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Deals Gone Bad #20: When Derek Dombeck Purchased a Defaulted Note from Hell

Hosted by: Joe McCall

Guest: Derek Dombeck

- Joe:** What's going on, everybody? How are you doing? Joe McCall here from the Real Estate Investing Mastery podcast and this is one of our final we might have one or two more podcasts for the Deals Gone Bad series. And this is episode number 20. Can you believe that of the deals Gone Bad series? I'm going to be doing another podcast series next, talking to people about their first deal, their very first deal. So we're going to go kind of learning from bad lessons learned to learning from good lessons learned, if that makes any sense. So today we got a special guest. His name is Derek Dombeck, and he is one of the first guys that I've had on this show talking about note investing.
- Joe:** And he purchased a defaulted note from hell. And we're going to be talking about that. That's got to be a little scary. And I saw actually, Derek, at a workshop here in St. Louis that a friend was doing just a couple of days ago. And so we're going to be talking about Derek some more, talking about his defaulted note that he bought that came from hell. So that'll be interesting. Maybe a little depressing. We'll find out. But here's the whole point of why we do this podcast series. I've talked about it before. Sometimes it's best to be the smart person learns from their own mistakes. The wise person learns from the mistakes of others. Wouldn't you rather learn from other people's mistakes so that you know what to avoid? You know what not to do next time? Right. And you can avoid those same mistakes yourself. I'm going to be turning this podcast series into a book called How to Lose Money in Real Estate.
- Joe:** And I think that will be an attractive book that people are going to be interested in. And it's just going to be a summary of these podcasts and the big lessons learned. And if you would like to get a free copy of that book before it gets published, then go to JoeMcCall.com/bad. JoeMcCall.com/bad. Or you can also text the word bad to thirty-one thirty-one thirty-one. Again, text the word bad to thirty-one thirty-one thirty-one or just go to JoeMcCall.com/bad. All right. So with that said, let's bring Derek on. Derek, how are you sir.



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Derek: Doing good, Joe. How are you?

Joe: Good man. Nice. Where are you from right now? Where are you right now?

Derek: I live in I live in Wisconsin, small town, right in the middle of the state of Wisconsin. My business partner and I run our business based out of Green Bay, Wisconsin.

Joe: I love Wisconsin. I've been there at least five or six times. And I've spoken at the Appleton REA, the Wisconsin area, the Milwaukee area, at least once or twice. I love going to the what's it called where the big water parks are. Oh, and Wisconsin Dells. Yes, Wisconsin Dells. Beautiful. All right. So, Derek, how long you been in the business?

Derek: Started in 2003. And like many people, I started off just buying some fixer upper rentals and then kind of got into building new construction in two thousand four and five and six and then took the big plunge in 2007 and pretty much lost everything I had. And then some.

Joe: Welcome to the club.

Derek: Yeah, it's, it's a big club.

Joe: It's a big, very big club. Do you think we'll see those days again?

Derek: I think we're going to see glimpses of it not so near future. I don't think it'll be to the extent of 07 through 09, but I think a lot of people are going to get hurt.

Joe: OK, so you survived, obviously. Did you go back to a job or did you?

Derek: Yeah, fortunately, I did not leave my job by that time. So my wife Tracey and I built up about a four million dollar portfolio in our first couple of years in business. We were up to about twenty nine doors total. But I was the majority of the properties that went bad were in Florida. So I was holding cash flow properties in Wisconsin, building spec homes in Florida.

Joe: And spec as in speculation?



