Use Creative Financing to Buy YOUR Dream Home

Hosted by: Joe McCall
Guests: Pace Morby and Matt Theriault

Pace: Hey, guys, welcome to the creative finance lab with my good friend Joe McCall and my new friend Matt Theriault. But material is not only my new friend, he's been a very long-time hero of mine. I'm very lucky to be on the screen with these two gentlemen. Sorry, guys. We were late. I had a phone call. I had a wholesaler named Jared Piper out of Phoenix who's been crushing it. Does probably two hundred three hundred thousand dollars a month every single month and assignment fees by himself with one assistant. And he's been doing that for a long, long time, does really, really well. But now he's got all this cash and he calls me up and he says, dude, I'm going to start doing seller financing where I'm going to pay off these homes and then turn around and create notes. And I brilliant, I love it because I don't know how to find those buyers. I don't know how to do anything other than MLS. And so I had to go through a 15 minute conversation and talk to him about the 13 ways that we find seller finance buyers.

Joe: Don't you love those kinds of calls?

Pace: Yeah, they're the greatest. It reminds you that even guys that are doing really, really well and wholesale, really they've really focused on that one thing and they're missing the wealth creating tool that is creative finance. And it's so fun. It makes me feel like I know a thing or two.

Joe: It's all about the cash flow.

Matt: Because we've seen a thing or two. Right? Right.

Pace: Well, you know, you guys in more than I have, but definitely for sure. And so anyway, guys, welcome to the podcast. We are going to be doing this live every Wednesday, 8:00 a.m. Pacific Standard Time. And what time is it your guys? It's time. Ten o'clock?

Joe: Ten o'clock here in St. Louis.

Pace: Oh, you're in Vegas, man. Yeah, full time.

Matt: Yeah. I've been here about two years.

Pace: Yeah, for some reason. OK, so when I watch your YouTube videos, there's a river that you constantly are like walking near?

Matt: That's actually at my mom's house in Oregon.

Pace: OK, makes sense because I'm sitting here thinking, oh, that's got to be Midwest somewhere. That's got to be like Pennsylvania or something. So I'm thinking you're Central.

Matt: Just a couple of times though but you must have watched those two.

Pace: That's so great. We got to hang out when I come up to Vegas. I'm up there once every two months.

Matt: I got a little casita here waiting for you.

Pace: I love it and I just, I just bought a house. You guys know who Jerry Norton is? Oh, yeah. So I just bought Jerry Nortan's house on Creative Finance, a big eleven thousand square foot home with a twenty five hundred square foot guesthouse. So any time you guys are in Phoenix, you got a whole dedicated house with a three car garage all to yourself.

Joe: Where did he move to?

Pace: So here's the thing. Like you guys know this and Matt and Joe, both of you guys is production levels have elevated tremendously over the last couple of years, which has been fun to watch. And when covid hit, I was going to and from or before covid I was going to and from my studio where I shared with Brent Daniels. And it was a thirty-minute drive there back getting set up, saying hi to everybody at the office. It was like an hour and a half or two hours. My day was basically driving and all that kind of stuff. So covid hit. I turned my house into a studio and I quickly realized I need a way bigger space because now I have people coming to my studio and doing my podcast live. And so when Jerry and I went to dinner at Jerry's house a couple months back and he said, yeah, we're thinking about moving to Puerto Rico, I go, dude, name your price on the house. Let me buy it seller finance. And so he's giving me basically all his equities, financing it to me because he's only lived in the house for a year. So he sells it right now and we transfer the deed. He's got this massive tax burden. And so what we're going to do is we're going to just do an agreement for sale for a year and then transfer the deed into my name once his two years and one day is up and I'm going to turn the whole entire basement, which is about two or three thousand square feet into like a multiple room studio.

Joe: Well, you said this already pays, but you're moving into this house? You're going to live in it?

Pace: Yeah, we're going to live in, like, one wing of it. And then the rest of it's going to be a working office and it's going to be a massive studio and a movie room. So like when people come into town, I just go, I'll go. Hey, guys, especially people go to Steve Train's podcast. I'll go. Hey, guys, come to Steve's podcast. But afterwards, come over to my house and let's record stuff. And what I'm also going to do is I'm going to teach people the social media side of this business and how to get tons of deals through social media. So I'm going to have people come into my house and work in my basement. I'll have probably an employee that's there full time that just shows people exactly how to do it. And I'm going to do it for free because I think so many people are underutilizing social media, Instagram primarily to get real estate deals by making a name for yourself. Like Matt Theriault and Joe, how many freaking people have reached out to you over the years through Instagram or YouTube comments and said, hey, will you look at this deal for me?

Matt: Yeah, countless times.

Joe: Oh, yeah. You don't have to be a guru to be a social media influencer either. Right? Like, you can find private lenders and buyers and sellers on social media. One of the coaches who got me started, Claude Diamond, genius at sales. I mean, he's really, really smart and he's been using social media. You mean he was doing YouTube channels before anybody practically heard of YouTube, YouTube videos. And here's the crazy. But he does either sometimes you'll make an offer to buy a house, sometimes he'll offer his services as a consultant to the seller to help them sell their house on a lease option. So the seller may not like him making all this money. So he says, listen, what if I just teach you how to do a lease option on your house and you just pay me a couple of months rent as a consulting fee? And so then he just teaches the seller and it's paid a consultant fee to do that, which is brilliant. But he finds those people just by doing a bunch of videos talking about lease options.

Pace: It's crazy. Well, I'm sorry, guys. I completely took it off to a left road.

Joe: Here's what's cool piece. I love what you're talking about this because I love creative financing. I have bought two of my own personal residences using creative financing. Well, actually, I bought one. One of them I decided not to buy. And so I don't know about you, Matt, have you ever used creative financing to live in a house yourself.

