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REIS #16 – Joe Answers Your Most Common Lease Option Questions – Part 1

Hosted by: *Joe McCall*

Welcome. This is the Real Estate Investing Mastery podcast.

Hey, what's going on, guys? Joe McCall, welcome to our secrets. This is my I got two books here I want to show you. Oh, I'm going to show you three books. Why not here?

This is the weekly webinar series that I do called REI Secrets, where I teach you all of my secrets. And on today's call, I'm going to be answering the most common lease option questions that I get. And I might do this in one or two different parts, depending on what I'm doing here. Now, a couple of three, four weeks ago, I did a live five day class in a Facebook group called Lease Options Master Class, and it was really good. And part of that, I was answering a lot of questions that were coming in. And so I kept those questions and I've copied and pasted them here into this platform I'm using now called Streamyard where I'm going to be answering all of your common lease option questions. OK, cool.

I got some things I want to give to you for free. Would you like that? First thing I want to give to you guys is a book I have called Wholesaling Lease Options and I have a link for it here somewhere. There it is. Look at that. If you want my book called Wholesaling Lease Options, you can get it for free. Just pay shipping and handling at WLObook.com. And if you like the audio, you can get the audio for just a buck ninety nine at WLOaudio.com. Also I have this book. It's called Simple Lease Options. The easiest and fastest way to do more deals on any market. You can not get these books on Amazon. You can get this book for free, just pay shipping and handling none at all for free. You get the PDF of this book by watching my webinar at SLOclass.com. Cool. Now, I also have this book here. You can get REI Secrets, Daily Nuggets of Real estate investing wisdom to help you get more leads and close more deals. You can get this free. Plus shipping and handling. It's a real book at REIsecrets.com. How's that? Three different books you can get for free. Just pay shipping and handling or watch a webinar WLObook.com, SLOclass.com, REIsecrets.com. Stop giving me websites. Dotcom cool. All right.

So on this, I'm going to be answering your common simple lease options questions. And by the way, hi Jerry. How are you Kevin. Free is good. Come on. And Al, what's going on guys? Are you doing well? Listen, so I'm going to be doing this on a different platform normally. And hey, there's Rick. What's up, Rick? Normally, I do these calls through Zoom today I'm doing it through another platform called Streamyard because it's going to allow me to show the comments or show the comments like I just did, and also show



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the questions that I'm going to be answering in a banner. OK, and there's Lenny from California. So if you're watching this on YouTube or Facebook, say hi and comment. Look, I have just commented myself, say hi and comment down below. There's Jonathan McGinnis. What's going on, Jonathan? So this is fun. I really like using Streamyard because I can see your interaction in your questions, OK? And then I can go in here and I can do something like this. Boom, these are the questions. And so I have a bunch of them here that I'm going to be answering and I just copy and paste. So you're going to get the spelling errors and all, OK, if you are, you get nervous. When you see spelling mistakes and errors in grammar, they're going to have a hard time with this video. So that's fine. If you're watching this or listening to this on audio, it's not a big deal.

But what I did is I copied and pasted the common questions that we got from one of the last classes that I did on these options. And I'm going to answer them all for you right now. And as we go through this again, if you have any questions or comments, please type them in Facebook or YouTube and I'll do my best to answer them as well. Like Jonathan. I'm good, thanks. Nice pickleball. What's going on? Hello. And Linda, Linda. Linda, Sue. Linda Sue. Hi. From Northern California. I'm super excited to learn how to do these lease option deals. Nice. And Steven's in the House. Good morning, Stephen. You guys ready to get to the questions without further ado? Drumroll, please. Here we go. All right. Now, these are in no particular order either. So I might you might seem like I'm jumping around. I did not go through these questions in advance and kind of clean them up and put them into some order. And there may be some double questions in here. We'll just see how this goes.

OK, so these are a lot of common questions that you guys have about lease option deals. And again, if you want my books about lease options, I'll give them to give you the links later on.

First question here. What contracts are needed to close a deal with a lease option? What kind of contracts do you need? All right. So what I typically do a lease option. The first contract I use, I use it's called a short offer form, and it's a one page contract that just has the lease and the option agreement combined onto one page. And it's a very flexible lease option, OK, which means the seller can cancel it if they sell the house before I buy it or before I start the lease option. If they sell it or lease it, before I find a tenant buyer for it, they can cancel my agreement. No big deal, and I do that because I don't like tying up the property now if I want to tie up the property because it's got good equity and good cash flow and I want to stay in the middle of this, I will agree to start making payments on a certain date. So today's August twenty fourth. I would agree to start making if that's a really good deal, I'd agree to start making payments next week, September 1st. OK, most deals on might I'll make an agreement to start making payments on October 1st. OK, a month and one week away. And on that deal, whenever I'm dealing with a seller, I don't want to



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confuse them with a ton of different paperwork. So I will have with the seller usually just one agreement and it's a lease and an option agreement together into one document. Now when I'm signing a lease option with the tenant buyer, I'm going to sign a separate lease and a separate option agreement. Why is that? Well, because if I have to evict the tenant buyer for not paying the rent, I don't want to muddy the waters with giving the judge a lease and an option agreement together. I want to just give the judge the lease, say, hey, they broke the lease. Now the lease references the option agreement of the option agreement references the lease. I'm not trying to hide anything. It just makes things easier. It's it's a lease with the option to buy. So again, with the seller, I have one agreement with the seller. It's just a one page or a three page document lease option agreements, one document, one agreement. When I find a tenant buyer, I have a separate lease and a separate option agreement with them.

