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Closing Deals Over The Phone

Hosted by: Joe McCall

Guest: Don Costa

- Joe: Hey, everybody. Welcome! This is the Real Estate Investing Mastery podcast and you're in for a treat because we're going to be talking today about how to close deals over the phone with a gentleman who's been doing a ton of that lately, for a long time, for many years, Don Costa. And a lot of you guys know him from The Flip Talk podcast, one of the best I'd say... Maybe the second-best podcast in iTunes or in podcast world right now. Next to this one, right Don?
- Don: Absolutely. Yours is number one for sure.
- Joe: Thank you. Thank you. Thanks very much. No, I'm just kidding. Hey, but first guys, this podcast is brought to you by my book, WLObook.com. It's called Wholesaling Lease Options, one of the fastest and easiest ways to make money in real estate today. This book is free. Go get it right now, WLObook.com. It's not very thick, but it's got lots of good juicy information in it and I'm getting great feedback from this. I just ask you to pay a little bit of shipping and handling.
- Joe: And if you have this book or are like, I don't want to learn about wholesaling lease options, then go watch my webinar. It's a webinar about simple lease options. Sloclass.Com. SLOclass.com. See if I can get the link for that. Ah, maybe I'll get it later, but SLOclass.com. You go watch my webinar on it. Okay, let's see. One more thing. One more thing. Subscribe to the podcast. If you're listening to this on Apple podcast or Google play or Spotify or whatever...
- Joe: Don, I should ask you like what have you found to be the most popular podcast players, but we'll talk about that in a minute. Alright. Subscribe to the podcast. Please. Just subscribe. That way you can be notified when new shows come on and when we got guys like Don Costa on, you'll get notified about it first. Cool. Alright? How are you doing, Don?
- Don: I'm doing good, man. How are you?



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Joe: Awesome. You have such a cool background. Way better than mine. So, good for you; and we have the similar microphones. Isn't that nice? Alright, so there's a lot of people watching this live right now on Facebook and YouTube, but we're also recording this. It's going to be an audio podcast. So, hello to all of my audio listeners. Glad you're here and I hope you appreciate the awesome quality microphones that both Don and I have that are pretty cool. I feel like Joe Rogan, we have the same podcast mics as Joe Rogan has and all those cool guys. But if you're watching this on Facebook and YouTube right now, please say hello like Haim... What's up Haim? I love this guy.

Don: Haim is one of my favorite people in the world, man.

Joe: I created a course with Haim called MLS Hacks and it's about how to find deals on the MLS with virtual assistants. Haim, where are you these days? Haim, let us know. And if you're also watching this on YouTube, like Ralph Newton is, what's up? How are you? We appreciate you just to say, tell us hello. Tell us where you're from and if you have any questions, put them in the chat or the comments on Facebook and YouTube right now. And as we get going and start talking to Don about closing deals over the phone and what he's got going on, we can pop these questions up and we can ask him and he can answer them as we go through this. Cool. Alright, so Don, where do you live? Where are you right now?

Don: I'm in Fresno, California, central valley. People hear California and think super, super expensive. And there are areas that are, some of the markets we're in are, but my main market is very similar to a lot of the United States; median home values in the \$250K range. And most of our rehabs are, you know, \$150K to \$175K all in. So, yeah, so we're, we're like most of the United States.

Joe: I love your background. And how did you, can you show us a little bit what it looks like there? Is it just like a, did you paint the wall?

Don: No, it's wallpaper and I got it off Amazon; peel and stick actually. So yeah, I'm actually gonna, I'm going to be changing it here pretty quick and doing something even cooler, but it's a peel and stick background and then the sign, it's actually a plaque sign that one of my team members had made for me and it's just, it's cool to have vector.

Joe: Do you have natural lighting in there or is that studio lighting or...?



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- Don: Studio lighting all day long. Yeah, I'm way, I'm not good looking enough for natural lighting so.
- Joe: Oh, good for you. I'm glad you're on the show. You have a great podcast called Flip Talk. How long have you been doing Flip Talk?
- Don: I've been in Flip Talk for three years. We have, I have, I launched in 2016, October, 2016 so I just had my three-year anniversary. I did Flip Talk Rookie Playbook, which a lot of people download. It's a one, 49 episodes, almost a year. And like the first episode is you go to week one and it's like what do you do if you want to get in this crazy game of real estate, what's the first thing you do? And we literally go through 49 weeks. So, I got two shows out there floating around. So, it's been pretty cool.
- Joe: Nice. And it's a great show. You're active in the business as well, which is really cool to see. You're actively wholesaling and rehabbing. And we were just talking a little bit ago before we started recording that you're closing a lot of deals over the phone and you transitioned into that because... I've had you on my podcast before. I remember kind of talking about this where you made some mistakes along the way, right? Talk about how and why you started transitioning and doing deals over the phone like this.
- Don: Well, so the why behind it was, you know, we had competition in markets, right? I mean every business you have competition. And we would have people call in to our lead manager and say that they wanted to sell now, and then we book an appointment and by the time we got to the appointment, somebody would beat us there, they'd be there an hour early and they've gotten a contract. And I got to the point where I was like, we gotta be locking those things up before people get there. I mean, it just doesn't make sense to book an appointment. The seller says I'm ready to sell. Right? So, in that transition from lead manager to acquisitions, appointment just wasn't filling the needs.
- Don: So, we started transitioning into training the lead managers to, if they're, if it's a lay down, go ahead and just get the contract. And so that's kind of where it came from. The doing it as a whole, it's a mindset thing. I think a lot of people struggle with, you know, belly to belly is how I did acquisitions when I got into this business. And you know, I'm really good at reading body language and in asking questions and shutting up and, and so I was scared like a lot of people to transition 100% to over the phone. But once we kind of learned the cadence and the pace of the calls and that was from that first kind of like a, well we'll start



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with the easy ones and then we'll start with the ones who are a little harder. And once we started kind of figuring out the steps, it's, it's just as easy as doing it in person to be honest with you.

Joe: In fact, you could argue it might be better.

