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How To Profitably & Ethically Buy Properties "Subject To" The Existing Loan - w/ Vena Jones-Cox

Hosted by: Joe McCall

Guests: Vena Jones-Cox

Joe: Welcome. This is the Real Estate Investing Mastery podcast. Hey, how's it going, Joe McCall here. I got a special treat for you on this podcast. You're going to love this. Alright. Now, I used to do a lot of subject to transactions. I still loved subject tos, but over the last seven or eight years, I've really been focusing on different strategies like lease options, wholesaling, vacant land flipping, et cetera. And I've never really taught subject two real estate investing. Now, there is one person, though. There's a couple of people that are very ethical doing the business, people that I recommend. And one of them is Vena Jones-Cox and Vena is a friend of mine I've known for a long time. She is out of Ohio, a great lady. She's done tons of deals, very ethical. I trust her and I really like what she teaches. OK, we just did last Saturday as I'm recording this right now, a class and I did the class with her. It's about five, six hours long. It was amazing. Really, really good. Everybody that participated in the class got a real thick manual, all of her contracts, how she does her deals. She walked through step by step, how to do these deals. Now, if you don't know what a subject to is, all it is, is a different way to buy a property with creative financing. Right. Using you've heard of it, OPM, other people's money. And what subject to is, is when you buy a house by taking over the existing mortgage, so you buy it subject to the existing mortgage and then you control and you own that property. So it's a great strategy. And I asked Vena to teach it to my list, my audience, and we had a class. And so what I want to do, I asked her if this was OK and she said yes. And so what I'm doing here is I'm giving you the first forty five minutes or an hour or something of that class. I'm going to give it to you for free so you can listen inand pay attention. And it's going to be really, really good. And this is just kind of scratching the surface for the rest of the class. We give you just a ton of information on how to do these subject to deals ethically the right way and how you can make a boatload of money doing these kinds of deals. Right. So listen to this podcast. If you're interested in signing up for the class, I'm gonna give you a real simple link right now. JoeMcCall.com/sub2 to JoeMcMall.com/sub2. And if you go there, you'll get more information on actually how to buy the recordings of this class. I know you're going to love it. I highly, highly recommend it. If you have any interest in doing subject to's or learning how to do them, check this link out down below. Joe McCall dot com slash sub 2, the number two. slash sub two. Alright. I appreciate you guys enjoy this video, enjoy this podcast. However you're listening to it and we'll see you hopefully in the class. Alright. Thanks. Bye bye.

Joe: Alright. What's up, everybody? How are you doing? I'm Joe McCall and I am with the one and only Vena Jones Cox. And I'm excited about this because we're going to teach here. This is going to be a class about a very, very important topic that a lot of people get wrong. But this is one of the most profitable ways to do deals today. And if you don't know how to do it the right way, you're going to make a lot of mistakes and you're gonna get in trouble. But if you learn how to do it the right way, you're going to make a lot of money. And I love subject to's I've done a lot of them and I think Vena is one of the best, if not the best educators right now teaching this subject. And we're going to be covering this today in this class. So welcome everybody. Welcome. Vena, how are you.

Vena: I'm really good. I like classes. Start at ten o'clock my time instead of nine o'clock my time. Yes, I'm gonna do this from now on.

Joe: I agree. So we are live guys, but we're recording this and we'll give to you all in just a minute. Those of you that are live access to download two important sets of documents. OK, Vena, will you talk about what? I'm going to give everybody here a link and then you can and I'll give that to link to everybody. But can you explain a little bit, please, what it is that they're going to be getting?

Vena: OK, one thing is a seventy four page manual that is kind of the back up to this. And what you have to for those of you who are more readers, you're more likely to read than you are to listen to the whole recording again. And it contains all of the forms and contracts I'm going to reference, which you will also see as 8 separate word documents, because when you actually go to do a subject to deal, you want to be able to fill them in, obviously, and edit them if your attorney tells you to do that and all of that sort of stuff. So it's one PDF manual and then eight contracts.

Joe: Alright. So what I'm going to do for you guys right now, when you're if you're in the zoom chat, I'm just calling this resources and there's a link. It's a view only link. I just put it in the zoom chat and I'll put again there later. And then, guys, if you're watching the recording of this, it'll be in the membership site. All these recordings, these videos and these resources will be in the membership site. Alright. Let me just tell you guys something here. You guys are signed up. You've got an incredible deal here. All right. This is going to be an amazing class. I want you guys to focus, turn the distractions off. Pay attention, get a pen and paper, you're going to take a lot of notes. This is a really, really important class and the value that you're going to get out of this far exceeds what you invested into this course. So I'm really honored to have you here to do this. She didn't have to do this, but it's important for her that investors all over the country don't screw these deals up, do these deals profitably, do them the right way. And Vena, I guess I should introduce her if you don't know her already. She's the leader of one of the largest real estate investment association or clubs in the United States. She's a very active investor, still does deals today. She's out of Ohio. Is it Cincinnati? Yes. She's invited me to speak several times at her. Ria's at the Ohio. I always get what's the name of the big national convention you do?

Vena: It's called the big national convention. Yes, it's the OREIA, as we're calling it now. We should call the big national convention. Its' the OREIA National Real Estate Investor Summit.

Joe: Yes. It's the nation's largest real estate investors association summit. And it's awesome. I've been pleased or honored to be invited. There are a couple of times to speak, but Vena leads that. So she's the nationwide she's a nation's expert on these kinds of subjects. All right. And this is going to be very important that you guys listen, pay attention. Look at you have a link. I'll paste it again here in the Zoom chat. You have the if you're watching this, the recording, you have these resources down below. But let's get started into this. We're going to be hanging out here answering questions in the chat. And also, if we have time later on, any of the questions that we couldn't answer in the chat. We will answer live for you guys as well. Cool.

Vena: Cool by me.Yeah. There's one other thing I'd like to add to the things you're supposed to be doing. This is not a huge class, so I think it's OK if we interact. And I will be asking you some questions both to just get some information to figure out where I need to focus this presentation and also just some mindbender. One of the things that I've found out that's important about being successful in real estate, especially if you're going to do several things. And if you look around you and look at the millionaires, you know, the people we call endorse the people who they just can live off their real estate, they don't really have to work anymore. What they have in common is that they involve themselves in multiple exit strategy, that they had some kind of they have had some kind of cash strategy that they were using. And that could have been a job for my dad. It was a job. He worked until he was 50 and his rentals got enough that they could support him. For some people, it's like wholesaling, but also buying rentals or retailing, but also doing notes or something like that. It's really important if you're going to reach that stage, which is, I think, where all of us ultimately want to be, to be able to think, to challenge yourself, to think about what alternative solutions to a sellers problem or a buyer's problem or a lender's problem might be. So I'm going to so some questions that might seem to those of you who are new sh, like I never heard of a problem like this or a solution like this, but those of you who know it get a chance to show off during the quizzes. So, yeah, please. Also, when I ask a question, don't be like, totally silent because that's just embarrassing for me.

Joe: Yeah, we definitely want participation, guys. We want to to see and hear from you. Nobody's allowed to fall asleep here, me included. All right.

Vena: Alright. Cool. We're ready?

