Why You Should Never Do Deals In Your Own Name

Hosted by*:* Joe McCall
Guest: Pace Morby and Matt Theriault

Joe: Joe McCall here with my good buddies Pace and Matt, hope you guys are doing well. Welcome to the Creative Financing Lab podcast. I'm excited about this. This is our episode number three, guys. Number three, we are on a roll. We are all big fans of creative financing. It's how I quit my job way back in 2009. I was doing wholesaling. You know, we're still doing wholesaling. Nothing wrong with that. I don't want to knock any other strategy. But I was struggling. I was spending a lot of direct mail like everybody else was to the same lists that everybody else was. And I was tired of throwing away leads, just throwing away lead after lead after lead after lead. I talked to a seller. They wanted too much for the house. I couldn't go see the house either because I was working fifty, sixty hours a week on my job and I had to figure out a way to negotiate deals over the phone. And I always felt like I just never liked having to negotiate sellers and beat them down to 50 or 60 cents on the dollar. And not that there's anything wrong with that. Like, you know what I'm saying? In exchange for price, we give them speed and convenience of selling their house quickly.

Joe: But I thought, could there be something I could do with all of these leads I'm throwing away? Could it be that I could maybe give them the price that they need to do that? Can I only do deals with desperate bottom of the barrel motivated sellers, or can I do deals with sellers that maybe aren't super desperate and motivated? So I started doing lease options and at the time I didn't want to own any more properties, so I just started flipping lease options and Pace. And Matt, I remember this so clearly. I was kind of getting some mentoring buy from Wendy Patton. When do you all remember Wendy Patton back in the day? She had a student, he was a United States citizen, but he was from the country of India and he was in Chicago climbing the corporate ladder, sick of climbing corporate ladder, went back to India and started was doing deals in Chicago from India.

Joe: And I talked I found the guy. I called him up. I talked to him. I was like, how are you doing this? He's like, it's not that hard. It's just like I was there, right? I get people on the phone. I talk to them. I asked them if they want to do a lease option. They say, yeah, I send them a contract. I hire a local realtor, sells a house for me. So that was my whole entrance into the world of wholesaling lease options, just flipping lease options. So anyway, long introduction, just to say I love creative financing and hope you guys do too. And that's the whole purpose of this podcast. Pace and Matt, how are you guys?

Matt: Doing good. I love creative financing too. And I love you too, Joe.

Joe: Well, you know, I feel bad and I was talking way too much because Pace got so bored he left.

Pace: No, I you know, my wife is driving out to California for a doctor's appointment today. Oh. And so I've got the baby. So I've got a baby sitting right next to me on the floor watching some YouTube on my phone. So I had to step out for a second.

Joe: Tell her hi for us.

Pace: I will, man. I mean, that's kind of the beautiful thing about what we do, is that so I'm in Tampa a couple of weeks ago. Super interesting. So I'm in Tampa. I'm driving. Did I tell you as a story about the Uber driver?

Matt: No, we had the F150 last time.

Pace: OK, well, you're going to get another story now. All right. Great uber driver. Tampa's really hard to get ubers.I don't know why, but it was just crazy. So I'm waiting around, my uber driver pulls up, cancels. I see him like I know it's him. He cancels it and goes and then meanders off. I'm like, OK, great. So I get another guy and takes another fifteen minutes to get him. And I'm like man thank you so much for coming out here. He's like, yeah man, I never thought I'd ever pick somebody up in this area. And I go, Why is that? And he goes, This is where all the rich people live. And I go, Oh, OK, cool. Is that there's like a shopping mall, right? Because I was running some errands in Tampa. I go, OK, cool, yes. Yeah, I guess it is a pretty nice area. He says, Yeah, man, you got to make like probably upwards of like fifty-five, sixty five thousand dollars a year to live in this area. And I'm like, wow, wow. Perspective, right perspective.

Pace: So I go, yeah, I mean maybe more like fifty five thousand dollars a month, you know, something like that. You could live in this area and he's like, wait, what is that even possible? Do people make anywhere near that kind of money? And I'm sitting here going, man, have you ever like do you have any buddies that are in real estate? Do you have anybody? And he goes, how would I even get in real estate? I know nothing. I have no resources. I have no money. I have none of this stuff. So I go, man, you got to go home and you got to go YouTube Max Maxwell and Brent Daniels and all these guys go learn about wholesaling man. No money to get into wholesale. It just requires some effort. So we get into this conversation. And within 12 minutes I realized like, hey, not that I'm God's gift to the Earth at all, but somehow, some way this kid needed to hear that there's something better than spending all day Saturday and Sunday driving for Uber when the same amount of time and energy could be spent on wholesaling real estate, whether it's creatively or it's done, you know, with cash deals.

Pace: And so I get into a conversation yesterday with Gerri about this. And Gerri goes, you know, it's funny is so many people's Gerri Norton. So Gerri and I are doing a YouTube video yesterday and he says, you know, so many people tell me that it's impossible to do a zero down, zero credit type of deal. And I go, man, let's do a YouTube video just about that. Let's like bring out the addresses and settlement statements and show people that it's truly possible do is zero down, even have the seller pay for the closing costs, take over a mortgage type of structure. And so we go start going through this and I start getting am I go, dude, I don't want to be here anymore. He goes, Wait, what? And I go, Yeah, I want to go back to my office. I want to start, I want to go back and do I want to go do deals right now. Like I'm so excited about the fact that we're both talking about these deals and how fun this business is.

