



# REAL ESTATE INVESTING MASTERY

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## 1183 - Confession: I'm a Fraud (Just Kidding, Sort Of)

Hosted by: Joe McCall

**Joe:**

Hey. How's it going? This is Joe McCall, REI in your car. I hope you're doing well. Hey. I got a confession to make. I am a scam and a fraud. Psych. Just kidding. Sorry. I am. I'm actually in Spokane, Washington, and I'm speaking at a real estate conference thing. Oh, I'm actually in Coeur d'Alene, Idaho. So I flew into Spokane, but I drove over to Coeur d'Alene, Idaho, and I'm speaking tonight and tomorrow morning at a conference. And I'm looking forward to it's going to be a lot of fun. It's raining outside right now and I'm in the car. But I wanted to talk about a couple of things that were on my mind. And, you know, there's a lot of haters out there. And there's also a half truth to what a lot of the haters out there are saying. Right. Like there's always kind of an element of truth to it. But sometimes the haters are so angry, they twist it and make it sound way worse than it is, and in a certain sense, just aren't very fair. No, I. I know I have haters. I don't know of any right now, but I've had them in the past and vicious haters. And we'll have some in the future probably. Right. So I've always believed in transparency and honesty. Right. Like, I've never tried to. I mean, honestly, I can't remember ever trying to be a lie or trying to be somebody that I'm not or intentionally lying about what I do in my business and all of that stuff. I know a lot of people that have and it's sad, it's frustrating. So, you know, and I wanted to just I know you guys don't think I'm perfect, so I'm not like that's always kind of annoyed me when somebody is doing a podcast or teaching and they say, you know, I'm just like you. I, you know, I still have to do whatever and wipe my butt. Like, really, you have to say that because you really think that you we might think that you're not like us, so you know what I'm saying? And so that's always been annoying at the same time. But like I've done this podcast now for 11 or 12 years and I have a pretty big audience on YouTube and email lists and podcast audience and whatnot, right? So I take my reputation very, very, very seriously and I understand like I'm not going to I can't be all things to all people. I can't make everybody happy. And the minute I try to make everybody happy, I become irrelevant and people start to turn me off. And so, like, I stand for things, right? And I think it's important to stand for important things. You're not going to hear me stand for political stuff on this show, but I will stand for religious stuff. You know, my faith is real important to me.



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**Joe:** So anyway, I've done podcasts about this before and I wanted to talk about it just because I want you all to know that. I've failed miserably a lot of times as every successful business person has, as I think we all have. So I've had a lot of successes, but I've had a lot of failures. And I think the reason why I've had a lot of success is because of the failures that I've been through. And by God's grace, he's gotten me through them. And I think I've come out stronger because of it. Right. But I've told this story many, many times, and I want to just share it again to let you all know, like, this is me. I am Joe McCall, right? Like, I got a lot of flaws and errors and mistakes and made a lot of dumb mistakes in the past, but kind of just starting off from a business perspective. Like, I had the way back because I bought a bunch of houses in 2006 at the height of the market. I've talked about this a lot, but I won't talk about it again. So I bought a lot of properties at the height of the market. I got a lot of mortgages that I probably shouldn't have got. And it was just, you know, at that time anybody could get a loan, right? If you fog a mirror, you can get a loan. And so I bought a lot of properties, as many as I could with traditional bank financing. And I immediately turned around and rented them out. But I, I bought them way too high. I was counting on appreciation. You know, I naively looked at the history of prices for housing and real estate, and they would always go up. And, you know, on average, over the last 50 years, at that point, the average appreciation across the United States was 8% a year. So worst case, I'm in St Louis, you know, it'll go up 6%. So I counted on 6% appreciation. Well, when the market crashed, I lost my shorts and all of a sudden I had a bunch of vacancies. I was behind on mortgages. I borrowed a bunch. I had a bunch of private money that I borrowed, and I took over a bunch of mortgages subject to. And I had bank mortgages and stuff like that. So I, I had I had a short sale on my personal residence, and I had some foreclosures on some of my rental properties. And it was embarrassing. It was really, really difficult and hard when we had to, you know, we had we saved a foreclosure on our personal residence because we did a short sale. But we had, you know, we were up against the clock and we all of a sudden had to move. And none of our neighbors knew. Right. And it was like all of a sudden, there's the moving truck and we're moving out and we had to talk to them. And it was humiliating, very, very humiliating. And so now my private investors, by the grace of God, I paid all of them back, paid all of my private investors back the houses that I took over subject to. I never missed a mortgage payment. So but, you know, there was a lot of like day 29 hour 23 when I was making those mortgage payments at the last minute, because you get it when you're making somebody else's mortgage payment, if it's due on day one and you make the payment on day 14, there's no late fees. But if you make it payment on day 16, there's late fees, right? It's not a ding on their credit. But if you make the payment on day 31, that's a 30 day late on that seller's credit, which is a big deal that really dings their credit for a long time. So when you're buying house is subject to you should never, ever, ever be in a situation where you're in a tight spot and you can't make that seller's mortgage payment.