Joe: Yeah. Awesome. Let's go.

Vena: Alright. So subject to is a strategy that I've actually been using ever since loan assumptions stopped being a thing back in the early nineties. And it's one of my favorite creative buying strategies. And in recent years, it has become even more relevant and powerful because three percent interest rates, rates that rates that homeowners are getting on properties that make properties that you would really like to own in the long term profitable that weren't profitable before. I used to say to people about houses in the city of Cincinnati that once you get about over or above, over about two hundred thousand in value, you can't really make them work as rentals. You can't it doesn't make sense anymore because the rents compared to the payments that you would be making are going to create negative cash flow. That was back when interest rates were seven percent. Now that they're two and a half, three, four percent, you can make those really great, good school system. Attractive properties work as long term holds in a way that didn't work so much 15 years ago. So I assume what we're going to do today is talk almost exclusively about subject to's with a little a few diversions into some creative ways to do subject to's is beyond even as creative as they are already. Joe already mentioned that your link to the manual in contracts is in the Zoom chat, and Matt will probably repost that every so often as it disappears from the chat because other people are talking. We are going to take breaks at ten thirty. That would be Central Time, not Eastern Time, so call it an hour from now and at noon just so we can stretch and get some coffee and take a bathroom break and all that. You can ask your questions on the chat any time you want. If they are questions that are pretty easily disposed of, like where's that link again or what? So quitclaim deed or something like that. My lovely assistant Matt over here will answer those. But we will also have open Q&A time and again, answer the quizzes when they come up. Yes. In case you missed Joe's announcement, we are recording and yes, you will get the recordings as part of your tuition. I would also make the request that if you have a subject to deal that you're working on right now and you'd like an evaluation of it, post as much detail as you have in the chat. And then Matt will come back to it during Q&A and we'll try and work our way through it. What kind of information would you put there? Well, the after value of the property, the repair costs, the loan balance, the interest rate, the payments, how much that payment contains, is it principal interest taxes, insurance, or just maybe two or three of those? And what your proposed exit strategy is, I want to rent it. I want to lease option at whatever. And that would be fun to do some actual live deals today. We're going to cover some new ways for some of you, they'll be new ways of just thinking about the benefits of subject to and all forms of creative deal structuring. Subject to, of course, is just one. Joe is a big fan of lease options as a way of making creative deals. I have recently come around to that as a really good way of doing creative deal structures, although I think I'm doing longer term options than Joe likes to do. I'm doing ten, twenty year options to buy owner financing. Right. Kerry's back the mortgage. That's another form our land contract or contract for deed. That's another form. Getting a partner involved in a deal or getting a private lender involved in a deal is another form. Pure options. I don't even have a lease. I just have an option. All of those structures have something in common, which is they add a characteristic to a real estate deal that brings a bunch of benefits with it. And the characteristic is time. You get time. Time passes. And as time passes your deal, the value of your deal goes up. The rent goes up, the mortgage goes down. Right. There's mortgage pay off that you get you get tax benefits that you don't get with quick turn type deals. And if you're structuring the deals right, while all that is happening and things are going up, the amount that you have to pay every month is not going up. That's the time factor of creative deals. We're going to talk about how subject to applies to you, whether you're a buy and hold person or lease option person or a quick cash strategy person. And the main thing is we're going to spend a lot of really intense time talking about everything that has to happen to do a subject to deal. And we're going to talk about them in the correct order. But it might not feel like the correct order. You might be like, why is she not talking about the due on sale clause yet? Well, that's because there's other things we have to get into before we get into the due on sale clause. But we will. So some questions about you. This is the part where you participate. How many of you are currently or are looking to be wholesalers? I guess if you are just put yes in the chat, do we have any wholesalers? OK, yep. Looks like quite a few wholesalers. Steube wants to be a wholesaler. Gosh Joe, you've had a lot of wholesalers in your community here as wholesalers and fix them on Lipps. Come on, come on. I'm here and OK, so who is sort of more of a lease option afficionado like this is one of the big things you do. Just put LO, LO wholesaler who likes to monetize every deal. That's me too. Everyone thinks I'm a wholesaler, but the real reason I wholesale is because it gives me the money to keep marketing to bring in leads, many of which actually turn into subject to are owner financing or at least option deals. It doesn't look like if you're, if you're just looking to buy and hold, it doesn't make sense to spend five thousand. Up on marketing, because, you know, how many of those can you really process in a year? If you did 12 a year, you'd be rich in five years. But knowing that I can also wholesale those deals and doing that, I only have to do two or three wholesale deals a month to more than pay for the marketing and also the TVs and the people who helped me do that. All right. So we got a handful of lease option lovers and who is a buy and hold person who digs the long term cash flow. BH, BH. Yes. Buy and hold now. Especially now. Yes. Yes, that's the goal. All right. So we got some people who are doing the other things to build up cash because they think they need a bunch of cash so that they can buy and hold. I think you might leave today feeling like maybe you don't necessarily need to build up a lot of cash to buy and hold person, although I would suggest paying off at getting your getting your financial life right before you go off and start buying and holding, getting your credit card debt paid off, your student loan debt, paid off your car, all of that stuff. All right, good. So it seems like pretty evenly mixed between buy and hold and flip and then some lease option folks in the middle of the barbell who's a brand spanking new investor like you haven't done a deal yet or you've done one. And but you're not quite sure how that happened or there are a lot of people say I'm new, I've only done two deals. You've done two deals. You've done two more than most of the United States, 30 years full time. One deal done. A couple of newbies. All right, good. OK, so I don't know. I've got that slide twice that kind of have that sort of thing happens. All right. So is this the kind of deal you came here hoping to do, hoping to learn how to do?

Vena: This is a two hundred and forty thousand dollar house, which puts it in the middle of kind of bread and butter in our area. It's it's an almost like a move up neighborhood, but it's it's a real solid, great school system. I just bought it subject to a two hundred thousand dollar loan. I put zero money down. The loan is a three percent loan and my principal interest tax and insurance payment on this every month, we just we took possession of it Friday. So our first payment will be in October. Right now, this second with a coat of paint on the inside, it'll rent for twenty two hundred dollars like that. And that is not a thousand dollars a month in cash flow. By the way, for those who are going, oh my God, that's a no, no, no. The entire cost of owning a rental is not principal interest taxes and insurance. There is also maintenance, vacancy and capital expenditures. That's actually closer to six hundred dollars a month real put in your pocket cash flow. But my my partner is kind of greedy and he wants to do about ten thousand dollars with a rehab on it and Airbnb it for fifty three hundred a month. Multiple exit strategies once you get the deed to a property with a nice fixed rate 30 year loan. Right. Is this what you were looking to do?

Joe: I hope so. That's a great deal of it. That's awesome.