Pace: Yeah. We are so lucky. We're like this small little teeny community inside of real estate that knows about wholesaling, creative financing. You know, all these things. I'm like, man, we are so blessed to know all this kind of stuff. Meanwhile, there's people that have never even heard of wholesaling, never heard of a lease option, never heard of a sub to sell or finance or any of that kind of stuff. We're very, very blessed to be here in a very blessed to be around you two guys that have been in the game for a long time. So it's going to be fun. This show's going to be a lot of a lot of fun. So any time people have questions in the chat, guys throw some questions in the chat. Let's give you guys some answers. This is going to be a lot of fun for us, Matt.

Matt: Yeah, I didn't come with a great story like you two came prepared with

Joe: A lot of good stories, Matt.

Matt: I don't have one right now. Maybe something will come to me. Let's go to the questions.

Pace: I have a question for you. Oh, sure. If somebody tells you it's not possible to do a zero-down deal with no credit, no credentials, like no W-2, none of that stuff, what would be your answer to that? That's actually a good answer. A little small chuckle is a really good answer.

Matt: That's kind of it. I always think of it. You see that type of stuff and YouTube comments all the time. And I venture out of my creative financing focus here and then go into some broader subjects and broader investment type stuff. But you constantly get pushback of people are saying you can't do that, fill in the blank as to whatever it is. Right. And I think of I think it's a Chinese proverb that says something to the extent of those that say it can't be done should get out of the way of the people that are doing it.

Pace: Yes, right.

Matt: And I just always think, you know, on my channel, like I say this frequency, I'll say it even inside the because if you're happy with where you are financially, don't listen to me. I don't want to interrupt that. Right. I'm not trying to change your mind or convince you of anything. I show different ways of doing things. And there's a whole world outside that. That's that anything is possible. And I really do mean anything financially. You know, when I was a real estate agent, I did the agent thing for about four years. So I'm very, very in tune with when you get pushback, if you're interacting with the real estate agent in a transaction and you're trying to propose something creative, like, I understand the resistance. Most people don't realize if you're an investor, a wholesaler and you're dealing with agents and sometimes they can be the enemy and sometimes they can get in the way, well, frequently they get in the way, especially of purchases. But you have to understand their perspective. I mean, they go to work each and every day and are really kind of confined to this small itsy bitsy box.

Matt: Find a client, get them prequalified, put them in your car, go show them houses, write a full price offer if you want to make money at this. Right. And so that you have a monthly meet or a weekly meeting inside of your mortgage company and your broker. And every Monday they'll say this is what the market's doing. Here's what the inventory is doing. Then you'll have someone. Here's the interest rate. Here's the latest deal with title and they'll will close every single meeting with. And here is the latest culprit running the scam in your area that went to jail and got a bunch of real estate agents in trouble. So every. They would close that meeting with trying to scare people straight, you know what I mean? And I think that now to get back to your point, when people come to and say you can't do that, they've been told that they can't do that. So you have to have kind of have some sympathy, some empathy and some understanding. And so I just kind of stopped trying to convince people and started just sharing more and more and showing them real world stuff of what's possible. So I don't know if that was the answer, but it may be.

Pace: It is the answer. I've got an agent right now. She's texting me on a deal in Phoenix. And you know, of course, everybody if somebody's sending you a deal right now and you're not begging for it, it seems to me that it's probably not a deal, wouldn't you guys agree? Yes. So if somebody's sending me a deal. Hey, Pace, are you interested in this? It means that they've already sent it out to their list. They've already had twenty-five conversations with other people they think would pay more money because I'm somewhat of a savvy investor, so I'm going to beat them up on their assignment fee. And all that kind of stuff.

Matt: It's funny when you say that if someone's sending you a deal begging for it. I have the same impression that ah, same feeling when someone says they need a bigger buyers list. Oh yeah. I'm like, no, you just need to find a bigger sucker than you. Yeah. You're not finding good deals and that's why you feel you need a big buyer. Listen to your point as well. And you need to kind of have to sometimes face the fact that you don't have the deal that you think you got. Right.

Pace: Right. So she creates her own comps. She says, hey, this thing has an exit price of a million dollars and I'll sell it to you for five seventy-five. And I'm thinking and you've got a four hundred and twenty-five thousand dollars spread there and let's assume it's a two hundred-thousand-dollar renovation. That's a crazy good deal that anybody would want to buy. I know two hundred thousand dollars is a big renovation for most fixing flippers. But I'm thinking man, if there's that much real profit on this thing, you would have this would have never reached me, especially from an agent I've never spoken to before. So this agent seeks me out and is like desperately trying to find somebody by this deal. So in her journey to reach me, how many other people have told her no? Right. Sorry, I responded back to her and I said, hey, I would buy that deal if the seller would carry the paper while I renovated the home. And the agent goes, what does carry the paper me?

Pace: And I'm like, well, it means that essentially I'll pay the seller when I find my buyer after my renovation and I'll even pay maybe even a little bit more money. But I could probably make that deal work. And the agent says, oh, that's illegal. That was literally her response forty-five minutes ago. And I'm like, man. So it's a really good point that you bring that up as that they're educated incorrectly, either by their broker or by, you know, the real estate board or whatever it is to try and confine them to this really small space. And I think part of it is protecting their industry. Right. Even the MLS is a version of protecting their industry. Right. Blocking people out, making it so. The only way you can have access to the MLS is through a licensed real estate agent. Now, technology is changing that, but they get educated. They get told that this is illegal or this is wrong or just the mere fact that they were never educated on it means that I'm a real estate professional. I have a license. That means I know everything there is to know about real estate. And if I didn't learn about this, then that is wrong.

Matt: There's a sense of entitlement almost that comes with a sense of self-importance that accompanies a license or even they just got their license on their very first day. I am official and little do they know that the real estate license exam does very little to prepare you to become a real estate agent, let alone an investor. The brokers also say that because those small agents, those first agents, those newer agents, I think it's two years or less in most states, they have to work under a broker. The broker wants to keep them in this little box because it's their license that's on the line. Right. They don't want them messing things up.