Now, there's a few other documents as well, like I want to have what I call a memorandum of option that the seller signs, which allows me to record that lease option with the seller in the county records. I also have the seller fill out a seller's disclosure statement, which is really important. I have the seller fill out a what's called a I want to say it's not a request for information authorization of information. I believe my mind is blank right now. It's an authorization to release information. Is that what it is, where it's a document that I can send to the bank that says from the seller, Joe McCall has permission to ask questions and call or make payments for me for the mortgage. OK, but I also have the seller sign what I like to use. It's called a letter appointing management. It's and it's not required, but it's just a good thing to have. It's a letter that the seller sends to the bank saying, hey, I'm using this company to manage the property and they're going to send the mortgage statements to them. They're going to start making the mortgage payments, the rent, the insurance estate. Nothing's changed with the insurance except explain that. Another question coming up here. But it's just a letter appointing management. Does that make sense? I hope so.

The final thing, I might have the seller sign, and this is where you need an attorney to help you with, is a limited power of attorney. And so when you record that option with a memorandum of option or an affidavit or something like that in the county records that clouds the title so the seller can't refinance the house or sell it out from under you because you've clouded the title. Sometimes, though, to be extra careful, you might want to get an attorney to help you do what's called a limited power of attorney. And the seller signs that you sign it. Maybe the attorney signs it, I don't know. But that just says basically in three years, if you don't sign the documents that we need you to sign in three years when we actually are doing the double close, we're actually closing on this deal. You've given the attorney the right to enforce it and do it. It's a limited power of attorney just giving privileges to the attorney for this house or something like that. OK, I'm not a lawyer. What I do is I recommend you get a lawyer to review the limited power of



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attorney document that I have in my course and have the attorney review it and tell you what you should or shouldn't do with that. That makes sense. There's a few other agreements now. When I have the buyer in the house, I have with them a separate lease, a separate option agreement. I don't allow the buyer to file a memorandum or record the lease option contract with the county records because I don't want them to cloud the title. So I don't let them do that. But I will. If the seller gives me the seller's disclosure statement, I will initial that, give a copy of it to the tenant buyer and have the buyer initial it as well. So I want the buyer to see the seller's disclosure statement. And I might have if there's some pets, I usually allow pets. I'll have the new tenant buyer fill out an extra pet addendum amendment thing that I have a pet agreement and then there's a lead based paint. You want to have the buyer fill out some lead based paint?

OK, I think I got most of it there. Different parts of the country do it different ways. Different guys do it different ways. Some people put the properties and trusts, which if you know how to do that, that's great. But wherever you're doing your deals, you want to make sure that you have a professional, investor friendly attorney review your contracts.

OK, I had a student, Adrian, in Atlanta one time. I was just starting to do deals, but before we started doing deals, he went to Google, did a search for real estate attorney and made a list of like one hundred different real estate attorneys and started calling every single one of them and asking them, hey, can you help me with a lease option deal? And he finally found one that said, yeah, sure, he sent her it was a lady, my lease option contracts and said, would you please review this? By the way, you'll save a lot of money with an attorney. If you have an attorney, review your contracts, not ask them to come up with new ones. So just gave the attorney my conjecture for my course. The attorney said these are great. Just changes a few little things here. And add this and we're fine, and then he asked her, would you help me close these deals as well? Closing, not technically closing, but she said, yes, I will. And so just by making some phone calls, finding some creative real estate investor friendly attorneys, you can find an attorney that will help you with lease option deals.

OK, let me say this to you. When you're calling or contacting attorneys, you're going to get some that say, no, I don't do that. I've never heard of it before. Must be legal. I'm working on right now a contract for deed on a on a certain vacant lot that I'm buying close to where I live. And the realtor, he's been in the business a long time, is definitely experienced. He's done a lot of business in the real estate. But he said this and that was very interesting. We've never done one before. I think it's illegal. He was thinking because he had never done it before. It must be illegal. And you hear this sometimes a lot. If it's something that sounds different than what is normally done, automatically red flags go up in a lot of attorneys minds and they say, I've never heard of that before or it must be illegal. So you got to just learn to expect that. Don't



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freak out and hyperventilate. You're going to have attorneys tell me it's illegal to get a property at 50, 60 cents on the dollar. That sounds like an equity stripping scam, though. Seller ever would sell you a property at a huge significant discount like that. Or I've heard sellers say or attorney say you cannot do subject to or lease options or financing. That's that's illegal. There is no ask the where in the law does it say it's illegal to do? It's just not the case. There is not one single state in the United States where it is illegal to do lease option deals. There are certain states where it says you could do them, but you have to meet these minimum requirements. North Carolina has some requirements and it's just some language that you need to add into your contracts, which I already have in my standard contracts anyway. But you need to use their specific language at their specific size font and all of that, which is fine. Do that Texas. You could do lease options in Texas, but for a sandwich lease option that you're doing, it has to be under six months. But you can do lease option assignments all day long in Texas. So there is no state where lease options are illegal. There's no state where subject twos are illegal. There may be some states where it's harder to do it than others. So just keep that in mind.