Don: It's easier. Yeah. And there's one other thing I want to add. Like when you're in multiple markets like I am and you have multiple acquisitions people, you need two markets to keep them busy. Right? And so, if I have somebody that's in a different County, then a couple hours away, then I have to keep marketing going in that County to make sure their appointment books' full. Otherwise it's not worth it to them to do business with me, to work with me. So, that was something too, that was kind of a pain in the butt. It's like I got to deploy all this marketing, keep all these people busy. And then if you have a bad apple in the bunch and they're not performing, that's marketing dollars going to waste. And so that was the other kind of catalyst to it.

Don: It was like if I go to over the phone, then my marketing dollars get deployed where it matters most of the company when it matters most of the company versus trying to keep somebody busy. So, that was the other thought behind it.

Joe: Interesting. What are some of the markets that you're doing this in now?

Don: So, we go from Kern County, California up to the Bay area. We're in Alameda County, Contra Costa County, California, which is two hours South of us and about three hours North. We're in Lane County, Oregon. We dip our toes in and out of Las Vegas, Nevada. And that's, those are the markets we're in right now.

Joe: You know, we're wholesaling some vacant land in Kern County and a little bit in Riverside County right now.

Don: I might build to help you with that.

Joe: Have you done land vacant land before?

Don: We've done some vacant land transactions before.



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- Joe: It's like as far out as like crazy possible, not developers, not like developed land but like vacant two and a half acre lots in the middle of the desert. No utilities, nothing.
- Don: Not middle of the desert, but I have personally done a land deal back before the market crash where we went into an area that had not had any development going in that direction and actually started the development process for that area.
- Joe: Yeah. The crazy thing is we've wholesale deals up in Klamath County, Oregon, vacant land in Klamath County, Oregon, Colorado, Kostia County and one other County in Colorado, a little bit in Lake County, Florida and just the last few months have kind of targeted Kern County and we got about 10% response rate on our letters. We sent a blind letter saying, Hey, do you want to sell your land? Came back to a voicemail and there was a reference ID on the letter, so they left the reference number on the voicemail and then we send them an offer before even calling them back and we send offers. We were sending them at about 25 cents on the dollar. What we felt they were worth, but we felt we were calculating the value to be too high. So, our offers have been too hot. But of that we sent like 1500 letters and we got about, I want to say, nine contracts... like, deals.
- Joe: I've got about 150 phone calls, but nine deals out of it and, but only one or two of them are any good. So, we're going back and lowering our prices on them. But yeah, that's a crazy thing in Kern County, there's a lot of landowners out there, vacant land owners that have these little two-and-a-half, five lots in the middle of nowhere that, you know, they've owned them for 20-30 years and you can actually make ridiculous low offers and sell them. And I know guys that are doing this and they're selling them on terms, which is really interesting. They're selling them for a hundred bucks down and you know, 100 bucks a month for three years and they're getting really good cashflow from these things, buying them for \$500 to \$1,000 bucks.
- Don: There's a lot of, Kern County and Fresno County is agricultural community. So, there was a lot of farming and stuff like that. So that's one of the ways, one of the exit strategies is to, is to basically lease, lease, option them or rent them or sell them to farmers.
- Joe: Yeah. Very cool. Alright, so what are the... You're closing these deals over the phone and you're only, you're really kind of still targeting the Western part of the U S, right Have you ever tried wholesaling deals in the Midwest and Oklahoma or you know, Texas, though those areas?



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- Don: We haven't ventured that far out yet. I've went into market into Dallas a little bit for a while. I had been testing different markets to, to be honest with you, to try to kind of figure out where we want to plant our seed, you know, as we move forward. But we really concentrate on the West coast more so just because my mindset, limiting or not, was I want to be in markets I can control in some way or another. You know, my, I have family lives up in Oregon, so we're up in Oregon. I can travel anywhere in California within a day. You know, I'm in the central part of California. I can fly into Las Vegas. It's a 45-minute flight. So, those, those are kind of like, you know, can we kind of control if anything needs to be needs to happen. But now that we've gotten a lot of our systems and processes in place where we're looking at expanding across the United States like wildfire, I mean that's kind of the goal.
- Joe: We have a mutual friend, Todd Toback, I think he's your friend...
- Don: I know him. I don't hang out with him enough to call him a friend, but I definitely know him.
- Joe: Oh, he's a good dude. But anyway, he was wholesaling from San Diego in Oklahoma, I think, Oklahoma City. And he said that he actually stopped doing it because he wasn't making enough profit. His average profit was about seven to eight grand. But he's thinking, you know, I'm making 20 to 30 grand on average in a wholesale deal in San Diego. Why am I spending all this time making just seven or eight grand in Oklahoma? So, he actually pulled back and stopped doing it out there. It was just more hassle than it's worth. But the same time he may be doing one or two deals, big deals, a month in San Diego when he could be doing, you know, 10 to 20 deals a month in a place like Oklahoma. But it was always fascinating to me, his perspective on that, you know, because it may be easier to wholesale deals in Midwestern markets, but your profit margins aren't going to be as high. Right? Have you found that to be true yourself?
- Don: Well, it's kind of the same thing with my market, right? I mean we have the \$30,000 assignment fees, but you know, typically, you know, on average is going to be about \$16,000 so, but I am also in areas like Alameda County and the Bay where I had \$165,000 assignment fee. So, I get the mix, right? Because like I said, my main market operates like most of the United States. We're going to, we're going to have the seven and \$15K and \$20,000 assignment fees, are going to average around \$15,000 for the year. So.