Vena: It is. And we've done so far this year, we've done five subject to deals. And again, it's kind of incidental to the fact that leads are coming in. We talk to the sellers, we find out what their situation is, and then we figure out what the best outcome for them is. And sometimes it's this. And in this case, it was this for them. So, yeah, that's the kind of deal you're going to learn how to do. But we're also going to talk about other things that you could do with subject to deals. Now, here is like the super this isn't like twenty thousand foot view. This is like a hundred thousand foot view. All right. What do you have to do to do that deal? Well, number one, you have to learn how. Messing up a wholesale deal, which usually means I overestimated the value and I underestimated the repair costs and I offered the seller too much money and then I couldn't sell it. That's usually how you messed up a wholesale deal, right? It's not good. You spend a lot of time spinning your wheels and you don't make any money. So that's bad. And also, you told the seller you were going to buy a house and you didn't buy the house, and that's bad. But the negative outcome of messing up a subject to deal is much more serious because in a subject to deal, you have another human being's credit in your hands. If you do a deal that you cannot make the payments on because you messed up the valuation of the property or you didn't know how to fix it when somebody moved out and left you with ten thousand dollars for the damages you lose, your seller loses big time. If you can't make the payments, then there's tenet or lease option buyer in it. They lose because the house goes into foreclosure and they have to find a new place to live. And worst case scenario, of course, you end up on the evening news because folks outside our business aren't real sympathetic to the idea that this just went wrong. And what they believe is you did it. On purpose, so first you have to really learn this, and that's what you are here to do, even when you have learned that their situations will come up where you feel stuck, you're not sure what the next step is. You are not personally you personally don't have the resources to take the next step. That's where you take the brave step of asking people who are very experienced who have done this many times, who maybe have the resources. You don't have to step in and help you with a deal, even if you have to give up part of it. I have a friend, Bill Cook, who's a huge fan of never do your first creative deal alone. Always, always, always get somebody with years of experience, with lots of resources to get into it with you from moment one and walk you through it and make sure it's right. Even if you have to give up a big chunk of the deal, if you have to give up 90 percent of your first subject to do, if you only end up with 10 percent of the cash flow and the appreciation of the mortgage, pay down. But you did the deal because someone else helped you. Is that worth it? And you made an ally, right? That person who got 90 percent of your deal, they like you now. They're willing to help you out on future stuff now. So you have to learn. You have to ask. You have to go test what you learn, actually have to go out in the market and say things to people like, well, would you let me take over your loan understanding that just because they say yes doesn't mean you have to do it. If you don't put it into practice, nothing is ever going to happen. No one is ever going to shove a note under your door in the middle of the night that says I have a property I don't want. And I was wondering if you would take over my loan. You have to actually use the skills you have and then ultimately you have to implement it and do a deal. It is also important that you understand your exit strategy first. You know, I'm blanking on the off the very famous authors name of First Things First, Stephen Covey. Stephen Covey always says, begin with the end in mind in the case of really any real estate deal, but especially a subject to deal. What that means is I need to know what exit strategy or strategies. I might do on this deal, because if you have not learned, if you want to do a lease option at the back end of your subject deals and you haven't learned how lease options work, that's going to be a big sticking point for you. It might be that you shouldn't do a particular subject to deal if you're doing a lease option. It might be that you don't want to do a particular subject to deal if you're going to rent it or retail it.

Vena: I will tell you that subject to actually work best with your medium and long term strategies. So we're talking here about I'm going to buy it subject to and then I'm going to lease option it to someone who wants it to be their home and they will buy it within two to three years. I'm going to buy it subject to and then I'm going to wrap the subject to and sell it maybe to another investor on financing. I'm going to buy it subject to and then I'm going to hold on to it for a rental property. Now somebody tell me why that is...why our subject to's best suited for those things and not so much for retailing, straight up wholesaling where you just signed the contract to somebody else. And this will be the place where you would talk like out loud, like by hitting that little microphone, but with the slash through it.

Joe: Well, I don't know if we...we can't allow attendees to put their microphone, but we can type in the chat. And I think, can I answer it or should we let other people answer it?

Vena: Actually, James already answered it.

Joe: Yes, he did. Appreciation. There's also. Well, that's one part of the answer, right?

Vena: It is one part of the answer. So in something like retailing, you're only going to own the property for six months. So even if you get like an awesome two point five percent loan to take over, the two point five percent only helps you for six months. You might as well go ahead and get a ten percent hard money loan because you're going to need to borrow extra money to do the work anyway. And a lot of hard money lenders don't like being in second position, but it's almost like you're wasting the fact that you got somebody else's low interest, no qualifying loan by selling at six months. When you sell, know, when you sell the property, you've got to pay off that mortgage. You bought subject to, you bought the property subject to. Right. So longer term gives you more chance for appreciation, gives you more chance for monthly spread, gives you more chance for time to pass. And the mortgage should go down. Right.

Vena: So, wow. I'm going to show you at least one example of what is sort of wholesaling a lease or a subject to really this is more for people who want to do medium to long term strategies. And somebody just said in the chat they bought a property two and a half years ago for two sixty five and sold it last month for three. Eighty one. That's because two and a half years passed. That's not because it was such a great bargain two and a half years ago, it's because prices have gone up. So down to the 20 thousand foot view. What is a subject to? It's kind of a jargony thing, right? Everybody will say, I bought a house subject to or I bought it, too, without finishing the sentence, the whole sentences. I bought it subject to the existing something. Now, what we're going to talk about is subject to existing first mortgages, which is the most common way that you'll hear it used at your local radio group or online or whatever. But, you know, you can also buy property subject to back taxes, subject to lines that aren't mortgages. But normally when you hear somebody say, I bought a property sub to you, they mean it was up to a first mortgage in a subject to. And this is maybe the first thing that's going to be a little difficult to wrap your head around at the closing the deed transfer from the seller to you. But the debt is not paid off. The deed transfers, but the mortgage is not paid off. In fact, it's not only not paid off, it is still in the name of the borrower who is probably your seller. So the borrower remains legally obligated to that debt. The bank thinks their borrower is still the person paying the note payment. They're not, but the bank thinks it is. And if you do not do what you have contractually agreed to do. So there's this contract between the bank and the borrower that says, OK, this house is security for this note. And if you don't pay this note, we are going to use our security instrument, our mortgage, to take it to a foreclosure sale and get paid back. And all that stuff stays exactly as it was. Now, there was something that preceded subject to's, and some of you were born after this went away, but it was called loan assumptions and back up prior to nineteen eighty eight, nineteen eighty nine. There was such a thing as an assumable loan. All FHA and VA loans were fully assumable, which meant all you had to do to take over one of those loans is pay thirty five dollars and you and the seller sent in a piece of paper to FHA or VA and said Joe is no longer going to be the owner of this house and Vena is assuming his loan and there was no approval process. It just it just happened. Those were the days. But that stopped happening in nineteen eighty eight. Nineteen eighty nine. FHA and VA both removed the assumed ability from their loans. So those things, the loan assumptions, let's get technical here for a minute were actually what's called a novation, N O V A T I O N, where the buyer and the seller agree to do this and then the bank agreed to do it. So the bank was fully aware of what was happening. They had a form that you could fill out. It was all completely not not just legal, but it was in the FHA and VA contracts that you can do this. So now we don't have this free assume ability for all mortgages, all conventional mortgages anyway, have what's called a due on sale clause in them that we will come back to. This was kind of a sad thing for real estate investors all over the planet when the FHA and VA assumptions went out of business when it went away. And I actually have some Cincinnati real news letters from back in the back in those times. And it was there's all these articles in there about this is so wrong, it's going to cause thousands of foreclosures when people can't afford to make their payments and nobody can take them over. But of course, what happened instead is we kind of just kept doing the same thing, except we no longer called them loan assumptions because the loans are being assumed anymore. We started calling them subject to a subject to is not a novation. The bank doesn't know about it. It's strictly a contractual agreement between you and your seller that says going forward, this loan will still be in your name, but I will make the payments on the loan. So this is going back to that thing that I said might be a little hard to wrap your head around, which is how in the world is it possible that at the end of the closing you are the legal owner, you or your LLC or your trust is the legal owner, but the mortgage and the note still have the seller's signature at the bottom. How can the bank foreclose? On a property that you own, that you never pledged as security for this note, how can that happen?

