1233 - Raising Private Money & Building Credibility with Private Investors

Hosted by: Joe McCall
Guest: Rick Howell

Joe: Hey, what's going on, guys? Joe McCall here. Welcome to the Real Estate Investing Mastery Podcast. And we're in for another great episode today. We're going to be talking about how to raise private money. A lot of you guys, you know how to find deals, you know how to find buyers. But sometimes you need some private money to close on the deal or just to have some, you know, what it is. And sometimes, at least for me, when I was getting started, it's just at the back of my mind knowing that I have some confidence, I have some money behind me so that when I'm talking to the seller and I'm saying, Hey, I'm going to buy your property, I know I've got the money to buy them, because if you don't got the money, it's like, Oh, you're playing this game. You're faking it until you make it, which I hate. And you're hoping that maybe you get this property under contract and hoping that maybe, hopefully you find a buyer and you're hoping that buyer doesn't back out. You know, you're hoping that the buyer actually has the money that they say that they have. They're not playing the same game you are. You know what I'm saying? Can any of you relate to that? Today, we're gonna be talking about raising private money and then having some credibility behind you. And we've got a guest on his name is Rick Howell, and he's going to be talking about how he does it. And I got a pretty special gift for you that we're going to give away. It's actually his credibility kit. So his credibility kit that he put together, I get to show it to you. He gave me permission to share it that he gives to potential private lenders. It tells him about tells them about his business. And you can get it right now at Joe McCall dot com slash credibility Joe McCall dot com slash credibility and it's completely free to check it out right now and speaking of Rick so we just bring him on cool Hey Rick how are you? How's it going, brother. How are you? Thank you. I'm doing well, thanks. Thanks for letting us have this free resource that you've given us. And you know, I want to talk about private money in this podcast and why it's important. And how have you yourself gotten private money for your deals? What would you recommend somebody getting started in this business? How to raise private money, the ethical way, you know, all that good stuff. But first, you tell us a little bit of your background, Rick, and kind of how you got started in the business.

Rick: Absolutely. Yeah. My name is Rick Howell. We're from a little town here in Toledo or in Ohio called Toledo, right on the border of Michigan and Ohio. So my background is I was a construction worker or electrician from 1996 up until full time real estate in 2014. We actually started real estate in 2010. And how we got involved in real estate was 2008 to 2012. As everybody knows, things were tough, especially in the construction world. And I was going to work every day and I was running a crew at a job and every single day you were worried about being laid off. And at that time, if you got laid off, you were off for probably, I would say at least a year and a half. If you had if you had got the actual would be off a year and a half. And there's a buddy of mine that I was working with, actually, and he was flipping houses on the side just on his own couple of houses a year. And I was really interested in that, just trying to find a different resource and how to make money. And he didn't know how to teach me how to get started in it. But what he did do is he handed me a book and that book was called Rich Dad, Poor Dad. And I read that book mid 2009s, and that just flipped a switch and then turned into all kind of being addicted to education, really, and personal development. And that book guided it toward real estate for no rhyme or reason. It just talked about real estate. So I say this sounds like a great idea. So to get to get started, my partner and I buddied up with another real estate, another electrician, and we just bought a house and I'll share more of how we funded it here in a little while. But we both we both bought a house using equity on our homes because that's what the book did for Dad said to do, right? So now we had two construction guys, two electricians, trying to figure out how to flip a house with no rhyme or reason. So we just kind of we just kind of got through it, did it on our own for six years. I think we just we just funneled through it with it was just looking back, it was absolutely miserable because we had no coaching, no teaching. It was all books, right? All books. And that was even before we even got immersed in the YouTube. And then in 2016, I realized, you know, we didn't really know what we were doing. And another investor said, Have you ever thought about hiring a coach? So we hired our first coach in 2016, and that's what escalated things in 2016, 2016, we hired our first coach. Yes, sir. And at that event was when we were introduced what even private money lending was. Right up until then, it was all just using equity lines, things like that. And I remember sitting in the crowd with my I had my family with me and myself, and I'm thinking to myself right away, I'm like, Who in the world is going to lend me a couple of hundred thousand dollars to flip a house? Why would anybody lend me money to flip a house? And then I realized, as we're going through this, most people feel that because they look at it all. And I remember sitting there going, Who's going to lend me money? And then I was introduced to the how to do it and strategies and how to do it and how to look at yourself as an opportunity. So fast forward that to 2023. On average, we try to keep 6 to 10 flips going at a time with we don't do really high volume wholesaling. We might hold and bail maybe five or ten deals a year, but our main focus right now is building a rental portfolio. So we kind of keep the best and flip. The rest is kind of our business model.