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- Joe: Do you find that it's, there's more competition in California? Does that make it harder or is that just a mental thing?
- Don: I think it's a mental thing. There are companies like I started in 2003 when the market was on fire, if anybody remembers that. And I started when it was about the hottest and I still did really, really, really well. So, coming back into it now, as you see competition increase in markets, I mean you gotta, you gotta be out consistent. Like one of one of the things out consistent people I guess is, this is the way I want to say it... Again, you gotta you've got to be consistent in your marketing. You gotta be consistent in your follow-up. You gotta be system consistent in your processes and systems and, and that consistency is what leads to success. And I'll tell you right now, cause consistency and follow-up are where people are dropping the ball.
- Don: Roughly, almost 80% of the contracts we got in January were follow-up. They came from marketing from previous months. So, you know, if we weren't as hard on follow-up as we were, we would have a fraction of the contracts we're getting right now. And that's, that's one of the ways we're beating competition.
- Joe: What are some of the, what's some of the ways that you're doing follow-up right now?
- Don: We're doing follow-up every way possible. We're doing RVM to our database. We are...
- Joe: Ringless voicemail.
- Don: Ringless voicemail, we're cold calling our database and we are doing the email and texts automated, you know, in the CRM. And then our team also has follow-up protocol where they actually physically picking up the call and calling themselves. So, we're hitting them all different ways, you know, that we possibly can and...
- Joe: Are you doing any direct mail to follow up right now?
- Don: Our direct mail is consistent and we will remain those lists, you know, fairly regularly. But we're not like targeting in a follow-up manner, if that makes sense. We're not doing sequences. It's kind of like we're kind of doing the same card rotations through our direct mail. The call, what's really working for us is that personal, like that person answered the call, originally booked, you know the appointment or not the appointment but book, you



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know the relationship built the relationship and went through and you know, started to go in for the contract.

Don: Maybe there wasn't time to do that or maybe they said no or whatever and then they stayed in touch with that person and that's the sequence where we're finding the best result. We're doing all the other stuff, but really, it's that person who had that first contact, staying in contact and maintaining that relationship we're finding is what's getting things in the contract.

Joe: Nice. Nice, nice. Very good. What CRM and what are some of the tools that you guys are using?

Don: We have a Podio based CRM. I don't want to share it just because we're going to be changing. We are going to be changing to Beast Mode because I really liked that one.

Joe: Now that's also a Podio set up.

Don: That's a Podio setup. So, and we're in a similar type of setup, it's just not as easy to use. And what was the other part of the question?

Joe: That was it. Like what CRM are you using?

Don: So, it's a Podio based, that's what we've been on forever. And we started with CRM base and then we switched to the one we're in now and then now we're switching to a new one. Just we're trying to get easy. I mean, at the end of the day we want functionality in reporting, we want ease of use. And so that's our major goal at the moment.

Joe: I used to be huge Podio guy. I was Podio Joe. That was my nickname. And I got discouraged with Podio because I never felt like... Citrix owns Podio. And I never felt like, I just felt like it was a bastard stepchild, you know, like they weren't giving much attention to it. They weren't updating it. Has it gotten better, you know, does it still, is it still working?

Don: I mean it does. It does a job for us and my team has been on it. You know, I can't say that it's, it's a weird thing, right? Because you know, there are people creating CRM platforms out there and you know that some of them are friends of mine and they are, they have great products that are not Podio based. But one of the issues you run into is that we all



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run our businesses a little differently, right? I mean that's just the practical reality. We all run our businesses a little differently. How we interact with our customer base, the important reports we want to see. And you know, what Podio does allow is some customization in that more so than some of the standalone stuff. So that's the unfortunate part about Podio is, or the, or the fortunate part is it allows some of that customization and that is one of the reasons why a lot of us stay on that platform.

Joe: Well at least you're using something. I mean like I remember when I was first getting started, my coach was telling me get a database, get a database. I thought at the time, I think everybody, there wasn't really a good one, but there was, this was before FreedomSoft kind of came out because the FreedomSoft was kind of the first real estate one. But was it Highrise HQ? I think a lot of people were using back then. I don't remember. But anyway, I fought it. I fought it for years. I thought, I don't want, I don't need a database. I'm on the computer all day at work. I don't want to get back on the computer when I get home. So, I started doing old fashioned paper. I talk about this a lot. I would print these blank lead sheets, right, and print 25-30 of them and I'd have four different Manila file folders.

Joe: One for hot leads, warm and cold. And I would just do the paper stuff. But sure enough, after getting so many leads, man, I'd get lost and buried in paper and buried in posted notes and, and I'd have yellow pads of paper everywhere and wasn't using the lead sheets like I should have. But it wasn't until I said, all right, fine, I'm going to do the database that I started actually doing more deals because leads weren't falling through the cracks. And so sometimes, would you agree with this? Sometimes people get so caught up in getting the perfect CRM and that they lose sight of what's really important, what makes them money in their business. It's talking to sellers, it's making offers, it's following up, right?

Don: I think that people get so caught up in getting the perfect everything that they lose sight of it. The perfect CRM, the perfect website, the perfect business card, the perfect business name, the LLC or corporation, and then they get caught up in, well, what should I say and how should I say it? What should my postcard look like? And it all of it is a waste of time. I can tell you right now that pretty postcard, ugly postcard, the only thing that matters is whether or not you send it. You know, how you answer the phone... The only thing that matters is whether or not that you do what you say. You'll figure that out when you say the wrong thing. So, take action. 100%.



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- Joe: So, you're, you're using Podio for your CRM. What are some other tools that you guys are using now to communicate with your team and stuff like that?
- Don: Slack is a big one for us. Slack came about for the rehab side of our organization. It's, so basically everything we do is in Podio up until the point we get the contract, and then the second we get the contract, we open a channel in Slack. And what's really cool about Slack is we can, we can do a channel for each property.
- Don: So, the second we get in contract, the information goes into the Slack, you know the numbers on it on the property, contact information for the seller, any, any pictures or documents. And we literally run Slack for our transaction coordination, our project management. And then our transaction coordination at the end of that property. And then of course when we're done with that channel, we close that property, we archive that.
- Don: So, it came about with a situation where we had a bill from a pest company we never used and I was like, who approved this? And then everybody was pointing fingers. And so now we don't email, we don't text. If we have a conversation, we Slack it. All the communication for that property goes in that channel. And then the cool thing about it is if the acquisitions manager has, you know, locked that property up there on that channel with the rest of us who have appropriate reasons for being on that channel. But if you're not, if you're not part of the team that has an appropriate reason for being in that channel, you're not there. So, we can kind of compartmentalize who gets communication and who doesn't. So, Slack is huge for us.
- Joe: Nice. How do you organize it inside the channel? Like, how do you organize if you've got, you know, if you're uploading attachments and pictures and so that you can find that stuff later.
- Don: So, some things like when we opened up the channel and there's the, the communication as far as the numbers and the property and the contact information, like that stuff will be updated as things change. Like my project manager sees the property and feels that rehab is going to be higher, then the numbers will shift and we'll just edit the original post. But there are the rest of things like documents and pictures as we come along. They're just there in the, you know, kind of in the timeline of that. Generally, you know, if you think about a Facebook timeline, you're scrolling through the timeline of the Slack channel and it's there. So, you'll have some things you'll have to kind of scroll through to find, but it just,



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you just know that anything you need that pertains to that property is going to be in that Slack channel.

