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Hosted by: Joe McCall

Guest: Lee Arnold

Welcome. This is the Real Estate Investing Mastery podcast.

Joe: Hey, welcome, everybody, this is the Real Estate Investing Mastery podcast. Oh, you're in for a treat today. I'm so excited about this show because this is going to be something I guarantee you've not heard of before. This is absolutely brand new. And this is something that is desperately needed in this market right now, in this economy. Lee could not have come up with this idea and concept at a better time. And we're gonna be talking about that. But I just want to welcome you guys to the podcast as I'm broadcasting this live right now. You can see this handsome gentleman right there in the red shirt and the red hat. I mean, no I'm just kidding. That's Lee Arnold. Lee Arnold is in the house. How you doing, Lee?

Lee: I'm doing great. Thanks for having me.

Joe: Glad you're here again. So we're broadcasting this live right now to Facebook and YouTube. And I know you guys are going to have some questions and you're going to want to. Because once we start talking about this, you're going to be wondering, how does that work? What does that mean? You know, is that, you know, are you sure this is like it's going to blow you away. So we're going to be talking about that. If you have questions, please type them in the comment box. Whether you're watching this on YouTube or Facebook, then if you're listening as the audio podcasts, just want to say hello to you all. Don't forget to subscribe to the podcast. Go to Apple. Podcast, Spotify. Tune in Radio I heart radio wherever you listen to podcasts. And please subscribe to the show. I would really, really appreciate it. So I have a special guest today and he's super busy. We're going to keep this as short and sweet as we can. But again, if you're watching this right now on Facebook and YouTube, say hello. Say tell us where you're from. In the comments. And if you've got a good question here, I'll show it and we'll give you a shout out. Cool. So, Mr. Arnold, you are in Idaho. Is that right?



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Lee: Yeah. I grew up in Coeur d'Alene, Idaho, which is just in the skinny little panhandle of the state. I'm about 100 miles south of the Canadian border. Just to give some people just idea where we're at. Up here in God's country, surrounded by timber, you can see some of it out the back window of my office. And we're about six blocks away from Lake Coeur d'Alene. So every Google Lake Coeur d'Alene. Check it out and then come up here. We need tourism dollars. So bring it.

Joe: Yeah, totally. How far are you from McCall, Idaho?

Lee: McCall is about five hours south and sits right in the center of the state. And that's where the earthquake was there recently, which we felt up here really is pretty far.

Joe: I've met degrees in civil engineering. And I was looking for a job when I graduated in 2000. I'd already accepted a job for a company engineering company out of Kansas City. But I found a job posting from McCall, Idaho, for a civil engineer. They were looking for a city civil engineer in McCall, Idaho. And they wouldn't have been funny if I was working for the city of McCall. I love Idaho. It's a beautiful part of the country. But you don't like some people are thinking Idaho, like there are enough deals to do in Idaho or do you do deals all over the country?

Lee: Well, we are a nationwide private money lender. Joe, so we're lending in all over the US. So we've got loans in pretty much every state in the union right now that we are working with investors providing both acquisition capital as well as rehab funds. So, you know, the thing I love about technology is we can now live where we choose and work where we want. It used to be that you had to go live where you worked because we didn't have the opportunities available to us.

Joe: But all right. So your private lender and you lend all 50 states. We do. Yes. Nice. OK. And I'm excited at this because you just started a new program called the Capital Syndicate. And you right now, the market's going crazy. A lot of institutional lenders, hard money lenders, banks, they're pulling their money out of the market. And they're saying, nope, no more. I mean, they had already committed to funding deals and they're saying sorry. And they're pulling their money out. And it's leaving a lot of investors high and dry. And this is why this is so important and timely right now to talk about. So have you pulled your money out of the market?