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**Joe:**

So consequently, I had to rob Peter to pay Paul and negotiate with my private investors to give me more time. And I had to miss you know, we missed my own mortgage payments because I was making these payments on these subject twos, which is one of the reasons why I love this option so much, because when I got out of all this, I swore to myself that I would never own another deed again for an investment property. And I have. But like, since then I have. But like I did not want to ever be in that situation again. So it's really important. I teach this all the time too. When you're buying houses for to rent, whether it's subject to or owner financing or lease options, and you have other sellers and even bank loans, right. And you have other lenders dependent on you to make those payments. You better have reserves. You better have 3 to 6 months of back payments of like mortgage payments, lender payments, interest payments in reserves that you can make if you had to make sense. I mean, like that's gospel right there. That is so important. Well, okay, so that was a huge business for me. I had maybe seven foreclosures, a couple short sales on some investment properties and a short sale. My own personal residence. Yeah, pretty, pretty ugly. Now, fast forward a couple, three years. I started getting behind on my taxes and I did a video about this about a year ago. On YouTube, and I did a podcast about it talking about it. I got a little bit behind on my taxes. There was a point where I was writing off all these losses from my real estate deals and we have adopted four of our kids. So I had a lot of adoption tax credits. And so for a couple, three, one, four or five, six years, I didn't have to pay anything in taxes because of all these losses and deductions that I got. And then I started making a lot of money and all of a sudden two things happened at the same time. I ran out of my deductions and I started making a lot of money. And all of a sudden I was hit with a \$100,000 tax bill, and I had to come to Jesus moment like, oh, my gosh, what is this? You mean I have to pay taxes? You have to. What are quarterly taxes? What is that? Like I used to just collect my receipts and give them to my accountant. Right. And, and this was after I had started my podcast, and this was after I'm like, I'm teaching people how to do real estate and I'm late on my taxes. So I kind of did a lot of things like I freaked out, buried my head in the sand, and then after a little bit of that, started making payments on my old taxes. So what happened then is I started paying taxes on my old to paying on my late taxes, not paying on my new taxes. And I started making more money. And so all of a sudden I get a new tax bill. Well, the tax due date was going I'd file an extension to give myself more time. And all of a sudden, not all, you know, \$150,000 in taxes. And I kept on digging myself in a bigger and bigger hole. And I didn't talk to anybody about this. My wife didn't know none of my coaches knew my friend. Nobody knew I was trying to fix this myself. And I had this national platform and I completely embarrassed and humiliated by it. So and it just kept on getting worse and worse and worse. And about three or four years ago, I finally paid it off. Is that right? Two years ago. So I'll only say this about four years ago, five, four or five years ago, I hired a new operations manager by and she's like a



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bookkeeper and an operations manager and an accountant all at once. And I said, I want you to implement profit first. And I started finally got getting my head out of the sand. I owed over \$520,000 in taxes and late fees and penalties and all of that.