- Joe: Nice. Cool. We use Slack a lot ourselves as well. Even on the phone. Do you guys communicate with Slack or do you, do you have procedures in place for like are you allowed to text each other or do you have to keep the communication in Slack? Even on the phone?
- Don: If it pertains to the property itself, the information, communication, a question... We really work hard on keeping everything in that Slack channel so that, yeah, so that like, I don't want somebody texting me and me saying yes and then I'm not getting slacked and the rest are going, why aren't you communicating? So, you know, type of things. So that's why it's, it's all there. You know, if you have a question that's in that channel, obviously we have a conversation about the business that's not pertaining to our property. We can, we're going to text and call and communicate like every other human being. But the communication is so important if we're utilizing the tool right. A system is a system for a reason and if it's not utilized properly, it doesn't work. And Slack is a communication tool so we don't lose communication on properties. So, all communication for that property needs to be in Slack.
- Joe: Nice. Okay, good. What are you guys using for, because I want to go back to what we were supposed to be talking about at the beginning was absolutely closing deals over the phone. What are you guys using for your phones? Inbound and outbound calls?
- Don: We use SMRTPHONE, S. M. R. T. P. H. O. N. E. So, we use Smrtphone for that. Now there's CallRail, right? And then Smrtphone is a p competitor to CallRail. Callrail is incredible when it comes to being able to run reports and tracking and stuff like that and getting information on your call. Smrtphone is not as good as on that. I'll be honest with you. But there are two things are going on when we switch to Smrtphone. One is CallRail had a lag in the call which was really mind blowing annoying when you're trying to build rapport with somebody. I'm not sure if they fixed it yet or not. I've heard they have and I've heard they hadn't. And then Smrtphone didn't have that lag.
- Don: And when we switched, and this has been a few years and then Smrtphone at the time had the voice over IP. So, literally they would have a little thing sitting on the top of their screen cause my people sit in front of a computer; when the call comes in and they click on it, it



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actually opens up the new lead in Podio and they can enter all their information and it was real easy for the call team to do, to handle. And so, and at the time, I think CallRail has that now, but they didn't. So, that was the reason why we switched to it. We just kind of stayed with it. We like it.

Joe: Smrtphone was built mainly to work with Podio too.

Don: Absolutely. So, and when you're running a call center, kind of like we do, you know, essentially being able to do the voice over IP on the computer and all that was, was huge for us.

Joe: Is your team in an office in Fresno or do they kind of dispersed all around?

Don: No, we actually have a physical office. I'm in my office right now. I have a little studio here. I have two rooms. I have a room for video and a room for the podcast. And then the team right outside the door here to my left are in there. They're on the phones doing their thing. Project manager office is right down the other side of the wall that's in front of me here.

Joe: So, fancy. You got the real deal there.

Don: Yeah. So, we have a 2,500 square foot office and we have a, our team working on out at this place, you know, on a regular basis.

Joe: Good for you. Sometimes I wish I had a real office, but...

Don: It's for me, being ADD and trying to be home, my wife's a teacher, she's off during the summer, I have three kids... It doesn't work.

Joe: I get it. Alright, so talk about, what are your procedures for leads? Are you doing a lot of outbound marketing? Like cold calling?

Don: Okay. So, we do a tremendous amount of postcards. In 2018 we sent out 1.2 million postcards. In 2019 we sent out about three quarters of a million postcards.

Joe: 750,000 postcards. Wow.



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- Don: Yeah. So, this year we're pacing. Right now, I'm pacing roughly, I want to say about some about 15,000 postcards a week. So about 60,000 postcards a month right now.
- Joe: I didn't cards worked anymore. Like what are you doing? I'm, this is, I'm being facetious.
- Don: Well, consistency number one, tracking. Like we hyper track everything we do like. So, if we change the code of the postcard or the list and it's a different phone number, date, if it's a different quarter, it's a different phone number... Like we're looking at performance constantly. So, in 2018 we're looking at what lists perform better, what postcard performs better with that list, what time of year that list performs better. We're looking at all that information and then went to plan our dollars properly. So, really knowing our data and tracking is one of the, one of the keys to success. That's why we went from 1.2 million to three quarters of a million postcards and this year we'll probably be a little less because we're really honing in on what works and what doesn't.
- Don: One of the things I learned about postcards is right now for us in our market, we want to mail every 60 to 90 days. Not every 30 days. There was a period of time where you wanted to mail every 30 days, but now we're getting the best returns on our, our producing list about every 60 to 90 days. So yeah, and the amount of touches doesn't matter. Did somebody say six or seven touches? I don't know if that kills the, you know, that somebody believes in or not, but I think the marketing out there, you can have predictive list sand you can have equity lists, you can have distress lists.
- Don: The person who's going to call you is completely random on that list. No one can predict the person that's going to call you on the list. We can predict the likelihood of there being somebody in that list is going to call you. But who actually picks up the phone and calls and has a need in that moment is random. So, the key component to success with any marketing, especially postcard marketing is consistency. And having the phone live and answering the phone live. So yeah. And that consistency.
- Don: So, the number of touches doesn't matter. We, we take and we'll mail a list in our cadence, right, if it's 60 days or 90 days or whatever. We will mail that for a year in a cadence. And then we'll pull that list fresh at the end of the year and we'll mail it again in this cadence and we'll just keep on doing that in perpetuity. So, that's as long as that list continues to produce.