Let me say one more thing. When it comes to contracts, hopefully my answers are not this long to every single question because I've got thirty three questions in here, so I'm probably going to break this up into a couple of videos. But this is important. Contracts are obviously important. I spent a lot of time talking about the contracts in my lease options course. OK, so one of the things I like to do is I use the realtors contracts a lot. You don't have to be a realtor to do a light to do lease option deals, but I like to use lease option realtors contracts for some of my lease option deals. And what does that mean? Well, every association of realtors or realtor commissions or whatever use attorneys to review and approve and disseminate their contracts. OK, so if you're in, for example, where I live, St. Louis County, if there is a lease that has been approved by the local Association of Realtors, it's been written and approved by attorneys. OK, so if you're doing a lease option and you have to have a separate lease and a separate option agreement, why not use the realtors lease and then use the regular purchase and sale agreement? OK, and when it comes to the realtor language, I get a big fat Sharpie and I don't have one here. And I cross out the realtor stuff and I write on their non brokered transaction. Or you can do what my friend does and I won't tell you who he is, but he will actually just copy and paste all of the language from the realtors contracts and put it into his own word document and use that. He just doesn't copy and paste the realtor broker stuff now. And some of you might be saying, Joe, that is wrong, that is illegal. That will OK. If you don't want to do it, then don't do it, OK? Because there is going to be language on that contract that says to be used by realtors. Only now I'm a realtor. I don't have a problem using it. OK, I'm just going to cross out the broker stuff. I always disclose I'm an agent, but I'm writing on their non broker transaction. I'm buying these houses by owner and I'm selling them by owner. You have to make sure your broker is OK with that. But there's nothing wrong with being a realtor using the realtors contracts for your own deals buyer. You're



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buying it by owner and you're selling it by owner. Now, some brokers may have a problem with that. Fine. Ask them how do you want me to do it? They want you to do it through their office so they can get a commissions or something. If you want to pay them the commissions, go ahead. All right.

So realtors can buy and sell their own properties on their own by owner. And that's what I do when I'm doing investment deals. I buy it by owner and I sell it for sale by owner. Sometimes I sell it on the MLS. OK, but my point is this. You can use realtors contracts. Now, one of the things I did one time when I was in a new market, I contacted the largest property management company and I pretended to be interested in one of their rental properties. And I kind of was actually because I wanted to make an offer to buy it or lease option. And I asked them, I said, can I just review your lease, please? Can you send me a copy of the lease? I'd like to look it over. They said, sure, they sent me the lease. Now guess what? Now I have a lease from the city's largest property management. Company, do you think that's going to be a good lease? Yes, it was written by attorneys, is written by a property management company that does a lot of rentals. So that's a good lease to have. Those leases are going to cover anything that might be unique to your city and county and municipality that might that's required for deposits, security, lead based paint, repairs, all of that stuff. Every area is different. Makes sense. OK, good.

So now I have a bunch of contracts in my course. There's also websites like Rocket Lawyer and Law Depot, lawdepot.com and rocketlawyer.com, I think are the two that I know of where you can go and you can buy contracts. And I think sometimes you can select it by state. But whatever you do when you get a contract, have a good local real estate investor friendly attorney, review them. Who does is not going to tell you that lease options are illegal. They're not illegal. All right. Clear as mud. All right, cool. A lot of you are asking some good questions and comments here. I'll get to them in a minute.

Let's go to the next question. This is a great question here. What motivation does a seller have to wait five years for the same net amount they would be selling now through a realtor? So in other words, why would a seller even want to do a lease option when they can just sell it and be done with it? Great question. Here's the thing. Sometimes sellers don't want to sell it right now and be done with it. Sometimes sellers can't sell it right now and be done with it for various reasons. But a lot of lease option deals where the seller can't make any more payments. They've already bought another house. They have to mortgage payments and they don't know how. They've been trying to sell it for three months, six months, nine months, if not sold it yet. And they don't want to be a long distance landlord. They've been trying to sell it and they can't because they may be too much or maybe they've been asking too much, but now they're at a point where they can't make another month's mortgage payment. So they're there now. And absentee owner, they don't want to be a landlord. And they're like, I want to sell it, but I can't. I have to rent it out.



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But I don't want to be responsible. I don't want to manage all the long distance landlord headaches and stuff like that. I come along and say, hey, listen, I've got the perfect tenant program for you. You want to hear about it? All right, I'll be your tenant. I'll take care of the maintenance, the vacancies, the repairs. You don't do worry about any of that stuff. You get all the benefits of owning a rental property without any of the headaches and hassles. How does that sound, Mr. Keller?