**Joe:**

Again, I've talked about this before. Just as I'm talking about it now, I'm like, my head is in my hand and I'm embarrassed. But here it is, right? I just want you to know, like, I've made a lot of dumb mistakes and I think a lot of you guys can relate. Maybe that's why I'm kind of talking about this. Well, \$520,000 in taxes. No, it's funny. Is that as I've been talking about it, I've had people come up to me and say, oh, man, that's nothing. What were you freaking about? I owed \$2 million in taxes. Or you think people are coming to me that some of you might know and like Joe. Hey, I'm in the same boat, man. What did you do? Well, okay, so I started implementing profit first is the main thing, right? And I talked to I got a call from the IRS. They said, hey, you need to come to our office and didn't wouldn't you know it? They have an office like 15 minutes from my house. So I go there to meet this guy and he says, Joe, we've been trying to reach you and talk to you and this is getting pretty bad. He said, if you don't do something here now, we're going to take your house. We're going to take everything you own and put you in jail. How does that sound? Like I said, that would suck. That would not be fun. But I was like almost in tears. I was shaking it. It was like, Oh, God, I feel like crying right now. Like, oh Lord. So this was four years ago, four years ago, guys like, I've got this podcast, I've got a reputation, people know me. I'm supposed to be a successful real estate investor. I can't pay my taxes. I started reading stories of celebrities that were going to jail for tax evasion. My passport was going to expire, and you can't renew your passport if you owe taxes. Did you know that? And now my real estate license is coming due and I owed oh, man, I owed like a 50 or 70 grand to the state for taxes. Well, anyway, the IRS said, Joe, you need to, number one, get current on your current taxes. Forget about your old taxes right now, get current on your current taxes and then start they put me on a payment plan for my previous taxes. So within about six months of that, I got current on my current taxes. I put myself on payroll and I we started implementing profit first and it wasn't as. Big of a deal as I thought it was going to be to get current on my current taxes. And here's the thing. I couldn't negotiate with the IRS either. Right? Because I you have to you have to have hardship and it has to be a legit hardship. So, like, I, you know, my had a five year old car and we had a really, really nice house in a really nice area. And I had money in my bank account. So like I couldn't claim hardship, I would have had to lie. And that's always going to get you into more trouble. And here's the thing, too. We were lease optioning a house, a really nice house, and I couldn't get a mortgage on it. And I was running out of time on this lease option house and we put a lot of money into it, down payment option, consideration money and in repairs. And I'm running against the clock. I got to get a mortgage and I can't because I got a \$520,000 tax lien on my credit. And my



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wife didn't know about it all at this time. Right. But like nobody else did. Right. All my real estate friends didn't know. My coaches didn't know, my students didn't know. All right.

**Joe:**

So anyways, fast forward. I paid off. I got current on my current taxes and they put me on a five year plan to pay off my old taxes. So like ten grand a month would be like, what is that, four years, 48 months. But I'd cut that in half. So I paid all of my old taxes in about two years, and then I finally could get a mortgage. And now we've got an incredible, beautiful house right now. Right. And so that was about two years ago that I paid everything off. Oh, so I did a podcast about it. Maybe it was it two years ago. I don't know. It might have been a year, one or two years ago. But I started talking to people about it because I, I didn't want to be found out. I didn't want somebody who I hater. It's kind of goes back to where I started this whole thing with. I don't want a hater to be like, Oh my gosh, did you know Joe McCall is a fraud and he's blah, blah, blah. He's got a bunch of foreclosures and he's got he owes a \$520,000 in taxes. In fact, the county records are clear, like the tax liens have been removed. But if you were to skip trace me, you would see that most tax liens still show in my skip traced records. Like if you were to say, All right, show me all of the people who are late taking taxes in Saint Louis County. I would show up on that. So, oh, my gosh. Anyway, why am I telling you all this? Well, I'm telling you all for a couple of reasons, a selfish reason, and I think a reason that's going to help all of you. All right. I know there's haters out there. And so I want to get I want to air my dirty laundry before a hater does. But also, I want you guys to know that, man, everybody makes mistakes. We've all do stupid stuff. And some of you have not been as bad as what I am. And some of you are going to hear what I just said and be like, Oh man, I thought I was in bad hot water. Joe had it worse. Like, I guess it's not that bad. There is hope and some of you guys have done worse and you're going to be like, Oh man, Joe got out of it and Joe is talking about it and it's okay. And people don't hate him. I mean, I think I don't know, maybe some of you maybe I don't know, some of you may think, oh, man, I thought Joe was better than that. And you may subscribe to the podcast. You may give me negative reviews and comments on YouTube. I don't know. That's cool. Like, I totally get it. But here's the point. I want you guys to understand. If you've made mistakes in the past, if you have foreclosures, maybe I know guys that are doing really well, you'd think from the outside and they're behind on their mortgage payment and they're going into foreclosure. And there's guys I know that I just want to be real careful. I don't want to share any personal things like people have shared with me in confidence, but, oh, like we're all kind of messed up. Right. And what's happening now with the economy? A lot of people are in debt to their eyeballs. They're overleveraged. They've taken on more than they can handle. And with the market shifting like this, you're going to see a lot of people out there that are going to have significant problems bankruptcies, foreclosures, loans are going to get called due. They're not going to be able to refinance their multifamily units, apartments and private investors are going to



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start getting nervous. They're going to call their money. Do you know I because I did things back then where I would tell a private investor because it was easy to get private money, I said, just give me a 60 day written notice. I'll give you your private money back because I could replace it with somebody else's money. But you know what? When all of a sudden there is no more equity in the house and it's upside down, I have to come up with 30 grand to give to this private investor, and there's not going to be any. The other investor in their right mind that would lend me money. And I got stories to tell you about that.