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Joe: That sounds really complicated.

Don: No, it's really simple actually.

Joe: Just kidding. Direct mail, man that I was talking, I interviewed Chris Arnold; you know Chris Arnold?

Don: I'd die for Chris Arnold.

Joe: Yeah, he's doing a lot of radio ads right now.

Don: I've heard about that.

Joe: And he, he called it the direct mail crash of 2018. I thought that was funny. But I'm telling you, you can still do deals with direct mail and a lot of people are. Do you find like, because so many people have gotten discouraged with direct mail, are doing now ringless voicemails and texts blasting and cold calling, you have less competition with direct mail right now?

Don: You know, if I'm being real, it's, it's cycles. It's funny like, and it seems like an every other year thing, and I always know when it happens... It'll be really, really good and everybody be talking about it being really, really good. Like people are starting to realize it's good again and then everybody will jump in and it'll start to get a little tougher and then you'll start hearing the chatter that, oh, direct mail doesn't work anymore and everybody will jump out and so it will get really good again. And so I just stay consistent. So, every time the flood gates open, it's like, it's perfect. But that's like, that's every marketing channel. We're going to be in a direct mail, but that's every marketing channel. It's going to be the same. You talked about radio, it's going to be the same thing as radio, RVM, text message.

Don: It's going to work really good, you know, and then everyone jumps in and is going to be diminishing returns, right? And, and the key is still at that point is going to be who's going to be the most consistent, who's going to have the best follow-up systems and then who's going to stick it out until everybody else gives up and then that person's going to profit. And, and that's just, that's, that's my thing when it comes to all marketing is I'm just gonna, I'm gonna stay, you know, tried and true to what works and I'm gonna know my data so I'm deploying my dollars properly and, and watch the cycles, everything cycles.



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- Joe: Can you share a little bit about your numbers? What are you getting and seeing? How do you track your numbers for direct mail?
- Don: So, direct basically, like I said, we're, we have a different phone number for every variation that we do. And we, when we make changes, we change those numbers. We call them split tests and we track that split test information. How many contracts we got, how many contracts fell out, whether or not that would, you know, sometimes it's a problem lists, sometimes we get a bunch of contracts, but they have a whole bunch of issues with title. So, we're watching that information. We're watching what we're closing, how much we're making on it and yeah, and basically, we're, we're compiling that information.
- Don: I don't have the data right now right in front of me, but for the last, I want to say roughly 12 months or so, we've averaged about \$2,900 a deal is where we've kind of ranged, the cost of marketing, the cost of marketing and the profits for wholesales have held a gross about 2\$0,000 and then after all of our commissions with our dispo and acquisitions, we walk with about \$16K on those. And then our rehabs sit in the, they, they bounce depending on where we're at in the quarter between about \$26,000 and \$30,000 average profit.
- Joe: Nice. Very good. And I've heard that's pretty common with California. You're going to spend two to three grands in marketing per deal. And I see on average about half of that when it comes to different markets in the Midwest. Have you done anything with small towns, like targeted small towns?
- Don: Yeah, because we were, so like Fresno County is, is again it's agricultural community and we have quite a few small towns around us. And then to be honest with you, the small towns are where we met, we actually do best, we have the most contracts. I don't get as many contracts in the heart of Fresno city that I do with all the ancillaries, small towns around me. I get more contracts there.
- Joe: I'm seeing that all over the country. You know, I was just talking to Sean Terry the other day and they're doing a lot of, I think they're doing a lot of Facebook ads or they're getting leads from somebody who does a ton of Facebook ads. They're getting properties under contract, tons of them right now, all over the country in a lot of different small markets. And I'm seeing this as a bigger and bigger trend. People are getting tired of trying to wholesale deals in the big metropolitan areas. They're targeting now the small markets and



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believe it or not, would you find this true to be also, it's not any harder, it's just as easy or there's not any more work involved with selling these properties in small towns. There are investors and retail buyers in these small towns that are buying these properties. Is that right?

Don: Well, yeah. I mean when you're deciding where you're going to market, just look and see what the demand is. I mean, if nothing has sold in the last six months in that particular market, then maybe you don't want to market there. But if there, if there is demand then, then it's, it's just as good as any other market. We, we still market to the big metropolitan areas that we're in. We just noticed that most of the contracts we get come from the smaller towns around it. That's just, that's just the trend. So, it's not that we're targeting the smaller towns and not the bigger cities. We're, we're still targeting the bigger cities because we get enough contracts to make it worth it. But we're seeing that our higher ratio is in the smaller towns.

Joe: Good. Alright. So, talk about, let's talk about some of the procedures, standard operating procedures you guys have for your phones. When the call comes in, you try to answer them live, right?

Don: We answer them live every single time. Yeah. I have somebody that works all the way up until the later into the evening answering live. So, we have, and I'm not the best one to explain this, my COO is, but I'll, I'll do my best without butchering it. We have like a five-step process of gathering information and they'll answer the phone. They'll do some information gathering on the, the, you know, the base of the property, the seller, the desire of the seller to really want to sell the property. They'll go into a rapport building mode, you know, just kind of getting the feel for the seller and making any, you know, establishing trust and likability and all that kind of stuff like that.

Don: Again, trying to get to the reason why, the same things you're going to do on a, you know, face to face appointment, right? You're going to try to get to the why, you're gonna try to get to the problem that you need to solve. And then you're going to try to paint a picture of how you're gonna be able to provide those solutions and you know, providing that solving of the problem. And then they go into the offer and then they go in for the, the close of that offer.