Matt: I haven't found one that I liked enough to move into.

Joe: OK, so here's the plan.

Matt: But I just haven't found it.

Joe: Can I can I just be a little vulnerable here? You guys won't make fun of me or tease me?

Pace: We all suck here, man. We're just here to hang out.

Joe: But I say this because I think people can relate to this. Right. And we call this a creative financing lab. And I'm so excited about this podcast because it's going to be just kind of our lab of experiments. We're going to show you kind of what's working and what's not working here. Right. It may blow up in our faces, who knows? But we just want to be open and honest and transparent with you guys. So when the market crashed in 06, well, starting so 07 and 08, I lost like 15 or 14 properties to short sales. Foreclosures. I did. I had about eight or so subject tos and I deed them back to the sellers.

Pace: Can I ask you why that is? Is it because you bought them on adjustable-rate mortgages and the rates went up and you no longer cash flowed? Is that the main reason why?

Joe: On some of the houses there was an adjustable rate. But what really killed me was I didn't have enough margin, did not have enough margin on these deals. And I figured houses always appreciate and I didn't have enough cash flow. I didn't have enough reserves. So like when I had a vacancy, like one vacancy would just wipe me out because that was a thousand bucks a month paying a mortgage that I didn't have any income from.

Pace: And then possession's plus repairs plus marketing to get a new tenant. Yeah, one hundred percent.

Joe: I had zero reserves, which is so important because every house you get, especially in creative financing, I recommend, like, you know, if you're putting a tenant in there or at least option tenant buyer or an owner finance buyer, you're going to get a down payment or earnest money or whatever. You have to save at least half of that in a savings account. My suggestion, at least half of that in a savings account, because you will have vacancies, you will have repairs, emergencies. And I didn't have that. I was just spending that money. Right. I said, oh, great, a great payday. So anyway, I had zero margin on these deals and then the values kind of collapsed, which wasn't a big deal. But I didn't have enough cash flow to pay the vacancies. And so I consequently then I would pay the seller. I never missed a seller's mortgage payment on my subject, but I paid their mortgages before I paid my own mortgage on my own personal residence because I did not want to hit that seller with a 30 day late. I tell you what, I got a lot of calls on day twenty-nine, hour twenty-three, minute fifty-nine. Hey, where's my mortgage payment.

Joe: I keep on getting the calls from the bank and I would pay it at the last minute and I got so frustrated paying robbing Peter to pay Paul. It was horrible. So anyway my credit sucked big time. Right. And that stuff, those foreclosures and stuff like that stays on your credit for seven years at least. And some banks that keep on reporting it every month, I don't get it. I don't do it. But like my credit was shot. So fast forward a few years. I'm getting a bunch of write offs because of my losses and the other benefits of owning the deed to a problem. You get to write off some of your losses when the deal goes bad. That's, I guess, one positive. Right. But anyway, I started making a lot of money doing wholesaling, doing deals, selling my course and stuff like that. And there is a period of time where I started making a lot of money and I lost all my deductions and I was hit with this huge hundred and twenty thousand dollars tax bill. And this is a long story I'm going to get. I'm going to be getting on in about three to four or five weeks. I'm gonna be on the other side of this thing. And I got something crazy awesome to tell you. I can't wait to tell you.

Joe: So now all of a sudden, I got this tax bill and I couldn't pay it off right away. So I got hit with a lien. So now I have a lien tax, lean on my on my credit and attached to one or two rental properties that I still own. And my credit sucked. And we got we left our house because a short sale on it. We were renting houses. I got frustrated and tired of renting and I wanted to buy. So I did some marketing and a seller responded to my marketing. And I forget how I found the lead. But he calls me and says, hey, you know what? We need to sell our house. We can't wait any longer. I got two mortgage payments, already bought another house. And I said, well, let me look at it. And I looked and I said, hey, I got great news for you. I already have a buyer for it. And he said, who? Me, it was a great house. Forty-five hundred square foot on a cul de sac and a great community subdivision. But I didn't know if we wanted like that was our forever home or whatever. So I said, listen, let's just do a lease option and I'll use it from you for two or three years. Two or. Three years, I think it was, and he said he loved it, he was great, I just took over his mortgage payment, but I did it as a lease option.

Joe: And so it was great. We lived in that house, loved it. The problem was it was too close to people like it was a normal subdivision. But we didn't like being that close to people. And we wanted more privacy in our backyard. We wanted to be able to, I was going to say, I got this weird thing, you know, you made it. When you can take a leak in your backyard, you're not worried about any neighbors seeing you, right? I mean, that's kind of gross. Sorry I said that.

Pace: No, it's not. I do it all the time?

Matt: Real freedom, Joe.

Joe: That is real freedom I wanted to.

Pace: I had just a twenty second story. So I had a house and I get a call from this lady and she goes, hey, I just want to let you know there's this Hispanic guy that just every morning goes and pees in your backyard. I just want to let you know and I'm like Thank you so much for letting me know. I'll make sure that I keep an eye out for him and my wife, who's the Hispanic guy that's peeing in our backyard. I go, it's me.

Joe: Well, I've, I just always I've been you know, you've made it. If you can take a leak in your backyard and no lady can relate to that. So I'm sorry for all the ladies here, but like, I think most guys can relate to that. I'm marking my spots. Yeah, exactly. So I'm sorry for making a short story long here, but like we didn't like this is a great house, by the way. All the lease options I've done, the seller has never once checked my credit. Right. And that's the great thing about creative financing because like, I don't know, Pace, Matt, have you ever had a seller check your credit on one of your deals?

Matt: Oddly, that just happened this week. They requested it. And that was the first time ever just this week I said, no, you're the one with the problem, not me. It wasn't a great deal and they're asking me to jump through a bunch of hoops. And I was like, you're asking me for too much if I'm willing to do that for you, what are you willing to do for me? And so that's where we're at right now.