Lee: No, no. In fact, we're doubling down on the market because I'm pretty bullish on where we are and where things are headed. And I started doing private money loans, Joe, just personally



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privately back in 2003, 2004, when we were in a pretty similar marketplace from the standpoint of just how robust it was leading into what was in the correction of eight, nine and 10. But even in 8, 9 and 10, we were still lending very aggressively. But in 2000, late 2010, 2011, up until this point, I had been doing private money loans. So I was sourcing capital from individuals. And in 2011/12, when the market bottomed out in most areas and it was now coming back, the need for private money became more necessary than it had previously been. So I flew out to New York and I met with Fortress and I met with Colony Capital, and I met with Ellington and I met with some of the largest private equity funds in the world and showed them what we were doing. And I was this close. This close. I had a letter of intent for a \$50 million line of credit from a prominent firm out of Chicago that we ultimately decided not to go with.

Lee: And the reason we did not go with it is we were now putting all of our eggs in one basket. I would have been alienating a lot, I mean, hundreds of lenders and investors that I had been servicing for the last 10 years. So we made a corporate decision and a personal decision not to go with Wall Street capital. Which admittedly, Joe, you know, it's the market has been going just gangbuster. I have questioned more than just one time, if that was the right decision to make. But now where we find the market and where we find ourselves as a nation and as a world, it was part of the best decision I would have ever, ever made, because we are not beholden to Wall Street capital. We don't have large lines of credit coming from some of these big firms. We do not get all of our funding from insurance companies and life insurance providers. It is all private. And if anything has changed the landscape of lending, it's been what's been going on the stock market over the last six and eight weeks. It has been so incredibly volatile that a lot of people saw their 401K go to a 41K and now it's back to like a 301K. And it's just all over the board. So we are seeing more and more of our investors who are utilizing what we do as well as our platform from a diversification standpoint. Now coming in and saying, OK, I'm done with diversification, I'm going with something that's guaranteed, it's secured. If something, anything goes wrong, I get all my money back. I don't want the volatility of the stock market. And so we're now seeing an influx of money coming to us. And that's why I'm so grateful that you've allowed me to be here on your show for lack of a better term. I won't use the word begging, Joe, but I will say pleading emphatically. We need more deals. I've got more capital than we can lend and I need more deal flow. And that's why we created the capital syndicate, was to create more people that could go out into the marketplace as source great deals and bring them to us so that we could fund them.



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Joe: This is what this is so important, guys. And I just got this domain. JoeLikesCapital.com. If it's not working right now, we'll be working in just a few minutes. My tech guy was fixing something on it. But by the way, everybody, I want to get if it's all right with Lee. He's so busy. I'm going to try to twist his arm to get him on a part to podcast, because there's so much more I want to talk about with Lee. He's been. He's one of the leaders in the industry. I don't even really give him much of an introduction. I'm assuming just a you all know him already, but he's one of the leading investors in the entire country when it comes to how long he's been in the business. The number of deals that he does, residential and commercial, multi-family, strip malls like he does it all. And he's got a huge education business, coaches people all over the country. And he's got a really, really big lending business. So he's not looking for money right now. He is looking for deals to land on. And that's what I wanted to talk about with him today on this podcast. I'd like to get you on another time. Lee, if it's all right, we'll schedule it. But talk about kind of macro stuff in the market and the housing market stuff like that. Yeah, that'll be fun. Happy to do it. Nice. Nice. OK. So, guys, what we're talking about here is called a capital syndicate. And I want you to go check it out. JoeLikesCapital.com. I do like capital. But this will redirect you to a special video about Lee's program because Lee's got something unique here. There's a lot of money that's being taken out of the market. Lee, on the other hand, is wants to put more. He wants to lend more money in the market. And Lee, what is this? This is crazy. This blows me away. You're talking about paying people fees or finder's fees to bring them to bring to you people who want to borrow money. Is that right? Correct. So explain how that works. I've never heard of this before.

Lee: Well, it's something that's called private money brokering, Joe. And it used to be much more prevalent in the market. I started investing RLC back in 1996 and I got into the private money lending space back in 2002. And then in 2003, I opened up a full-service mortgage company. We were a full-service shop. So we were doing Fannie, Freddie conventional loans. But in that day and age, you know, I'm talking five, six, seven, eight, nine. This is pre-financial crash. Most of the private money loans that were occurring nationwide were being done by license mortgage loan originators. We weren't called MLOs back then. We were just mortgage brokers. But we could broker anything we were brokering for Fannie and Freddie where appropriate for WAMU and Countrywide, if you're over those names from back in the day. But when the market crashed, a lot of those independent firms got absorbed. And the only way they could make a living under the new MLO legislation and the MLS that came out ten, eleven, twelve. Many of those mortgage guys had to go work for Bank of America, Wells Fargo. Some of these larger firms. And when they got



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absorbed into those brick and mortar facilities, they immediately got limited to only being able to offer and sell that lender's products, which meant the two hundred and fifty thousand licensed mortgage brokers that existed in two thousand five, six and seven. Suddenly there were 5000 left and it left this gaping hole in the marketplace for where do I go to get private money?