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- Don: So, for closing of the phone though, the differences, typically you set up an appointment, you go on the, you, you set up an appointment with the lead manager, go on the appointment as an acquisitions person and you may get the one call, closed contract, or you may have to follow up. Typically, over the phone, you're more likely to be in some kind of sequence where the call might take a couple of calls before you get to close. So, the one thing I want to say that we are seeing is that we have, you know, our average days from the first call to the contract is about 14; 14 days.
- Joe: How are you getting the contract signed?
- Don: We do DocuSign. Obviously, we utilize DocuSign and electronic signature as much as we possibly can. There are cases where people don't have computers. We will FedEx the contract if they are outside of a range. That makes sense for me to send somebody out. But at the same time the team here does have the ability to run out and get a contract signed if need be. And then I leverage the rest the team; like I have project managers and if one of them is not busy with a project, you know, maybe they'll run out and have a contract signed if it's a couple of hours away or that kind of thing.
- Joe: So, have you thought about using mobile notaries? You've ever done that before?
- Don: We have. You know, on the initial contracts we try to just get that thing signed as quickly as possible. But we are implementing mobile notaries now right after the initial contract and that is for the, you know when we go, cause we got to do the statement of information right for title. We try to get that from every seller ahead of time in case we run into any issues with the, you know, title or and needing that as statement information. Of course, our mortgage payoff and all that and a lot of sellers don't like to give us or title their social security information over the phone.
- Don: So, we utilize a mobile notary to get that information. And then we do a memorandum of contract or agreement basically now on every deal. And we in our state we have to have that notarized by the seller in order to record it. So, we send a notary out with that and all the other documents.
- Joe: Talk a little bit, when you're on the phone with the seller, how do you guys negotiate the deal? Like pretend you're talking to somebody who's new to the business, not done a deal before. How do you get them into the price and how do you, what are some of the steps



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and negotiating tactics you guys use to get them to the lowest price possible? Or if they say, you know what, I don't know, just make an offer.

Don: So, when somebody... Look, there's, there's, there's millions of schools of thought on this, right? And so back when I was doing acquisitions and somebody say, just make me an offer. Just give me your number. I'd go out there and I did all kinds of work and I'd come back and I give a number and it would never be good enough. And the one time I did that, some guy and he's like, yeah, it's not high enough. I go, well, what would work for you? And he hung up the phone and that click in my ear was like, it was like the light bulb went on and it was, if they don't give you a number, they're not serious about selling.

Don: That was, that was my mindset and that's why I tried to instill in my team, it doesn't matter what the number is, they can tell you they want \$1 million for houses worth a hundred grand. They gave you a number, they're serious about selling. That's, that's where I'm at. They don't give you a number, they're not serious about selling. So, our goal is to get a number out of them one way or the other. I mean, ultimately that's what we want to do is get their number and then we can play off of that.

Don: Everybody in my office has a different style of negotiating. I'd try to give them freedom to do what feels natural to them. For me, when I'm negotiating with a seller, you know, I'm going to be asking questions. You know, I haven't got to do in a long time, but I'm going to be asking questions, a lot of questions about pain points, about the number. I'm going to probably ask them for their number eight different ways, you know, have you, you know, do you have a number in mind? Has anything sold in your, in your area for X price? You know, you know, I start asking questions like that.

Don: When I finally get a number out of them: Is that what you really need to get for the property? What are you trying to accomplish? I try to get the goal, you know, how much money do you need to accomplish that? What do you owe on the property? Click mass shows what they really need versus what they're asking for. You can throw out a range, you know? Well, if I, if I were to give you around here would that be something that works for you? You know, and you can kind of get there. You get their sense of, you know, how they're feeling about it. At that point you continue the conversation.

Don: So, usually if they give me a hard number, I'll always stop and kind of go, do the, Oh wow, okay. Is that the best you can do? You know, type of thing. So, there's, there's really a



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dozen ways you can go about it. The, the thing that I want to say is ask a lot of questions, which we do ask a lot of questions, get to the pain points, get to an understanding of what it is they need to accomplish, you know, and, and understand basically what's going to satisfy that for them. And if you can get to all of that and then paint a picture on how you're going to be able to do that for them, you're going to get the contract however you go about the negotiation. So, I don't know, that was kind of rambling, but...

- Joe: No, that was really good. What I found is like you need to be willing to walk away and hold away. The more desperate you sound, you know, it's just you, you've already lost. Right. The other thing I have found for me too is always I'm always asking questions like, I'm listening way more. The more I'm doing this, the better I get. You know, it just takes practice. But sometimes I'll record my calls or I'm doing, I like to do role plays with students, you know, pretend to buy the seller or the buyer. In a five-minute conversation, I might ask 25 to 30 questions, just asking questions about house.
- Joe: And it's amazing too, when you pull away the power that it has, it's like reverse psychology. When you pull it away from him or you take it away from the seller, they're like, wait a minute, wait a minute, wait a minute. Where are you going? You know, wait, wait, come back. You're right. I want to sell my house. But that's important, isn't it? Because going back to the consistency you were talking about before, if you're consistently marketing and you consistently have a lead flow, if this doesn't work out for you, that's fine. Right now, you can pull away, you're not like chasing them, desperate to do a deal and becoming the motivated buyer. Right?
- Don: I agree 100% and, and you need to get them, into the selling you, right on why you should be buying their property, you know, phase. I mean, and one of, one of the things I did, because I started knocking doors, knocking pre-foreclosures way back in 2003 and I'm an introvert. Most people won't know that now because I've been doing the podcast and I get out there and I put, put myself out there and I'm starting to enjoy it. But I'm an introvert and so naturally I'm quiet and I would just ask a question and I would shut up because that was just my nature and that really works for me. I'd ask a question, they'd answer it, then I'd ask another question, they'd answer it. And what I learned really quick is that if you shut your mouth and ask the right questions, the seller will tell you exactly how to close them.
- Don: They'll tell you exactly what they need, what you need to say and how you need to do it in order to close them. And then I would, Monday morning quarterback every conversation, I



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would sit in my car, I'd make sure I, I'd sit in my car and I just think through the whole conversation and what I could have done or said better or what question I could have that I didn't ask. And that's what got me to be successful at it. It wasn't that I was good at it out the door because I wasn't, I wasn't a salesperson. I hated sales. I just wanted it bad enough to figure it out. And so, I, I like you said, I think the key is asking questions and listening, really, really listening to what they're saying. Don't just ask the question to ask the question to build rapport, ask the question because you want to hear the answer.