Pace: Yeah. And I think also the line, I've had people ask for. Well, I got to make sure you're a credible buyer and I'll say, OK, well, if that's the case, I'll just go directly through the bank. Right. So if you want all these credentials, then I'll go through the bank and I'll go for buy a different house. But I've never had to show tax returns. I've never had to show my bank balance, proof of funds, credit report and anything, anything, even job history. I never even had to show any of that kind of stuff. But I've had it asked of me a couple of times. But a very quick one line of no, that's not what we do on seller finance or that's not what we do in these situations. They just go, oh, OK, sounds good. And then we move on.

Matt: I like that. I go to the bank, the rates lower and get a different house.

Pace: Right. I can get the house I want.

Joe: Right, right. Or how about this. I'll just pay cash for your house and here it is. So my cash offers like seventy thousand my seller financing offers one hundred thousand. Doesn't matter to me if you want to pull my credit it's not going to work. I can just buy your house with cash but give them choices. Right.

Pace: Speaking of choices, I think the reason why Matt has never bought a house on seller finance or creative finance to live in is because that is the big challenge, right? You get a lot of people who will ask you, especially my DMs to go, hey, I need to buy a house for myself and my family. Do you have any seller finance or subject to house is laying around? Well, first off, if it's in Arizona, I don't sell them. I don't sell them. I don't sell or finance them. I just keep them for myself. Second off, if you have a specific house, especially if you're married, right. You have a wife, you have kids, you need a very specific type of house and a very specific area. You're going to find it with creative finance for living in because you're going to be way too picky. Whereas for me, I just look at I go, look, is this a good cash flowing property? Can I turn into a rental and boom, I'm going to buy that and take that deal down.

Pace: However, the last two houses that I've bought, miraculously very similar to you, Joe, is that they came up and I go, this might not be my forever home, but this is a better home than what I'm currently in. And so I rent my other house out. I move to the other my sub to house. I'm currently home. I bought sub two and now I'm moving in during neuron's house that I'm buying sub to and seller finance hybrid or wrap around. And I think I just got lucky, to be honest, because most of the time people are not moving into these homes because like Matt said and Matt Matt's fancy like look at his equipment, look at his studio, the dude has asked, the dude has style. You're not just going to move in any old house.

Joe: Well, here's the cool thing. So that house we didn't want and how much money did I put down in that house? Zero down on this house. Right. But I helped the seller and I got a great deal. I took over his mortgage. I didn't have much I mean, didn't have a ton of equity, but it was exactly what he wanted. Great school district and plenty of, had a huge finish basement walk out basement. It was great. And we're like, well, you know, we don't want to buy this. But I'll still at a place where I couldn't get a mortgage yet because I still was like I needed to be seven years removed from these foreclosures. I'm also self-employed and taking a bunch of write offs. And I had this little tax lien. So we go to Europe for three months. We were living in Prague and just live the lap of luxury. It was amazing for three months just traveling on Europe. And I was still working a couple of hours a day from there. We come back. I'm getting my timeline kind of messed up, but now we needed a place, right? And we were living in our camper for about three months looking for a place and really frustrated because we wanted a home in the higher and price range.

Joe: And when you're self-employed and you're trying to get a jumbo loan, you doesn't matter. You could have cash in the bank to buy the house with cash. But the bank is still not going to lend you money if you don't have the right tax returns. If your credit score is not super stellar, like your tax returns need to show enough income. Right. But as a self-employed entrepreneur, you're always trying to take as many write offs as you can. Anyway, I still couldn't get the loan that I wanted and I found this house on. Well, we did a couple of things. We pulled a list. We wanted two zip codes. To live in one of these two zip codes in the western suburbs of St. Louis, kind of in the hills. And we sent a letter, I send a yellow letter from my wife to about one hundred different sellers that had had at least three acres. They owned their house over 10 years, had at least three acres in these two zip codes. And we sent them a letter from my wife and it said, hey, my husband and I are looking for a house that like yours at one, two, three Main Street that we can buy, but we need to rent it for a year or so. First, if you're interested, give me a call. Thanks, Victoria.

Joe: It was a handwritten letter from her. I hired a print company to send these for me and I don't know, we got eight or ten calls from sellers with that from getting that letter. And after looking at each of them was like, you know, I didn't like it because the backyard was too sloped or it was kind of way too far away from the other side of the zip code that we didn't want anyway. Fast Forward went to Zillow and I found it for sale by owner and this house, they were asking eight fifty for it. And in St. Louis, median home prices. Two hundred fifty ish. Right. So this is on the higher end. Right. But it was vacant and needed some work. And I was like, now we could never get that house. And it's right in the perfect area, 15 minutes from our church. We love this beautiful like if you've ever seen any of my videos that I do when I'm driving around on my Segway or?

Pace: I know the video you're floating. Don't say driving around. You're floating on your Segway. And I'm like, what is that? How is this guy flying? How is he hovering?

Joe: Do you ever see the backyard and the water? I'm going to show you some pictures here in a minute. But anyway, I text them seller. I said, hey, you know, like, nice house. I want to know if we can rent it for a year or so first and then buy it. He said, yeah, sure. Go check it out. Go look at it. He was an absentee owner, lives in Florida. The house is free and clear. We met his friend there and it's a long story, but we got this house absolutely amazing. We lease optioned it for three years and then we turned it into owner financing and now we're just refinancing into a traditional mortgage. But this house is incredible. And if it's all right, I can share some pictures.

Pace: Why are you refinancing? Is it that it's a lease option? And so he gave you a certain time frame to refinance out?

Joe: Yeah. So it's it was originally a lease option. We then restructured it to owner financing

Pace: Love, OK, and now we're building on the deal or what. I'm sorry. Does he have a balloon?