Joe: Pace, did you just call Matt Noz? There's only one Noz.

Pace: I don't know, Matt, did I call you Naz?

Matt: I didn't hear that.

Joe: It's just me. Naz is a real cool dude, but that does not look like Naz.

Pace: Yeah, I know. I didn't call him Naz. No. OK, so the on the agent side. So Jamil and I travel around the country. We just did a pop up in L.A.. Right. So we always do the same little survey in these pop ups you get one hundred and fifty to two hundred people at these little pop ups and G.M. will say, who in here is a licensed real estate agent and keep your hands. So like seventy percent of people raise their hands, right. And they got 60, 70 people with their hands raised. It's kind of cool to see. And then he says, OK, who in there learn how to comp properties in real estate school or from your broker? And everybody puts their hand down. And it's like the only thing like the main thing that you really need to know is a real estate agent is how to structure a deal, how to value a property, etc. And it's one of the multiple things they don't actually teach you in school. So it would be great. You know, what's funny is our real estate contract. So this is what I do with that lady about forty five minutes ago. She says that's illegal. So I go to the real estate contract. I take a screenshot of the section where it says Seller Carryback on our actual real estate contract. And she goes, Oh, wow, I've. Ever seen that which contract is that, and this is the contract that you use every time you list a property.

Joe: How about the HUD statement that shows the same thing?

Pace: Holy moly. So it's just it's such an interesting thing. So, you know, to bring this to light for the one hundred and fifty plus people that are watching right now. Guys, this is not new. Creative finance is not new. I can tell you right now that the guys who have been in this industry teaching creative finance guys, even 20, 30 years before Matt and Joe were teaching it, they've been teaching these principles for a very long time now. There's some strategies on sales and there's some extra strategies on, hey, let me wholesale this option, which wasn't done 40, 50 years ago. There's some extra tactics and stuff like that. But creative finance as a whole has been around a very, very long time. The problem is a lot of the guys and gals who have known it, Wendy Patton being one of those specifically. I've spoken to Wendy Patton. And my only advice to her was, Wendy, you have one of the only books on subject to available right now that anybody would actually read. But your social media is so minimal that nobody nowadays knows who you are. You need to get your social media presence back up.

Pace: And so that's essentially what this show is. The show is to highlight what creative finance is, to normalize the conversation around it, get you guys educated. So you understand this is not a new strategy. This is something that's been around a long time. It's just that it's been taught in webinars and in in-person events primarily. But now we're going to be broadcasting it across the world and making it easy to understand and easily accessible so that everybody understands. And Robert Allen, I just met Robert Allen. Guess who's going to write? I'm writing a book right now called Twenty-Five Exit Strategies Your Mommy Didn't Tell You About. And Robert Allen is writing my forward in that book for you.

Joe: Man, that's awesome. Super cool.

Pace: So, you know, Robert Allen, do you guys hear that story about him in The L.A. Times?

Joe: Yeah, but tell it again. This is good.

Pace: Matt, this is such a great story. So Robert Allen comes out with a book, No Money Down, Right or Nothing Down is what the name of the book is. Nothing Down. And he gets an L.A. Times reporter calling him out on it, saying there's no way it's possible that you can do that. You're a scam artist. So Robert Allen says, I accept your challenge. I will buy a house with nothing down within seventy-two hours. You just tell me the name in the time. And L.A. Times goes, OK, fly to L.A. Times headquarters in L.A. We're going to take you to an unknown, undisclosed location and we're going to drop you in the middle of a city with a reporter by your side, OK? This is like nineteen eighty-seven. So he goes in L.A. Times, they go to the LAX airport, they fly to San Francisco, they take him downtown San Francisco. To a lot of people's understanding, that's probably one of the hardest places to buy real estate, even back distressed real estate, especially nothing down. So he goes, they give him one hundred dollars. What does he do with the hundred dollars? He goes and gets the first ten dollars out in dimes. Right. So he gets one hundred dimes.

Pace: What does he do? He starts calling realtors listings out of the newspaper and just saying, hey, I'm a real estate investor in town, I'm looking to buy a property, I'll pay full price, but I want to give nothing down and have the seller pay the closing costs and we'll structure a deal that went up. So no, no, no, no, no, no, no. Five hours later, he's like, well, we've got to get to a hotel. So him and the reporter split a thirty four dollar hotel. So Robert uses seventeen dollars and the reporter uses seventeen bucks. So Robert's basically left with oh my gosh. Like I can't go that much longer, like I'm down to like sixty bucks. I got to eat and have another night of whatever. Eleven o'clock at night he gets a call from an agent. The agent says Hey I've got a house seller actually has two properties for you willing to sell to you on seller finance. Nothing down and they will be closing costs. Come meet us tomorrow morning. I'll have the contracts all written out. So be before twenty-four hours is up. He signs two houses, nothing down. Seller paying closing costs before the total seventy-two hours was up. He bought seven houses with nothing down. All the sellers paying the closing costs.

Pace: So what happens is the L.A. Times runs this as an ad. Not that I'm sorry. They run as the front page of the L.A. Times. Robert Allen is legit. Blah, blah, blah, blah, blah. And his life has never been the same ever since that article absolutely blew him up. But what's funny is not a lot of people nowadays know who Robert Allen is now. The guys like us, us two, us three, we all know who Carlton Sheets, rest in peace. We all know a lot of these guys that have been around a very, very long time. But they're not social. They're not out on social media, which is the medium of the day. Right. It's Robert Allen has some of the best books on planet Earth, but not a lot of people are reading books. They're on social media consuming smaller, short form content like YouTube or Ticktock or whatever.