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- Derek:** As in speculation, as in nothing could possibly ever go wrong. I'm God's gift to real estate investing because I'm a newbie with two years' experience.
- Joe:** Isn't there? Aren't you seeing a lot of people like that?
- Derek:** Oh my God, Joe, it makes me so nervous when I see people taking out HELOCs against their personal houses and thinking that they're too big to fail. And I mean, I got that t shirt. I wore that t shirt. I don't ever want to wear it again. So it makes me very nervous. I think there's a big, big lesson just right there. You know what? I love the series that you're doing for that reason alone.
- Joe:** Yeah. Yeah. Because, like, if you've been in the business for, I don't know, the last eight to ten years, everything you touch turns to gold. It's like hard to lose money and it's easy to put yourself into this pedestal thinking, man, I've got I got the golden touch. I can do anything I touch works. And this real estate investing business is easy properties. I'll always make money. Well, that's just not the case.
- Derek:** And what I see right now, Joe, honestly, everybody is bankable. Everybody's getting these cheap interest rates. People that are I'm in my mid-forties, people that are in their thirties or younger don't know what interest rate above five percent even looks like. And they're going to freak out when things go back to what I would consider normal. When I started, eight, nine, 10 percent was normal for a 30-year fixed. So when we got our butts kicked, we were one hundred percent bank financed after we climbed back out of that hole. I have not used the bank for a piece of investment real estate since 2007.
- Joe:** So good for you. Me too.
- Derek:** That's our focus.
- Joe:** Me, too. Amen. Yeah, yeah, for sure. All right, so what have you been doing since then?
- Derek:** So myself and my business partner established a fairly sizable hard money lending business, primarily we lending throughout the state of Wisconsin and we do broker some deals in other parts of the country. But our focus is in the state of Wisconsin. So we run a full time lending business. We also run a full-time flipping business, which does lend well to



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our borrowers because we help them structure deals. We help them overcome challenges if their flip is going sideways, especially since we're the lender and we don't want them to fail, we want repeat customers. And then recently we've opened up a couple of national mastermind groups. I lead three national mastermind groups. At this point, I still run our local REA group. Been doing that for eight years, so I've got my finger on the pulse as much as I can.

Derek: Most recently, we took over a cruise, an investor cruise that friends of mine put on for the last eight years. Wow. And that was supposed to go out in January and Royal Caribbean had to cancel it. So we're restructuring for January 2022 for the generations of wealth voyage to leave. And looking forward to that, a lot of your friends are speaking on that cruise. So it's nice. I didn't know you were doing that. Yeah, yeah. We'll wrangle Shaun in and a couple of your other good friends and who knows, maybe we'll get you on that boat, too, Joe.

Joe: I'd love to do that, but I couldn't do it without my family.

Derek: I know I didn't pay you to say this, Joe, but the generations of wealth voyage, the reason it got that name is because we're encouraging people to bring their kids. And we want people, especially ages 10 through 17, where kids can sit in on our sessions free of charge. And the reason that came up is because I took my daughter the last two years. This was the captains of the deal cruise. That's what it was called in the past. And I took my daughter first when she was twelve and then when she was thirteen. And my friend Bill Cook had her up on stage several times during the week. And she has got such a different outlook now on her future. And the point of this it is for adults, it's a networking and advanced strategies cruise. But we want our kids to start building their network while they're in their teens. And when they get out of high school and go to college or wherever they choose to do, they've already got this awesome network, which you and I and a lot of our friends are now building in our 30s, 40s and 50s. But think of the advantage you have. So that's definitely our focus.

Joe: That'll be interesting. I'd consider it. We can look at it. Got to get my wife convince her to go, though. I don't know if she'd want to go. If there's other people that we know when we take our vacations, it's like we don't want to know anybody. It's just a family, no friends, no



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family, other family outside of ours. And I like that. But anyway, where can people if people are interested in that cruise, where can they go get more information on that?

Derek: It's just gowvoyage.com, which stands for generations of wealth voyage. So gowvoyage.com. Ron Phillips was slated to speak. Christina Kraus, Shaun McClosky, Lori Grandmont, Donna Bauer and Bill Cook, Jeff Watson. And so they're all committing to come back on in January. 2022. And obviously we got to see what happens with the cruise industry. But as of right now, that's the plan.

Joe: There's a link right there on the screen. GOW for Generation of wealth voyage dot com. All right. What do you mainly do now? Is it mainly lending and note investing? Things like that?

Derek: Lending is the focus, primarily short term, hard money to landlords and flippers.

Joe: Mainly in Wisconsin?

Derek: Yes.

Joe: OK, all right. And you purchased a defaulted note from hell. First of all, explain why would you purchase default notes. What's the attraction or lure for purchasing bad notes?

Derek: This goes back to November of twenty fourteen. And so we had never purchased a note before and but we were already lending. We've been lending since about 2010. So we're originating notes. We understand the space. But really, I wasn't seeking this, Joe. It found me and it found me through a friend of mine. His name is Jerry. Jerry was literally the guy I bought my first two duplexes from in two thousand four and we just became close friends. He's in my back yard and Jerry calls me up November twenty fourteen. Jerry and his wife had moved to South Carolina so their kids and their family are still in Wisconsin. They kind of commute back and forth, calls me up and he says, I've got this note. It actually went in default in 2009. Now it's 2014. He forgot about this note, Joe. He forgot he had this note.