Joe: OK, that's way down the road. I just want to refinance it now into a traditional 30-year mortgage. But here's the problem. So we finally got removed from the seven year things. Now my credit score is really good. I got this little tax thing I'm taking care of that's going to be done in a month. And I'm going to share more of that later because it's an amazing, crazy story and it's really humbling. Right. But now we're at this place. So we've been here now five or six years, and I'm going to share my screen and show you some cool things about this property some of you guys have seen, as some of you haven't. But this is, again, why I love this business so much. All right. You see my screen there. I'm going to this is just the other day of friends of ours posted the little prank. They put a toilet on top of our waterfall. You see that? I love it, but this is our front yard, OK? And completely private. You can't see anybody. This is our backyard. This was just this spring. Wow. This is St. Louis, Missouri. What?

Pace: Oh, is that right, Matt?

Matt: Yeah, just like Vegas.

Joe: I can take a leak in my backyard without anybody seeing me. So anyway, I got a golf course. We'll have to talk golf pretty soon here one of these days anyway. That's why I love creative finance, because, guys, a lot of you listening to this, you're in this place where you're an entrepreneur, you're working for yourself. Even if you had the money, you couldn't get a mortgage if you want to because you don't have enough income on your tax returns. Maybe you're trying to get a jumbo loan and you're like you feel like you're stuck and you're frustrated. You want to just find a nice house. You can definitely find a great property for you and your family to live in. I have story after story space, Matt, of students. The wife's a teacher. He's an investor. He just wholesales. He's making 20, 30 grand a month, but he can't get a mortgage and especially in certain neighborhoods. And he finds a motivated seller. And one guy in particular, his name is Charles in Alabama, finds a seller.

She's elderly, just wants to downsize. Right. She can't make two payments. I mean, two mortgage payments.

Joe: She's already bought another place that she's moved into. And so she wanted full price for the house. She was stuck on her price. Right, because this was her investment. He said, all right, I'll give you that price if you give me a thousand dollar rent credit every month for five years. Right. So this is a great thing about creative financing. You can give the seller the price they want. If they give you the terms that you want, it's either price or terms. So he said, I'll give you the price that you want if you let me give me a thousand dollars a month rent credit. So. For five years, he's getting a thousand a month, that's twelve thousand dollars a year in equity, built up over five years at sixty thousand dollars on this property. And so he's able to now move into this house, pretty much basically take over the mortgage. But he's doing a lease option instead. And he's got to have 60 grand in equity by the time he can buy and then he can choose to buy it or not. He doesn't have to if he doesn't want to. And if just basic appreciation, you look at the numbers he's going to have, he's going to have over one hundred and forty thousand dollars just built up equity in this house at the end of five years where you can choose to buy it if he wants. Right. And so he helped he helped the seller take rid of get rid of a problem property she couldn't make payments on. And he helped his wife, who wanted to be in this great, beautiful neighborhood that he never thought he could live in. And it's just a wonderful thing.

Pace: I love it. And we've got some questions in the side chat, guys. You know how we do on our lives. You guys know I love high activity in the side chat. So give us some questions. I've got three or four that I think are amazing, amazing questions that I'm going to have these two gentlemen answer. Trever Mark from Kara Dotcom is in love. Trever, he's amazing, amazing, amazing guy. So, Matt Smith, we're going to start off with your question first. I don't know the answer to this for Matt and Joe, but I know my answer. OK, so Matt Smith asked, what list are you hitting for creative finance? The answer is none. I'm not hitting any list for creative finance, specifically when I'm doing my direct to sell or marketing. The reason being is because I'm just looking for a motivated seller. OK, so we use the same lists. The difference is if I get 50 leads in wholesale, a cash deal, typically 50 leads, my team can convert one contract out of 50 leads from cold call texting, et cetera. About 50 leads, one contract. Now, when I implement sub to seller finance, lease options, those types of things. Now, not only am I going to get that one contract out of those 50, that's a cash deal. I'm typically going to get another contract, maybe even two out of the same leads, the same leads, just converting them to creative finance.

Pace: So I'm using the same list. I'm just utilizing every tool I can to the leads that I'm already generating. So a lot of people ask, are you specifically going after creative finance leads? I think the only places that I could say would crush for creative finance are really small lists. OK, so no one expired. Listings for sub two and seller finance opportunities expired listings. Great list. Right for sale by owner. Really good list. Obviously Joe just got his St. Louis mega mansion that he flies around on his Segway. He got that for on a fizbo for sale by owner. But for us, we just standardize our marketing to look for motivated sellers. So that could be absentee owners. High equity, low equity is a really good one, too specific to create a finance, very low equity. So we'll actually look for people that have bought their home in the last two years. But typically there's no pain there. And so we'll stack those people with other painful list, right. Foreclosure, et cetera.

Joe: So again, overall, we're not going after creative finance. We're going after everything. And that's the power of what we're talking about here, is that we and other creative finance investors are all marketing for the same sellers as you knucklehead wholesalers are. But we're converting at a two or three X Factor because we're utilizing all the tools to solve those problems. Matt and Joe, do you guys have any other parts to that on the direct to seller model? Because I think we can all go to realtors, we can all go to wholesalers and say, give us your dead leads. We can go to probate attorneys and work that free world. But when we're spending money on marketing, calling list, cold calling, texting, RVMS, direct mail, all that kind of stuff, is there anything if you're like I want, actually not if does your business currently go after only creative finance in your market?