Lee: You know, there's a lot of Web sites and things that have popped up since that time. But all they're doing is merely aggregating people who want to borrow money. They're not actually determining if that person is a good candidate for funding. And so there's all these Web sites you can. You can buy leads, but then you got to qualify those leads. I took a different approach. I said, you know what? In most markets, I can pay people a private money broker fee for bringing me a borrower, helping me originate a loan because we do not lend to owner occupants. And that's the biggest distinction that I want your audience to understand is that we do not lend owner occupants and we do not lend to individuals, meaning that if you want to borrow money from me, I'm going to lend to an LLC, an S or a C corp, but I can't lend to you as an individual. And the distinction here is making sure that we keep these as investment grade loans, not consumer grade loans. So we will only lend on properties that you were buying to fix and sell or properties that you're buying or you're purchasing to buy and hold for cash flow. But if you want to live there, if you plan to live there. We can't touch that. So because of this, most states allow an individual without any specific licensing or credentials at all to go out and arrange for private money loans. So basically what we can do, Joe, is I'm looking for a handful of people through our capital syndicate model to get educated on the types of borrowers that we're looking for, the types of loans that we want and bring them to us and help us originate those loans. And then we call those close those files than the originator, i.e. the capital syndicate member gets a fee for their service and that fee can be anywhere from half of a percentage point up to three points. It's really between the capital syndicate member and the borrower themselves.

Lee: And that's the great thing. I don't set the capital syndicate members fee schedule. They negotiate that one hundred percent with the borrower. So imagine for all of you that are watching this, you either know a real estate investor or you are a real estate investor, or you fellowship with other real estate investors at REA clubs and things like that. Everybody is looking for money. So rather than being one of the masses of where do I get the funding? You become the person at those events going, hey, I got all the money you need. Come and see me. And the beautiful part about brokering is it does not require you to have your own capital. It merely requires you to have



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access to people with capital. And that's why here we run to private equity funds that are all raised through private parties. We deploy that capital into those loans and then we originate those files and then we sell those off to private parties. So everything we do is in the private money space or in the private individual space, and it allows for a tremendous fee income for our capital syndicate clients.

Joe: And this is so cool. I know your time is valuable and I only want to take up another 5 7 minutes of your time, Lee. So do you have to have a license to get paid a fee for fine to bringing you an investor?

Lee: There are some states that require you to be licensed. However, the distinction is that's only if you are originating files in that state. I'll give a great example. State of Nevada is a license required state. So if you're going to arrange loans for somebody in Nevada and you live in Nevada, you have to have a mortgage loan originator's, a MLO license to do that. However, you can live in Nevada and you can originate a loan for somebody in Florida or Illinois or Ohio or South Dakota. You can do it nationwide. And that's the cool thing is not only am I not limited as to where I can lend because I'm located in the state of Idaho, which interestingly enough, Joe, is another license required states which we do not possess a lender license in the state of Idaho because we don't do a lot of originations in the state of Idaho. So for the people watching that, it go well, does my state require a license as my state not require licensing? For one, we answer all of those questions in the capital syndicate program. Secondly, it doesn't matter where you live. There are 40 states that do not require licensing that you can broker into and out of regardless of where you live. So our recommendation is to market into those areas where you can, and I will tell you this, that one of the best places that you can broker right now is in the southeastern corridor of the country. I'm talking Georgia and Florida and Louisiana and Mississippi. Texas. Why? Because we have ten thousand people a day in the United States of America turning 65 years of age and older. And they don't want to deal with cold weather anymore. And they are all migrating south and they are looking for opportunities to buy and flip and buy for cash flow. And we're seeing a tremendous volume of loans coming out of those markets.

