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## Deals Gone Bad #17: When A Tree Falls On Your House 4 Hours After You Buy It – Tim Grimmatt

Hosted by: Joe McCall

Guest: Tim Grimmatt

**Joe:** Hey, guys, welcome. This is the Real Estate Investing Mastery podcast. How are you doing? As I'm recording this, we are two days away from Thanksgiving. Love the Thanksgiving holiday this time of the year. We have so much to be thankful for, don't we? I'm thankful for my family, thankful for my employees, my staff, my people. That worked so hard for me. I'm thankful for you guys. Listen to this podcast. It's been crazy, man. Hasn't 2020 been one of the craziest years ever? 2021 may be just as crazy. Maybe more. Who knows? Right. But this thing I do know that God is good. Right all the time. I can hear this guy at church. Whenever a pastor says God is good, he yells from the back of the church "All the time" is a big black guy. He's just so much fun but all the time. Right.

**Joe:** So we have so much to be thankful for to God. And this isn't a religious Christian podcast. I mean, maybe it actually is. It's really it's a real estate investing mastery podcast. But I know I couldn't be here. I couldn't have the success that I have without God. So I hope all of you all take a minute during this Thanksgiving time. And even if you're listening to this a month later, stop right now what you're doing. I'd encourage you to just say a quick word of thanks to God, because if it wasn't for him, none of us would be here. None of us would be doing this. Even if you believe in him or not, you wouldn't be here without him. So just say thanks to him. We're cool. So this podcast series is called Deals Gone Bad. And this is episode number seventeen in the series.

**Joe:** And I'm thinking about doing a podcast series real soon here, interviewing people like this in the same kind of a format, but asking them about deals gone good, like talking about their first deal. And so just stay tuned for that. It's a series I'm going to be doing real soon here. Talking about first deals. What was your first deal like and how did you do it in the lessons learned? And if you were to talk to yourself back then after having done so many deals today, what would you tell yourself and all that good stuff? So stay tuned for that. Got a lot of cool things in store for this podcast in 2021. My goal is to be the longest running real estate investing podcast out there. And there's only like three or four guys ahead of me. And I probably shouldn't even be talking about it, because if they knew that I



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was gunning for them, wanting to have a longer real estate podcast, and then they would probably fire them up to do even more, which is not my goal.

**Joe:** I don't want them to do any more. But anyway, this is a good podcast series because what we're doing is we're listening and learning from guys that have rebounded. They've done a lot of business. And if you haven't been in the business, if you haven't had a bad deal yet, if you've not had your shorts handed to you. Right or whatever the phrase is, then you've not been in business long enough. You've not done enough deals. We've all had bad deals. And the great thing about learning from people that have made mistakes or had bad deals in the past is how they rebounded from it. What did they learn from it and what would they have done differently? And learning these kinds of things will help you avoid the same mistakes. OK, and so this podcast we're doing today is with a good friend of mine. He's been doing real estate investing in the St. Louis area for a long, long time. And his name is Tim Grimmett.

**Joe:** And he helped coach one of the guys who got me started and one of the guys who helped me in the business. He's been in it for a long, long time. His name is Tim Grimmett. Oh, but first, let me just say something I forgot. Tim, thanks for being so patient, man. I see you there. I haven't forgotten if you want the notes from these podcasts right now, all of the notes are in a mind map, the transcripts, the links to the videos and everything like that. If you want the notes, you can get the notes by texting the word bad to thirty one thirty one thirty one. Every podcast we've done in here has been we've been talking about lessons learned. What would you have done differently? How would you do this differently? What would you tell other people? And so we're collecting all of those notes and putting them together. And if you want that, those notes right now, they're in a mind map. Pretty soon they're probably going to be in a PDF or a book or something.

**Joe:** Text the word bad to thirty one, thirty one, thirty one, or just go to [JoeMcCall.com/bad](http://JoeMcCall.com/bad) and you'll get all the notes. The other thing I want to say, too, is if you're watching this live, Facebook or YouTube were Periscope right now, pretty soon LinkedIn, if I can figure out how to make that work, then comment down below, comment below the video and on Facebook, on YouTube and just say hello. Tell us where you're from. Like Kimberley right here says all the time, God is good. She's right. So if you've got questions for me or for Tim as we go through this podcast, type them in the comments and give us a thumbs up. Subscribe to the YouTube channel like the page and share this. You really appreciate the



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feedback from you all. OK, cool. I think we need to bring Tim on enough of me talking. Tim. How are you, sir?