Pace: So I'm with Robert Allen at this mastermind two weeks ago, and he says, yeah, honestly, he's like with the advent of social media, guys like me kind of fell off the planet Earth and I have to reinvent myself. And so he's hiring coaches and social media people to get him back on the map. But my point is these things and these principles have been top. For a very long time, by no means are any three of us inventing any of this stuff, it's our job to articulate our experiences and stories and to show you that it is absolutely possible and then to also broadcast it out into the social media realm so that you guys know it's possible for you to.

Joe: If I had it, I have somewhere in my pile of books right here, Robert Allen's book No Money Down, and it says in a big star on the book, completely updated for the 80s. And I'm telling you, you look through the book, right. And it's everything in there. With the exception of classified ads, he talks about finding newspaper classified ads. Everything in there is still relevant and applicable for today. This isn't anything new. And you're going back to what you say. You'll hear this from attorneys and lawyers and realtors all the time. Now, that's illegal, immoral and fattening. And you can't do that. Why? Well, I just never heard of anybody doing I've heard this from lawyers. It's there's no way that a seller would sell you their house for 60, 70 cents on the dollar. Right.

Joe: That must be illegal. There's no way that a seller would let you rent to own their house or sell or finance their house with nothing down zero percent interest. And there's just you got it. If you're new in this business, you just got to learn to expect that. Right. And don't freak out about it. Don't get upset. Just move on and find somebody else who is doing it right. Find somebody else that is doing these deals. And yeah, because there's title companies that will help you with these deals and there's title companies that won't. So just find the guys that are already doing these deals in your market and partner with them, say, hey, listen, if I bring you a deal with your partner, with me on it and they will show you who they're using for this stuff,

Pace: You want me to give you guys a major hack? Yeah. So I own a transaction coordination company and I feel bad self-promoting. I do make money off of this.

Joe: I promoted it the other day to my audience.

Pace: OK, cool. So I own a company called Constant Close.com, which is awesome. We do creative transactions in all 50 states so we know all the title companies in the closing, attorneys in all 50 states. So reach out to constant close dotcom. Rashelle, my partner in that business, will help you out. Very, very simple process takes the headache of the paperwork and we will even talk to the seller for you. We'll get on the phone and walk through the paperwork. It's an insane, insane proposition. Is that Rashelle, my partner, will get on the phone, walk through and say, yeah, this is what subject to is. And this is this. And here's this. Ba ba ba ba ba ba. All that kind of stuff. And then she'll go through the whole transaction for you guys. So Constant Close will also tell you, hey, this is the title company as a closing attorney that we use in this state, let's use them because your title company is probably trash, but she'll say it a lot more professionally.

Joe: Hey, we had a comment up there and I deleted it because I put up the banner of your company.

Pace: Yeah, it was actually really good. Lewis So Lewis asked a question. I have a great answer that brings Matt into this. Do any of you push sending the seller a letter of intent with multiple options so they can have it on paper or only when they request it? Now, I'm going to tell you guys, go watch a video of Matt Trios on his YouTube channel. It's called Ten Ways to Find a Creative Finance Deal. Matt, I told you were one of my heroes, man. I consume all your stuff. I can. I consume everyday stuff. Go watch this video. One of the ways that Matt talks about finding creative financing deals, he actually talks about, I think it's one of his students or somebody that used to work for Matt started this three-pronged approach to sending out offers. Right. So they send out a cash offer. They send out well, it's all on the same offer, but they just give the seller three options. And so it's essentially a letter of intent or an offer. And so go watch that video. It's really, really informative. I've actually shared that with multiple people like, hey, I don't have a video on this. Matt does go watch this video. So, Lewis, go watch that video. Matt, do you have any feedback on this question specifically?

Matt: Yes. So he's asking, do you give him the three option letter of intent on do you always give it to my guess or do you just when they requested.

Pace: I don't give it. I don't give it to them right out the gate. I'm a firm believer in the Sandler method of sales, which I don't say my number first. I get the seller to give me their number and where they want to be. But every once in a while, what I liked about that video is that your student doesn't send them an offer right out of the gate. He sends them off for like months and months and months after they talk to him. And maybe the deal either fell apart or like they've lost contact with them or whatever. And so they send out these letters with an offer and they end up picking up a couple of deals a month out of those offers. Mm hmm.

Matt: Mm hmm. Yeah, really there's I guess there's two schools of thought. And Jeff Garner, who's a mutual friend of Joe's in mind. You know, Jeff?

Pace: Yeah, I do.

Matt: And so he teaches a ground and pound school, on negotiating. And it's very much Sandler based. And he'll never leave anything on paper behind. And Mercedes and I, you know, for the last since we start working together, we would always leave something on paper behind. And so we always left was the three option letter of intent. If we would go back and forth, we'd take five stabs at trying to get the right price. And then if that didn't work out, then we'd go ahead and we leave that three-option letter of intent behind. And that gave us a reason and a not creepy or awkward reason to follow up the next day. So we just kind of used it as a continuation of. The negotiation process, and so we would always say we'd be able to call back and follow up on that the next day, but what we also noticed was the dynamic will change entirely in a conversation with the seller. If there's something actually in writing before that we've discovered or we've learned, our experience has always been, you know, it's all talk until someone puts on paper and all of a sudden the whole thing will change.

Matt: And all of a sudden the seller will be like, oh, this is real. So they still may say no, but at least we always felt like we got an elevated level of consideration. And so that's what we do. And then my student, who I showed him how to do this, and so he used it frequently. But what he started to do was, as he termed it, the rejection letter. And so anyone that gave him a hard no, it was in his follow up sequence to send out those three letters of intent. And in his first year, he sent up as eleven hundred and something, which is a lot of letters, but it resulted in fifty-five extra deals that he wouldn't have gotten. And it was from the people that originally said no.