Vena: So here's the how mortgages or if you live in a deed of trust, state needs of trust and notes and deeds are three separate agreements that do three separate things. All right. We tend to conflate them because we talk about we made our mortgage payment. No one has ever made a mortgage payment in the history of the world. What you make is a note payment. That note is secured by the mortgage or deed of trust on the property. And the deed is something completely different. And there are different parties to all of these things because your buying subject to the mortgage on the note, which preexist like they were there before you ever came into this deal, right. The mortgage and the note are unchanged by your purchase of the property. It doesn't wipe out the seller's obligation to pay the payment and it doesn't wipe out the seller's pledging of the property. The side agreement between you and the seller that says, well, from now on I will pay the payments, doesn't affect the agreements between the seller and his lender. Right. So the deed can, in fact, be given from Joe to me without Joe's mortgage or note being effect. Joe's mortgage note stay right where they are. I get a lot of questions about this. What I teach subject to people just get confused. But at the closing note, you have to pay off the note and doesn't the bank have to release the mortgage. The answer is no. That does not have to happen, or none of this would work subject to's are kind of a powerful tool in the toolbox of any real estate investor. And there are a bunch of reasons for that. I'm going to give you a three up. About 15 years ago, Fannie Mae and Freddie Mac told me to go jump in a lake because I got to the point where I owned more rental properties that had Fannie Mae and Freddie Mac mortgages on them. Then they liked. That number right now, by the way, is 10. You can have 10 houses with bank mortgages on them before you are no longer qualified to get Fannie Mae, Freddie Mac mortgages.

Vena: So how did I buy more properties? I don't want to pay cash for all my properties. That ties up a lot of cash and it also reduces my rate of return on the properties I bought them subject to the existing loan or in other creative deal structures. So now I have sold several of those old Fannie Freddie houses and I'm down to eight. I could get two more Fannie and Freddie mortgages and I'm going to do that because the rates are so awesome. But every time I do a subject to, I keep my allowance for the conventional loans intact. Since I am not assuming those loans, since those loans do not appear on my credit report, they don't affect my ability to go use my Fannie and Freddie money. Also, Fannie and Freddie on loans, number eight unknown. Some are nine and 10. In fact, on every loan over number four want a higher down payment? Twenty five percent. They want a higher interest rate and they often want more points. When I do subject to deals, it's very rare that I put down anything close to 20 percent. So subject to deals, when I have to put a thousand or two dollars down, keep my money in my bank account where I can use it for rehabs, that I can use it for marketing and I can use it for buying other houses. The second thing is, no bank ever gives you the same rate as they give homeowners. The only way to access those homeowner rates is to take over homeowner loans. And interest rates matter, guys. I mean, if you look at what is it cost to make a payment on one hundred fifty thousand dollar loan at four and a half percent, which is what I'm seeing for investors versus what does it cost to make that payment at three percent? That's a lot of cash flow. The third thing is, listen, all you guys have talked to a lot of sellers know that there are a wide variety of problems that sellers have. Some of them can be solved with lowball cash offer. Some of them can't. The ones that can't are great for subject tos and other kinds of creative deal structures, because you can always pay more when you can take over a low rate loan with almost no money out of your pocket. It like doubles the number of deals you can do out of the same pool of potential sellers. And if I could get one thought through to the entire real estate industry, it would be that your job is know how to solve seller problems and still make money. And it's just not the case that making a seventy or seventy five. Cents on the dollar minus repair costs offer on a house solves all the seller problems out there, the more seller problems you can solve, the more deals you will make and the faster you will do it. So let me walk you through a full example here, OK?

Vena: This is titled A High End Rental. Something has happened to this property subsequently that I will tell you about at the end. But it started out to be a deal on a high end rental. And this is a deal that I did in two thousand eight. Anybody remember what was happening in two thousand eight? Because those of us who went through it still have PTSD over it.

Joe: That's hilarious.

Vena: The bottom was dropping out from under the real estate market and we did not know when that was going to end. Like things were sitting on the market for a year without selling. There were almost no comps, except there were short sale and bank owned property. So we didn't actually know what after repaired value meant in two thousand eight because the houses that were in great shape didn't sell and rents went way down. It was a horrible recession. People were moving in with their parents, moving in with their children, moving in with their sisters. In order to compete in the rental market, you had to drop your rents. This house was arguably worth two fifty when I bought it. A little hard to tell because there weren't a bunch of comps, but arguably a two hundred and fifty thousand dollar house. It needed about ten thousand dollars in mostly spiffing up, but there was a retaining wall on the back that had fallen down and needed to be replaced. And those are not cheap. As you might know, this seller owed to twenty five wholesalers. Just just you just blanked out your like. I don't want to have anything to do with this deal. I don't know how to put a property under contract for two twenty five that's worth two fifty and actually sell it. And the seller called and told me that he was going to miss his next thirteen hundred dollar payment. He told me this whole story around. I bought it because it was going to be my retirement property, like I was going to have it paid off by the time I was retired. And it's a fantastic neighborhood and I got a conventional loan on it and my tenant just moved out and I can't afford the repairs and I can't afford the next payment. So I said, what if I made the next payment? I mean, I don't know how to pay you two twenty five for this house because like next month it could be worth less than that the way the market's going. But I do know how to make thirteen hundred dollars a month payment. So what if you just deeded the house to be stopped worrying about it and I started making the payments from here on out. So has anybody calculated what the correct cash offer is for this? Is anybody got out their calculator and said what? What would be the right cash offer to make here or can you do that? You wholesaler's ought to know how to calculate a cash offer. And I've told you the age of two fifty, those are the repair costs. Ten thousand dollars if anybody's got it right in the chat. One sixty five. Boom. Got it. All right. So here's how we do this math. We start with the after value. We multiply it by point seven and we subtract the repair costs. So one sixty five would be the right cash offer if you wanted to fix it and resell it, which wasn't really the right strategy at two thousand eight. And if you wanted to wholesale it, you'd have to pay ten thousand less than that. Right. So maybe one fifty five. So can this seller, given his situation, even accept this offer. He's not behind on his payments. So a short sale isn't really in the cards here at the moment. Maybe six months later he owes two twenty five and he doesn't even have thirteen hundred dollars so he can't bring cash to close it. Right. So yeah, the answer to that is no. So I bought it for two twenty five. I took over his two point seventy five percent loan. Why was the rate so low. Well when he financed in 06 he got one of those teaser rates that said, yeah, right now it's going to be two point seventy five, but in a year it's going to adjust to actually I'm sorry. And in this, in this loan, it was a it was what's called a seven and twenty three loan. So this was his rate for the first seven years. So it's seven years that would adjust to prime plus whatever. I did the work, I rented it for what looked like a small positive cash flow. But in reality, after the maintenance vacancy, capex was a negative cash flow for a while. And today this house is worth three hundred and fifty thousand dollars and the market rents twenty four hundred. So in retrospect, was I smart to take over this loan? At the moment it looked like a scary loan. Right. But in retrospect, was this the right thing to do? Let's tear this part a little bit. You heard the number one sixty five come out of my mouth. And some of you who are very used to every property has to have equity when I buy it are going. But I can't get over the fact that you paid two twenty five per house was only worth two fifty and needed ten thousand dollars for the repairs. That's not a smart buy. Going to show you in a minute why even then, I thought it was a smart buy. But the quick answer is time makes the difference. Adding the fact that you have years and years and years and years and years to pay off this loan makes a huge difference in how deals look. And some of you might be thinking, well, that's fine, but I don't have ten thousand dollars that I could have done the repairs with, so this would not have been ideal for me. I didn't have ten thousand dollars at that time either. It was two thousand eight. I had two businesses that crashed and burned simultaneously. Real estate education ceased to exist. People did not want to hear about real estate in 2008 and also all of my rental properties, I had to drop the rents 20 to 30 percent. They were just supporting themselves. If it hadn't been for my wholesaling business, I probably would have ended up losing some of those rentals and or declaring bankruptcy. But I didn't have to do that because I was also in the wholesale business problem number two other than the ten thousand dollars with the fact that the principal and interest payment guys need to get used to hearing these jargony ways of saying things, the P&I payment that's principal and interest was nine eighteen fifty for the taxes were to thirteen. The insurance was one hundred and forty a month, so the total payment was twelve seventy one. And the first time I was able to rent it I was getting thirteen hundred dollars a month. That looks like a positive cash flow, but that's a negative cash flow because guess what, even in two thousand eight ten it's expected, but when their central ER stopped functioning you would send someone out to fix it and when their screen fell out of their screen door, you would send someone out to fix it. And also in 2008 people moved and then you had to go in and repaint the house and maybe refinish the floors. So why did this seem like a good investment to me even at the time? I mean, it has basically no equity. It has negative cash flow. What in the world is the benefit of owning this house? The answer is long term growth and tax advantages. This is the very best area in Cincinnati.