**Tim:** Fabulous. And just excited to be here with you today. And I echo what you said. God is good all the time.

**Joe:** All the time. Does it matter if you believe in them or not?

**Tim:** There's not going to make a difference.

**Joe:** You still good. Cool. Well, Tim, you I first heard about you through Sean McClosky, mutual friend. And what year was that? He came to you one time. I love this story. He was just getting started. He asked if you would help him learn the ropes, learn how to do deals, and you kind of reluctantly agreed to help him. And he tells the story. It's really funny where you told them, all right, go look for these deals, right, and he would bring them to you and you have the real specific order of what you needed to see and needed to see this on the first page and this on the second page and this on the third page. And if you if he had any of it wrong, you gave it back to him and said, nope, go back, do it again. Do it right. How long ago was that?

**Tim:** It's probably 2003. 2004. I got involved in real estate about 1999. He tells a story so aggressively angry and that was a time when things was happening, was busy. And he said, I just literally threw it in a trash can. Oh, that's right. It probably happened like that. He says that he'd come to my office and sit outside the room for two hours and wait till I got done. And when I come out, he's like, OK, now here's my chance. And life was pretty chaotic back then, but he was persistent. And, you know, Sean is going to make it happen.

**Joe:** Yeah, that's a funny story. I forgot he did say you were angry and you made him wait for two hours and he threw his leads in the trash can. So you've been doing this business now is that 17 years now? Almost 18, 19 years.

**Tim:** It's been long time. About twenty. It was ninety-nine. Twenty, twenty-one years. In St. Louis. In St. Louis the whole time. Still plugging away. Still do it every day.

**Joe:** How many deals do you think you've done? How many houses have you bought and sold.



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- Tim:** Probably around two hundred. I mean there's a lot of make that you do because rentals you may touch a rental five or six times in that time period, but house wise probably about two hundred houses.
- Joe:** That's amazing. And that's your full-time income. Is that what you're doing full time still today?
- Tim:** Full time income and coaching as well in the real estate arena and how to buy investment property and hold them long term. Change your life and a little more in your relationship coaching just recently.
- Joe:** So, yeah, super cool. All right. So let's talk about this deal gone bad. This is hilarious. I mean, not funny, but you couldn't have asked or expected this to happen to anybody. Four hours after you bought this house, a tree fell on it. Right. And did you even have insurance yet on it?
- Tim:** That's the exciting part about it. No, I did not have insurance on it. But the short answer, this house came to me from one of my students that I had in the past, and I said, hey, she knows I got low in property. I paid five thousand dollars for it.
- Joe:** That's really good. Let's talk about that for a second here. Where do you like to invest? We're both in St. Louis. Where are you looking to buy your house?
- Tim:** I would look into what you would call the C environment. It's safe. I call it safe, but it's low in it's houses that can be paid off in one year or two years, three years max. So it's good bones, nice neighborhood. You get to it easily from the highways. You know, it's just a blue-collar working environment. I don't like a lot of it, having suffered the downturn of two thousand eight nine in anyway. It's just a new philosophy I've taken. I'm relooking at that now that I've got enough properties I might be upgrading a little bit into the B market with a little longer term investment and debt load, but you get better tenants. So this environment is I'm sure we're going to get to in a minute. How is that tenant in the C neighborhood faring in this environment?



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- Joe:** Yeah, that's an interesting topic. So give an example of a house that you over the years that you've typically invested in in the C neighborhoods, what price range, what do they rent for?
- Tim:** Price range are going to be for me, picking them up anywhere from seven to twenty thousand dollars and I will probably put less than ten thousand dollars investment into it. So they're no more than thirty six thousand all-in. Three-bedroom, one bath, and they'll rent anywhere from seven fifty to 950.
- Joe:** OK, now that doesn't mean they're worth that much. You're buying them still at significant discounts.
- Tim:** Fifty percent or less usually where I'm at.
- Joe:** So these things fixed up. If you were to sell them to a, I don't, I don't say disrespectfully, but if you were to sell them to a California investor, what would what would they what would they buy these properties for fixed up?
- Tim:** They would be somewhere between forty-five and fifty five, maybe sixty thousand dollars, OK.
- Joe:** And they'll rent for seven to nine hundred bucks?
- Tim:** They still cash flow four fifty a month after so and twenty-year finance.
- Joe:** Which is interesting because if you are a wholesaler. Right Tim Grimmatt is not going to be your buyer. Tim Grimmatt is going to be the guy who is selling these things. Your buyer are the guys in California and you're going to fix them up a little bit. And Tim has bought properties from me before, but they were like rough, they were rough areas. Tim bought them, got a great deal on them and flipped them immediately after and made a nice handsome profit. Yeah. So Tim's really good at that, but he knows the business so. All right, so where was this property located that you're where we're going to be located in Jennings, Missouri, which is about five miles from the airport.



