where they could have virtually no equity. There's a different way to structure it. At the end game though, I am going to sell it on a wrap note. So once again, I'm going to use a servicer, I'm going to do all of the right things again. And I'm not saying that it's impossible that the underlying lender calls the debt. I don't want to say impossible. I'm saying if done correctly, it's highly improbable. Right? And so...

Joe: Are you using trusts, putting properties in trusts?

Eddie: I do. I do. You know, I work a lot with Jeff Watson and we've created a pretty elaborate process that we go through to do it.

Joe: Jeff Watson is an attorney, right?

Eddie: Jeff Watson's an attorney and he's kind of known to be a creative real estate lawyer and he's had a long history with me and so we've created some ways to do it that are not necessarily exactly how everybody I've ever heard everybody else do it. And so, but the key to it is, once again, is I'm buying a good house, then that good house lets me go market it to a good buyer that needs seller financing but isn't a problematic person, right? They have good credit, they have good down payment, they have good income. It's not like I'm going to inherit their problem one day. They're paying me a good down payment and they're going to be able to pay me back over time.

Eddie: I'm going to use a loan servicing company. Their payment goes to loan servicing company; the payment to the underlying mortgage goes from the loan servicing company. And so once again, it's, you know, we've cleaned up the things that are the most likely to go wrong with those transactions. We've really thought through them and cleaned them up. So which deal does it work on? Here's what, here's what I've learned. Most of the deals I teach you how to do, where you're gonna buy it and get the seller to carry terms for you are going to be on the house north of a hundred thousand. Not, not 100% of the time, but most of the time the house is going to be north of a hundred thousand, which in most cases, Joe, keeps me out of the high crime unstable neighborhoods, right? The blighted areas, right?

Joe: And low-income buyers.

Eddie: And the second thing is, is that good collateral puts me in a position to put me able to sell the house to somebody that has very good payer characteristics. You know, they're going to be, they're guys that are going to pay you back. And once again, so now all of a sudden, I'm dealing in a good house, selling to a good buyer. And then all of a sudden, everything else, just when that all works, everything else works with it.

Joe: Can you talk about some creative ways to find those buyers? How do you find those buyers? And you were sharing, you were sharing something with us in Alabama when we were meeting last, of how you do that.

Eddie: So, this is what I've learned after 40 years of looking at seller financing, most people advertise for, use the wrong advertising messaging to find this great buyer, right? So, obviously some people that run ads with seller financing put like this... Just be fair about it, Joe. They put stupid stuff in the ads. Like "no qualifying". Who do you think is going to call you? You know? Or you know, they put things in there that, but even a...

Joe: Like, "bad credit okay".

Eddie: Yeah, I mean just stuff like, really? I mean you; you have to be out of your mind to think you're going to find a super good guy running that kind of an ad. You're running a neon sign that says bring your problems to me. Right? But even if you really clean it up and you put just seller financing in the ad, right? Seller financing available, it doesn't matter. Joe, what you think the real estate investor, you're the real estate investor, doesn't matter what you think. It matters what your guy that's looking at the ad, that's looking to respond to your ad, what he thinks. And to him, seller financing suggests subliminally what?

Joe: Not a good deal.

Eddie: Non-qualifying, you know, substandard. You see what I'm saying? So even though we're offering seller financing, the ad is going to read like this: private financing to deserving buyers with large down payment.

Joe: Write that down, guys. Private financing to a deserving buyer with a large down payment. It changes everything, how you phrase that. You attract a different buyer.

Eddie: Joe, you're a marketing expert. I mean, of my top dozen buddies that I know you're, you're in the dozen of the smartest marketers I know.

Joe: Thank you.

Eddie: And you understand the power of messaging.

Joe: Oh yeah. It's huge.

Eddie: And so, I will assure you, I've tested this a lot. The demographics of who you attract... You can do split advertising and take the same property and put seller financing in the ad. Don't put the crazy stuff in there, just seller financing and put the ad that I just gave you and you cannot believe the difference in calls that you see... it's crazy!