Joe: This is huge. I hope you guys are just paying attention because this is this is what this is all about. And you got to think outside the box, which is what Venus' exactly talking about here. This is really good.

Vena: Or you have to just give up on the idea that there's a box. Yeah, there is no spoon. There is no box. So this is this is the area that all the other areas are jealous of. This is this is the area where when you say, oh, my God, my real estate taxes are a thousand dollars a month, people say, yeah, you live in Hyde Park, shut up. This is the area where the grocery store has thirty four hundred kinds of cheese like this is that area in Cincinnati. And it has been for a zillion years, two years earlier when this now ex rental housing provider bought and rented the house. The rent was sixteen hundred month. So I knew that thirteen hundred a month thing was a blip caused by the recession and that ultimately the rent could be much higher. When he had it appraised for his purchase, it appraised at two seventy five. Buying it at two twenty five means I get to take depreciation on the property. Right. And the bigger the sale the bigger the purchase price, the bigger the depreciation. My annual tax write off was seventy three hundred and sixty three dollars a year. Why is that important to me. Because I'm a wholesaler. I need tax write off wholesalers pay way higher taxes than you guys do on rental housing providers. What owning this house meant was that the first twenty five hundred and fifty dollars of wholesaling income I made every year was not subject to any taxes. Like I just got to keep that. Also, don't forget that that mortgage doesn't stay at two twenty five forever. The first year I bought it, the pay down on the mortgage was fifty one seventy two. So let's think about that. Property had a slight negative cash flow, about one hundred dollars a month that but I made twenty five fifty by not paying taxes on that depreciation and I made fifty one seventy two. So was that, was it really a loss or was it just a loss on paper. Would you pay one hundred dollars a month to get twenty five fifty less taxes and fifty one seventy two in new equity. Now some of you are saying no I wouldn't do that because I can't afford to do that. Well let's deal with that question. How can you cover ten thousand and repair costs and five years. I didn't know, I didn't know how long it was going to be, but best guess five years of negative one. Hundred dollars a month in cash flow so that you can get the rest of these benefits, is there some way that you could find the money to get the ten thousand and the twelve hundred a year in cash flow for five years? So to make up the difference, make up the negative cash flow for five years, go back to the chat and see if anybody. Oh, Leiloni's got it. Now, a lot of people go straight for the idea of let me get a private lender. It's not necessarily be a deal that was attractive to a private lender. And the reason is no equity, right? No equity makes putting another mortgage on this house really risky for a potential private lender. But there's another kind of person out there who has money, who's not a private lender. And that kind of person is called a partner, get a partner. But the partner is going to want cash flow. Are they get a partner who doesn't care about current cash flow, but who cares about future returns? Who believes that this property's going to have a big future returns? Who did I just described who doesn't care about cash flow right now, but cares about building equity and cares about getting tax breaks? Paul got it right away. You got some smart people on this meeting, Joe. I was expected to, like, drag this out of people, but they're coming right up with it. I just described somebody who has a self directed Roth IRA but who's not fifty nine and a half yet. They're not making withdrawals from that IRA and won't be for 10 years. That was the partner I got. Her name was Julia. I called Julia up and I said, hey, you still got money in a Roth. And she said, yeah and they're not giving me any return on it. I said, Would you like to put thirty thousand dollars in a house in Hyde Park and own 30 percent of it? And she said, well, tell me the details. And I said, well, it's not going to make money. I'm going I'm going to be using your thirty thousand dollars to put up a retaining wall or refinish the floors. And I need a bathroom, but. Oh, and then it's going to lose one hundred dollars a month. But I'm not going to ask you to cover that. That's what your thirty thousand dollars is doing. And then when the market comes back, it's going to be worth a lot more and it's going to make a lot of cash flow. And she said, well, that sounds pretty good because her IRA doesn't need cash flow. It's not like she can spend it. What her needs is growth. The other kind of person that this describes is a person with a really high income job, a person with a high income job does not need more money right now. What they need is tax breaks right now to offset that high income job. And also they need income to replace some of that high income when they retire. There's a lot of people out there like this, folks. The fact that you don't have the money to complete a subject to deal doesn't mean there's not somebody out there who's like this is a fit. Right. There's a puzzle piece here. I need somebody who's got thirty thousand dollars that they're willing to invest for growth and tax benefits because I have the deal with the growth and tax benefits. There's a harder question for you. What was the matter with the seller? I mean, it wasn't even a process of talking him into this. I said, what if I made your next payment and made all the payments after that? And he said, what do I have to sign? And this guy is an investor, OK? He's not a civilian. He understands that if Vena doesn't make the payment. His credit goes into the toilet. He experiences a foreclosure. Why would he agree to do this? OK, Pamela says because he has no money. Correct. He's desperate. I like the term motivated, better than desperate. He's getting debt relief, Michael says. And Harold says he's also getting stress release relief, Vincent says, to save the house and the credit. And Nathaniel says because he couldn't make the payment anyway, his credit would go into the toilet any way, whether he did this or not. And actually, I'm the better bet for him if he keeps the property himself, he knows he's going into foreclosure. If I agree to take over the payments, he's got a really good chance of that not happening. So he knew he couldn't sell for cash for enough to cover his mortgage. I mean, think about it. Even if he got to fifty, it cost him six percent to pay the agent. And then with the property in the condition it was then there was every chance that it wouldn't FHA, it would go conventional. And at that time, all conventional buyers were asking you to cover points, closing costs, everything. So really, it cost you like ten percent of whatever you're selling a house for to sell a house. So he'd done that math and said it'll be six months before it sells because that was what the market was like. I'll hit out at that point, have six months of back payments that I have to pay, plus the agent, plus whatever the seller or the buyer wants me to do to the property, plus the points in closing costs I'll have to pay to sell. And also, as you guys pointed out, his credit was going to be ruined anyway if he didn't make the next payment.