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- Tim:** If you're familiar with St. Louis, you just continue going east on seventy-four, about five exits get off. And it's right there. The brick home, it actually had been moved from the city. There's a little history that went the story. Tree falls on your house. Everybody neighborhood comes out and looks at it and tells you all the stories by the owner had moved that house from, I believe, Penrose down in the city to this location, so. Very solid house. It was definitely a solid house.
- Joe:** When was it built?
- Tim:** I don't know, but was probably 70- or 80-year old house, I believe when it's moved, it got put there. I'm going to say sixty-four. Sixty-five is when they moved it.
- Joe:** Why didn't they just build a new home? Why did they move it?
- Tim:** I don't know. It was a double lot. And the parents moved the house. The woman who lived in the house lived across the street and told me this story about the house.
- Joe:** And so how did you find it?
- Tim:** One of my students, Melanie Claybourne, called me up. It had fire damage. The kitchen had been burnt out and the rest of the house was intact. I knew from my skills that's about a seven-thousand-dollar repair and I'd have the house paid off in about a year and rent for eight, eight fifty and it'd take me about a month to put it back together. So that was my scheme on the house when I first got told about it. And I buy a ton of houses from wholesalers, they just know I'm the junk man, probably with all their stuff and nobody else wants.
- Joe:** And that's why I sold you those two or three houses, if you remember?
- Tim:** I do. We won't name that person. But it was a beautiful house. I put fifteen hundred dollars into it, rented it out and in selling it for like seventeen thousand dollars and got one of my best coaching students ever out of it.
- Joe:** Did you really? Yeah. Good for you. We won't go into that story. That's another. I should interview that guy but I don't think he would want to talk about.



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**Tim:** No, not at all.

**Joe:** There's the long story. But a lot of you guys know who this is and you'd be shocked. It's really a sad story of how he got suckered into buying these things.

**Tim:** And that happens so often.

**Joe:** Yeah, maybe that's another podcast talking about how to avoid those kinds of mistakes. All right. So this is a typical house that you like to buy. Good, solid bones, three bedrooms, one bath in the in an area where some people it scares some people, but it's not the war zone. You're right there on the border and you get good, solid blue-collar working-class people into these homes. But also typically these houses are older. Right. So there's more maintenance. It's going to be required on these properties and you probably have a higher turnover. Would you say you have a higher turnover in these areas?

**Tim:** Higher turnover. I mean, no one staying two years or more typically. First time renters, definitely credit is blemished. Have a story at least two or three stories. And it's a gut feeling. And then just having dealt with people, this particular person was one of my priorities. It's coming from a true war zone and she was a great tenant there. So I had a problem with her. It was just getting past all the inspections. And this is covid environment. That's kind of how it all happened in the first place. I actually had to close going through the bank, drive through all of it.

**Joe:** So you just bought this recently?

**Tim:** This was April 8th of this year. I moved up, closing one week just to accommodate the guy who had paid off from his insurance guy for the fire damage. And I'm like, sure, I'll move it up a week. No problem. And that's when everything changed. You couldn't go the title company. You had to wire money out of the bank. And after spending about an hour in a bank drive through trying to figure out the wiring instructions, getting it straight, it threw me out of my normal pattern. And then when I got done, if I'm just going home and I didn't order insurance and that was the horrible part is because I don't have a checklist you go through. You've done this many, many times. But you I'll go through the drive through and close on your property what threw me out of whack and then I get home and just chill out for the rest of the evening.



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- Tim:** I wake up the next morning and kind of panic because it's like I never got insurance and I caught my insurance guy who I'd never seen before. And he's like, oh, no problem. We can put it on. It'll start at twelve o'clock from last night. I'm like, cool. And about two hours after that, I get a call from Melanie saying, Hey, did you see the email that I sent you last night? I'm like, what are you talking about? And she goes, Oh, I sent you some photos. I'm like, no. So let me check it out. So spin around, check out these pictures, which it looks like a huge tree is laying on my house about dusk, so it's about seven o'clock or so. And then you get that real sick feeling in your stomach and call my insurance guy back and he's like, Hey, Tim, I'll meet you out at the property. We'll take a look at it. Don't worry, because both you and the seller are represented by our company. That gave me some assurance. So we drive out there about noon, get to the property. I mean, the tree, the circle of the tree, maybe 12, 13 foot and just laying across the house. The best part of this story is that it fell on the kitchen part that was burnt. So we meet out there. He's talking once again. He reassures me, just get the house taken care of.
- Joe:** And let me ask you a question about this, because this is something that I know a lot of people wondering about. You buy a house that's been fire damaged. Right. The seller maybe has already received the money from the insurance company. Yes. They don't have, do they have to put that money into fixing the house up? So if you buy the house, the seller has already received the insurance money. They didn't put it into the house to fix it up. You still buy it. You still buy that house?
- Tim:** I'll still buy that house.
- Joe:** All right. And so there's nothing there's no kind of law or rule that says that money from the insurance company has to be put into the house.
- Tim:** Not that I'm aware of. Now, he may have an issue with the county if he leaves the house in a derelict situation, that's cause he bypassed them. Sometimes, like in a city, they will receive the insurance claim and he has to do the work and then they release the claim against the house. I've been involved in some of those days, but he got the check directly because it was it wasn't totally devastating. I sent you the photos on, know if you got the link, but we do. It wasn't where it would create a hazardous environment for anybody walking through the neighborhood. OK, so anyway, I was allowed to purchase the



