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## Keys to Success When Making Lease Option Offers

Hosted by: Joe McCall

Hey, guys, what's going on, Joe McCall, REI in your car podcast.

And this podcast is brought to you by, I don't know, my webinar. Simple lease options. Do you wanna learn how to do lease options? Do you want to learn one of the best, fastest, easiest ways to make money in real estate? Do you want to learn the best way to get started in real estate? If you're a newbie, then go check out my webinar. SLO class dot com. SSLO stands for simple lease options.

So go to SLO class dot com to check out the webinar and I want to teach you. I want to dive into a lot of detail about how to profit from lease options, especially in this crazy market that we've got going on right now. These are some of the easiest deals to do virtually. And you know, when you can do now something with deals that you would normally throw away, sellers that have no equity, that have no not too many other options. This is a great strategy, especially as we're coming into this market where things are changing rapidly. And, you know, keep in mind, too, this is important to understand. You may think the housing market is strong, but the housing market is a lagging indicator. You know what that means? It means it's not going to it's not a leading indicator. It's a lagging indicator. And so when the economy starts going down, it takes about six to twelve months for the housing market to also go down. When the market comes back up, it takes on average six to 12 months when I'm sorry, when the economy starts going back up. Right. It takes about six to twelve months for the housing market to go back up as well. We've seen this over and over again.

So in the last podcast, I talked about what is a lease option? How do you make money from these options. Now on this quick little podcast, I want to talk about the keys to success when making lease option offers. And I'm also going to talk to you about some common mistakes that people make when trying to do lease options when dealing with sellers. But number one, one of the biggest keys to success when you're making lease option offers is, number one, get in light. I said number one twice, didn't I? Just making sure you're on your toes. It's getting late, right. You don't want to use hardly any of your money, if any money at all. Now, the money that you might put down on a lease option, deal you



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actually ultimately get from the tenant buyer who moves in the house, who's gonna live in the house. Right. But you don't want to use any of your own money if you can can when you're doing lease option deals. And almost every one of my lease option deals, I didn't use any of my own money. But if you do, that's OK. If it's a good deal, it's got good cash flow. But just get in light. All right.

Another key to success, only desirable neighborhoods. Write that down. You only want to do lease option deals in nicer neighborhoods. So if you're in the Midwest, for example, like St. Louis, where I am, know the median home price, depending on where you're looking, is about a hundred and fifty to two hundred thousand dollars. OK, so I want to stay in that median price range. I don't want to do anything. I don't want to do lease option on anything under 100 grand and nothing over three or four hundred thousand dollars. OK. It's not a hard and fast rule, but you want to avoid the cheap homes and you want to avoid the real expensive homes.

Number three, the key to success, no small houses. You don't want to do lease options in small houses for one simple reason. You can only sell homes people want to buy. And very few people want to buy a 900 square foot three bedroom house. I saw one today. Was it four? It was a three bedroom, 900 square foot house. Can't believe how small those bedrooms must be.

All right. The fourth one is use your company name. Try not to, now, people ask me all the time, do I have to have an LLC before I start doing deals? No, but I recommend you get an LLC as soon as possible. Right. You can do deals in your own name, but it's smart. And I'm not giving you legal advice, you need to talk to an attorney. But you always want to try to do deals in a company name. Don't use your own personal name. It helps with liability and all that good stuff. And if you're smart, really, really smart, you can put all your properties in trusts and the outside of the scope. I'm not going to teach you about trust, but that's pretty cool.

Another important thing on your lease option deals is the seller's insurance must match occupancy. What does that mean? So when you're doing a lease option with a seller, you want to make sure the seller has converted their homeowner's policy, their homeowner's insurance policy, to a landlord policy. It's really important that it's on my checklist when I'm dealing with sellers. I want to make sure that



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they've let their bank know and their insurance company know that they're turning this into a rental property. So they need to have landlord insurance. Cool? The other big thing that's really important is use an escrow account to make payments to the mortgage company, especially if you're doing a lease option assignment given if you're doing a sandwich lease option and you're staying in the middle. I always like to have a third party in charge of or responsible for taking the rent, collecting the rent from the tenant, paying the mortgage every month, and then sending any difference to you or to the seller, depending on how you're structuring the deal.

So I always highly recommend using third party escrow companies. You want to be removed from that. You don't want to be in a place where, like, I used to be back and when the market crashed, getting phone calls from the sellers on day 16. Hey, why isn't the mortgage payment paid yet? Because they're getting calls and texts and emails from the bank that the mortgage hasn't been paid yet.

Get an escrow company to do that.

The other big key to success is don't do repairs or maintenance on the properties on your lease option properties. You should not be doing any maintenance or repairs. You shouldn't be fixing the house up. I've done a lot of lease option deals where I just advertise them as handy man specials and I got the tenants to do the work. I was just talking to a friend the other day. We go way, way back and right about the same time we moved out of one of our properties in a similar neighborhood. And I didn't want to sell, so I just did a lease option on it. And I had a tenant buyer in that house for seven years and was talking to him. He has he's had a tenant buyer in his house for six, eight years. I think it was seven or eight years. So anyway, both of us said the same thing. Never had one call from the tenant buyer to fix anything in the house. I'm just telling you, the mindset of tenant buyers is worlds of difference from regular tenants.