Joe: So this is there's so many opportunities here. Like number one, Lee can lend you money for your deals. Right. But he can also pay you to bring him people who are looking for money for their deals as well. So this is this could potentially be a really good side hustle, a side income. You can



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still be chasing your deals. But as your networking, as you're talking to people, you could then present them with, hey, I got a lender here that can probably help you and you can send that investor to Lee and he can you can get a broker or even get a fee for that. Now, what kind of fees do you pay for the loans and how does that work?

Lee: Well, and that's I'm glad you asked the question that way, Joe. Because that is a misnomer that needs to be cleared up and that is that we do not set the fee. It is the relationship between the capital syndicate person, you i.e. the broker and the borrower. So we will give you guys a fee schedule that you will have your borrowers sign. This is essentially non circumvent non-compete agreement that locks in your fee for arranging and negotiating the loan. So and the other thing I want to point out here is: I am one lender in a sea of thousands of lenders and the capital syndicate does not render you specifically to just bringing deals to me. You are an independent contractor in this relationship and your obligation i.e. responsibility, fiduciarily to your client is to get them the highest loan to value the lowest possible rate for the lowest possible payment that you can get. So in an effort to be competitive with the capital syndicate. Not only am I going to give you all my lending criteria, but I'm going to give you the lending criteria for hundreds of my competitors because I will beat any competitors price in turn. So take the list of competitors if you can find better rates somewhere else. Go get better rates for your clients. Let me just restate what I think was important in that last list. That is, you are not working and bringing deals to Lee Arnold through the capital syndicate exclusively. You are becoming an independent private money broker originator and you can work in any state. There's 40 states that don't require licensing. And I'm going to send you lists of hundreds of my competitors so you can shop that loan to them as well and get your client the best possible price.

Joe: All right. So what are these what are some of the ranges of fees that people can expect to get on this?

Lee: Pretty standard fee is anywhere from half of a percent, up to 3 percent. So if your range, let's say one hundred thousand on a loan, the fee for that at a half a point or what's called 50 bips or bips and the industry, if you're getting 50 bips, that's 500 bucks. If you're getting three hundred bits or three points to be three thousand dollars. We have seen that the average pay out to our brokers and we've been running broker programs now for over a decade. So we've got all of the data to tell you exactly. But the average broker fee right now is sitting at about 2250. So two



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thousand two hundred fifty dollars for arranging a single up. Now, the other cool thing here, Joe, and I know that you have a lot of real estate investors that listen and follow you as well. You also can get paid to broker your own deal to a lender like us or any other lender. So if you are a real estate investor and you're buying that's holding an apartment building that you need a half million dollar loan on just write into the deal that I want two points for re arranging my own love. Well, that's ten thousand dollars. Two points on a half million dollar loan is ten thousand dollars. This helps offset your down payment requirements. It helps absorb some of those closing costs. But I think the biggest mistake that people make as real estate investors is thinking that they are in the real estate business and there couldn't be a statement that is further from the truth, because the bottom line is, if you can't find the funding to close the deals that you're identifying, you're not in the real estate investment business. So you kind of have to re-engineer or recreate yourself and come to the realization that you are in the finance business. If you want to exceed and excel as a real estate investor, you need to understand the backside finance business better than you probably currently do now. Because the ability to find capital in and ready to go tranches without question changes the confidence level at which you approach deals. You negotiate deals, you meet with sellers and lenders and even auction. But if you've got an unlimited source of capital, it just changes how and what you buy. It's a very empowered feeling.

Joe: Can you give us some quick tips on how to find people who are looking to borrow the money?