Matt: Yeah, I'm glad you asked that question because it's a common question. And what list do you pull, right? What do you do for the big deals? What do you do for fix and flips. And what do you do that and I'm glad you answer that the way that you answer to, because that's the same answer I always give and I always feel like I'm kind of cheating. Like I'm wondering what the other guys say, because I just I just look for motivation. Right. Because the foundation of every deal lies within the seller's motivation to sell. If there's no motivation, there's not going to be a deal. And I think maybe the better question is, how do you present creative offers to the list that you already are working? And so the approach that we have and I would love to hear this from you as well. I know all about Joe, so I know all of Joe's tricks. You taught me everything. I know he didn't give me. Got it. But I think, like, when you're talking to sellers, like we're here on a on a Wednesday morning talking about creative financing. Sellers aren't doing this right now. Right.

Matt: They don't know what creative financing is. They don't know what subject to is. They don't know what seller carryback is. And I think a big mistake people will make is like they're wondering if they're looking for that right list to where they can say subject to and the seller is going to say yes. Right. So that's just not it's not going to happen. That's not the seller's language. The seller speaks price. That's all it. So I always go for the price first, I'd always rather have a deep equity position, I can't reach an agreement there, then I can say, well, OK, well, the market might allow me to give you a little bit more if you could take some now and wait for for the rest later. How much do you need right now? And so I'm still talking price, even though I just proposed a creative offer. And so that gives them kind of going. But if I say no, I could take over the payment subject, too, and then we could put it in a trust and then we could carry it back. And I give you a balloon payment in five years and that's just going to confuse the seller and they're going to explode and they're going to go away.

Pace: A confused mind always says no.

Matt: Yes, exactly. If they don't understand it, they're not going for it. So just kind of thinking like work the same list you're already working. Don't change anything about that. Go for price first and then just kind of practice presenting price in a creative way, like I could give you a higher price. The market might allow it if you could take some now and the rest later. How much do you need right now? You're still talking price, but now it's a it's a really good segue. And that's how I get all of my creative finance deals if I can't get the equity position first.

Pace: I love that. So I do the same exact thing. I mean, I'll tell you guys a couple of cool things about what Matt is highlighting is, number one, imagine that I go into an appointment. Is there such thing as a seller right now that has already not spoken to another wholesaler, a real estate agent, etc.? The answer is no. The average that I've found is about fifteen wholesalers. I've had conversations with the seller already and the seller might have already even signed a contract before. And that wholesaler just never fulfilled that that contract. And so these sellers are primed and ready. So when I come in, my team is trained to say, well, we actually buy homes in multiple different ways, but we prefer the cash offer method. I'm sure you've spoken to other investors already about a cash offer. Why haven't you signed with somebody regarding a cash offer yet? And what we get to do is we get to extrapolate all these amazing pieces of information because they go, oh, well, I haven't signed yet because everybody's low balling me and everybody's this and I need this. In order to accomplish this, we go great. We come back to the drawing board. And of course, we always are trying to get a cash deal because cash deals not only keep money in the bank, which is awesome. They also allow us to do fixin' flips, which we do a good amount of in Phenix. But more important, the cash deal tells me all the stories that the other competition failed at. OK, then we convert and here's the line that we use.

Pace: This is the line we say, OK, well, it sounds like I'm not your buyer on a cash situation, but if I was willing to give you the number that you want, would you be willing to give me the terms that I need? Now sellers don't know what terms are OK, but terms is an easy word. It's not like I'm saying supercalifragilistic xbla delicious. I'm just saying a very short word. And more likely than not, the seller will say, well, what is terms mean, OK? And what I will do is I will then tell us a story that a third grader can understand. In the story, for a lot of my audience that is already following, we've got about two hundred and fifty people watching right now, which is great. There's a lot of people that have heard my F one fifty story. And so I've trained my team and trained my students and trained all my people to tell the story. And it's a true story. The story is this. OK, well, Seller, I used to be a contractor for ten years. I had an F150, it hit, three hundred and twenty thousand miles and it was time to take that out of my construction company and get my money out of that truck.

Pace: So I go to Kelley Blue Book, which is essentially the equivalent of Zillow. Right. I go to Kelley Blue Book and the truck. The Kelley Blue Book says it's worth five thousand dollars. And I was like five thousand dollars. Screw you. If I put a truck for five thousand dollars on Craigslist, am I getting five thousand dollars, Matt or Joe, or am I getting like thirty-five hundred bucks? Thirty-five hundred. I'm going to get these whole I'm going to get these people low balling me just like we lowball people on cash offers. And so I'm, I'm belligerent. I go on Craigslist and I put my F150 for what I think it's worth ten thousand dollars. Do you think I sold that truck for ten thousand dollars. The answer is hell no. Not only sell it, I didn't get a phone call. So three months later my wife comes into my office, taps me on the shoulder and says, sweetheart, get that stupid truck out of the driveway.

But she said a lot sweeter than that. And I said, Babe, what do you want me to do? And she goes, Dude, you're the creative finance guy. Why don't you sell the truck on terms? And I'm like, oh, my gosh, that's amazing.

Pace: So I only went back to my Craigslist that I change one thing I said F150 will take payments. Now, did I sell that truck for ten thousand dollars. No, I did not. I sold it for twelve thousand five hundred dollars because I had so many people overwhelming me with calls. In the first thirty minutes I did turn the ad off and then as I was filtering through the people asking, I just kept raising my price until I found somebody who was willing to give me a thousand dollars down and make me payments over that long period of time. Now, Mister Seller, do you see the benefit of selling something on payments as you can get a much higher number or you can achieve your goals. So. Like, I sold my F one fifty on a terms deal, you can sell your house to me the same exact way. All we have to figure out is what are the monthly payments you'd like to receive or what is the dollar amount you'd like to walk away with?