The next thing I've lost count. I don't know what number it is, but the next key to success is give yourself plenty of time. You don't want to be stuck in a lease option for just one or two years when you're dealing with the seller. You want to be in the lease option for a minimum of three years. You want to try to get five, maybe more. So make sure you give yourself plenty of time on your option agreement. The



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other thing is you want to make sure you have plenty of time and the amount of time that you have to find a tenant to live in the property. So you want to make a lease option agreeing with the seller that says, all right. Today's July 15th and on August 1st, I'm going to start making your payments. Unless it's really smokin hot deal. Don't do that. He's just not you've not given yourself enough time to get the house ready and to get a good tenant buyer in the home. The other thing, too, is if there's a tenant in the property now or if the seller's living in the home, you've got to give yourself plenty of time after they move out.

So I don't even start the lease option while there's still somebody living in the property. I'll tell them I'll start my payments 30 to 60 days after whoever's in there moves out. OK.

And then the other thing, the other key to success is always build an escape hatch into every deal you do. This is really important. You should always have multiple exits when you are doing lease option deals and any deal. Right.

So you want to make sure, like if you're gonna stay in the middle of a lease option deal if you had to get out of the deal, could you? The answer's yes. Right. You get to sign your lease option somebody else. You know, if you've got enough equity in it, you could just listed on the MLS and hold tail it. You know what I mean by that? Just get a flat fee broker and sell it. All right, what's the next one here? Oh, yeah. Make your contracts subject to an inspection. This is a no brainer. All of you all know this, especially if you're using my contracts. You always want to make sure your contracts are subject to an inspection.

And for me, I give myself what is at the top of my head. Thirty days. Sometimes I'll put on their 15 business days, which is really three weeks. But you always want to make sure your contracts are contingent on an inspection. And if you're gonna stay in the middle of a deal, get a professional inspector. You know, you can get a good one for, if you tell them, especially if you tell them like this and you don't have to do a big fancy report or anything like that, you should be able to get a good inspection for a couple hundred bucks, three to 400 bucks.



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Couple more here. Three more. Two more. Two more. Two more. Make sure your contract is subject to you finding a good qualified tenant buyer.

Do you mean you can actually make your contract contingent on you finding the tenant buyer to live in the home? Yes, and I do that all the time now. To do that, though, I make the option agreement flex a flexible option. So the seller, if they sell it or lease it or sell it, rather, if they sell the property before I find a good tenant buyer, that's fine. They can just cancel my contract and they don't owe me anything.

But if you can, if you can get away with it, make your contract subject to you finding a good qualified tenant buyer to live in the house. The final thing I say, I'll say here, the key to success when doing lease options and making lease option offers is always the future it's going to stay in the middle. Always check the title.

Make sure you do like a preliminary title search or a lean search. You want to make sure the property's not over encumbered. There's not anything funky going on with that property. The other big thing is make sure the mortgage is current and make sure that you're dealing with the owner on title. Make sure you're doing when you're signing your contract with the seller, they're the actual owner on title. OK.

And that's it. That's my list. So, number one, remember to have your your minimum requirements. What are your minimum requirements for doing a deal? What's your minimum cash flow? What's your minimum equity? The most you'd be willing to put down on the house. The minimum amount of time that you'd want to have any lease option. So what's your minimum criteria? Make sure you know that. Number two get in light. Number three, only do deals in desirable neighborhoods, nice houses, nice neighborhoods, no small houses, no monstrous, huge houses either. Use your company name. Make sure the seller's insurance matches occupancy. Use an escrow account or a third party to make mortgage payments to collect the rents and pay the mortgage. Don't do the repairs or maintenance on the properties, ever. That's important. You can waste so much money doing that. Give yourself plenty of time to buy the house, to get a tenant in the house, right? Always build an escape hatch in every deal you do. Make sure you have multiple exit strategies. Make your contracts subject to an inspection. Make your contracts subject to you finding a good qualified tenant buyer to live in the house. Always check



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the title and the mortgage to make sure it's not over encumbered. Make sure that the loan is what they say it is. And you know back, I don't know, five, 10 years ago, it's a big deal. You had to know if there's there were a lot of adjustable rate mortgages out there. Right. And I've seen this happen to other investors where the cash flow was good. Right. But then the rates adjust and all of a sudden that three hundred dollars a month you had in cash flow is gone and you're stuck with this property that you've committed to make payments on for the next three to four years. And there's no more cash flow in the deal. So you have to be really careful with all that stuff. Cool.

All right. I'm to do another podcast here pretty soon that relates to all of this. And it has to do with common mistakes that people make when doing lease option deals or common mistakes when dealing with sellers. So stay tuned for that. I'll be doing another podcast on that as well. Listen, guys, if you want more information how to do lease options and how to make money making lease option offers, I want to invite you to my webinar. I did a webinar called Simple Lease Options, and it's one of the easiest and fastest ways to get started and real estate to start doing deals.

Go check it out at SLO class dot com. SLO stands for simple lease options. SLO class dot com.

Go check out the webinar. On there, I want to show you some marketing that you can do that's free and get more leads and you can handle using doing this marketing. Number two, I want to show you how to negotiate with sellers and get these properties under contract with a simple one page contract. I'm gonna review that with you and show you my proposal and how I make my offers. I'm even gonna give you the calculator I use to make my lease option offers. And the third thing I'm gonna show you how to do on this webinar is I must show you how to sell these deals lightning fast to a hungry pool of buyers with money.

So these are some of the easiest deals to sell to tenant buyers. So check out the webinar SLO class dot com. SLO class dot com. We'll see you all later.



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