Derek: And that was because he did a deal with this woman. Her name is Gloria. And he did this deal with her. And she had to come to the table with some money and she didn't have it. So she pledged this five thousand dollar note as collateral. And, you know, quite honestly,



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this was gravy on the deal. Jerry really didn't care about it, so. He kind of forgot about it. Well, he remembered it when the local tax authority was reaching out to him because they were getting ready to foreclose and they want him to do the dirty work as the lender or as the note holder, which I understand they got the property a little bit.

Joe: What kind of property was it?

Derek: Well, hoarder house would be a good way of describing it. OK, four-bedroom, two bath house on the edge of town. It is not on city water or city sewer. And it was a four-bedroom, two baths on an acre of land. So we're looking at even though we could drive by and see that it was a mess. It was a five thousand dollar note. So how can you lose? Right. How could you lose so quick comps? It was one hundred twenty-five thousand dollars ARV at that time.

Joe: One hundred and twenty thousand.

Derek: A hundred twenty-five. Twenty-five in what year again. Twenty fourteen. OK, and so the house had a two-car attached garage. It also had a detached three car garage again sitting on an acre of land. Now this is very rundown. So from the outside looking in I'm thinking forty to fifty thousand out rehab sight unseen. So do those numbers. The note value at the time I bought it was eighty-nine hundred dollars. I bought it from Jerry for four thousand five hundred.

Joe: Now when you say in your value is one hundred.

Derek: You mean that was what was owed with interest and penalties.

Joe: And there's no other note?

Derek: No, no, no. This was first position because it was free and clear when Jerry did the deal. She just didn't want to pay higher taxes. Sounds like a deal to me so far, right? That's what I thought. No. So I called up the Treasurer and talked to her about what taxes were owed and would she give us time? Because in Wisconsin, it takes a substantial amount of time to foreclose. And she said, yep, we'll give you all the time you need because then they don't have to do it. So there's five years of back taxes plus penalties, which is pretty common in



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Wisconsin. They don't foreclose until about year four or five. And so that totaled eighteen thousand six hundred and twenty-one dollars in back taxes. So obviously, I've got to pay that when the time comes.

Joe: Eighteen thousand. Yeah. And again, you're thinking that's not a big deal because.

Derek: Right. Yeah, I got round numbers, I got five in the note, I got eighteen thousand in the taxes and I got an attorney. Three thousand dollars foreclose. This is still a viable deal.

Joe: And so were you thinking at the time you would be doing the rehab yourself or were you thinking I'll just have to sell it to an investor who will do it?

Derek: Either way. I mean, at that time we were doing a lot of rehabbing. Now I tend to cherry pick and rehab the really, really good ones and I wholesale off the rest. OK, ideally give them the loan to buy it from me. But so again, on the surface this looks good. Well, I got a hold of Gloria and because I want to sit down with her and see if we could just work this out, the person living in it. Yeah, yeah. So I quickly found out Gloria is an alcoholic, she's a hoarder and she's got some medical issues and she just flat out said, I'm not leaving until you force me out. So that was an abbreviated version of the story, but that was the end result. So we filed the foreclosure in January of twenty fifteen, took until October of twenty four or twenty five when I finally took it, the sheriff's sale. So by the time I took the sheriff's sale, the opening bid again, if somebody buys it at sheriff's sale, great. Right we cash out. Opening bid was ten thousand six hundred eighty-two dollars. Nobody bid. So now it became ours. So that was all fine. That was part of the plan. Now we got to pay the taxes. We're still in it. Fine. This is where it gets fun ish.

Derek: She refuses to leave. So now I have to get a writ of assistance from the, get the sheriff out there, give her more time to leave, which took about another ten days. And in Wisconsin, as you know, it starts to get chilly in November. We've got a lot of exterior work to do and we need her gone. So I need the sheriff there. And I just stayed out of his way. He escorts her out of the property and he said, you can take some stuff out of the house, put it on the lawn and come back for later. Is being very nice to her. And I remember to this day I was on the phone, which is pretty common for me sitting in my truck and the cop comes up and he taps on my window and he says, Have you been downstairs yet? And I said, No, I haven't entered the house. I'm just staying out of your way. He says, You better go take a look.



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Well, I look at I get to the top of the stairs, hit the light switch. Lights don't work. So I take a flashlight. There's 16 inches of standing water in the basement wintertime. It's coming on winter.