Vena: Next example, this house is 19 years old. That is not usually the house I get presented with. I usually get presented with the hundred year old house that has all sorts of potential electrical and plumbing issues. You don't even know what's in the walls until you start digging. And I love 19 year old houses after repair value was about one hundred and thirty thousand dollars. And after repair meant paint it carpet it deal with the landscaping, which had gotten kind of iffy. So not a ton of repairs. The seller, when we when we dug down in the conversation to find out what the pain point was, you guys know how to dig down in the conversation to find out what the pain point is. Right. Asking questions like what's your story? Why are you selling this house? What what made you decide to sell? Now, her pain point was her bedrooms were all upstairs and she needed a double knee replacement. That was it. Actually, she built this house. She wasn't it wasn't that the house itself was unacceptable to her. It was that I need a first floor bedroom. In fact, when I went out to meet her, we sat at the only piece of furniture except for her bed that wasn't already packed up, which was her dining room table. She had already rented an apartment, but she had this thing in her head about not wanting to leave the house empty. I'm not exactly sure why this is a good neighborhood, it was an HOA. She just for some reason, she just didn't feel right about moving out of the house and then selling it. She wanted to sell it before she took all of the boxes that were all around us there and moved them into her new apartment. Now, I will also add that she had had it on the market that summer for one thirty and she got no offers on it. And I'll show you why ARV of this property is one thirty. So it's not an after repair condition, right. She tried to sell it for one thirty when the buyers we're going to have to immediately paint it, carpet it and put it do something with the landscaping. So my normal maximum offer, that's what MAO means calculation would say if I'm going to buy this house and try and fix it up and put it back on the market, I need to pay eighty one thousand dollars for a wholesale I don't need to pay like seventy one thousand dollars for it. The problem with that was she owed ninety two. So on the phone with her when we first talked, I said, all right, I'm doing some math here. And I can tell you, just looking at what what other things you sold for in your neighborhood and what you're telling me about the repair costs that I'm not going to be able to give you ninety two. That's all she wanted. She said, I just want to I just want to sell it, not pay to sell it and be gone. And I said what I could maybe do is take over your payments, but I need to know about the payments. Can you, can you tell me what your payments are, what your interest rate is? And she said, well, I just refinanced it two years ago. FHA my rates four and a half percent, I pay 10 a month. And I said, well, that sounds like a payment that I could easily handle. I need to come over, just take a look and we can sit down and I can explain to you how this works and how you'll be protected in the deal. And if we can do this, I mean, basically, you could be gone in seven days as fast as we can get the title search done, we can do this deal. So I went over, met with her, and she had all of her loan documents, a little folder, like she was ready to do this. And I looked him over and it was exactly what she said it was. And I said, alright, I'm going to write up an offer. What the offer is going to say is I will pay your loan balance by taking over the payments and I will pay all your closing costs.

Vena: So I cost me twelve hundred dollars to close this deal because I knew this would be a perfect as is the lease option. We call those repair for equity deals. Right. You sell it to somebody a little bit under market, get a down payment from them or a lease option fee from them, bring it to them for a couple of years and let them take care of these little minor repairs in return for getting a cheaper price. It's slightly cheaper rent. We should do a class on repair for equity, repair for equity rock.

Joe: I tell you what, guys, and this is something I've learned from Vietnam and maybe this isn't what she does, but I do. I never do any repairs on the property when I'm selling it, not fixing it, but when I'm selling it as a lease option or owner financing. I never do any repairs to it until after I lease advertise it as a handyman special because I get tons and tons of calls from people when I do that.

Vena: Yeah, I, I love repair for equity deals because I hate rehabbing.

Joe: Yeah. There's no reason you don't need to rehab it.

Vena: Agreed. So the tenant buyer paid twenty two hundred up front which of course more than covered by little twelve hundred dollar expenditure of the closing. I put an option price on it of one twenty so they had to do five thousand worth of work but they got ten thousand in equity as a result they paid eleven hundred dollars a month and I was paying eight ten and we did a two year option which turned out not to be quite a two year option. It actually took them three and a half years to buy it when they went. Get their financing, the the inspector said, oh, this roof is going to fail any time now, and they said, well, can can can you put on a new roof before we close? And I said, sure, but we're not closing at 120 with a new roof. We'll close at one twenty seven with a new roof. And they said, perfect, we qualify for one thirty five. So this is great. And the results of starting this deal with the subject too were that I got some bad math here, I should say nineteen hundred up front. So I got, I had the twenty two hundred dollar option fee. That's a thousand dollars. How did I get one ninety. Good thing you don't have to be good at math. Oh I see what I did. I see my logic. All right. I made one payment on this subject to before I optioned it. So that was eight ten. So it was one hundred ninety dollars. I was net to the good the day they moved and they paid a twenty two hundred dollar option fee. I paid twelve hundred in closing costs and one payment. Over the course of forty one months I collected eleven hundred eleven thousand eight hundred and ninety dollars in rent and then at the closing I got thirty thousand because guess what had happened to the mortgage during those three and a half years. I took over ninety two but it was only eighty four when we closed. And who paid that. Who paid that loan down from ninety two to eighty four. I wasn't me, the tenant buyer. So we took out the twenty two hundred dollar option fee of course from the one twenty seven and I did put a roof on it so I made thirty thousand more dollars at the closing.

Vena: So did you notice where some of that profit came from. It was the mortgage pay down. That's remember time. Time. You don't notice the mortgage paying down because you're still making the same payment every month. But it is happening. If I had held this property longer, the mortgage paid out would have been even more than it was.

Joe: Let me let me add something to this that you probably will cover later, too. But one of the big advantages to buying these home, subject to when you sell them to a tenant buyer, if they're getting an FHA loan, you avoid the 90 days seasoning issues. Right. So, like, sometimes not all the time, but sometimes when you when you do a sandwich lease option and then you're selling it three years down the road, it's you have to kind of there's more things you have to maneuver through when you're doing that. And a lot of times there's the 90 day seasoning rules and that changes all the time. But like there's some kind of seasoning issues. Usually when Vena is taking the property over and she's taken the deed, she now owns the house. She doesn't have to worry about that. Is that right?