Pace: That's pretty amazing. I mean, if you look at the cost of a letter, let's say the cost of a letter with everything included is under a buck. Right. I mean, you might be 70 cents or something. So the cost of that was seven hundred dollars to send that out. And he got fifty-five deals for seven hundred dollars. Yeah.

Matt: That's crazy. Yeah, it's, it's. Yeah. And so now all of a sudden that said Oh well thank you for sharing that with me. We will put that in our field, our, our follow up process for sure. The other the other side of that just to touch on whether you leave something written or not. Jeff, his idea of not leaving it behind is because he knows he's going to relentlessly follow up anyway. So that would interfere with his follow up Mercedes. And I want that ruthless with the follow up and we want that relentless. So but we frequently got calls two months, six months, eight months, a year later from people that still had that letter. And they were just like free deals that fell out of the sky when it happened. So I think whether you're going to leave it something written behind or not, leave something written behind, just choose one and be consistent with it so you get the consistent result.

Joe: This is so huge and it's this is a numbers game. It kind of almost doesn't matter if you do it or not, as long as you're doing something that makes sense, like it's all in the follow up. I'd say nine out of nine deals that I do come from follow up. It's just that's just the way it is. It feels like. And so for me, I do and preach always send an offer to every single seller you talk to. Jeff Garner wouldn't agree with that. But, you know, especially when almost all of them say no to my offer. Right. Send them an offer anyway. And it's just a cash offer. Do that. If it's a lease purchase or owner financing or three options, it doesn't matter. Send something to them, even if it's just a one-page thing in the mail. And you can do this really easily with click to mail. There's a thing in there called email to mail, click to mail. Just create a letter, email to click, click to mail, print it and sends it the same day in the physical mail to the seller. But send them a letter that says, Hey, it's great talking to you today about your house. I know you don't want to sell it right now. But listen, if circumstances change, keep this letter for future reference. Give me a call. I'd love to talk to you.

Joe: OK, but something in the physical mail. You know, what I would suggest is take some of these letters, crumple it up, crumple up the yellow letter and have your kids write this up, open it up, fold it, put it in an invitation envelope and send it to the seller. It will get opened. They will keep it and it may put it in their junk drawer. And this is a true story. Steve Cavanaugh, I don't know if you guys know him. He was telling me this one time. He talked to a seller. They said, no, I don't want to sell. He sent them a letter anyway. Hey, it was great talking to you. Here's an offer. And they attach a cover letter with a one page offer behind it three or four years later, gets a call, says, hey, are you still interested in the house at one, two, three Main Street? I don't know. Maybe they said, well, our mom just passed away. She had a folder in her desk of house stuff she kept your letter into this. This is three or four years later.

Joe: And the letter said, hey, Mrs. Smith, it was great talking to you. If you don't want to sell your house now, that's fine. But maybe later, keep this for future reference. He told her to keep this letter for future reference. She did. The family is going through the estate and just saw his letter in the folder, called him up, bought the house. It needed a ton of work. He made a ton of money on it. Right. So I'm just a big, big fan of sending the seller something. After you talk to them, send them an offer, send them a letter, crumple it up. Even this thing gets opened, it gets responded to, it gets called. And that's like the biggest thing you guys could do to stand above your competition. And because your competition's not doing that right.

Pace: Here's a good question on the screen. Loto says, How do you make sure you're never forced to sell a property for a loss while lease optioning to a tenant? I used to do a ton of these options. I'd say eighty five percent of my exit strategies for probably three or four years where lease options. Then I entered a different phase of my business where I don't like letting houses go. I like keeping all of my properties. So we have sold a lot of houses on lease options. Never once have I sold a lease option at a loss.

Joe: How do you do that? I don't know.

Pace: I don't. The question is so confusing to me. I'm trying to, like, wrap my brain. It's a great question.

Joe: Maybe what it is, is because there's been a lot of equity gain. I just talked to a friend the other day who sold his house on a lease option, but lost about 50 grand in equity because he priced it two years ago price. Right.

Pace: So maybe I was just telling my students last night, I said my biggest regret in my lease option exit is that. So my formula is this is let's say I buy a house subject to for like 70 grand ARV's, 100 grand. Right. Hypothetically, I take the hundred-thousand-dollar house ARV, not what I bought it at, but what the ARV is, even if it's not worth the ARV, even if it's the as-is value is below. It doesn't matter to me. I take the ARV and I say, OK, I'm selling it on a five-year lease option. I'm going to take that five years and multiply it by the average appreciation of my market. So let's say my average appreciation in in Phoenix is five percent. That means I'm going to sell it on a lease option at about one twenty-five to one thirty is my option price. Man, I am telling you over the last like a couple of years, especially the last 12 months, I've got people that now are executing these options. At one thirty, the houses are worth one sixty, one seventy, one ninety. And I thought I was being aggressive up front on my sales price. If I could go back into a time machine, I would have sold my lease options way higher and not even worried about it. I would have been way more aggressive.

Joe: That brings the question, though. Well, maybe the tenant buyer wouldn't be all that incentivized to buy it then. Right. And so is that OK with you?

Pace: Yeah. I mean, we never had a problem getting rid of a lease option or I'm sorry, selling a lease option ever. It's actually overwhelming how many people you get when you post it on Craigslist or Facebook marketplace or whatever. It's overwhelming right to the point where we had to use colorable as an option. So, like, do you have a deposit for an option fee? Press one. OK, great. If they say no and it goes to press two, just hangs up on them.