**Joe:**

So here's the thing. A lot of us have made a lot of really dumb mistakes. But I don't want your, how can I say this? Like, I don't want you to get discouraged. Like there's a lot of you all and all of us together listening to this. Like, you're not alone. Okay? You're not alone. It's going to be okay. You're going to get through this. You're going to come out on the other side. And you're going to be a stronger person because of it. You're going to be a smarter, wiser, better business man or woman because of it. So don't get discouraged. Don't beat yourself up. Don't give yourself excuses either. You got to own up to your mistakes. Admit to that. You know, you got to rip that Band-Aid off and come clean and talk about it, get some help with somebody as soon as possible and stop hiding. Pull your head out of the sand. Pull your head out of your butt and get some help. Talk to somebody about it. You know, I belong to a coaching group called Leadership Boardroom, and eventually I did tell these guys and man, I was so nervous and none of them condemned me. None of them got down on me. They came around behind me, man. They supported me. They lifted me up. They didn't bail me out. Right. But like, they started helping me, giving me advice, giving me wisdom and just really, really helping, praying for me. Things like that. Right. So there's people out there that that can help you, that can encourage you. And you just I just want you to know you're not alone. You're not alone. There's people that have made in this industry, the guys that, you know, that have made bigger mistakes and you have and are maybe in the middle of it right now. So sometimes, you know what? God's going to take your mess and turn it into a message, like maybe kind of what he's done with me right now. I've made a lot of messes and I've had the I've had the privilege now to turn them into a message and to maybe help them use this kind of stuff to encourage other people to give some of you some hope. All right. Well, listen, I love you guys. I appreciate you all. I don't know. I'm really curious to see how this podcast will be received. I don't know if I'm going to regret doing this, but it is what it is. I felt like I should do it. I felt like I should talk about it. And hopefully some of you guys will walk away with some gold nuggets and some encouragement to let you know that a lot of people have failed. And, you know, here's the other thing I'll say and I'll wrap it up with this. Russell Brunson talks about this, where he was at a point where he owed a bunch of money to the IRS and he had to fire like 80 people. And he was in big, big trouble. And he was a well-known guru. And he had to let like almost everybody go. His back was against the wall and he was felt like a miserable



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failure. But he was he was talking to some coach and I forget the exact words. He was talking to some real famous, highly regarded business strategic advisor, consultant guy like, you know, really, really successful. And he said he was telling him, Russell was telling him this guy like this failures and stuff like that. He said, Oh, that's not a big deal. But he said, You know what? Never take business advice from somebody who hasn't who doesn't have the splat, I think is what it's called or who hasn't bounced. Like, I would encourage you be careful of getting advice from a business consultant or coach or somebody who has not failed once. Some of the most successful business people that we look at today as like tremendous successes and just very accomplished and all that. You if they really are that accomplished and that amazing, you go back and do their history and they will have failures in the past and they will gladly talk to you about them because those kinds of things are what make great business people. Okay. Be very, very careful taking real estate advice from somebody who's never done a bad deal, people that have been in the real estate for like less than ten years. Like, really, it's hard to make a mistake in this kind of market. It is so easy to make money in the market that we've had in the last ten years. Like everything that you can touch turns to gold practically because prices are just screaming high. But now things are going to start shifting. Things are start changing. So I encourage you to be careful who you get your advice from. But if you're that guy or gal who's had a hard fall, you're going to bounce back. And don't let that fall stop you. You're going to lose. Don't let it stop your momentum. Like pick yourself back up, learn from your mistakes, be open and honest about it. Get some help, please get some help. And then you got to learn from you're going to become a much wiser, smarter, more successful, more wealthy business owner because of it. All right. That's all I got, guys. Appreciate you all. We'll see you. Take care.