Vena: Correct. And let me throw in another one. When you buy a house and you sell it six months later, what kind of taxes do you pay? Oh, yeah, this is good long or short term capital gains. They're expensive when you buy a house subject to and sell it three hundred and sixty six days later or three and a half years later, like this one, what kind of taxes do you pay long term capital gains, which depending on your bracket could make you pay half as much. That's really good. Yeah. A lot of investors, particularly who are on the newer side, they don't realize what the tax consequences of doing these deals in different ways are until the first year when they have to pay taxes on their flips and they go, how how is little old me responsible for two hundred thousand dollars in taxes? I didn't know this was going to I don't know. It's going to be like this.

Joe: Can you just explain real quick the seasoning issue? What is that?

Vena: Well, so this, this goes back and forth with FHA. Like sometimes they get like really, really tight with, sometimes they get looser with it. But starting in about eight or nine because they had they found themselves in possession of a lot of defaulted loans. During that time, they started trying to control flips that were not legitimate flips by saying if you buy a house, you can't sell it the next day for more money and have us insure the well, you have to hold it for at that time, I believe it was six months before you can sell it for a significant profit. Now they're they're much looser with it. They still have a 90 day seasoning thing. But if you can show them well, the reason it's more now worth more now than it was two months ago is because I did this list of upgrades to it and then they'll go ahead and let it go through. But, yeah, some it's problematic for retailers who are selling to FHA buyers, which is a lot of buyers in the market right now. All right. So you've had a minute to look at the pop quiz. What was this seller's motivation for letting me take overpayments? Why did she just say yes? Sure, go ahead and do that? It it meets my needs. If you've got a seller whose needs, it doesn't mean you're not doing a deal. Yeah, she was unable to fully use the house. It allowed her to move in seven days. I think it actually took us eight to close it because seven fell over a weekend or something in her head. She already didn't live in this house. Right. She was done with it and she'd been waiting all summer. For this house to sell it, it didn't sell and I walked in and said, seven days, go ahead and move your stuff, it's a done deal. So the next question is, some of you have have figured out that the reason it didn't sell at one 30 is because she was trying to sell a house that wasn't an after repair condition and after repair value. But she could have gotten more than she got from me. Right? I mean, I basically paid her ninety two. By my math, she probably could have sold it for one 10 and she just put it back up on the market at a reasonable price. Anybody.

Joe: Vincent said time hassle commissions. She was done.

Vena: Yup and really selling for 110 conventionally is not selling for what it's selling for like ninety nine. So to her it would not have been worth it to wait an extra two or three months to get an extra seven thousand dollars. Let's ask the question backwards. I said that the right price for me to pay for this house was eighty one. Why was I perfectly willing to pay ninety two, which is more than 10 percent more terms? That's the best answer I've ever seen. Terms always means you're willing to pay more, right? Having time on your side always makes deals more profitable. And Pamela adds, it was basically no money down. Twelve hundred dollars up front, which I recovered within the month. So let's talk about the steps to a subject to deal. First, you gotta find the right deal, which really means finding the right seller, finding finding a seller with a property you like and a problem you can solve will come back to the sellers here in a bit. Then you have to evaluate it. What's my exit strategy? What are the numbers of my exit strategy? If I plan to run it, how much can I rent it for? What does that really mean? I'm going to be left with after the PITI payment and the maintenance and vacancy and capex factor.

What's it worth fixed up? What does it need to fix it? It's an evaluation that you would typically do for your exit strategy, plus the evaluation of the loan, your taking over. Here's a really important one. You've got to tell the seller what you can do for them. You got to the words have to come out of your mouth. Here's how I can help you. I can take over your loan and be responsible for all the payments, maintenance, vacancy, taxes, insurance, everything. And I can close in. You better tell them at this moment in history, two weeks because title companies are being super slow. Once you have put the offer in writing there is some due diligence, you're going to do. We'll talk about that later, too. It's some it's shocking to me how many sellers do not know the terms of their own mortgages. They will tell you it's a four and a half percent. And I took it out in twenty eighteen and it turns out to be four point twenty five percent. And they took it out in twenty fifteen. Right. Sellers memories aren't good. So you're going to do your normal inspections and title search and you're also going to actually look at the mortgage on the note. If all that stuff passes muster then you close and we're going to break down how to do all of these things. Don't worry. Once you have closed, of course, you're going to implement your exit strategy and you are going to do what you said you would do, which is make that seller's payments every month until that mortgage is paid off or until you sell the property and the loan gets paid off in that process. So let's do the locate thing. When I say go find subject to deals, what I am really saying is go find sellers who are in a situation that lends itself to to the solution of subject to for them. I know you want to do subject whose I get it. That's why you're here. So doesn't care that you want to do is subject to seller cares whether it meets their needs at the moment. So you tell me based on I don't know, partly what we've talked about today and also just what you've heard about subject to what sort of situations that sellers might be in would lend themselves to them. Saying yes to a subject to deal can't make current payments foreclosure soon. That says debts or there's some new street language involving Deepti that I'm going to have to go to Urban Dictionary and figure out. They got transfer. They had a job loss. They have Lean's, they have no equity. They want to move and have had difficulty selling no other options work. They have health related issues. They have to mortgage payments, meaning they already bought their new house and the financing on their the financing that their buyer was getting on their old house fell through. So now they they've got two payments. They've got to make the payment on their old house and the payment on their new house. Brian says pain. Yes. That is always the ultimate answer on why everybody, every seller does everything is they've got some pain point that your your job is. To find out what that is, older person who doesn't want a high mortgage payment, death, divorce, and then Pamela asks a question that we will come back to a little bit later on, which is, what if the seller needs some cash? All right. So let me give you my list. Number one, sellers who have already tried to sell conventionally and have not succeeded in doing that because the price they need to get to cover their mortgage payment and the 10 percent it cost them to sell is bigger than the sale price of the house. So they set the price high because that's what they needed to leave the closing without paying money. And it didn't sell because the price was too high. So the ones who done the math and know they have to pay it to sell it conventionally. There are some sellers who they just need it gone and they don't care how it gets gone. And particularly if you are willing to solve some other problems for them. They're like, yeah, whatever, take up my payments. I don't care. Let me give you an example of other problems to solve for them.