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property. The insurance guy meets me over there, tells me, and I'll get the tree off the house and we'll be reimbursed because we both were insured by his company.

**Joe:** That was the story if you want to look at the pictures. Sure. All right. I'm going to put them up on my screen here. Those of you watching on YouTube or even on my podcast page, real estate investing, mastery, dotcom, you can see the pictures. So let me get it right here. Do you see it, too? I did. OK, this is the front of the house. That's a nice-looking house.

**Tim:** That's what it looked like when I went to purchase it. It was you know, it was an antique. You go through a couple more pictures to show the interest and fire.

**Joe:** It looks like some smoke coming up to the front door.

**Tim:** Yes, it was fire damaged in most of the upstairs unit. That's what it looked like on the side of the tree. A tree in the back. Yes, smokes. But it was the smoke damage on the inside where the fire department had been there.

**Joe:** And what did you buy the house for again?

**Tim:** The house I purchased for four thousand dollars and I paid the wholesaler one thousand dollars.

**Joe:** Four thousand dollars. Now, this smoke would scare somebody. It would. And it was to scare you because I know that you can you clean it and you paint right over top of it and you have to use some kind of special kilts, paint or something. Right. Like a heavy duty.

**Tim:** We use the brick cleaner to clean off the other stuff on the inside. But the problem was in between when the insurance company said they would pay for it. And when I got a letter 30 days later, forty-five days later saying, nope, you're on your own. It had rained inside my house for a month, created more of a challenge dealing with the mold and so forth.

**Joe:** It had to do with this tree is huge.

**Tim:** Yes. That you can see the root ball is taller than those guys. And later on, you'll see that the stump is ten foot tall, the basketball goal beside it.



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- Joe:** Wow. Yeah. Look, it's like two or three feet taller than these guys.
- Tim:** Yes. And it was just windblown. It wasn't a rain. It wasn't anything. It was anything that would make you think like, oh, that tree is going to fall down tomorrow.
- Joe:** Holy smokes. So this tree that's is the inside of the house right there.
- Tim:** Yes. The tree is on the ground. It's still 30 feet above the house.
- Joe:** It has the trees laying down and it's still way up here. Yes. Yes. So you had to hire. How much did it cost you to?
- Tim:** The tree removal was forty-nine hundred dollars. And it said, holy smokes, that was a deal.
- Joe:** That is a deal. Like still that's a lot of money. Yes it was. This is so big. Forty-nine hundred dollars to remove the tree.
- Tim:** And that stump, as you can see, it's taller than the goalpost.
- Joe:** Holy smokes. A basketball post right there. Yeah. And it just was windblown. It just blew over.
- Tim:** Just windblown. And it wasn't really a strong wind. It was just the leaves were all on a tree. The roots.
- Joe:** Thank God nobody was in the house. Yes. That would have definitely killed somebody if they were in there. I could have. So you went in and you fixed it up. We'll talk about this. It looks nice. We're just looking here at the rehab pictures and looks like you got a new release, half of a new roof. Are these your own crews?
- Tim:** These are people I work with. I no longer have crews after being in business. Twenty years. I've got lots of contacts. That's my wife. She's my painter.
- Joe:** Oh, she's your painter. You pay her, right?