Lee: The easiest one, the fastest one and the cheapest one is Craigslist. A lot of people right now relying on free. And in most markets, you can still run Craigslist ads for free. I do know that in some of the large metros, Craigslist is now charging five bucks or \$25 an ad. But simply run an ad that says real estate investors, if you need capital, call me. I've got an abundance because everybody's looking for. I mean, you said this is the top of the show, Joe, because you and I run in a lot of the same circles. We know a lot of same people and they are all now scrambling to replace the institutional dollars that went away about six or seven weeks ago because they don't know where to go either. And so many of our capital syndicate borrowers or capital syndicate brokers are probably going to be bringing some of those people out away just because they don't know where to get the money. The local real estate, clubs, groups, local REO clubs, Facebook groups, real estate agents that represent lenders on our REO assets. The easiest way to sell an asset, another great group is wholesalers. One of the things that we teach our wholesale audience is how to get paid twice on the same deal. So go find the property, put it under contract. Send it out



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to your list. But now, instead of saying, hey, I've got an amazing wholesale opportunity, you now can say, hey, I've got a wholesale opportunity and I've got financing ready for you to go. So here's a no money down opportunity for the right qualified borrower. So now you're getting paid the wholesale fee when you assign it to the next semester and you're also going to get paid the broker fee because you're arranging the capital for the acquisition. So that's getting paid twice in the same deal.

Joe: I love this. And the cool thing about this is doesn't have to replace anything. The charity doing right. It's currently. Yeah. If you're just adding this in. So if you're doing lease options, if you're doing wholesaling, you're owner financing or buy fix and flip, buy rent rehab, or the BRRRR strategy doesn't matter. You just add this onto what you're currently doing and this is a great strategy that can just pay some bills you don't to necessarily worry about doing all the marketing, fighting the motivated sellers, negotiating and making offers and doing the inspections or the repairs. You're just finding people who need the money. You're connecting them to Lee and he's paying you a finder's fee, a referral fee or whatever you want to call it. Right.

Lee: Yeah. Joe, the other thing I want to mention here, just as you were talking about it, you know, you and I love real estate. I love real estate. And even as a company, we internally will flip over 100 houses this year and acquire another 50 holding properties. But there is a point in time coming in my life and in my career where I can assure you I'm not going to want to work that hard. And I'm sure that there is a segment of your audience that is still there. Oh, my goodness. The very thought of having to buy a piece of property and fix it up and manage contractors and realtors and try to get it sold off. I don't want any part of that, but my love of the industry will never wane. I love real estate a lot. What it represents. I love what it can do. But for those that are kind of on the other side of that age, still love the business, but don't want to be involved in the manual heavy lifting up the business. Money brokering is a great, as you mentioned, side hustle. It's a great retirement gig. It's all done from home. If you've got a computer or an Internet connection and a cell phone, you're literally in business nationwide because all you're doing is identifying need and aligning it with resources. That's pretty much all there is to it. So it is a great additive business to retirement for those that are living on Social Security income or whatever income you've got. If you could just add one loan a month that produces twenty-five hundred dollars in fee income, I mean, that's thirty thousand dollars a year. So adding 30 grand to a fixed income from retirement or Social Security. That's a pretty powerful thing.



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Joe: This is why the guys who are so excited about this. I've never heard anybody else doing this before. So again, if you want more information about this, go check out JoeLikesCapital.com. JoeLikesCapital.com. This redirected to a video that explains how the program works. Gives you an opportunity to sign up. This is pretty cool. And Lee, I want to let you go now because we're having these video problems and I apologize. We'll schedule another podcast here real soon. I'll reach out to your team. But I sure appreciate you getting on here. I feel like there is so much we could have talked about but didn't because again, you do you do a ton of deals. You've been in the business a long time. You have a lot of experience and you help a lot of people. I don't know why we have not interviewed you before. Probably everybody on my audience already has heard of you. But so we'll be doing a follow up podcast here, if that's OK with you.

Lee: Yeah, that is fantastic. I look forward to it. So before you go, Joe, thank you for the opportunity and for those that are getting involved here in the capital syndicate. I just want to welcome you onboard. I'm excited to be working with you. And congratulations. I think you're gonna be really pleased with your investment. Pleased with the decision for either your career or your retirement track. And I look forward to getting all your deals funded. So thank you again for the opportunity.

Joe: I love it, guys. Go check it out. JoeLikesCapital.com If you want to borrow money for your own deals or you want to get paid to bring lenders who are looking for money, it's a great way to make a quick couple grand. Side hustle on the side as an income in addition to the deals you're doing. Go check it out. JoeLikesCapital.com. We'll see you all later. Thanks again, Lee