Vena: I bought a property in late twenty nineteen that I just love. It's a it's a nineteen seventies by level, four bedrooms, two baths, great rental, great area. I paid about 90 percent of what the house is worth at the time and the sellers were in their 80s and they had fifty years worth of stuff in that house and they were moving down to Louisiana because that's where their kids lived and they were moving into assisted care and they couldn't take the stuff with them. And the thing that made them sign was I said, look, take the stuff that's important to you. Take the stuff that you're going to regret not taking. And I will handle the rest of the stuff. I will give it to people who need it. If it's if it's you know, if nobody needs it, I'll have somebody haul it out. But you don't have to worry. You can move in two weeks, leave everything you don't want. I will do the cleanup. That was exactly what worked for them. I no longer have to worry about this mortgage payment. And also, I don't have to worry about the thing that I keep telling everybody who comes in here, which is it's going to take us a while to clean this house out there already behind in payments or they're about to be behind in payments is a common one. Here's the thing. You don't make assumptions. You ask, ask their story. They will tell you why subject to will work well for them without you saying, well, would subject to work just to say what's your story? And they'll tell you some story about how they had this one. When did we see that house where the lady had cashed out her IRA? That was Wednesday. So I saw a lady who has been trying to keep her house for two years and she cashed out her IRA to do it. And she's still going to lose it to foreclosure and her credit story, because even after cashing her IRA out, she got twelve months behind on the payments. How do I know that story? I asked. And she told me, listen to their story. It will help you be able to say this is more of a cash offer or get a private investor involved or more of a subject to deal the right situations. If you're looking like who to whom do I mail? Whose whose door do I go knock on? Who do I advertise to on Facebook? The right situations are probably not look at the foreclosure notices, because by the time people in a lot of states hit the foreclosure notices, they're already a year behind both in their payments and in their taxes. And that might create a barrier that you can't overcome because if you have to put up twenty five thousand to catch up the payments, then another ten to catch up the taxes. And that just gets you back to where their loan balance was before they stopped making payments. You might find that that's too much cash to put up front and that the combination puts you way over the value of the property. I've done some subject to's in probate, but they're a little challenging because many times what you have there is a paid off houses which are great for subject to's because there's no low take over and be you often have five or six heirs who all have to agree to let you take over mom's loan. And there's the problem that if what mom said was, I want the house sold and the money divided between the kids, they have to pull the house out of probate for you to do the subject to. And they really can't do that because that's not what the will said. And taking over their payments in some states will leave the probate open until you pay the last payment. And the attorney is going to charge me a couple of hundred bucks a year to keep the probate open for the next twenty eight years. So that's not attractive. Tax delinquency is many times the tax delinquency list is full of properties that are paid off. Why? Because banks will pay the back taxes on houses they have mortgages on to keep the property from going to tax. So that they are not allowing them to foreclose on it instead. So in other words, tax foreclosures are often quicker than bank foreclosures. And if the bank lets the taxes get to delinquent on a house where they have a mortgage, the property goes to tax sale, and then the bank just has to take whatever is left over from a tax sale, they would rather do the foreclosure themselves. So the tax delinquency list is a good list to market, too, but not so much for this strategy or for flipping strategies because it's a lot of paid off properties, high equity owners, that one should be obvious. Equity owners don't have big mortgages. You can take over and listed properties because trying to negotiate is subject to with a real estate agent. And the way is really, really hard. I've done it once or twice, but mostly when you go to an agent, say, I think the best thing for your client would be if I took over their mortgage. They go, Oh, I've never heard of that. It must be illegal. It's not illegal. Of course, they just don't understand it. And therefore they will not tell their sellers to do it and therefore they won't get done. So what are the good ways?

Vena: Well, expired listings are really good. Why would a listing expire in this market when the world's going on in the hottest market we have ever seen that a listing would expire? The answer is the seller was asking too much. Why was the seller asking me too much 50 50 chance? Because they owe too much. Not too much for you if the terms are right, but too much for a civilian buyer to come in and offer them that evictions and housing court properties. There are an awful lot of rental housing providers out there right now that are seriously thinking about getting out of the business. And it's not because rentals aren't a good business. It's because they don't like the government constantly telling them that they don't get to collect rents, but they still have to pay their payments and also service their customers. It's just that their customers don't have to pay them. Got a lot of properties in the last year from rental property owners who are just like, I give up, I throw up my hands. These guys don't have the super low interest rates that the homeowners do, but they completely understand taking over financing. It's not a it's not a big deal for them to think about taking over financing. If you drive four dollars and you see a vacant house and you market to that person and they say, I kind of need to get rid of it and I have a mortgage, you now know something, they're paying a mortgage or perhaps not paying a mortgage on a house that is doing nothing for them. They're not living in it. They're not getting rent on it. They've got a principal undersexed, an insurance payment that's draining them. That's a really good situation for a subject to divorce and work with a divorce right now, actually, really two divorces right now where the husband just sort of walked away and in one case has been walked away for five years. And the wife struggle and struggle and struggle and struggle to make the payment on the house with no help from the husband. And she's kind of at her wits end. If the house goes into foreclosure, the husband's credit suffers. He doesn't care. He's willing to sign the contract to let me take over the payments. Well, the only thing we're working with the one lady is she's not quite sure what the payments are or how much her delinquency is. So we're working on getting that information. But many times people will buy a house together based on two incomes. And when one income leaves the premises and has to go pay for the housing for that person, they can't afford it. Neither one of them can afford the property separately. Here's an oddball, newish subdivision. So subdivisions that are roughly five to seven years old, people who bought new houses five to seven years ago often got all kinds of neat buy downs on their interest rates. They were able to put no money down like the builders gave them incentives to buy their house. And what they have now is a five year old house, which we like five year old houses, but it's no longer a new house when that same builder has since built actual new houses in the next parcel, over the next parcel, over the next parcel, over what these folks are fighting with when they try and sell their five year old house is brand spanking new houses. So the buyers can either buy this old house for call it two fifty or they can have a brand new one where they get to pick finishes for two seventy five at three percent interest. That twenty five thousand dollars difference is not much on your monthly payment and a lot of and they're they're getting the incentives from the builders now houses and five to seven year old subdivisions are not super easy to sell. When you borrowed one hundred percent of what the house is worth five years ago, it's gone up some in value. Your mortgage balance has barely gone down. It now needs to be painted and carpeted. It doesn't have that new house smell. Sometimes you have a hard time selling it. I knew a couple that made their entire...they at one point. I don't know. Seventy five one hundred properties that they had bought subject to and they marketed it by putting bandit signs at the entrances and exits of five to seven year old subdivisions, saying, we'll buy your house, will take over payments, we'll pay full price.

Vena: How are we going to reach out to these people? Well, my favorite thing is direct mail in most of my direct mail. I put some line in that says something like, if you're upside down or if you owe more than your house is worth, call us. We know how to solve that problem. Shotgun marketing. So your bandit signs, your car signs all the all the stuff that you kind of just put out in the public and hope the right person sees it. Internet marketing, social media, marketing, doorknocking, going into those subdivisions and knocking and knocking on the doors and just stepping back and waiting for the owner to show up at the door and saying, hey, I love this neighborhood. I would like to buy a house in this neighborhood. Do you know anybody who might be selling and hope they say, well, me. And if not, they usually will say something like Oh Ole Miss Johnson across the street there. I know she she broke her hip last month and she thinks she's coming back from the nursing home, but her kids don't think so. And I think they're going to have to sell that house because she's going to need to go on Medicaid. You get all kinds of interesting leads by door knocking. I am not a big fan of trying to do creative deals through the high tech, low tech methods. The things like the ringless voicemail's, the mass texts and having a VA cold call people. You really need to build rapport with these folks. And I think all of those things are not rapport building. So unless you have a highly trained VA who is doing more than just reading off a script, it's best if you're going to make calls that you do it to people that you think are they have the right combination of the right property and the right problem. And you yourself are calling them and saying, hey, how can I help you?