OK, let me explain this to you, how it works. OK, so that's a lease option. I tell the seller, listen, would you like to sell your house? I can buy your house now. I can buy your house for this price. But that's probably too low for you. It's probably ridiculous, right? Yeah, and usually it is. I say, well, listen, I might be able to get you that price you want as long as you're willing to wait for it. And then I can give you even more. I can give you more equity as long as you're willing to wait for it. If you let me rent it for a little while and then buy it, or if it's a subject, too, if you just let me take over your debt, I like using that phrase for subject use. If you let me take over your debt, I can take care of it. OK, so this is the same question of like, why would any seller want to sell their house at 60, 70 cents on the dollar when they can just stick a sign in the yard and a realtor will get multiple offers and sell it in one weekend?

Well, that doesn't always happen. I have to house is right up the driveway where we live that are for sale right now. Guess what? They went through the tip. Right now it's popular with realtors where they'll they'll tease the property for a week or two, coming soon, and then they announce, hey, we're not taking any showings until this date, one or two weeks in the future. And you have to submit all your contracts by this certain deadline. And they're doing that to build the excitement and the anticipation. It opens a big open house. Tons of people come in and bunch of people submit an offer and the sellers can pick the best one. OK, well, guess what? Both of those houses now, two months later, they're still on the market. They didn't sell. They tried. That didn't work out right now. I don't know what this I mean, these are these are nicer homes, OK? They're the ones over a million dollars ones a little bit under a million dollars. And so, you know, the seller's probably aren't that motivated. Like, I'm sure they're doing fine. But OK, what if one of them they're elderly, right? They're like, what? We're done with this thing. We need to move on. Let's say there's a death in the family. Let's say that it's just gotten too much for them. They've already been one of them has already been trying to sell it a year ago and they couldn't sell it. They're just asking too much money, right?

Well, what if they're like, you know, what if we sold it now, they probably own it free and clear. I don't know. But they're gonna have to pay a lot of capital gains taxes. What if somebody came to them and said, listen, what if I could lease option this property and you don't have to pay all that sales tax now you can spread it out over five years, maybe turn it. I'm not a tax accountant. I'm not giving you tax advice, but



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maybe you can turn it into an investment property and then turn it into a ten thirty one exchange. So just lease it out. But they're elderly. They don't want to manage rental properties and have the headaches associated with that so they can lease option it to an investor to me or something like that. And I can take care of the property. They get rental income, good passive income without having to worry about vacancies and all of that stuff. Right. So.

There's a lot of time sellers, for whatever reason, life happens, they get in the way, they have double mortgage payments, they have a death, divorce, job loss, they get transferred. Something has happened in their life where they just have to sell it. Now, they don't want to sell it. They need to sell it. That's a motivated seller. That's why a seller will sell a property at 50, 60 cents on the dollar. That's why a seller will do a lease option for three or five years. I always give sellers the choice, the option to sell it with the realtor, and I ask them all the time, why don't you just sell this with the realtor and get rid of it and sell it? Well, we don't want to pay the commissions. We already tried that. We can't drop the price anymore. We just. You don't want to sell it right now. We want to do a lease option on it, whatever. Right.

So there's always going to be reasons. It's like and I use this analogy a lot because I hear this all the time. Why would a seller ever want to do that? And I hear this in hot markets and cold markets, it's the same thing. But like, why would somebody who's just spent a couple of years ago spent two thousand dollars on a treadmill? All right. And now it's at the garage sale and they're selling it for 50 bucks. Why they spend it still works. It's it's worth a lot more than 50 dollars. Why would they do that? Because every time they walk past it, it reminds them of how fat they are. It makes the wife mad that he spent all this money on this stupid thing. All it does now is collect laundry and collects dust. It's in the way. Just get rid of that thing and it creates arguments. And so that's what happens in life at any one time in any market. There's always going to be of all the sellers that want to sell, there's going to be five to 10 percent of them that are desperately motivated, want to sell now so they will sell in exchange for the speed and convenience of a fast, easy, quick sale. They will sell it at a discounted price or on creative financing terms. So we're giving them in exchange for their equity, a really good the speed and convenience of selling it in seven days of taking it as is not having to worry about cleaning it up or paying for any commissions. Real Trick is not worrying to have to wait three, six months to sell it and please all these picky buyers and show the house to one hundred different people and deal with all that hassle and headache. They just want rid of it. It's not illegal. It's not immoral. It's not fattening.