Derek: Yeah. So I said to Gloria, as she's taking some of her treasures out of the house and I mean treasures, I said, when was the last time that this was pumped out? And then about two years, there's a pump set at the bottom of steps. It works, but they would burn out. Essentially, the house is sitting on a swamp and the sump pump, I found out later runs about every minute and a half. Holy smokes. So we've got six inches of water. And then as I get to the bottom of stairs, I'm just shining a. The whole basement is black mold. I mean, it's thick. Remember I said she had health problems? She's had asthma really bad. I wonder why. Oh, my gosh. So I'm looking around. The furnace is submerged in water. The water heater has floated, picked up and tipped over and ripped the wires out of the wall. It's on its own well and septic. So the well is submerged. The wiring for that and shorted out and has been for a long time.

Derek: So what Gloria was doing was going through her daughter's house and just bringing back gallons of water for her water usage. And then she was using space heaters in a hoarder house with pass. I mean, you're talking just watched the TV show Hoarders. That's what this was. Right. So just when you think it's bad, it gets worse, Joe, because I walk around the outside the house and the septic tank is collapsed. There's just a big depression in the ground where the tank is supposed to be. And I know for a fact she's using her toilet because she's dumping water gallons of water in the toilet to flush it. Somebody went in that basement, took the clean cover off of the septic line, and she's been dumping raw sewage into her basement for a couple of years. And it's bad.

Joe: Oh, come on, Scott. Look at this, because I used to date Gloria.

Derek: Now she was a hottie. Scott, good job.

Joe: Wow. OK, so it's getting bad to worse.

Derek: It's getting bad worse. So I went to get a big what we call a ditch pump. It's basically just a big two-inch discharge pump. You got it pumped out. And but now we're at the point where the sump pump or I'm sorry, the sump pit again, it fills up every minute and a half.



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So we just kept pumping and pumping. And I, I hired a clean oil company and they started on the upstairs. They started in garages. We had for forty-four dumpsters out of that property. And then we got to the sewage and of course I got rubber boots on. I'm walking around down there because I have to get pumps in there and my clean up trash out company. We got to the end of what we agreed on. A certain dollar amount for him to trash this out. So he got to the basement. He said, there's no way I'm doing that. So you're looking at the guy that I had to deal with that.

Joe: You couldn't even find a contractor to clean the basement out for?

Derek: You know, it was a shitty job, Joe. I guess that's why you did it yourself. We were fighting the weather. We were fighting the clock. I had to get this under control before because it was already at night. It'd be ten degrees, zero degrees.

Joe: You couldn't even hang the guy double as normal rate to do it?

Derek: He wouldn't touch it. He wouldn't touch it. And remember, I had no furnace. I had no working furnace in this house. So I had to get the basement cleaned out so I could get a working furnace in there to even start any kind of sale or rehab or wholesale or anything in the sump pump is running every minute and a half. And I was literally burning up some pumps every week. So I understand why she didn't want to keep it going. So at the end of the day, we got it cleaned out. I was not going to have this house cleaned out.

Joe: How much were you in it by then?

Derek: A thousand dollars to the trash company? Probably seven fifty, thousand dollars to the just for the dumpsters.

Joe: Couldn't you have paid them like five thousand dollars to clean out the basement?

Derek: At this point? It was disgusting. Well, it wasn't just the sewage. It was the black mold too. I know. So I suited up, took care of the black mold. Anybody that ever wants to do their own mold remediation, it's actually pretty cheap. The really cool product called RMR 86, OK, and it's just Google Rapid mold remover and you'll find it OK. You can order it yourself. You



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don't have to be a contractor. I've taken several mold houses over the years and clean them up. They pass mold tests.

Joe: So what kind of walls are in the basement was it block?

Derek: Concrete blocks, concrete block on the sides and then all the wood floor joists. Everything on the ceiling of the basement was coated. I mean, it was black. All that water that was the foundation damaged. And it wasn't that was the thing. It was a pretty decent foundation as far as foundations go in Wisconsin, because we certainly do have a lot of frost and heaving and things that happen. So the one good thing on the house was the foundation, everything else.

Joe: Did you have to do any work outside and around the foundation to get the water away or what did you do with that?