Joe: Good. So, you have sales guys now... How many sales guys do you have in your office?

Don: So, right now we have four people on the phones. We fluctuate depending on where we're at with moving people around in different seats, between four and about six. But right now, we have four and then one display.

Joe: How do you pay them?

Don: They are... So, California is a weird state, which I've learned the hard way. You can't do 1099 and make it work, but some states you can. But our inside sales team now is actually, is set up perfectly. We do, we do \$15 an hour for our people on the phones and then they get seven and a half percent commission for anything they close.

Joe: 15 bucks an hour and seven and a half percent commission. Is that a draw?

Don: The \$15 an hour is not a draw. No, I was doing 10% when I was, when I had 1099 and you know, basically I was at 10% and then I was doing a draw and, and essentially the \$15 an hour plus the seven and a half, it works out for us as an organization, you know?

Joe: You said because of California's laws, labor laws make this, make it more difficult to make them a hundred percent commission or what are you talking about?

Don: So, yeah, I mean, I don't know if it's been all over the national news, but like there's a big thing where California just passed the, you know, this kind of three-step qualifier for what counts as somebody who can be 1099. One of one of the qualifiers is that they can't just be solely contracted to you. Like if they're truly 1099, they can work for anybody they want, you know, and any, any of us who have an organization don't want to have an acquisition rep working for three other companies, right?



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- Don: So, essentially right there, that negates the opportunity for them to be 1099 with your organization. So, that's, that's part of it, you know, and then it just, we're going to require, if you require them to be someplace at a certain time, you gotta, they're technically not 1099. That's some of the things that, you know, you've got to look at when you're running 1099 people, you know.
- Don: When we had our outside sales team at the time, or were doing the outside door to door or the belly to belly closes, they, we'd set the appointment and they could change the appointment time or cancel it or move it. You know, they were, they had their schedule. It was, they could do whatever they want with it. They weren't required to be anywhere at any time. That kind of gave us a little bit of a, I guess, a loophole per se. But now that we're inside, we want them working during certain hours. We need to put them on a, you know, an hourly pay.
- Joe: Talk about, maybe you don't have to, if you don't want, because I don't want to get political, but California is not the best business environment is it? California is not the best state for entrepreneurs and small business owners.
- Don: It has its challenges, by all means. Absolutely.
- Joe: Okay. So how do you, what are some of the things you do to overcome that? You know,
- Don: Nobody teaches us how to be entrepreneurs and no one teaches us how to be business owners, right? When we get into this, I mean, one of the things I want to say is like real estate investing is our widget. We're entrepreneurs first and then we're learning how to be business owners on top of that. So, you know, I just try to stay educated. I try to pay attention. I learn, you know, you when you, when you can, and when you get into this, you know, trying to overthink the legal stuff, don't, I don't want to put a roadblock in your place, but once you get to a point where you can afford to have somebody review stuff with you or you know, a lawyer, it's always good to do that. And especially when you start making money, it's good to have somebody who really understands accounting, you know, on your side.
- Don: So, it's good to start surrounding yourself with those people. And I try to do that. And just, and I have regular conversations about where my organization's at and where we fall within the changes that are going on, on a regular basis in California. And I think, I mean,



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business in a state is gonna, it's gonna have its challenges. You know, it's not just California with legal this and that, but you know, the understanding that we're entrepreneurs, understanding that we're business owners and it's not just, you know, how do I get a contract? As you get going and make you money, you gotta learn how to run a business. And if you're going to be in this a long time, it's important to do that.

Joe: Have you thought about looking at, at, at some of the other states that have lower taxes?

Don: I have. So, and I've thought about moving to other states and, and stuff like that. I am married, my wife was born and raised in Fresno.

Joe: The wife! They always get in the way of letting us live with... No, I'm just joking. Yeah. But yeah, I'm looking here. I just Googled it. 10 states with the lowest personal income taxes... Ready? Wyoming. Wyoming is incredible by the way. It's beautiful. Washington is number two. I didn't realize Washington would be that high. Texas, South Dakota, Nevada, Florida and Alaska. But yeah, you've got a family which makes it obviously a little more challenging. And you probably have family in California, right?

Joe: My family is actually in Oregon. My wife's family is in California. Oh yeah, yeah. That's crazy. I mean I've talked to my wife about moving to Puerto Rico and then do you have any friends that are moving down there? Like it seems like that's the new entrepreneurial hotbed.

Don: I have a really good friend that lives in Puerto Rico right now, probably a mutual friend of ours and she's always bugging me to get my wife down there to check it out too. Cause all tax advantages of living in Puerto Rico and, and I'm, I may have to make that happen.

Joe: It's a, there's also an internet marketer named Frank Kern that moved from California to Miami, Florida and he said he saved about 15%. he's like, he's making 15% more money because he moved to Florida. It's like that's, that's insane. I'm just, just something to think about. Okay, so listen, we're running against the clock here. Don, what's some advice that you give to people who, you know, they're doing a few deals here and there. They want to start becoming bigger. They want to start doing more deals. They want to start, they're thinking about bringing on more overhead, more team members, more callers, things like that. What's a smart way to grow? What is some advice that you give to people who are wanting to grow a bigger business?



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Don: So, I just interviewed Brian Tripp the other day and he quoted Sean McCloskey, who I know is a good friend of yours, about how...

Joe: Are you coming to the Business Vision Workshop?

Don: I am not, but I am going to be in St Louis the first week of March for the speaker training. So,

Joe: Oh, I'll see you there. So, yeah. So, we'll have to have coffee or something before or after.

Don: Absolutely. 100% but he mentioned that the, you know, Sean's quote that I thought was just really, really cool about, you know, figuring out what you want your life... figure out what you want your life to be and then build your business around it. Right? So, that's my advice because it's really easy to build a prison. And I see, I've seen, so I've coached so many people, like I coached for two years, the high-level people that already had million-dollar businesses and it blew me away on how many people built a prison. Right? And I've been guilty of that at times. And that's the last thing we want to do when we get into this to build a life at, to build something for our families, to build freedom. And knowing your why and knowing why you're building it first I think is incredibly important before you grow.