OK, does that make sense? That's capitalism. That's free markets one on one. And there's people out there that think it's morally wrong for wholesalers and investors to make ridiculous low offers in their opinions, right? No, we're giving them the speed and convenience of selling it quickly. It's it's wrong to lie to a seller



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and tell them your house. That's really worth two hundred thousand. It's wrong to tell the seller your house is really worth one hundred thousand or something like that. Right. So I always tell the sellers, if you want the highest price possible, you should clean it up, fix it up and list it with a realtor. And that's how you're going to get the top dollar. But you know what? Not everybody can do that. Not everybody can do that. Not everybody wants to do that. But it's always good. As an investor, you should tell the seller, give them that option. Tell them I'm not going to be your highest and best offer. OK, if I'm going to buy this thing with cash, I'm going to pay you I'm going to make you an offer to buy it at a discount and I'm going to sell it for a profit. All right. If you don't want that discounted price, that low price, I'll give you a higher price. But I'm going to lease option. I'll lease it from you for a few years and then buy it. And I'm going to do that to make a profit. I'm not a charity. I don't have a dog at the end of my website. I'm in this business to make a profit. So but I give the seller the options. Does that make sense? So there's always going to be those reasons.

Next question then. I'm going to get to your comments. What about the legalities that many people are concerned about today due to National Association of Realtors litigation? So I think what this means maybe is the whole topic of brokering without a license. Can you wholesale deals, can you do lease options without having a realtor license? The answer is yes. Now, some states it's harder to do, like Illinois, for example. It's just gotten harder to do lease options. Now, I look at that and think, yes, let's do more deals in Illinois because there's less competition out there. So I'm not looking for ways to get around the rules. I'm looking for ways to work with the rules. No one, even in Illinois, there's not a law that says you cannot buy the house, close on it and then turn around and sell it for sale by owner. You can do that till you're blue in the face a hundred times a day without a real estate license. All right. What they're saying is you can't be in the business of wholesaling or flipping deals frequently like that without a real estate license. You need to get one. All right. So No one go and get your license. It's not a big deal. Go ahead and get your license if you want.

The other thing is you should always close on the properties and then turn around and sell them. One time I called with along with Wendy Payton, who was a lady has been doing and teaching these options for a long, long time. We call the local real estate commission in Phoenix, Arizona, a huge market. Right. And we ask them, hey, listen, do you need a real estate license to do wholesaling and to flip properties, to do lease options or whatever? And they said, well, depends with everything. It just depends. But they did not have the problem. As long as you closed on the property, you can turn around a second later and then. Sell it immediately for sale by owner. You do not have to have a license to do that. OK, so if you're wholesaling close on the deal, close on the deal, you can use your own money, private money, hard money,



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transactional funding, close on the deal and turn around and sell it when it comes to lease options. All right.

I always approach every lease option deal at the beginning, like I'm going to stay in the middle of the deal. There's no law that says you have to have a license to stay in the middle of a lease option. Deal. I'm going to lease it from the seller and then I'm going to turn around and sublease it out to a tenant buyer. And I'm going to stay in the middle. I'm going to collect the rent from the buyer. I'm going to pay the rent to the seller. The tenant buyer's ready to buy. I'm going to double close. I'm going to buy it from the seller and I'm going to sell it to the tenant buyer. Hopefully on the same day. There's different ways to do it. There's more questions that are coming soon about this. But then I'm going to double close on. I can do that by owner. It's not a big deal. Now, if you're concerned about it, go and get your license. You just have to disclose you're an agent. It's not a big deal to argue the benefits outweigh the costs of getting your license. Go and get your license clear as mud.

OK, maybe I should call this show clear as mud. All right. This is related to the previous question. How do you exit a lease option? Do you do in A to B to C close? And if so, do you need the funds to close? Is there an issue with the buyer's lender if you're not on the chain of title related to this is also the seasoning issue when you're closing a lease option. Let me explain to you what happens. I'm not going to get through all three questions here. This is crazy. I'm going to do this in two or three parts. All right. So let's explain the process of closing a lease option deal A to B to see what that means. B is the investor who's in the middle. A is the seller. C is the tenant buyer. OK, so there's a contract between me and the Buy Invest the seller, me and the seller. That's the A B contract. And then there's a contract between me and the tenant buyer. That's the B to C contract. Right. So I'm going to give the seller a contract. I'm a lease option. I'm the tenant buyer in the house with the right to sublease it out. I put a tenant buyer in the house. They have a separate agreement between me and them. So I there's an agreement between me and the seller. There's an agreement between me and the buyer. I'm staying in the middle. I'm getting cash flow and I get the spread of equity at the end. So I'm going to sell it to the tenant buyer at a higher price. I'm going to buy at a lower price. So the difference is my profit at the end of the deal makes sense.

Now, how does the closing work? Number one, you have to remember this. You need to find a good investor friendly title company that will tell you the best way to do it. You also need to find a good mortgage broker that's going to work with your tenant buyer. That's going to tell you the best way to do it, because there's different ways there's at least four or five different ways to do it. And so you need to find a good title company that says, all right, this is what we're going to do. We've done this before. Not a big deal. This is what we suggest you do. Does that make sense? You've got this is so important. You got to



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understand us, find a good attorney title company in advance that can tell you the best way to do it. I've seen it done different ways. OK, so let's say now it's three years later. The buyer has gotten their credit fixed. They're ready to get a mortgage.