Not literally, but basically like sorry, we're looking for a certain amount. We had to filter people out so, so many people. Right. So we never had a problem selling a lease option. They're usually sold within a week and I could have been a lot more aggressive now, could I? Did I have a crystal ball to know we were going to go through covid in this market shortage and all that kind of stuff? No, but still, I wish I was more aggressive on all those deals.

Joe: What's your perspective, Matt? I'm curious on that.

Matt: I just don't do a lot of it. I'll sell the seller financing because I like to lock in the gains that way with the interest rate and the cash flow.

Pace: This is what's great about all three of us on the screen is because I hate seller financing.

Joe: You mean selling on seller financing, right?

Pace: Yeah, I buy on seller finance. I don't like selling on seller finance because I have no I don't get the depreciation right. I'm not the owner of the property anymore, but I see the value in it. Right. A lot of our friends like Jeffrey Alston and you know, a lot of guys in Texas, people in Texas, love seller financing because they can't do lease options as easily as we can. So it's just kind of the default exit strategy. Right. Or rentals and people that don't like having rentals. There's major upside of locking in your profit on the seller finance, like Matt is saying, because on us, on a rental, I go, OK, yeah, my cash flows. Three hundred bucks, OK, ten and doesn't pay one month tenant punches a hole in the wall. Well, my cash flow is no longer three hundred dollars. Now I got all sorts of issues right. So Matt is right. There's a major benefit for. But for me my main goal every year is how do I get my tax burden to zero? And unfortunately I have to use depreciation to get there. Or maybe Matt and I are going to move to Puerto Rico and.

Joe: Well, that's something to talk about.

Matt: Another side of that, because that is actually my end goal as well. Places like how do I zero that out? And when you own three hundred and fifty units, that's a lot of depreciation to the point where we were carrying the losses for it every single year that we couldn't capture.

Joe: Right. We could or could not.

Matt: Could not. I mean, not unless you made a lot. We keep that the real estate side of it separate and we try to show the negative and pay no taxes and all that. But what would what was happening was we were having this massive carryback that we're talking about seller financing. Our tax carryforwards thing was getting bigger to where we couldn't do it. So our CPA did an assessment of our portfolio and says, OK, what can we go ahead and how can we balance your portfolio between houses and notes to where it makes a zero statement for you at the end. So that's how I started doing more and more seller financing as we went into all of the difficult, the challenge, the managed properties and the stuff that I didn't want and didn't necessarily see myself keeping, as you know, to build a nice trophy portfolio. So we started selling those via seller financing. So it increased our cash flow and it offset the deductions that we were getting on the depreciation side as well. What I liked about it was those calls about the hole in the wall and in my house anymore right now. Management became much easier as well.

Joe: Matt, would you say the savings you had in the pain in the butt factor outweighed the depreciation savings?

Matt: Yes. When we got started in the Midwest, in Memphis and St. Louis and Cleveland were kind of our three markets. And coming from California, where, you know what four hundred five hundred thousand dollars gets you is not a very pretty property and nothing that you're going to want to keep long term and live in. But you could take that five hundred thousand dollars and buy ten cash flowing houses in the Midwest. All cash and leverage. And so that's what was the initial appeal when we discovered Memphis specifically. That was 11 years ago now. And so we started we're able to raise private money and accumulate all of these properties really quickly and on paper looked amazing. But at that price point, we found the same dynamic in St. Louis. We found the same dynamic in Cleveland. Those properties didn't perform as well in real life as they do on paper and sometimes reducing that from that 15 percent cash on cash return and going for a property that paid eight percent. The eight percent performed better than the 15 percent of how it was laid out initially on the math on the paper before you made the purchase. So we wanted to get rid of a lot of those. We were spending a lot of time. There's a lot of deferred maintenance that we're having to take care of with those types of properties. So we started selling those via seller financing and we were able to slowly upgrade our portfolio over time and create this nice balance of cash flow from rentals and cash flow from notes.

Joe: I think a lot of it depends on the market you're in. I think Phoenix is a completely different market than totally Cleveland, Ohio, or St. Louis, Missouri. Right. So a lot of it depends on where you are, where you're doing this.

Pace: Yeah, agree. You know, and there are some other tax strategies that I'm exploring right now, like Toby Mathis from Andersen Business Advisors, pretty popular on YouTube. They are currently setting up a charity for me where I donate my properties to my charity, my charity than cash flows tax free. So then I take that cash that's like it's non taxed cash flow. I then loan that money to my whole life insurance policy from my charity. My whole life insurance policy then funds my deal. And it's just this big circle of nontaxable events and compounding and compound combating. And he's come into my mentorship multiple times. He's coming back in in two weeks to actually show my charity that they just set up and show how we're donating property. So I've got this is kind of a cool thing I'm doing right now. So I just bought a couple million dollar property. I'm donating that property to my charity, not depreciating it. I'm not getting depreciation. I'm donating the property to my charity. So I'm no longer the owner and I'm getting a dollar for dollar tax write off for that house.

Pace: So a two million dollar tax write off. And because of this is kind of cool, because of the pandemic, the IRS is allowing me to go and carry my losses five years backwards on houses that I bought this year or last year. So because I'm donating a property that I haven't even paid off, I'm getting a two million dollar write off by donating it to a charity. The cool thing is the cash flow from that property inside the charity is also tax free unless I pull it out. Right. So it's cool. Like these are things I didn't know a year ago. And so I'm paying all these tax professionals. I went to a tax mentorship last year, paid twenty-five grand to learn a lot of this stuff. And it doesn't seem like it's important when you're younger and you're only making one hundred grand a year and then all of a sudden you're making a lot more money than that and you're saying, holy moly, I have a tax burden of half a million or seven hundred thousand or one point five dollars million or other people in our industry, three, four or five million dollar tax burden. It becomes the only conversation you care about. Right. And so I can't even imagine how many conversations you've had to have in terms of figuring out how do you balance that? Three hundred and fifty doors. That's a lot of conversations, a lot of education that people just aren't there yet that they need to understand it's in their pathway. Right.