Joe: Yeah, that's a good deal. Especially when you've got the nice homes in the nice areas. You know, you just get such a better-quality buyer. Well cool. Eddie, we're going to be doing a webinar January 16th as we are recording this now. And if people want to watch the webinar, and I'm going to highly suggest you do it because we're going to be diving deep into the strategies, how to find these deals, how to make the offers, how to put them together. Once you get it under contract... How do you find the private money? We're going to talk about that. We're gonna talk about how to find the buyers, how to wrap it all up in a nice little bow. Get somebody else to service it for you. Right. Set it up right where you're not managing 200 rental properties. You're operating like a bank; you're operating this like a business.

Joe: We're going to be doing a live webinar January 16th. Go to joemccall.com/eddie. Now as we're recording this live right now, that link may not work but it will probably in a couple of hours from now. Joemccall.com/eddie and if you're watching this or listening to it later, still go to that page because we'll have a replay of the webinar... Joemccall.com/eddie.

Joe: And Eddie, I'm excited about what you're offering here. You mentioned it a little bit about at the beginning. You're making this easier than I've ever seen anybody else do it. If somebody is working with you as a client or as a student, right? You're just saying, listen, give them whatever price they want. Get it under an option. Tell them, give me seven days and I'll get my financial underwriter. So, explain that again because I think this is really, really brilliant.

Eddie: So, basically what you're doing is you are putting it under an option contract for the price they want on this day, right? The typical time is about seven days. Your option expires within the seven days is when you go back and actually ink out how much you're going to pay them today, how much tomorrow, what interest rate, will they have a first, will they have a second, whatever that terms needs to be. It gives you time to slow it down and do that.

Joe: And it gives you time to come up with different options too, right?

Eddie: The greatest thing for the hot shot real estate investors I've trained slowing it down where they just get an option today and it gives them time to go back to the whiteboard with us and figure it out.... I mean, a game changer.

Joe: Yeah, and you can give them, Eddie, multiple different options. Okay, well if they say no to this, then you could offer this, right? If they say no to that, then here's something in the middle that you can do.

Eddie: Here's the punch line, we're going to put you through a battery of things. I'm going to give them a book, Joe, when they, when they go to your website, I'm going to, I'm going to also give them a book. It's an eBook. It's not, it's about 50 pages long, but it's solid. Okay? And it starts the mind process of what it is you're negotiating for. Right? It's going to tie in with them coming to the little live class we're doing. Right? But the point is I'm going to get you prepared to understand what it is you're negotiating for so that you can go negotiate for it. Like, if you don't even know that that's an advantage, you wouldn't dare think to put it in there.

Eddie: So, we go through a sequence of things and show you why this is such the best way to structure it. And then all of a sudden it starts changing how you message it to your customer. Your customer doesn't know what's good or bad, so why don't you as the buyer structure what's good for you? Now, they're going to have a mortgage against the house, they're not going to be cheated, right? They're going to have a secured loan against the house. But you know, if you can pay them back over time with very preferred interest or no interest at all, then is that good for you? It's great for you.

Joe: You know, I think a lot of people don't realize this, but one third, this is according to the U.S. Census, one third of all homes in the U.S. do not have a mortgage on them, right? One third, one out of three homeowners have, own their house free and clear. And you know, everybody out there is just targeting their marketing to the absentee owners or to the pre-foreclosures or to whatnot. Right? But not too many people are actually targeting their marketing to the homeowners that have free and clear, you know, have free and clear. And so one of the things that we've been testing lately with one of your students, Eddie, I'll tell you his name later, we're sending owner financing offers, blind owner financing offers to owners of free and clear properties in very specific targeted zip codes, and these are nice zip codes that have $150k-$250,000 homes. We're sending them blind owner financing offers.