Let's just use simple round numbers. They're going to buy it for two hundred thousand and I'm going to buy it from the they're going to buy it from me for two hundred and I'm going to buy it from the seller for one seventy five. So there's a twenty five thousand dollars spread there that goes to Joe's hip pocket National Bank. All right. So now I need to close on the deal. How do I do that? Well, there's different ways. Title company may say, listen, we need a new contract between the seller and the tenant buyer and we will pay you, Mr. Investor, in the middle through either. I've seen it called like a revocation of option, a revocation of option where the option has been recorded. So to remove the option, there's a fee to remove the option and clean the title so it's not clouded anymore. All right. The title company may say, let's just put you if you're going to make that twenty five grand, we'll record a lean or some kind of promissory note against the property in the records. So that needs to be paid off. That could do it that way. There's other things I've heard it called. Well, it's just like you're paying off something that clouds the title and this happens all the time. There's a lean or there's some kind of judgment or there's some kind of instrument that is clouding the title of that property and it needs to be paid off and clear. All right. So that could be as simple as that. So there'll be a new contract between the seller and the buyer and then the purchase price will be two hundred thousand. And then part of that you'll be paid the twenty five grand, whatever your profit is going to be.

The other way you could do that is you actually have to close with the seller first and then you turn around and you sell it to the buyer. So I will go and buy it for one seventy five with the seller and I'll turn around and sell it for two hundred. Now I'm going to need the money to close on it. But if you're working with a creative mortgage broker or creative title company, they may say we'll just do an instantaneous close, we'll do it at the same time. We'll use the buyer's money and the to pay the we'll use the money from the B to C to pay the A to be OK. Now that's gotten harder to do. It's not as easy to do that. But there are title companies that will do that sometimes though, like FHA, I believe I'm not an expert in this. This is why you need to talk to a good. Mortgage broker, an investor friendly mortgage broker and investor friendly title company or attorney, sometimes there's 90 day seasoning requirements.

OK, so what do you do then? Well, one of the things you could do is you could take title to the property, take the property over subject to for 90 days before closing. So if you know you're supposed to close on January 1st, what, October 1st, the previous year, do a quick and take the title to the property for 90 days, then you can sell it that way. So there's different ways to do it. You just need to talk to a good investor



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friendly title company that does these creative deals and find which title company do the do other wholesalers use what title company do. There's some national title companies that will help you with this. You just have to do the work and find out who those companies are, make sense and come to them and ask them what's the best way to do this? Tell them and say, I got a I have an agreement with this buyer, with the seller to buy it for this. I have an agreement with the buyer to sell it to them for this. What do you recommend? Is there anything else I want to say to that? I hope that makes sense.

That's a good common question that I get all the time, and I hope that makes sense. All right. I'm going to ask I'm going to answer one more question. I'm going to go to your comments here. I have a question about finding sellers. I know that war zones are not good markets. What criteria usually makes for a good area to market to? All right. So when it comes to lease options, I only like doing lease options on median priced homes, the bread and butter, blue collar, working class, median price home. All right. I don't like doing lease options on the cheaper end, lower end properties. I don't like doing lease options at the higher end. Expensive homes for a lot of reasons, but the main one being that these homes are the median price range there in the good areas because they have good school districts. So there's just going to be it's going to be easier to sell that house and find good buyers for it. If you do a lease option on like a fifty thousand dollar rental property, the chances of that buyer when they get their credit fixed, wanting to buy that house with a mortgage is slim to none. If they get a good mortgage, you get some good credit. They're going to want to buy a nicer house in one hundred two hundred thousand dollars. And right now I'm using Midwestern numbers here. Right. It's going to be different for you in California, but like I make your life so hard. And also the percentage of tenant buyers that actually go through and buy the house are going to be much smaller on the cheaper, lower end properties. So you want a good neighborhood.

Now, the other reason is why you want houses in good neighborhoods is because if that bar doesn't work out and they leave, it's going to be that much easier and quicker to find another buyer to go into that house. OK, so avoid the war zones now. The war zones, the the lower end rental neighborhoods, those are good for cash flowing. Just buy and hold deals most of the time. Right. But those aren't the good areas we want to target for lease options. So when I'm looking for a good area to market to, I'm not nit picking it down by the zip code necessarily. What I'm doing is I go to Zillow and elsewhere, show me all I'm using. St.Louis, Louis, Midwest numbers here. Show me all the properties that rent for at least nine hundred and fifty dollars a month or maybe a thousand dollars a month. And above all, that's going to automatically just by that minimum rent is going to exclude the bottom. Twenty five percent of the homes that I don't want to see target anyway. No, I would say still target those homes and make them cash offers or maybe owner financing offers. All right. So when I'm filtering out, I'm just looking for and the whole county in the whole state, I'm looking for properties that are in that median price range. So if it's a for sale by owner, I might



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say show me only the for sale by owners that are priced between one hundred and four hundred thousand dollars in the Midwest. That's a good range. OK, I might even say three plus bedrooms because those are just, again, easier to sell. So I've seen students make the mistake of, like, spending way too much time researching a market and trying to nail it down to like homes with price between nine hundred and twenty one dollars a month in rent and thirteen hundred and forty nine dollars a month in rent and price between because they take them with a median home price is two hundred and forty nine thousand. They only want homes priced between because they go over to standard deviations. They only want a house between like one twenty six hundred twenty six thousand and three hundred and seventy two thousand dollars. I forget that that's stupid. Are only like these six zip codes. Kind of a big waste of time, I would say. Just focus instead broadly on the whole area, the county, the surrounding counties, the whole metro area, the whole state, and look for all of the homes, even in the small markets that meet that price range of general, vague price range. That makes sense.