Joe: OK Good, We're having a little streaming difficulties. I apologize, but we are recording the local recordings on our computers, so we'll help load the final good copy later. But thanks, Rick. Keep on going. I mean, I don't wanna interrupt you. I just apologize if you guys are seeing fuzzy images and stuff. Okay, So you brought up a real good point and a good question there. Like when you were first getting started, you already had some experience, but, you know, you couldn't go out to a private lender and say, look at all the hundreds of deals I did. You couldn't even really say, look at the last deal I did, and you should lend me money because I'm so experienced. How did you overcome that in your for yourself?

Rick: The main thing that I learned from doing this was getting comfortable with just talking to people. And full disclosure, our first private money lender was found. I was literally telling my sister at a job one time that I had read this book about private money lending and we were going to find a way to borrow money from people and pay them back. 8 to 12% return on their money to flip houses. Well, when I was telling her that story, there was literally someone standing behind a machine that overheard what I was saying and came around the corner and said, Well, what is that all about? I'd like be interested in that. And I had no idea how to apply to write. I had no clue with that. But with that taught me was just like the mentors telling all the coaches say is talk to everybody and let them know what you're doing right. And even if you don't know how to answer the questions, know where to get the answer. So that little incident right there taught me was let everybody know what you're doing, for starters, Right? You let people know what you're doing. And then as as that evolved, the thing that I learned was we got to get out of our own heads and not think of us as borrowing money. Right. Especially nowadays, this is the best time on the planet to find private money lending because things that are going on in the world and the stock and all that kind of stuff. So when people can invest with you in, you're an opportunity for them to make 8 to 12. Whatever your interest rate decides to be, it's going to be better than what's going on in a normal traditional stock market today. Right. So when you look at yourself as an opportunity to benefit someone else financially, the game changes because now you're no longer looking to borrow money from people you're looking for to offer somebody an opportunity.

Joe: Yeah, I love it too, because people are lending, especially when you're just getting started though. If you have a good deal, they're lending you money based on the deal more than your experience. Is that right? Is that what you found?

Rick: That's 100% correct. And they're in the mindset of them is if something does go sideways now they have this property that they have it 50% of value or whatever the number happens to be. So there's a there's a hard asset behind it. And it's not just a piece of paper or a number on a screen. That was the key is on his list, plus knowing how to relay to people what the opportunity is. See, that's why I'm excited to share this tool with everybody, because when you first get started, you're excited. You read the books. You just came home from the event. You just got off the phone call with your coach and you're just throwing up on people, right? You're just blah, blah, blah, blah, blah, blah that we're going to make millions of dollars. You're going to make X amount of percent on your money. Well, that kind of turns people off. But what I learned is if you can simply share a tool with them that does the legwork for you and then be there to answer questions for them, it changes everything, because now you're letting this tool do the legwork for you.

Joe: I love that. Reminds me of a friend of mine that does this a lot often. He's in Ohio and you might know him. John Hire. Does that name ring a bell?

Rick: No, that doesn't sound familiar.

Joe: Okay. He does a lot of trailer and he's an attorney. Anyway, one of the he was talking about one time that he used to do this a lot. When he was trying to raise private money, he would go into the very wealthy areas of town to the local coffee shops, and he would do business from the coffee shop. Right. And he would get on the phone. He would meet with clients, he'd make phone calls, talk about his deals, talk about his private lenders, talk about how much money his private lenders are making. And guess what? Every single time he would do that, somebody would walk past as they're leaving, drop off their business card to his table and say, hey, listen, call me if you if you got any extra space for me or something like that. It's called the flap your lips method. That's how I like to call it. The flap your lips method. Just talk about what you're doing, right?

Rick: Yes, absolutely. Let people know what you're doing. And you'd be surprised how, just like in our story, does it trade traipse around in the mud building buildings for 20 years. And but I was interested in something more. There's a lot of people that are interested in real estate, but they're not interested in flipping a house. There's a lot of people that are interested in making money through real estate, but they don't really know how to do it. They don't want to be landlord. They don't want to be a realtor, but they want to make money through real estate. So when they can participate financially, it benefits them really with hands off opportunity to make money.

Joe: All right. So let's talk about what do you use this private money for? What somebody do, they just write you a check for 100 grand and then you go buy a house or how does that work?

Rick: Yeah. So, nope, it's very fundamental, right? It's very there's a system for everything. So physically, how it works is they have their money wired to the title company. We're always hands off.