Pace: And nowhere in there did I say creative finance. No, indeed of trust wrap around sum to no vision agreement or any of that stuff. We just keep it basic, right? We keep it third grade level and everybody can resonate with the F one fifty stories even. Look at Zach Hamilton. He says, oh, perhaps with the F 150 story. It's a great comparison. Still, he's heard it one hundred times. So it's all about storytelling. And I convert we convert that cellar into a sub two or cellar financed by saying we can get you the number you want if you can give us the terms that we need. And it's as simple as that. And that's how you that's how you convert.

Joe: You know, the question was, is there a list you could target? And I totally agree. It's just in your normal marketing. Right. And I also love old leads, my old leads, other wholesaler's old leads. But I have found sending letters and emails to the realtors and the owners of older listings. You see, this isn't here. I'm in Redfin and I'm in St. Louis and I just look for houses between one hundred grand and four hundred grand. I like the median price total of four hundred. I go to more filters and I say here I want houses only and time on Redfin. I love this more than 60 days. You can't do this on Zillow. But I say I want all the properties that have been on the MLS or on Redfin for more than 60 days. And I scroll down and I also say built before twenty fifteen because there's going to be a lot of new construction homes if you don't do that. So I remove I said before twenty fifteen apply filter and the market is hot and it looks just like it is everywhere else. But if it's so hot why are there three hundred and eighteen homes on the market over sixty days that haven't sold yet. I thought all you had to do is stick a sign in the yard and you'd get multiple offers above asking price. St. Louis maybe isn't as hot as Vegas or Phoenix, but it's still a really, really hot market right now.

Joe: The problem is these houses are overpriced. It's simple. Even in a hot market, if a house is overpriced, it's not going to sell. So you can take this list, Redfin and go right down. You can download all of them into a spreadsheet. This is something maybe we'll show you all later. But you can download all of those properties into a spreadsheet and you can upload them to prop stream and get all of the owners' information and you can get the realtor's name and email address. So this is something that I've done many times and it works real well. I send this ugly typed letter through Click to Mail or Freedom Soft, and I send a letter like this to the owners of the property and it just says it comes from my company to the seller. Hey, I'm sending this time sensitive letter to inform you that we would like to buy your house that address for possibly full price, but we would like to rent it out for a year or so. First, we're a group of local investors that look for nice houses to rent in nice areas such as yours. We'll take the house as is be responsible for all the normal day to day maintenance and repairs and give you an offer to buy your house for a fair price on a future date of your choosing.

Joe: I even spelled choosing wrong. We don't charge any fees or commissions. We're just looking for some nicer investment properties in the area. I'm sure you have questions. If you're interested in, please call me. And then, by the way, I say if your house is listed with the realtor, please disregard this letter or give it to them. That kind of covers your working with realtors issues. Write this letter works great. I've gotten anywhere from a two to five percent response rate with these letters. The other thing is I can send I can go into these properties and I've sent emails to the realtors and if you go in here, you're not going to get the contact information on the realtor. You can see right here at Shonna, but you can Google them and find the real to the email or you can go to prop stream and get it from property. But this is what I'll send to the realtors. And I'm using a tool called Jemma's to do this where you say, hey, listen, I saw your property at Bentson Street in Granite City. Looks like a nice house. I'm surprised it hasn't sold yet.

Joe: But what if I could get the price that the seller is asking for? They wouldn't consider something like seller financing or a lease purchase would they? And that's it. I just send a simple email like that to the realtors and you'll be shocked how many realtors will reply back? I don't know, maybe send an offer. They might consider it. I'll let them know. What do you think? It works really, really well. Know in that situation are going to have to deal with the realtor, which presents its own challenges. But you can still do deals this way by contacting the listing agents and or contacting the sellers directly.

Pace: Ninja type. Love that. I have a great question for you guys, man. There's such great questions. Matt Smith, love the comment. Taylor Evans, love this deal. How to work numbers with a realtor. I think that's a topic for an entire show, to be honest. Sam can see you all the time, bro. Love your comments. You're amazing. It's a seller's open to cash and creative finance. I think we'll jump on that here in a little bit. But I really, really like this one because I think that this is where I'm going to differ with both you guys. OK, yeah, I will buy negative equity deals frequently. Frequently now it's probably less than 15 percent of my portfolio, but I just bought nine homes on seller finance, two percent interest carry from the seller. And here's the purchase price on the contract. This is literally what the purchase price is in the purchase price on the contract that says see below in additional comments we write. Final purchase price to be determined on day of closing Zillow price plus twenty thousand dollars, that's my contract price. So my answer is yes, I will buy negative equity deals, especially when I have really good terms, low down payment, really good cash flow and a great interest rate that I don't have a balloon on.

Pace: So again, let me say that one more time. No adjustable rate mortgages, right? That was a very popular thing back in 2004 through to twenty-seven. Those really don't exist too much anymore. My interest rates are averaging in my seller finance deals around two, two and a half percent. So crazy good interest rate and I have no balloon. Right. So regardless of whether the House appreciates or doesn't appreciate, doesn't really bother me. I'm not buying for appreciation. I'm buying for cash flow and the easiness of getting into that deal. Now, the other thing is I stress test everything right? So I go back in historical data and I find if I'm buying a house in a really bad area, which I don't buy houses typically in really bad areas, but if I do, I look back at historical data and I look at the rental defaults when two thousand eight happened and I go, oh my gosh, if we have another downturn, my house is in this pocket. I have to plan on four, five, six months of buffer. Probably not a great deal for me. So, yes, equity, good negative equity deals are overpaying for a property. I will absolutely buy them if the terms makes sense for me. What about you guys? Do you guys touch negative equity stuff?

Joe: I'll let Matt go first. Yeah.