Don: Cause maybe, maybe you realize you don't want to grow, right? And what you're doing is fine for you and your family, or maybe you realize you do, but the right way, then you can determine the right way how to grow. And I think that's really, really important because I just, if you, if you don't know why you're doing it, you know, like one of the things that most of us are guilty of is, you know, putting it all on black, right? We make you know; 50 grand and we go build a \$30,000 call center and then we make a, you know, another 50 grand and we'd go do something else. It's always bigger, bigger, bigger. And so, figuring out what you want first. I think that advice, and that's not mine, I'm stealing it from Sean and I'm sharing it with the world. Yeah. But it's great advice.

Joe: What you're talking about is build a vision for your life first. Design a business around that, right? Which will allow you then to figure out, well, maybe they don't want to live in California or if I am going to live in California because my family, what my family needs and wants is more important. Right? This is the kind of business I need to have. Then that will support a lifestyle in California. Nice. That's smart. That really, really is and it's just a simple



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little tweak, but this is really about prioritizing. I don't believe in; I don't like the term balance. Right? You can't balance life and work.

Don: There's no such thing.

Joe: No, there is no such thing. It's priorities. What's most important and then focus on your priorities.

Don: Right. I agree.

Joe: Nice. Alright. Don, you've got a great podcast Flip Talk. I'm looking at it right now. You've been doing it since 2017, 2018?

Don: 2016.

Joe: You know, by the way, I just moved to a new podcast host called Podatize and they were setting it up for me and they set it up where they put my oldest podcast because iTunes or Apple podcast, only let you have a certain number of episodes. Well, they, they make my oldest one there, so it looks like I'm 2011 to 2020... Does that make sense? So, it looks like my podcast is older, cause it is. I started it in 2011... But something to think about. Just a little tip, if you want to, if you want to just have it say instead of 2018 to 2020 and have it say 2016 to 2020, put an older episode in your feed. Does that make sense?

Don: It does, yeah.

Joe: Anyway, but it's a good podcast. You've been doing it since 2016 now and you interview a lot of people, but you're more than just interviews. You actually teach a lot of good content in there about how to do more deals, how to keep it simple.

Don: Yeah, no, I'm transparent. I'm an open book. I try to try to give as much information as I can. I'm all over Facebook as well, giving away information as much as I possibly can.

Joe: What is your Facebook?

Don: So, Facebook, I am Don Costa. I think The Real Don Costa. I have a page; I have the Flip Talk podcast with Don Costa page. I have Flip Talk Real Talk Real Estate Investors group. And



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then of course you can find me personally there. Instagram, it's at The Real Don Costa and I'm literally putting out content, you know, several times a day. And like I said, for three years, all I've done is give it away. I haven't sold a course or anything like that, so you know, it's, it's been, it's been a fun ride.

Joe: I see you here on your page. Don Costa or is this your profile? It must be your personal profile. So, when you broadcast your podcast live, you do it to your page or your profile or it does it matter?

Don: I actually, I do my personal page, my profile both, both pages actually... The Flip Talk page, my personal page, my profile. And then the group and YouTube right now, but eventually it's all gonna be on the Flip Talk podcast with Don Costa pages where eventually I'll be streaming everything.

Joe: Yeah. What's your YouTube?

Don: YouTube. You got to search "Don Costa real estate" because there was a Don Costa composer out there and he gets all the, it's like, I don't have a cool name that gets the Google recognition. Right. So, you're going to actually put that, "Don Costa real estate". But yeah, so just do Don Costa real estate and I have a YouTube page there. I'm starting to, but it's not huge yet... I'm starting to put a lot of content there as well.

Joe: Yeah. So nice. And you do some coaching. Do you have products and stuff like that you have to help investors too?

Don: Yeah. So, we are in the process of launching some stuff. I have the Rookie Playbook podcast. I'm going to be launching the Rookie Playbook course, so pay attention and I'll have that stuff announced when I do. I have a mastermind that we put together in this last year and we're just, we're building, we're building people into, into high level real estate investors. We have high level real estate investors in there. It's a good mix of experience and people wanting to just grow their business and be part of the community. And if you got to BelnThisRoom.com you can get more information about that.

Joe: What was that website again?

Don: BelnThisRoom.com.



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Joe: BeInThisRoom.com.

Don: You want to be in this room cause that's where it happens. We have that going on and a bunch of other cool stuff coming out around the corner. So, I love doing this. I wanted to, I did this because I wanted to keep myself busy and not get distracted from the real estate business and that's why I did the podcast. And I just loved the interaction with people and meeting cool, smart people like you and making friends and, and my mission now... Everyone says they want to create a hundred millionaires or whatever. I just, I want to impact one life every time I open my mouth. And if I can do that then I've been successful.

Joe: Well, you did today. You did today. Don, good for you. That's awesome. Well, I appreciate you being on the show. I want to encourage all your listeners out there to subscribe to the Flip Talk podcast and the Real Estate Investing Mastery podcast. Go to Apple podcasts or wherever you listen and hit the subscribe button. It's really important that you do that because if you like this show, you want other people to know about it. If you like Don Costa and you want other people to know about his podcast, the number one way to get the podcast viewed and up there in the rankings and all that is subscribers. So, please subscribe to the show if you haven't already. Let's spread the word. Let's get other people to hear about Don Costa and his great podcast at Flip Talk. Don's one of the good guys and I'm glad he's on the show. I'm going to be on his show in a little bit here next week...

Don: Wednesday the 18th we're going to be broadcasting live. I'm gonna plug it cause I'm going to make sure that I get plenty of people on there to hear the incredible stuff you have to say.

Joe: Awesome. I'm looking forward to it. Thanks, man. Alright guys, go to RealEstateInvestingMastery.com to get the show notes, the transcription of this podcast, all the links that we've talked about and all that good stuff and we will see you guys later. Thanks again, Don.

Don: Thank you.

Joe: Bye-bye guys.