Joe: That's very important. Why can't. Why can't they just send you the money? Why do they have to send it to a title?

Rick: Because the number one priority is always protect the lender, always protect your line. And in order to do that, there's three documents that we use. And all of this is in the credibility packet that we're going to share, too. One of them is is a simple mortgage. So if you look at this, you look at the lender as if they're just the bank. Right. So if I'm dealing or working with Joe McCall, Joe McCall is no different. The process doesn't change any different than working with Bank of America. You still have the mortgage, you still have the promissory note and you still have the lender named as the first insured on the property, meaning the lender's resources are protected before ours. If something were to happen to the property. So that's the first thing, is protecting the lender. Secondly, to keep everything aboveboard and not totally what's the word I'm looking for? Secure the money. Never touches your hands. It gets wired from their bank, wherever they have their money, their IRA, wherever it's at. Straight to the title. And then the title company disperses accordingly. So there's track record and insurances and all the stuff put in place by the Tower Company itself. It's the tower company's job to handle the money, not ours.

Joe: Yeah, very good. You said there's three documents. One is the mortgage or the promissory notes. Is that the same thing?

Rick: Two separate things. One, one gets recorded once. Just a personal guarantee that you're going to pay the property, the pay the money back now.

Joe: Okay, So there is a mortgage and it's secured by a deed of trust.

Rick: Yes. Yes. The mortgage and the mortgage gets recorded with your local jurisdiction. Right. So that's so that's the that's the document that gets recorded where you are. So, for example, we're in Lucas County. When will we close on a deal the title company then gets it recorded and that property cannot be sold or released or anything until that mortgage and that amount of money is paid back to the lender. With all of the agreements, the interest and all the stuff that goes along in the agreement.

Joe: Yeah. And usually depending on how much is lent on the deal that lender's in first or second position.

Rick: Yeah, right. Yeah. They're always there. They're always the first priority before anything else. And that to be honest, the most important piece of all, I mean, the mortgage is very important, but that insured put and putting through your lender is first insured on your insurance for a property while you're rehabbing it is the exact same process that happens if the house you live in. You can't close on the deal until you prove you have home insurance. Right. So it's the same process as if you're buying your own personal house.

Joe: That's a good point, too. So with insurance, talk a little bit about that. How do you protect that lender with the homeowner's insurance? Do you have to label them without that insurance company? Hey, add this person as the mortgagee.

Rick: The first insurer is the first insured. So when you get your property insurance and so you say you're doing a flip or a rental or whatever it is, and you get your property insurance put on the lender, X, Y, Z is first insured. So if a tornado comes through and wipes out the house and it's worth 200,000, but you owe 120 to the lender, well then they get paid off before anything comes to you. Your lender's always taken care of first, even when you close on the deal on a flip or a refinance or whatever you're doing, the lender is always paid off. They get their money before you ever get cash now.

Joe: Okay, good. So give us an example of a deal that you a typical deal that you would borrow money from a private investor on. How did you use the money? Talk about the numbers on the deal and all of that.

Rick: Yeah, we're doing one right now. Actually be able to see it on our Instagram. Monday it's going to go on live on a market. We purchased a house here in Toledo for 164 and some change thousand dollars. And the renovate is just a flip. The renovation work was going to be between 40 and 45. So we're all in for what is that math, 205? Somewhere in there. 209 Okay. So we're all in two or nine now. That's also going on the market next week at $289,000.

Joe: Are you doing any work to it or.

Rick: Yes sir.

Joe: So you've already purchased it?

Rick: We have already purchased it, yeah. We've ah we purchased it on six weeks ago. We've already purchased it. The renovation has been done. The final inspection, the cleaning is actually happening right now as we speak and it's going to go on next week. But what we borrowed was we borrowed 100% of the purchase and 100% of the rehab at a I believe we were at it's 12% interest rate. On that one. So they'll make 12% interest the whole time that we own it from the minute. What's that?

Joe: I'm sorry. You're paying 12% interest. How long have you held the money?

Rick: Six weeks. I think we're I think we've had this house now for 6 to 8 weeks. Yeah, yeah, 6 to 8 weeks. We've had this one. And by the time it closes, it'll probably be a total of 12 to 13 if we get it offers fast like we're expecting.

Joe: All right. So you go from buying the house to selling it. About three or four months.

Rick: Yeah. Usually right now, on average, in this market, especially when the winter goes away, usually four months start to finish on time.

Joe: So what are you going to sell it for, do you think?

Rick: I think we should get we're going to put it on a 29. I would say we're probably going to get around three for it.