Matt: I mean, the big thing with everything you just said, paces with the cash flow. Right. I don't really care about equity too much. There's plenty of properties I've even overpaid for that haven't had equity and I still paid for them, overpaid for them because they were good cash flowing numbers. And so there was one question here like how do you calculate what to offer on a creative financing deal? I work everything backwards. You know, I have a minimum standard, whether it's a monthly dollar amount cash flow or if it's a monthly or if it's a ROIC, a cash-on-cash return. And I just craft my offer backwards from that to make sure I hit my number. And equity is very rarely a part of that equation to me. Equity that that becomes frosting on the cake, you know, but the financial freedom comes from cash flow. And if you overpay for a property but it sets you free, what's more important to you, getting the equity? Are you being free?

Joe: Well, I would disagree a little bit, although I can totally understand your point. Cash flow is the most important number in all of this right now. But I would say sometimes, though, I would offer the seller instead the same equity they would get if they sold with the realtor. So you could say, would it be fair if I gave you the same equity you would get with the realtor or if you sold with the realtor? And then I would show them, all right. Well, if you were to sell it today, it would be and if you fixed it up, it would be about this. But then you'd have to put some money into it. You'd have to pay the commissions. You'd have closing costs.

Matt: Right, Joe? But that would be this was for a negative equity deal. That was the question.

Joe: Well, yeah, you could still structure, though,

Matt: But they would get nothing. They would have to come in with money.

Joe: The point is, you're showing them that they don't have really any yet, but they may oh one ninety and the house is worth two hundred. Right. So they think there's ten grand in equity there. You really show them the cost of selling it. You're actually going to have to come to closing with a check for five to ten grand or fifteen to sell it. So you could then say listen, instead of giving you the same equity you would get if you sold with the realtor, which would be negative fifteen, then I'll go and just take over your debt. I like that kind of a phrase. I'll just take over your debt and take over your payments. Would that be OK with you or not? So that kind of frames it a little differently. But I like to term for a phrase it in terms of the equity they would get if they sold it. The realtor, what is their true net, net, net equity at the end of the day. But I'm still I got so burned by my subject tos back in the last crash. I personally I want to see cash flow and equity.

Matt: If you're going to do those deals again, like today, what would you have done differently?

Joe: I would have had bigger cash flow. Number one, because I and all of them I had only one hundred and fifty dollars a month in cash flow. And number two, I didn't save anything. I didn't have any reserves. Right. So I would have done it differently. Number one, I would have wanted at least another hundred or two hundred a month in cash flow and I would have saved at least half of the option deposit money I got from the buyers I was putting in the houses and would not have touched it. And if I would have done that, I would have had fifty grand in the bank just sitting there for emergencies and I could have weathered the storm. If you remember, when the market crashed, like people were losing their houses and but there were a lot of vacancies. Vacancies actually went up and I was so desperate to get somebody in there, it was a downward spiral because I would take the first person that could put down three grand just so I could make that next mortgage payment. And they were complete idiots and they would tear the place up and they wouldn't pay the rent and threatened to sue me. It was just a disaster, but kind of went down from there.

Matt: So it was not enough reserves, not enough cash flow. And then, like the tenant market was depressed.

Joe: Yeah, right. Rents didn't go down, but it was harder to find good quality tenants and at the time to. So easy to get a mortgage, if you remember this, it was so easy to get a mortgage. People are like, well, why would I want a lease option? I can just go fog a mirror bank and get a loan. So at the time, I was not getting very good. I was getting very poor-quality tenant buyers for my homes.

Pace: I think that's a whole topic, honestly, for a whole day. Don't you agree, Matt and Joe, is that talking about what is your war chest look like? So for all of our properties we have, we're in triple figures on our properties, our doors that we hold on subject to and seller finance. And we have a war chest phrase basically like let's say a thousand dollars comes into our bank account from our tenant. There's a portion of that that comes right off the top and goes into our war chest. Right. And it's for a rainy day. The reason I call it a war chest is for obvious reasons, like I might go to war at some point with a tenant. I might go to eviction court. I might have to repair holes. They punch in the walls or whatever, so that money comes right off the top. And so depending on the area and the type of tenant that I'm going to get in that area, I will either put 10 percent, 15 percent, or even upwards of 20 percent of my income, my collections.

Pace: So if it's a thousand dollars, which I don't have anything at a thousand dollars rent rate right now because we can rent rates are crazy, but let's say it's a thousand dollars if it's in a bad area and putting two hundred dollars a month to the side. But more important is what Joe's talking about is that option fee right up front? Let's say my options be seventy-five hundred bucks. I might take twenty-five hundred dollars and go buy sushi with it. Take me to Nobu in Caesar's Palace and go hang out with Matt. But the other five grand I'm putting in my war chest, that's a whole topic for a whole another day. I think like literally we could talk about that for an hour.

Joe: Here's a book everybody needs to get and read. If you're a serious business owner and you're not treating this like a hobby, you're treating this like a business. You need to get the book profit first. It is so important such have a job.

Matt: Even if you're just an employee, you need that book. That's probably the most life changing book I've read in the last five years.

Pace: I would say that the most like out of the top 20 questions I get on a daily basis, one of those questions is, hey, I got my first check. What do I do with my money? What do I and what do I do? In a minute? My answer is sending them the Amazon link to first. And we actually you guys both know Tom Croll. Yeah. So when I met Tom Croll a couple of years ago, I met his bookkeeper. Tony Counts. I don't know if you guys either one of you know, Tony Counts. I ended up hiring her. And in our interview process, I said, hey, have you read the book Profit First? And she says, I was just about to ask you the same thing. I won't take on clients that haven't read Profit First. So, guys, my suggestion of profit first is incredibly, incredibly important. If you're not a reader, download that bad boy on Audible and get that information in your brain. You might have to read it two or three times for people that are new to understanding the flow of money and what to do with it. But it's the crap they should have been teaching us in high school, to be honest.