Matt: It's funny that when you when you're starting a business, stuff like taxes and management are kind of boring conversations, right? It's always about how to get more lead generation. How do I find more motivated sellers and how do I exit and find buyers? Like that's the conversation. Where's the private money? But once you start building taxes becomes a subject that you start paying very close interest and or close attention to. And in management, when you start adding staff, I mean, all of a sudden that becomes the thing to wear, like, OK, so how do I create a more efficient world? Because I've got these employees, but now I'm working harder in my business, managing them than I was without them. And all of a sudden those become what was normally a I bypass all of those books in the business section. Once the management was they show me how to make more money. But once you get start rising and elevating and growing your business, those become important issues.

Pace: Yeah, they really do. And so the thing is, if you structure your business the right way, so there's things that I learned incorrectly. If you go on, YouTube, people forgive me, anybody in the audience that I upset, but anybody that goes out just starts an LLC and uses your personal name in your LLC, at some point you're going to change that whole entire structure. Right. So although you don't think it really pertains to you right now, I'm telling you as you grow. Your business and you accumulate more and more properties and you accumulate more wealth. You're going to get introduced to CPAs and tax advisors and financial planners that go, oh, my gosh, we have to delete your entire structure and start over from scratch because you don't have a living trust and you don't have this and you don't have that and you set this up in your personal name.

Pace: Oh, my gosh. So these things are super important, like Tanisha here. Here we go, Tanisha and my mentorship, she says, thank you for teaching us the structure of a business. My eyes are open to the areas that are important. So what I did in my mentorship back in January is for five weeks straight, I brought in tax professionals and I showed my corporate structure like, OK, if my acquisition business acquires a cash deal and I sign that deal to my fix and flip industry or my LLC, how does the money flow? How do I do this? OK, what about my rental properties? How do I insure them? And I do that all on this big board like a mind map. Right. And so I did that over the course of about 12 hours. And I've had like

Toby Mathis and my CPA and some other people come into the mentorship just to show people how important it is to set up your corporate structure the right way from the very, very beginning.

Pace: It costs a couple extra thousand bucks, but it will save you millions of dollars down the road. And so just set it up the right way. I imagine if I asked the question, how many people feel like they have the proper corporate structure in the in the side, that the majority of people would say, hell no or I have no clue. Or I learned on YouTube how to start an LLC and my personal name, guys, that's all the incorrect way to do it. These things are really important when you're first starting your business. They really, really are. And unfortunately, I've had to learn the hard way by people telling me, oh yeah, we need to get rid of that LLC and we need to get rid of that. And we need to consolidate these three things.

Matt: True that. Even the other thing that you don't pay much attention to is the entity and your accounting, your bookkeeping, if you try to do that in arrears that becomes a big issue as well.

Pace: Yeah. One hundred percent. Yeah, absolutely. So sorry guys. We deviated a little bit, but these things are really important. And also I reach out to Toby Mathis from Andersen Business Advisors, see if he would want to come on our show and talk about land trusts. And he said, oh, my gosh, I would love to. So he'll come on the show, spend some time with us and buying stuff in a land trust. You know, in Arizona. It's an interesting thing that you were talking about land trust on your YouTube channel, which is why I'm pointing this to you in Arizona. If I buy in a land trust, I cannot get a title policy or a title will not close or allow me to close that transaction without naming the beneficiary of that land trust. So, again, a lot of ways a land trust is defeating here in Arizona.

Pace: So what I do is I have a living trust that owns my holding company. My holding company owns my entity holder, whether it's an LLC for Airbnb or an LLC for rentals or an LLC for selling finance or whatever. And essentially my entire corporate structure is protected and held by a living trust that doesn't name who I am and nobody can see anything. Right. So I kind of get around the anonymity that way. From a land trust perspective, it'll be really fun to listen to Toby Mathis, who they operate in all 50 states, and say, here's how I suggest you buy a subject to and here's how I suggest you buy this and that and structure this and the other. Would you guys want to have him on the show or you guys you're actually like right in his backyard. Have you guys hung out or do you guys know each other?

Matt: No, I know the name, but and I know many of my students use the Anderson organization for their stuff and they tell me all about it. But I've never had a personal experience with them.

Pace: Now I'm going to be coming up there. I told Toby that we should go to Nobu and Caesar's Palace and maybe what we'll do is we'll have Matt Theriault come join us now that I know you're in Vegas.

Matt: Yeah, I hate that place.

Pace: Oh, you're not a Nobu fan?

Matt: I'm being sarcastic.

Pace: Oh, I'm like, what?

Matt: I'll go just to go. If we want to talk business.

Pace: That's better. Yes, please. So a couple of people are asking, do you teach the corporate business structure? I don't teach corporate structure. What I do is I teach you what I do myself personally, and I tell you, hey, I'm not an advisor, but this is these are all my LLC. These are where I hold all my properties. If I get paid here, this is where it goes. If I decide I'm going to lend to one of my entities, this is where the money goes and this all flows. And then here's how I filed my taxes. And this is that most people love it because then it gives them a roadmap of, wow, OK. I now know how as I grow my businesses, how that all should look. And they kind of have the what would you say the pot of gold at the end of the rainbow is fully visible to them so they know how to travel about that rainbow bridge. Nicky says, I wonder if these guys have had something happen to them where all these trusts and hiding assets were needed.