Derek: Yeah, so again, coming in the winter, we try and put hoses on it, get as far away from the house as possible. But as it got colder and colder at night, then things were freezing up. So we just essentially made with pipes and with some cement blocks and stuff. We set a ramp to get in as far as we could and get it to go to the ditch near the road. Once it was at the ditch, then it would flow away. But all this on a five-thousand-dollar investment, Joe.

Joe: So how much how much money were you into it by this time? And cleaned out, you did it yourself pretty much.

Derek: Yeah, with the foreclosure cost, with the attorney buying the note at that point I was in for about twelve thousand.

Joe: The headache factor is not included in that.

Derek: No, no. And you know this as well as I do. What does that take away from what I should be doing? Like, I shouldn't be slapping sewage.

Joe: It's opportunity cost. It's like you could be spending that time and energy finding other deals.



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- Derek:** Yeah, those lessons are learned. Now, I wouldn't touch that with a ten-foot pole. All right. So let's talk more about this deal then. What happened? You cleaned it out. The basement is good and you're in the middle of the winter. Yeah. So I was not going to have this house at this point if I had to pay to get rid of it. That's what I was going to do. Fortunately, I was still in communication with the Treasurer and she was OK with me not paying those taxes until I found a buyer, which was great because that was eighteen thousand. I didn't come out of pocket. But we started marketing it and I had a lot of showings.
- Joe:** Marketing it to who?
- Derek:** Just anybody that would buy it, trying to wholesale it to an end user, another investor, a flipper, anybody that would look at it.
- Joe:** Did you put it on the MLS or just?
- Derek:** I did not put on the MLS. But again, running my own REA and having the network in central Wisconsin, I had plenty of people that were interested in looking at it. I did not have plenty of people that wanted to take it on is a huge project.
- Joe:** So what were you trying to sell it for? What price?
- Derek:** 40 grand. OK, so. So in the end I found a cash buyer. It was a gentleman who was going to cash in his 401k. He wanted to live there. So he was buying it with cash from his 401k and then going to rehab it himself. Wow. And I, I met him at his current house, which was about an hour and a half north of us, and his current house was not much better than this one. Wow. So I signed that contract. We closed and I ran. He paid cash and paid cash.
- Joe:** Wow. OK, so how did you find him again?
- Derek:** At that time, I think we were using a lot of Craigslist. I don't think we were still advertising in newspapers in 2015. I don't remember.
- Joe:** So you actually made a little money.



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- Derek:** Very little. Yeah. We didn't come out negative on the cash. Definitely came out negative on my time. But when it's all said and done and cause we probably put three or four thousand dollars in my pocket, I, I honestly didn't go back and figure out the numbers because they're that dismal. But yeah, lessons learned big time. All right. So what were some of the big lessons learned in this deal? What would you have done differently? I will buy a defaulted note unless I can see the inside of a house. And I know that for note buyers who do it remotely, that's not a possibility. So my lesson would be I'm not going to buy a defaulted note that's not in a market, number one, that I have boots on the ground that can get in. Number two, I was able to talk to Gloria pre foreclosure and try and work it out with her. And I would always try and do that first. Absolutely. But figuring out the condition of the property, of course, this was worst case scenario and I could probably buy one hundred defaulted notes and never run into this bad of a wreck again. But you don't typically buy notes for five thousand dollars, normally paying fifty or one hundred or two hundred or whatever it is. I was lucky it was small dollars because it could have turned really ugly and I could have been in a situation where I couldn't sell it off as is so.
- Joe:** Well, that's cool. A good lesson learned to do this right is you were proactive and you negotiated with the Treasurer on the property taxes. So that's another lesson learned. Anybody buying any dealing with any kind of delinquent or defaulted properties, don't be afraid to call the tax authorities and just say, hey, can you work with me here?
- Derek:** And they're happy to work with you, Joe, because they don't look like the bad guy then and they're still going to get paid in full. They're never going to discount what's owed to them. So who cares if they have to wait another year? They're going to get every dime that's coming to them.
- Joe:** Wow. All right. So the number one lesson learned is never buy a defaulted note unless you see the property first. You get somebody there to see it. And do you think she would have let anybody in it before you bought it?
- Derek:** No, I don't, because I tried meeting her at the house and she wanted to meet me at a coffee shop. So no. And part of that was embarrassment. Yeah. Because she was a hoarder. Part of it was she literally was intoxicated all the time. I mean, there was more empty booze bottles in that house. She was just drinking away or pain or whatever her deal was.