Matt: Totally, totally. And I don't even do it exactly as the book is written, because he's kind of has this percentage breakdown and what you want your account do and run the books and you got these all of these five different accounts. And I'm just like I just have an automatic starter, very small because I was not living paycheck to paycheck. But our business, like every single dime I ever made, went right back into the business to make a bigger and bigger and keep it going. And so we were essentially living like we weren't we didn't have a big giant cash reserve for a very long time. And so we started, OK, it's an automatic payment. I just start with my own personal account. Fifty bucks a month goes over to ETrade and it gets automatically deposited in a mutual fund that was just it knows one hundred percent automated. And I was actually concerned. I was actually concerned with fifty dollars a month, like, oh my gosh. Like what am I for if I need it. And it was turned into nothing. This started about four years ago, three and a half years ago.

Matt: Then I went to one hundred bucks and two hundred bucks and just slowly started inching that thing up. And now I've that that money comes into one account. I use the wealth front and then it disperses it into three different areas. So it goes to an investment account, a cash account. And then I got a second account just for taxes. And now I'm saving about ten grand a month. That's one hundred percent automated. This is on my personal account, not my business, even just my personal thing. And I've got this huge sleep well at night account. Like, I don't even have these concerns or money worries at all anymore, and I'm not even doing it right. Like just but just by setting up that automated disbursements into your account automatically go. You never get the touch then.

Joe: Yeah, there's a there's a thing I use. It's called acorns and acorns is awesome because you can put it into the kind of like exchange traded funds. ETFs, I think is what they're called.

Matt: What are these, everyone's affiliate links now?

Pace: Those are audible and Amazon.

Joe: Got to go. Somebody asked who the author is. It's Mike Miklowitz. Here's the whole idea of profit for every dollar that comes in. Normally, most people say revenue minus expenses equals profit. This changes it around where it's revenue, minus profit equals expenses. So every dollar that comes in, you're going to first set aside some money for profit. It could be ten to fifteen percent. The next thing you need to do is send some dollars to the taxman. All right. Do not ignore the taxman. He can take everything away from you if he wants. And he doesn't care who you are. He doesn't care about you at all. He wants is his money. And you need to give it to him or else you're going to be in big trouble. If you don't, then you pay yourself. And then whatever's left is your expenses, is your overhead. So every dollar that comes in, you need to set aside 10 percent for profit. And I like to use acorns. Acorns is something similar to what Matt was just saying. You can download it on your phone and you can choose every dollar rounds up your dollars that you spend on your checking account or your credit cards. It rounds up and invest that money for you or it can withdraw a certain amount. I think I have it do five hundred bucks a week or something like that every week into an ACORN account. And it's just a savings account that earns great interest because it's invested in the stock market, which you can also get some self-directed IRAs in there and some cool stuff like that.

Pace: Hey, guys, we really appreciate you all tuning in. This is our first live together. We've reached almost three hundred live viewers for our first time. Really, really appreciate you, especially right here. HYP X fanatics as he's sharing the video. So you guys do us a favor in the future. Share these videos. We want as many people breaking these financial curses that maybe have come from their family education. I know that I'm basically the only thing I learned when I was young was work your guts out until you die. Right. Thank goodness to my dad for teaching me how to work really, really hard. But these creative finance tips and also how to manage your money. My gosh, let's get everybody to know this stuff. And by the way, if you're not following Joe McCall, you're not following Matt Theriault on YouTube, go subscribe to these guys materials. YouTube is amazing. He does a crazy, crazy good job. I think a lot of people probably look at Matt and go, how do I be as cool as Matt on YouTube? He does a great job. Go, go, go. Follow him. His content's amazing. The flow of his videos are great. Production value is nearly unparalleled. Go follow these guys. We're going to be doing this podcast every Wednesday, 8:00 a.m. Pacific Standard Time eleven I'm sorry, 11:00 a.m. Eastern. And we're going to be doing so many amazing topics.

Pace: I think what we're going to do this week is we're going to go through the comments and we're going to choose a few of the questions that have been thrown out in the comments, because there's some questions in here that deserve a full hour deep dive of us going through. And if we have to, we'll bring in a CPA. If we have to, we'll bring in a bankruptcy attorney. If we have to, we'll bring in a probate attorney and we'll make this show absolutely amazing, amazing value for you guys. Guys, I have a call in two minutes. I got to go, too. So before we leave, I'm going to shut up and I want you guys to tell everybody where else they can find you and what else are you doing live this week that people can tune in and watch you guys on?

Joe: For me, I'm typing this in, boom, how I love these banners. There is that show?

Pace: Partner with Joe Dot Net.

Joe: All right. So that's my news shtick right now, man. I'm so excited about this. I have a software that I just created that helps you create offers and gives you these beautiful reports that you can send to the sellers and you can get it for free at PartnerwithJoe.net and I have a little program in there that I sell for seven bucks, but I'm going to put you through a 30-day course on how to get your first check. It's just a gift, really, for me. But I have some really awesome, amazing things in there for you. Go check it out, PartnerwithJoe.net. And it's also I also have my podcast, Real Estate Investing Mastery podcast, where I don't have as many episodes as material, but I will someday, I promise something.

Matt: Thanks, guys. It's been a pleasure hanging out with you. And I'm looking forward to making this a regular thing. I think it's really good and it seems like everybody else is getting something from it as well. And I learned something from you guys every single time. So you've always got the back door tricks inside of the next website. And it's always fun to watch how you do that stuff and navigate that stuff. But anyway, yeah, the podcast I've been running almost we're going on our 12th year, the Epic Real Estate Investing podcast and just type in epic real estate investing dotcom. That'll take you right to the YouTube link. And then of course, YouTube Epic REI.tv. That's my little domain name. That'll take you right to my home channel. EpicREI.TV. And looking forward to the guys next week.

Joe: It's been for you guys next week.

Pace: Yeah. Take care.