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- Tim:** Yes. I take her out to lunch every day that we finish working. So obviously in order to recoup some of the cash in here, I did do a lot of the work internally that I don't do normally at this level, but we put that back together a lot of hours and that was during the covid season. So we had just moved a year earlier. So I was working on my house at home and we're working on this house. So it was good. It was a nice time when you're supposed to be quarantined. We were just working on the house and getting it put back together.
- Joe:** So looks like you did a great job. So you had to redo the kitchen.
- Tim:** The kitchen had to be totally redone in that time frame, take time to do the plumbing. Do the electric, put it all together. And it was just a total gut in the kitchen, but the rest of the house was intact, a half a bucket of mud upstairs. And we put about ten sheets of drywall in the basement because all the water had run through and the ceiling in the basement. Once that was done, it was just a paint. It was paint. The kitchen, the bathroom we put back together, took it down to the studs in the bathroom, put in tubs around. But really everything electric, obviously electric was totally fried. It was knob and tube. So when you knock out the ceiling or the roof, it killed a lot of the knob and tube. So that was an expense that I really hadn't anticipated. About five thousand dollars. Just rewiring.
- Joe:** All right. Well, let's rewind a little bit. You had the insurance guy said, yeah, we'll cover the same insurance company covered. Had the previous owner. And you, right? Yes. Is this, you don't have to give name the name of the company, but is it hard to find insurance companies that insure homes in these neighborhoods?
- Tim:** Not for me, no. There's a great guy that I referred all my students to, and he covers probably 80 percent of everyone. Their company probably covers 80 percent of all the rehabs in St. Louis. I would guess very well known. The company was did fantastic. Was just there was a gap. He thought that the owner's insurance that sold it to me would cover to midnight and then my insurance would pick up from midnight. Going forward, however, we learn in real estate law, the moment you sign at the closing is when the sale is consummated, even though you may have been days away from this like it was. We didn't close for several days because the money had to transfer. We had to get all that stuff. But the moment I signed at whatever, four or forty five in the afternoon, the other guys in California. And so the moment I signed is when the deal was done, even though the money had not transferred, that not transferred.



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- Tim:** Oh wow. Even though the money getting transferred to the next day, the moment that for real estate law, it happened the day prior to the tree fall. So I'm thinking that, hey, I'm covered. He's covered in the money transfer so that the deal doesn't go through until the money because it's a real estate transaction in a homeowner, you don't get to move into the house until the money transfers, and then you get you get to move moving out. But that's not so. Even if it's days before they get to move in, it still goes back to the moment when you sign it back.
- Tim:** All right. So the insurance company said, sorry, you're out of luck and now you know it's all on me. So how do you rehab a house that should have been seven grand, which turns into about forty thousand? And that's including the note that I had in private money it already borrowed and the cost to the house. Everything is totaled. The rehab was probably around 30 grand. Just getting the tree off, putting it back together. And now you're faced with a government which won't come and inspect your property.
- Joe:** So by the way, in St. Louis, in this area, you have to get it inspected before you can get occupied. It's called an occupancy inspection.
- Tim:** We have to get it inspected before you can get the electric back on. So, you know, in the fire they disconnected everything. Water, gas and electric. So now you're trying to get a wiring inspection before you can even get. So that was the challenge we had with all those different steps and trying not to be upset with too many people. But if you know me, I'm just not going to wait and sit around. So I go across the neighbors. I'm sure I got to get electric from somewhere. So I get what turns out to be a blessing because my wife is with me. Everybody knows her in North County because she taught Special School District for twenty-eight years. The ones right beside the house knew Nancy. I heard a scream and I was like, well, somebody knows us.
- Tim:** And we were able to run electric cord for a month from her house to our house to run generators and do what we needed to do and do all the work to make it happen. Until we got all the inspections and we never got an inspection. We got a wiring inspection that said, go ahead and turn it into the electric hot. And from that point on, they were like, take pictures, take pictures, take pictures. And we did it. I didn't get an inspection until the moment the final pictures you saw the woman walk through for an occupancy inspection. She retroed all the other ones back. Wow. Which is totally rare.



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**Joe:** Yes, totally. That goes to say, she probably just trusted you and your reputation.

**Tim:** I have bought many houses in Jennings and the people at City Hall knew me and I had some good favor, as you say. And we did the work and we did the work mean we put it all back together as if we're going to live there. And I tell that story. And I actually did move into one of my rental properties and lived there for 14 years. So that's that that's the quality we put it back to. And a lot of people laugh at. They always cut corners, like I tell me, clean and functional, because in a C neighborhood you don't put granite countertops in the house. It just doesn't make sense.

**Joe:** So how much, run through the numbers again? How much did you buy for what did you put into it? And even what are your carrying costs? Did you use private money for this?