Pace: Yes, I have. I actually just recently had something, so I had a tenant wasn't paying tenant. We go to evict them and the tenant then says, oh my gosh, there's mold in the house and

I'm going to sue you. I'm going to sue you. I'm going to sue you. So we get her out. We actually evicted her. We proved that she was using drugs in the house. We got her evicted. Even with the eviction moratorium, we were able to get her out of the property. And then she went to sue me civilly and she was saying, I don't know who the owner is. It doesn't show this. It doesn't show. That, meanwhile, if she knew I was like a YouTube guy and I was an Instagram guy and she knew who I was, it would cause problems for me in my business and also problems with me and my brand. She can't find me. She doesn't know who I am. She doesn't know where my personal house is. Everything is gone through a P.O. box that's not even at my own house. I get people are like, Hey, Pace, I want to send you something. I go, here's my P.O. Box. My driver's license has my P.O. box on it. Everything is hit and you don't know where I live, what I'm doing, what I own, what I don't own, et cetera.

Pace: And more important, you don't see the big target on my back. Right. So that girl going through a civil suit, this is what her attorney said to her. Her attorney said, we don't know if this person has any actual money. We don't see anything. We did an asset search and we don't even know who this person is. Right. So they she actually opens a lawsuit. They go through discovery and through discovery. My attorney and their attorney, we're having a conversation and their attorney says, does your client have any assets? We can't find anything. Wow. And my attorney says my client owns nothing because that's the moral, right. Own nothing, control everything. And so my name's not on anything. I have no target on my back. So do you think a tenant is going to now sue me for mold or this, that or the other when they don't see the upside of suing me?

Joe: Yeah, that's important. That's huge.

Pace: The answer is yes. These corporate structures do protect you. More importantly, these corporate structures let you sleep at night knowing that you don't, you're going to have way less issues. And then to the way these corporate structures are set up, also allow you to pay way less in taxes if you structure these things properly. So, yes, they are not just good ideas and fun theory. And yes, we have fun games and it's nice to be able to go to lunch with some of my friends and we talk about all each other's corporate structures. It's fun. But at the end of the day, it is really, really important to have all this.

Pace: And just think of all the stories you don't know about that you averted.

Joe: Here's the thing. If you've not been sued and this might scare some people, but just the way it is, if you've not been sued yet, you've not been in the business long enough and you're not done enough deals. Right?

Pace: That's a great point. I would say it's been it's probably been four or five years since I have not been in an active lawsuit or not just getting sued. But a lot of times we're selling a seller for nonperformance or we're doing something. But there's always an email going back and forth with attorneys almost every week that I'm copied on. This is part of the business. You want to make millions of dollars. You just got to recognize this is part of the business. And it's actually kind of fun to have a good having a good relationship with an attorney and knowing what you have on your team.

Joe: Let me clarify something here, too, and I'm going to have to jet, because I've got a podcast.

Pace: I think we all do at 9:00.

Joe: I'm sorry. Let me just say this, too, though. If you're new, don't let this scare you. Don't freak out and think, oh, man, I got this all figured out. I got to get my trust. My LLC is my entities and I got to worry about lawsuits and all. My gosh, don't let that stop you from getting started. Right? This is something that you can take. It takes time. None of us here are experts on this. We just find people who are we find other people that have done this before. This is why hanging out with us on this show and other podcasts like this is like you get to learn who we're going to. Who is our team? Right. Who's on our team? And you can go reach out and contact them as well. Like Anderson business advisors like Pace was just talking about. I had them on my podcast as well. Great guys. So don't let this fear of this kind of stuff that we're talking about stop you from getting started, getting going.

Pace: To that point. And then it's the last thing I'll say. And I'll let Matt wrap us up. But Louis says, should you focus on your business structure before becoming consistent with closing deals? Still looking for my first deal. Louis, go get your first deal. Stop worrying about the corporate structure you have. You have zero risk of getting a lawsuit on your first 10, 20, 30 deals. Go get deals, go make money, because the money you make from those deals will allow you to pay for things along the way.

Matt: OK, good. I totally concur, but be careful who you ask that question of because if you ask the attorney, they're going to say absolutely not. Do not do one. Take one step until you get yourself protected. Right. To I guess to cover what we say here. That is probably the best advice. But I think where Pace's answer is inspired from in mine as well, is that I've been teaching for eleven, twelve years and I've seen people come in, they get everything all set up and never do a thing, and now they're out the money. Right. So and plus from a financial aspect or perspective, you've got to make about thirty five to forty thousand dollars a year from your investing efforts before it financially starts to pay you. So that's kind of like the threat, the break-even threshold point. So if you haven't done that is probably going to cost you more money than it would make you.

Pace: Hey, Carlos, he says, hey, guys, I have some deals that are willing to sell on creative financing. I need help, please. Carlos, here's a couple of things I'll suggest. Every Saturday I call my students sellers for them for about two hours and just show people how to talk to work through deals. I also have an acquisition guy four hours a day calling my student sellers. So either A) go work with one of my students. Right. I got a whole bunch of students in here, probably one hundred and fifty. Plus of the people watching right now are active students, Rob Robbins is one of my favorite students, been in my program for over a year. Carlos, reach out to my sub to students or reach out to myself. DM on Instagram. I'll call your seller. I'll lock up the deal for you. We can JV, I'm not just an educator. I'm a deal doer. So DM me or reach out to my students.

Joe: Yeah, I highly recommend Pace and I highly recommend this guy. Matt, if I'm pointing this way, you all see me pointing at Matt. Yeah. These two guys. I'm just saying this, not to blow smoke, but I love these guys. I think they're better educators than I am. And so if you've not seen Pace's stuff or Matt, go subscribe to our YouTube channels and get their buy their stuff, buy everything they sell. I mean, it's ridiculous and crazy. Not true. I got to Jet. Appreciate you guys so much.

Pace: I'll see you guys next week. Later, guys.