Joe: All right. Well, let's say you sell it for 289. You are all in with buying it for 160 for renovations at 45. And you have some other costs, I'm sure a little bit in there. But you're all in for about 209. Yeah. And let's say you sell it for 289. So your lender was protected. It's 72% loan to value. Yeah. Which is pretty good, right?

Rick: Yes. 100%. Yeah. The lenders the lenders covered regard it because we, we, we focus on buying a deep discount, usually at least 40% below values and usually even more than that. This one was probably around 40 ish. But here the market's continuing to go up and that was in those areas. So we're pretty comfortable with that. Even if we even if it didn't go up, he was pretty secure on that.

Joe: And that's the point. There's enough equity in there for that investor to be protected. So worst case, this the lender, what takes the property back, You give it to them and they maybe just sell it at a fire sale for what they lent on it. Is that right.

Rick: Yeah. If they if something were to go sideways on it, God willing it doesn't. But if I'm going somewhere to go sideways on it, I don't think we've ever not done a deal that they couldn't of literally put it, put it on the auction block or be like you said, fire sale it and still get free and clear on.

Joe: Yeah. Excellent. Yeah. Okay. So you pay 12%. Is that like an annual interest rate? So they get 1% a month.

Rick: Yep. The easiest math to do it. We usually do 12%, especially at these shorter timeline. So what what'll happen is when you use a private money and for anybody just getting started, when you first get started, you're wondering where are you going to find the private money from? Right. But as you get rolling, you now have your private money lenders asking you when you're going to get where's more deals? Keep me going. Where's more deals? What do you mean? You're done with my deal? You better go find another one. I'm going to put it somewhere else. Right. So at the beginning, you're wondering where you're going to find it. And as you get rolling, you're more focused on keeping busy so you don't lose it.

Joe: Yeah, that's for sure. Okay. Let me let me ask you some questions, Rick. Why? Why private money? Why? Why don't you just go borrow from the bank?

Rick: Yep. Good question. That was my father used to say the same thing. And so the reason private money number one, is speed. Oftentimes when you lose a deal, comes across your plate through one of your marketing channels. You don't have time to go get a mortgage and get all this, you know, six weeks to close a deal and all that. You don't have time for that. Now, you can use if you do have what's called an equity line of credit that can be used as cash, which is how we got started before beginning. And we can touch more on that in a moment. But bank financing takes forever, and there's no guarantee that they're going to give you the money. So you have this deal sitting there and you have some seller that chances are is in a, you know, a funny situation that they probably need to move rather quickly. And you're not able to move that quickly. Working with the bank. Yeah, I was the main that was the main reason for us. And as we got rolling, I realized that, you know, the more and more and more private money, there's not really a cap because here's the here's a nugget for everybody. When you give somebody a good experience as a private money lender, you're working with a lender and you give them a great experience, help them make money, they talk about it, and you give somebody else a good experience. They make money and they talk about it pretty soon and over time. This isn't an overnight thing, guys. This isn't a get rich quick thing. But over time, what happens is you've built up what's called credibility now, which is why we call it ability package. And people look at you as a safe, secure resource to put their money to work because as you know, any money is sitting in the bank. You're only making point. What is it, .034, some ridiculously low rate. So when you can pay someone to 8 to 12% return and make them a ton of money, they start coming to you. Really over time.

Joe: Yeah. Okay. Very good. Looking at my questions here. In a minute we'll look at the PDF, we'll look at the credibility kit, if that's all right with you. Share it with everybody. Let's talk about mistakes to avoid when you're borrowing private money on a deal. So I'm sure you've heard of the horror stories. Are you've seen them. But like, how do you how do you what are some big mistakes to avoid?

Rick: Big mistakes. Would you like me to share a loss that we took?

Joe: Sure.

Rick: Okay. Here's one of the major mistakes We made many mistakes over the years, but this is the only one that I would love to share with. Everybody is number one, either don't do it at all or be very, very, very careful who you do deals with. If you're flipping houses with their partnerships, anything like that, joint ventures or anything like that. A while back I about three or four years ago, I did a deal with someone in a totally. City in Indianapolis, and I'm in Ohio. I thought I had a great relationship with this individual. Totally. My mistake. He didn't have the experience that we had. Make a long story short, I brought the lending. He brought the deal. We did a three way JV and come to find out from the very minute we closed on the deal, there was a step in our process, which is the home inspection that was skipped. That flip ended up turning into from a flip to a straight and build, meaning we did the numbers as if it was a renovation, rehabbing the house and what ended up being when the city came out and found out that it was built on two foundations, total mistake because we skipped on inspection, it ended up being knocked the house down and build a new one. So we were underwater the day we closed on it really, and ended up losing collectively about $275,000, all because, number one, it was my decision to jump at a shiny object. I jumped at bigger numbers. We were going to we jumped at the bigger number we were going to make in a different market than my own. We got in bed with someone that I didn't vet deep enough to make sure they had the experience that they had said they had, and I didn't have any hands on the deal. I just simply brought the money to a total, total mistake. Totally avoidable lesson learned. But that that little incident right there. But I will tell you this. The one person I didn't lose a dime was the lender.