**Tim:** I did. OK, real, real private money. Again, I started out, I had a ten-thousand-dollar private loan that came to me before I even closed on the property. I just made a phone call and she said, OK, I'm sending you the cash. So ten thousand dollars arrive. Before I even purchased the property, I bought the property for five thousand dollars and I had about twenty-five thousand dollars' worth of true expenses. In the year prior I, that same poaching student, had bought a package of eleven properties together and we sold all them. I had the best year ever last year. Coaching was great and so I had a little bit of money in the bank and then got to use it all in putting this together. So then once we were finished, we got it all occupied. I reified out with a local bank, which there is redlining in St. Louis. No matter what they tell you, there are several banks that will not touch this property, but there is one go to bank that I have that she goes, you need to call out those other banks. And I'm like, I will not do that.

**Joe:** How can that be happening?

**Tim:** Let me tell you, there are magical formulas that they have, they have distances they can only go from your bank. There's all kind of stories that you will be told of. Why they can't refinance is too low. The loan amount is too small. All of these stories you get, but it really comes down to them protecting their portfolio. And I can't blame them for that. It's just that I'm trying to do business in an area that still needs home loans. Yeah, there are still people living there. And this one bank that I have, has never giving me a problem in financing those areas that were good for them.



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- Joe:** Do you want to mention their name since they're doing good work?
- Tim:** FCB Bank. They're an Illinois bank and Collinsville, they will always do the loans. Wonderful. There is a location branch right at Lindbergh and Halls Ferry in North county. FCB Bank.
- Joe:** F.C.B Bank. All right. Sorry about that. Yeah, that's awesome those guys could do that. Good for them. OK, so you're all in. How much on this deal?
- Tim:** All in forty-one thousand dollars. That's everything. Everybody being paid off. I refinance out for twenty-eight thousand because he only gave you 70 percent of what you have in the property, appraised it like forty-five thousand dollars, which you know, it takes a little bit of the sting out of it.
- Joe:** But yeah. OK, then what are you renting it for?
- Tim:** The rent four twenty-five a month. It's fantastic. Yep. So I'm cash flowing four fifty, four forty five a month.
- Joe:** That is awesome. All right. So you're in this more than you had expected. Yes. It's not a total loss. I mean you're getting a great ROI on your money.
- Tim:** It is a fabulous property and it's obviously now everything is new on the inside new roof, new whatever. Air conditioner furnace all works fine. New electric plumbing. We redid hardwood floors so you don't have to worry about that bathroom updated kitchen new. So there's you know, it's good for another 20 years, you know. So it's a fabulous property. It's just that is now a fifteen year note that I have to endure.
- Joe:** But it's OK because even with a fifteen-year note, you're still cash flowing four hundred and something bucks a month. Yes. And you're paying it off aggressively. You probably pay them off faster than the fifteen years or what.
- Tim:** Yes. We'll probably have it paid off five or seven years. All my properties. That's, I put it on a fifteen twenty-year time frame but my goal is to pay it off in seven years.
- Joe:** So your private investors, are they paid off? Or you still owe a little bit to them?



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**Tim:** I paid them off when I got refinanced because I like her. She'll send me 10 grand any time I need it. And just for whatever. Ten, fifteen. I got another guy. Give me 20. So that's the type. I just piecemeal those together with self-directed IRA money and you never have to wait. So I don't have to worry for my hard money lender who I love. I won't talk about her either, but not going to finance that deal.

**Joe:** What approximate interest rates if you don't mind sharing are you paying your private lenders?

**Tim:** 10 percent.

**Joe:** 10 percent. And that's and they have that money in a self-directed IRA just sitting there. Nice. Very good. This is a buy and hold property you're keeping for yourself. You have plans on selling it at all or?

**Tim:** I do not. I'll keep this one. And there's even more part of this story as the house in that fell down, the guys that came across the street and want to tell you the whole story, he says, hey, this guy is trying to get rid of the house right next to me. And I'm like, do you want for it is it's already ready to go? He said, I think he wants 20 grand for it. I'm like, well, get in touch with. So he gets in touch with him. Two months later, I'm fixing the house. I walk through the house with think this guy is a executive. He wants to get rid of all his rentals. This year. I walk through it and I say, well, it's about fifteen hundred dollars' worth of work needs to be done. I'll give you.

**Joe:** Fifteen hundred or fifteen thousand?

**Tim:** Fifteen hundred. Oh, OK. I said I'll give you nine thousand dollars for it or whatever. Eight thousand dollars. He says, no, I need more than that. He says how about nine. And I go, deal. So I bought the house. It needed fifteen hundred dollars' worth of work for nine thousand dollars and the Lord told me give that one to the nonprofit. Blessings to others.

**Tim:** So I was kind of frustrated by that because I was like now going to get my cash back and I might be able to get a little gain. I ended up giving that one to the nonprofit, Blessing to others, which is affordable housing, and then our of that the guy called me later and said, hey, I've got a buddy that's father in law died. He's got three properties he wants to sell.