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- Joe:** Doing this again today. You would still pass on the deal if you couldn't see it?
- Derek:** Yeah, because I'm in a different place now. So I originate my own paper and I know the deals. I mean, I would I never say never, Joe. I mean, every time the phone rings, I love creative deals structuring and off the wall stuff. So what I take a look at it, of course, but I would think back to this situation and contemplate things a little deeper than just because I literally my buddy Jerry called me and I said, yeah, that's a no brainer. I'll give you forty-five hundred bucks for it. No problem. I mean, I didn't even drive. It passed the House before I told them I'd buy it.
- Joe:** Did you did you suspect, though, that she was a hoarder?
- Derek:** Oh, for sure.
- Joe:** Yeah. I mean, you didn't think it was a big deal?
- Derek:** No. I mean, the garage doors, I don't even know if there was garage doors on the garage anymore. You could see the garage was full. You could see stuff all over the yard. So we had accounted for that expense. Certainly the basement and the septic system was the biggest oops.
- Joe:** Do you think you could have kind of figured out what we're going to have to have serious problems. We're going to have serious septic problems and just figure that into your budget or whatever? Could you have done that?
- Derek:** We could have even after the fact, we could have rehabbed the house and still came out. We would have been into it for about one hundred to a hundred and five thousand all in if it sold for one twenty-five. But after closing costs, realtor commissions, I wasn't going do all that work to make five or ten grand. It just as well as I do that those numbers don't compute anymore. Two thousand three. Two thousand four. What I have done that when I was first starting out. Absolutely. I was hungry for that. But we evolve.
- Joe:** Would you have bought the note for a dollar?
- Derek:** Knowing what I know now? No, no. Because I still would have been slurping shit.



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- Joe:** What are some other lessons learned from this?
- Derek:** Your network and your friends in the business are key. I mean, even though I couldn't find anybody to really help me with the sewage issues, everything else I did was one hundred percent of our network calling in favors for sure, just getting dumpsters there. At the time, it wasn't always easy to get a dumpster and get it taken away and brought back the same day. And I teach negotiations, Joe, and people think that this business you don't need to really know how to talk to people. You can just make offers over email or text or whatever. To me, knowing how to speak to everybody, your bankers, your insurance agents, the realtors, sellers, buyers, to me that's number one priority. And almost nobody that is new in this business takes any time to hone their skills on negotiating. So to me, that was a huge lesson and a huge aha for me too to just keep those relationships solid, nurture them and take care of them.
- Joe:** OK, any other lessons learned?
- Derek:** You know, nothing that really sticks out to me right now. I mean, there's always things that you reflect back on as you go through deals and now it's hard to even remember addresses. We've done hundreds of deals in all these years. But you always remember these. This one was on Wall Street. I'll never forget Cell Street. I've forgotten a lot of other streets, but I will never forget cell three.
- Joe:** All right. So what advice would you give a beginner, Derek? Somebody who's interested are starting to learn how to do notes like that.
- Derek:** I'll go back to what I mentioned earlier about your go into REAs is great. It's a great place to start, a great place to start getting to know people. Yeah, our businesses didn't really start thriving until we got involved in some mastermind's. But the right mastermind's there are there are certainly mastermind's out there that don't fit. So if it doesn't fit, leave find one that fits you expanding your network beyond your local market. I myself and my wife were closet investors the first eight years in this business. We didn't tell anybody else what we did or who we were. And I think that was a huge mistake. I mean, now, if I'm getting my haircut by the end of that ten minutes or fifteen minutes in that chair, that person cutting my hair is going to know what I do, who I am, what I'm looking for, and what I can do for them. I tell everybody so that that would a short cut at our business tremendously. And



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Joe, you mentioned the event that we were at just a few days ago. Yeah. Sitting in that room with the caliber of people. And I don't mean caliber from net worth, I mean caliber from integrity and morals and ethics was huge.

Joe: It was a really good meeting. Some of you are wondering what we're talking about. Sean McClosky, get a speaker training workshop three days. And were you there the whole three days?

Derek: Yeah.