Joe: We're not getting a huge response rate, one and a half, 2%, which is still actually honestly really, really good. But the crazy thing is... His name is Dave... Getting calls. "This is interesting. Tell me more about this." We're coming at them not with, "Hey, do you want to sell your house?" We're coming at them with, "Hey, do you want to sell your house with owner financing for full price?" And they're calling back saying, "Yeah, this is interesting. Tell me more." So, I'm partnering with this guy and I'm doing the marketing. He's the one where, he's done a lot of owner financing deals and creative notes and he's structuring these deals.

Joe: So, there's so much opportunity here. You may not be, you may be watching this podcast or listening to it and thinking, man, I don't want to be the guy that's actually learning something new that you know is it has to learn a bunch of complicated paperwork. By the way, it's not complicated, but you may be thinking, I, I don't want to learn something new. Just learn how to do the marketing, how to find the deals, right? Learn how to make an offer with an option at the full price, right? And let Eddie and his team then help you figure out how to create the offer or partner with somebody who's done a lot of these deals before who can put the offer together for you and you can partner on the deal or somehow structure these creatively. So, I think there's a lot of opportunity here.

Joe: The whole point of this podcast, why I wanted to get Eddie on and talk about this is, you know, all of these investors are really struggling right now and they're throwing away leads. They're getting one out of 20, 1 out of 30 offers accepted. When you just get a little bit of creative juices going, you can now get three out of 20, 4 out of 20 offers accepted and start doing a lot more deals and making a lot more money without the normal headaches and hassles of owning trashy tenant rental properties in low income neighborhoods. So, just so many good things about this. Eddie, I appreciate you being on here.

Eddie: I'm really excited. I've been in this business as we talked about a long time, but I can tell you with a thousand percent integrity, I've never been more excited about any single direction that I've taken the industry than this, than the direction that we're discussing right now.

Joe: And the crazy thing too, Eddie, as the market starts slowing down, as it starts going, it becomes a better time to do these creative deals, isn't it?

Eddie: Yeah. Most people wouldn't transition to do it until the market drops. But see, for wholesalers, the market has already dropped, right? Because their margins are shrinking, their conversions, it's, you know, getting worse. Cash buyers, cash buyers are pulling their money out of the market. One more, one last thing, Joe. I wanted to make a point of this. When you come to this training, this webinar that you and I are going to do together, I'm going to bolt together the puzzle pieces. This has been a good intro, but I'm going to be able to sit down because we're going to have, you know, good training slides that slow down and show you real case studies a little bit at a time, but I'm going to be able to bolt together the puzzle pieces of where could you find private money, how do you structure a deal, what is reasonable and what, you know, kind of some stories are that people that we see do in this. So, anyway, I'm very excited that you guys have listened to this because to me this is super, super a game changer if you are dissatisfied with how many deals you're closing, and to me, if you're making 20 offers to close one deal, to me... you should be dissatisfied.

Joe: Yeah, totally true. Totally agree. And I've known Eddie for a long time. Many years. I don’t know, six years plus.

Eddie: Back when the boys were like in junior high and high school. They're like grown now with kids, Joe.

Joe: Yeah. My boys also 16 and 14 years old now and we're starting to do some land vacant land flips together right now. Awesome. So, thanks for being on the show, Eddie. Appreciate it very much. Guys, again, we're doing the webinar coming up here soon. Joemccall.com/eddie. Joemccall.com/eddie. Eddie, how can... Well, I was going to ask you how can people get ahold of you? But this is going to be one of the best places to do it, on this webinar.

Eddie: This is good because it's not just reaching out and getting a hold of us, but getting a hold of in a sequence where this is going to make sense to them. That's why we've done it this way.

Joe: You're going to explain it in real simple steps with graphics and slides that will show the images of how the process works. Okay, good. Thanks a lot, Eddie. Again, I appreciate it and hopefully go hog hunting with you.

Eddie: Sounds great. Thanks guys.

Joe: See you guys later. Take care. Bye. Bye.