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Would you be interested? I'm sure. You look at sometimes it's the bad side, but look at the blessings and look for all them all the time. And out of that was three houses. And then the other guys I helped him sell, the other two properties he had to two of my students. So he got out of all of his and we took care of the other person.

**Joe:** And this has been my favorite deals gone bad episode. Well, this has been a good one. I love this.

**Tim:** You know, I try to make it great for you, Joe. Real estate is exciting in St. Louis. There's always something to do and learn. And there's all kinds of ranges. I mean, you can go from five thousand dollar property to as much as you want. I have students at one hundred fifty thousand on a rental property and put 30 year notes. I had a guy call me yesterday, he buys deep in a city in the war zone and he was like how are your tenants paying? Because he's a little frustrated because he's in the war zone. And so now in St. Louis that they can't be kicked out because of the CARES program and Covid. So some of them are just sitting back and not paying. And he's like, I can't do anything. He owns all his buildings as well. So he's setting in a good position. It's just, it's frustrating because your hands are tied and there's nothing.

**Joe:** How are you doing with rent collection?

**Tim:** I was doing pretty well. I've got some I got some people who are actually bus drivers and work in a school environment. So they're really, really hurting. There has been some agency help that have come in and paid two or three months. But since some of those houses I own free and clear, I just forgive that month's rent and say rather than move them out and try to have somebody else come in, they've been great tenants for me. And you just, or they'll say, I can pay three hundred bucks and say, it's great, I'll take three hundred bucks. But it's I've got some I've got two properties in a in war zones and they're rough. So it's very, very challenging for some people, even though there's money being made available, it's not made available to everybody, especially if they were under the radar to begin with. But it's just not going to work for them. And this is a very trying time for some of those people.

**Joe:** Yeah. Do you see a light at the end of the tunnel, how you feel?



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- Tim:** I stay upbeat all the time. You know that. But this is not ever going to go back to the norm when I tell people this is the new abnormal and we need to look for opportunities among the abnormal. And that's what I'm doing. I'm anticipating that when they do allow foreclosures and evictions to happen, there's going to be opportunity for investors trying to get money to their private money growing so that it can sit on the sideline in the moment that happens to be able to take advantage of. Yeah, so that's kind of my thought. But I don't I think that we're in for this at least six or eight months.
- Joe:** Eight more months, I'm predicting a year or two. I think housing is always kind of a lagging indicator, too, isn't it? It's you see the economy in terms of jobs and the going down. I almost had stock market, but whatever the stock market's doing, but like usually housing happens after that. And I've been talking to people in the commercial real estate, commercial construction space, and that's been really, really bad hit hard, laying lots of people off, some big construction companies on the verge of going in bankruptcy. And it's pretty bad. But anyway, yeah, here's a cool thing about housing, which is what I love, especially in the areas that you're in. There will always be a demand for housing. People always need a roof over their heads and they'll find a way to get jobs. There are jobs out there. And in that in that when you're dealing with the bread and butter, median priced homes, the classy neighborhoods, these are hardworking people. And they will they'll find a way to get paid, to make money, to get a job and to pay this rent.
- Tim:** You gotta be really careful on who you select. I mean, and that's why when we're going to put a boot camp on in January, just kind of educating people on how and who you take in that environment and really where do you pick to be your investment area and it kind of put your nature to so you got to know what's going on based on you and not somebody else's plan. Like, some people can't adopt my business model because multiple reasons. Right? So, one, they just don't want to distance. They feel that race has a thing to play in it. Fear. It just they like nicer houses. They want appreciation. I don't bank any of my stuff on appreciation model. It's just cash flow. So different philosophies.
- Joe:** And do you manage your own properties yourself too?
- Tim:** About 20 percent of mine. I do. The easy, easy ones. The hard ones. I have property manager who manages them and he would go in the neighborhood and collect the money on a weekly basis or whatever. We meet once a month.