Now, the only time I would say you need to focus in on a few zip codes in a certain market is when you want to do direct mail or you're doing some cold calling and then that's pretty easy. You just go in to see, well, where are the investors buying? You want to find out where the investors are buying? And, you know, you get the top five, six zip codes where investors are buying properties. I would pull a list then at that point of all the high equity landlords and homeowners, and I would send them direct mail, cold calls and things like that. Cool. I hope that answers the question. Oh, another common question related to this is like I have students in California and. Maybe it's too expensive, too hard to do deals in California. So now they're looking at how do I pick another market? I got forty nine other states to choose from. Well, OK, why don't you eliminate Texas? Because it's harder to do sandwich options once you eliminate New Jersey and New York because they require attorneys to be involved. Right. So that leaves you. Forty six states or whatnot. Right. So then I would just maybe like do you know anybody else in these markets that maybe can help you be your boots on the ground or do you have any familiarity? Did you were you raised in Cincinnati where you raised in Philadelphia? Maybe you could look at those markets, OK? Yeah, I hope that helps. All right. I'm going to look here at your comments because I like seeing what you guys have to say. All right.

All right. A question from Linda Asou, Linda Sue. The modules are released weekly. What happens when I get a contract in place with the seller and I don't know how to find a buyer yet. OK, so in the first module I walk through example deals from beginning to end and in the bonus modules I also give you the lease purchase. Well, of course that explains how to do deals from beginning to end. OK, so look in the bonus for the lease purchase. Well of course. And also when you get a deal under contract, you can submit it to my office. If it looks like a good deal, will get on the phone and I'll partner with you on it and I'll coach you through it and I'll help you find the buyers. We'll split the profits. What's up, Raven? Mike, what's going on?



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Good question, Vince. Necessarily as possible, what's the best, quickest way to find buyers for your lease option contract? No one signs bandit signs a sign in the yard, signs in the neighborhood. Number two Facebook marketplace. Put it on Facebook. Marketplace number three, put it on Craigslist. Number four, put it on Zillow. If you can't, sometimes it's hard to do that if you haven't sold your property as a lease option to a buyer, if you haven't got a buyer for your lease option property in three to four weeks doing those things signs, Facebook, marketplace, Craigslist, Zillow, then something is wrong. It's probably overpriced or you don't have enough pictures or the house is really dysfunctional.

Haven's good to see you too. Do you keep the deposit money or do you return the deposit money to the tenant buyer? What happens with the deposit money? It depends. Again, kind of on the local rules. So some cities and municipalities have restrictions and really strict laws on security deposits. So there if there has to be a security deposit and it can't be more than one month's rent or two months rent, go ahead and take part of the option deposit as a security deposit. But you also need to have some option deposit money set aside. Now, if it's a sandwich lease option, that money does not have to be the option. Deposit money does not have to be escrowed. But you can talk to a local attorney about that. I hope that makes sense. It just really depends on what the local municipality says. Good. Good morning. The silence. Seawolf OK. Question here, Al.

Can you do a lease option on a property with a tenant on Section eight? I don't know the answer to that. I've heard and I've not I've never done one with Section eight. I typically would not do a lease option on a Section eight home because normally those properties are more in the lower end of the price spectrum. They're a little too cheap. Maybe, but I have heard Section eight sometimes does have programs that help their people that are in the Section eight program, get a mortgage and buy the house. So if that's the case, if that's available in your market, you should look into it and try to find out how that works. Billy from Chicago. Billy, you're not a Cubs fan, are you? All right. Good question. Here from Shalini, can you capture the pay down of the loan at time of cashing out? The loan balance should pay down as a result of your monthly payments.

How can we, the buyer, get advantage of this pay down versus the seller owner? Good question. Right. So you negotiate that at the beginning. So my friend Todd Toback, who helped me get started on lease options he used to put on the contract instead of a purchase price, the option price, he would say, I'm going to pay you fifteen thousand dollars for your equity in five years. And what he meant was that in five years, I'm going to give you a check for 15 grand and I'm going to buy your house, which means he got the equity pay down, the loan balance pay down that went to him. That makes sense. So you could spell that out in the company instead of giving the seller a contract that says I'll buy it from you for two hundred or



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four hundred and seventy five grand, you can say I will pay you. Right now you have 20 grand in equity. I will give you a twenty thousand dollar check when I close in five years or whatever, then that goes to you. The other thing you could do is you could look at an amortization schedule and you could see. All right, well, in seven years, the loan of the five years, the loan balance is going to be one sixty. All right. So give the seller a contract to buy it for one sixty in five, seven years. That's how you do it. It's really, really, really simple.