Joe: It was, it was really, really good. I can't agree more man getting involved with a good mastermind. And, you know, if you don't if there isn't one in your city, start when I started one for local wholesalers in St. Louis, probably about four or five, four years ago or so. And it was invite only. We only wanted to invite people that were already doing deals. And it was fantastic. I mean, we at first, everybody is kind of nervous. I would get 12 to 15 every month on average just in one of our offices. But by the end, every single session, every time we met for one or two hours, they felt like they would say this. I can't believe I'm sharing my secrets. They would say things like, yeah, don't do that. Don't put signs in this neighborhood. Right. Or somebody would have a deal. They're looking for a buyer for, somebody has a buyer they're looking for a deal for, somebody needs money. Somebody's got a lead for a mobile home park. They don't do mobile home park. There's somebody else there that's looking for that. Somebody is looking for deals in Illinois. Somebody is looking for deals who has a lead, not in Illinois, so we did a ton of deals together, lent a bunch of money to each other, and these were our competitors.

Joe: That's the craziest thing and was really, really awesome. And so my whole point is join a mastermind. If you don't have one, start one with other people that are like you. And even if you're a beginner, you can't maybe necessarily invite other people who are experts but start a mastermind with other beginners. Right. And try to surround yourself with people that are smarter than you, that know more than you. And if you if you can understand that, that's, I think, a real important key to this business. They say your network determines your net worth and there's a lot of truth into that. So and especially if you have a good local area and I know Wisconsin is one of the few states in the country that has really good real estate clubs. Yeah. And if you don't have a REA in your market, maybe think about starting one. Don't think that your market's too small. Would you agree to this, to Derek?



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Derek: Absolutely.

Joe: Don't think your market is too small to start a REA. There are some pretty small markets. I've been to Appleton, which is one of the smaller cities in Wisconsin, and they have a great real estate club. People doing lots of deals. They're cool.

Derek: Yeah. And even when I started my REA, I think the first night I had 12 people and we still only average twenty-five to thirty. But the cool thing that I'm proud of this is my REA by percentage has way more active people than those that have a hundred or two hundred attendees. And so you don't need one hundred people in your network. If you have four or five that are active and supportive, you can go far and with our mastermind group and I'll speak to that a little bit, Joe, if somebody wants to start one, my first circle of trust mastermind that I started because a bunch of us were in Tampa at a seminar. We all decided to stay an extra day and just rent a boat and go hang out on Tampa Bay and cruise around in.

Derek: A friend of mine said we should just rent the house once in a while and get together. And that's how it started. So every six months we rent the really big house somewhere different and we go and help each other. And because we're not in each other's markets, everybody is open to share. That's awesome. And that's actually a rule. I mean, you have to come in and be vulnerable. And as my one friend Kim says, get naked, you know?

Joe: Well, we will not add that into our lessons learned.

Derek: Well, it's not that kind of group either. But it's important.

Joe: So cool. All right, Derek, how can people get a hold of you if they're in Wisconsin? Maybe they're looking to invest with you and stuff. How can people reach you?

Derek: Absolutely. My first name, Derek@bestreifunding.com. And if anybody ever wants to just talk about deal structuring, I mean, no charge. I'm not trying to make anything off, but I love creative deals structuring and anybody is interested in how I run my master mind, whether you're looking to join mine or just want to know how I started mine, I'll tell you. And of course, the generations of wealth voyage. Keep an eye on our website, we do have to update it for 2022. The ship is already booked. We just have to get everything updated.



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But keep an eye on that. And I just really appreciate you having me on, Joe. And it's always a pleasure to see you, Derek.

Joe: Thank you very much. Again, your email is Derek@bestREIfunding.com.
Derek@bestREIfunding.com and also GOWvoyage.com. If you want information about the cruise and yeah. Maybe 2022, I can do it. We can talk about that. But the cool thing is Joe, put it on your calendar January 15th. We'll see.

Derek: And Sean's bringing Jen and the kids so.

Joe: Then I'm not going. No forget it. That'll be all right.

Derek: He's off if you're on. How's that sound?

Joe: If he doesn't go, I'll go. All right. Thanks again, Derek. We'll see it. Don't forget everybody. If you want the links in the show, notes from this episode, the transcripts and all of that go to realestateinvestingmastery.com, realestateinvestingmastery.com and just do a search for Derek and the little search bar. And you'll find this episode if you want the book that I'm going to be coming out with soon, *How to Lose Money in Real Estate*. We're going to be talking about this deal. Go to JoeMcCall.com/bad and get the notes from this episode and or text the word bad to thirty-one thirty-one thirty-one and you'll get on my email list when the book is available. You'll be the first to know about it and we'll see you guys all later. Take care. Thanks again, Derek. Thanks.