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- Joe:** I'm sorry, I was just texting a friend of mine who I'm supposed to have a phone call with here in one minute. But I want to just ask you a few questions about that. You manage some of your own properties. What makes you determine whether you manage them yourself or whether you have a company do it?
- Tim:** If it's really, really easy, I do it. Like I've got some three I got three trailers that are outside of St. Louis. I don't want him driving there. If it's easy and they're going to send the money to me easily. And it's something I don't have to maintain maintenance wise. I don't mind doing that. But if it's hard and it's constant, make ready. You got to do need crews and all that stuff. I let him do that.
- Joe:** All right, let's talk lessons learned. Tim, what would you have done differently on this deal?
- Tim:** Always, always, always have a checklist no matter what you do. Maintain that. Pull it up. No matter how many years you've been doing things, you're still human and you forget things. That was the biggest thing I had to do. Don't vary from your pattern. I don't have an issue of moving that closing up. I just didn't do the things I normally do.
- Joe:** The day before the call was what could you have done differently with the insurance because of what was going on? Could you're just saying if you would have asked for it or made sure you got it?
- Tim:** If I had paid for it the same day that I closed, I would have covered. It would have been as simple as windblown. It wouldn't even have been a question. And I'd have been. And how much would it have cost, what it cost, the same amount, it may be higher because I would use real qualified people, put a roof on and all that, they probably would have been a fifty to fifty-five thousand dollar claim to them.
- Joe:** How much would the insurance premium have cost?
- Tim:** 500 bucks. \$250 maybe. Paid a quarter.
- Joe:** And this is a company that does the construction insurance, right.
- Tim:** Yes.



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- Joe:** But they still do homeowner's insurance as well. OK, and so are they, do they still insure this house?
- Tim:** Yes. They called and asked me how it's going to be and all that stuff, and I still send people to him. It was my fault. It was my fault. There was nobody's fault other than any other lessons learned.
- Joe:** Anything else you would have done differently?
- Tim:** Yes. Go forward. I mean, there was a great learning space for my students because they're like freaking out. What are you going to do? There's only one thing you can do. Finish the house.
- Joe:** That's such a big lesson learned right there too. Get a coach. My goodness. Especially when you're dealing in the tougher areas, you got to get a coach who is familiar with the neighborhoods, who's familiar with the community, with the people there, with the city inspectors. I mean, especially in a city like Jennings, if you're you don't know that or not. But like, you've got to get a coach that knows the areas and knows this is a good bank to use. This is a good insurance company to use. This is a good contractor, good property manager. This is a good deal. This is a bad deal. Right. These are good tenants. These are not good tenants. And especially when you're investing in the areas of the city like we're talking about. Got to get a coach that's been there, done that. Has that T-shirt. Understands been that made the mistakes, survived them, has rebounded. Tim has been through a lot. We didn't even get to talk about his story from the past.
- Tim:** But this is just a recent bad story going back hundreds of houses. I've got several I could tell you, but it's not going to knock you down. A thing with real estate is people that have war stories. But you got to keep going. You just keep going. You're not even going to have one out of one hundred. That's going to be bad, but you're going to have a bad story.
- Joe:** All right. Well, Tim, how can people get a hold of you?
- Tim:** They get hold of me, [Tim@hafpinc.com](mailto:Tim@hafpinc.com) or my phone number is three one four two eight three six zero two two.



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- Joe:** Right. That is right there. Yeah. Tim at h a f as in Frank P isn't Peter i n c dot com. What does that stand for. Headache free properties. Headache free properties. That's cool. And then a phone number that I get this right three one four two eight three six zero two two.
- Tim:** Fabulous. And if you want to throw the income for life boot camp up there as IFL boot camp.com. That'd be happening in January, ifl boot camp income for life, boot camp dotcom, you're going to be doing that in January.
- Joe:** Virtual or live in-person. Virtual, virtual. OK, what are you going to be teaching people in that?
- Tim:** All the steps that are necessary to have investment property and refinancing and never running out of cash, a mastermind with start up a week after that, which will be a twelve-week course where you hands on walk you through every part of the process that I just shared with you, how to get financing, how to set your company up, how to get contractors, how to get renters, and how to refinance.
- Joe:** Nice. I really recommend you guys check this out. IFL boot camp dot com. Tim has been in the business a long time. He coached the coach. I coached me and he knows the business and he's got the bruises to prove it. But he's survived. He's rebounded. He's come back. This has been my favorite deals gone bad. I guess they were all good, but this one is really good and I wish we had more time to talk about it, Tim. But again, your email, if people are wanting to get some information about working with you, maybe even being a private lender, I don't know. You still looking for money? Definitely. From Tim@hafinc.com, phone number three one four two eight three six zero two two. And his boot camp. Coming up, IFLbootcamp.com. Tim, I'm sorry, I got to go. I'm late for another call. It's been a really good podcast this year.
- Tim:** Have a great holiday.
- Joe:** All right. We will talk later. Tim, I know you had a question, but let's talk later and we'll see you all later, guys. Have a good one. Happy holidays. Happy Merry Christmas. Happy New Year. Happy Thanksgiving. Happy Hanukkah. All that good stuff. We will see you guys later. Take care. Bye bye.



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