The book, it's asking for the shipping address. Yes, it is. Because we want to ship you the book. It's not a PDF. It's a real book. OK, so if you're having a problem with the difference between the shipping and the billing address because it's different, I apologize about that. Send an email. OK, so I understand what you're saying. You want a place where it's different. I can't help you with that. But please send an email to support@JoeMcCall.com And they will help you with that. Good question for. Tom, is this presentation going to be made available as a replay so we can come back to it and complete details that we missed? Yes, Tom, this right now is being streamed on my YouTube channel and my Facebook page and my personal Facebook profile. Hi, Mom. Hi. Friends from church. So, like, yeah, this is out on YouTube's and so on and on on Facebook. Just go to YouTube, my YouTube channel, and pretty soon it'll be released as a podcast as well.

A lot of sellers are scared about eviction moratoriums. Explaining that our buyers are not renters has not helped. How do you handle this objection? Well, Haven, I think I may be wrong here if I don't understand, but you've got to explain to the seller. You don't have to worry about it. OK, I'll take care of it. Now, you need to make sure it's a good deal and you need to make sure that you're putting a good tenant buyer in there who's got a good job. History is a good chance of getting a mortgage in six to 12 months, et cetera, et cetera. So, yeah, I mean, this eviction moratorium is frustrating, but it's also presenting a lot of opportunities to investors to buy some really smokin hot deals.

A few more questions here and then we've got to roll because we're at the top of the hour. I'm just looking at this. Here is your real estate license reciprocal with Illinois this? I don't think so. So if I want to do deals in Illinois, I'm going to need a lot of deals. I'm going to need to do get Illinois real estate license. But here's the thing. I forgot to mention this. When it comes to licensing, if you don't want to get your license, hire a realtor to market your home for you, especially for lease options, even wholesaling deals. All right. You can avoid this all this hullabaloo about this stuff by just hiring a realtor to sell the deal for you. It's not a big deal. You don't want to be taking calls all day showing the houses and all of that. You don't be worried about it all that hire a local agent to lease option or property or sell your property and it fixes all the problem. Are you going to have to pay them a commission? But it's better than you doing all that work



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yourself. So if I had a lease option property in Illinois, I would hire local leasing agent to help me find a tenant. Very good.

Yes, Mariah, Mariah, you can get transactional lenders to lend you the money for a day or two for that double clothes. Definitely. Nick is asking, do I need a complete team, a realtor attorney contract or title company in other states that are market to yes and no, Nick. But I would say this. I don't think that you have to get that stuff in place before you start marketing for selling leads. OK, many times you can't get that stuff until you need it. Like you don't want to do all this work to find a realtor and then not have any deals to give them. Then the realtor is going to be like, are you for real? You're wasting my time. So you kind of sometimes need to get the deal first, then go find a leasing agent to help you. You need to get the property first. So then you can when you're contacting the title company or the attorney, you kind of have something that you can have them help you with. Does that make sense? Good question here. And we will end with this from Nicole.

What if the buyer trashes the house and can't buy the house? OK, one of the things I always say to people who ask this question is, has that actually really happened to you? So if kickball was here and maybe you're still listening, has this actually happened to you or are you just wondering what if because you got to be careful with what if questions. What if a meteorite falls from the sky and crashes into the house and destroys it? What if there's an earthquake? What if there's a tidal wave and a hurricane? And so you could go for a never ending exercise in futility on the what if so, be careful with that. So, first of all, it's very rare and it's unlikely that that's going to happen because the buyer is wanting to buy the house. But life does happen. And so sometimes if it happens, you just have to evict them. And if the property is trashed, then you got to fix it. Or what I do is I turn around and find another buyer in the house and I give them a work for equity credit to clean up the house and fix it up themselves. OK, so real quick, guys, I got to go here. I want to let you all know that I'm going to be doing some more of these calls next week. I'm going to be answering more of your questions, OK?

And I want to again talk to you about these books. If you want this book right here, wholesaling lease options, get it for free. Just pay shipping and handling at WLObook.com. If you want my secrets book, you can get it for free. Just pay shipping and handling at REIsecrets.com. If you want the audio book where word that link go. Yeah, if you want the audio book to this thing, it's only a dollar ninety nine. You can't get my books on Amazon. Go to WLOaudio.com And my best book right here. Simple. These options the easiest and fastest way to do more deals in any market. Go watch my webinar. You can get it for free. Get the PDF knows shipping and handling needed for a PDF e-book. SLOclass.com. Watch my webinar. Learn how to do list options for yourself. It's my favorite strategy and I appreciate you guys.



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This has been fun. I love answering your common questions. I got another twenty or something to answer, so I will continue that on the next REI Secrets webinar that I do here. I appreciate you guys.

Thank you very much and have a good rest of the day, everybody.