Joe: That's yeah, that's important. And the other lesson learned is get a property inspection.

Rick: Yes. Always on every single deal. No matter how bad the house is, inspect it no matter what.

Joe: All right. So what are some of the rules that you have for lending on a deal? Is there certain minimum number of equity? What do you have there?

Rick: No, we like to keep it two or less as far as two people on a deal or less in our in our market in Toledo, it's known as the third most affordable city in the country. So the numbers aren't all that big. So we try to keep it true. People are less on a deal. But if we can keep it to one, we will. Our price points that we work in, we stay. Especially now. We focused to really keep crushing in the first time homebuyer price points. So we try to do everything 300, 300,000 ARV and below is where it is, where we like to say the goal is to continue keeping the business moving. And with all the volatile stuff happening in the market right now, the market's still very good. But we're just noticing the higher price points are slowing down a little bit. The lower price points are still crushing it.

Joe: Okay. Is there like a percent equity that you have to make sure that is in the deal?

Rick: Oh, no, no. So we the our we do our numbers based off the KPI of 30,000 profit, 30,000 or less at the end of the deal. So we can profit 30,000, I'm sorry, 30,000 or more at the end of a deal. So we run it through our analyzer. As long as we're netting more than $30,000, we'll do the deal.

Joe: So then that also means that private investors is not going to be in the deal more than I'm just looking here. Let's say it's a $300,000 deal and you want to make at least $30,000 net profit on the deal. Yeah. So that private investor won't What's it like? I guess the question is what's the maximum loan to value that you borrow on a deal from a private investor.

Rick: Maximum loan to value, I would say to have it all in as we did a simple male formula of 70% minus repairs. I mean, probably 60 70%. 70%. We also we all we also use private money for our we do we build our retro portfolio with the BRRRR model. So on that one and that one the lender and repairs nobody. The total number can't be any more than 75% of the after repair value right.

Joe: So explain what the BRRR method is.

Rick: Got it. So what we do is to our marketing strategies. We're always our main focus right now is to build the rental portfolio as big as possible, as fast as possible. So what we do is when we're marketing, if we can, if we can find a deal that will rent for more than the 1% rule, which is if the House is worth $100,000 ARV, it'll rent for $1,000 a month. Very simple math, right? And we can keep it and it matches that number and we can be all in it less than for those numbers. It would be $75,000 because we want to be all in less than 75% of the after repair value. Because what will happen there is when we're all done with it, we get it renovated, we get a tenant in the property, we can take the property back to the bank and then do what's called a refinance out of it, payback the private money lender with interest and then continue to and go do another and just continue that over and over again.

Joe: Even with rates going up to where they are now, you can still make that work.

Rick: Yeah. So what we're doing now is we're analyze them at six and three quarters and what we do is we get with our lender every months and whenever we're writing offers for the rental side of things, we're always asking what we what should we be analyzing our deals at? Right. And he'll tell us like two months ago we were analyze them at seven this month. Right now he's is six and a half, six and three quarters so we just handles or deal on the front end we just plug in the number of the refinance right so just because just because the number changes, our process for analyzing a deal doesn't change. We just have to increase that number a little bit.

Joe: So do you look when you're looking at the interest rates and are you looking at like, well, what's our minimum cash flow on this deal?

Rick: Yes, we like to try to cash flow $300 a door across our portfolio. So some of them obvious. With repairs and things, they might take a hit. But collectively, across our whole portfolio, we like to try to get $300 a door.

Joe: And then are you aggressively trying to pay the bank loans off or are you trying to finance them as long as possible?

Rick: Right now, we're just financing them as long as possible with the five year, five year note, ten year balloon, 20 year AM, 20 year amortization rate over 20 years with a ten year loan.

Joe: Okay. Very cool. Now, I wanted to ask you about regulations, securities, things like that. Do you what do you do in terms of that stuff, in terms of like you can't go out and solicit for private money, puts ads in and going out in public and things like that? I guess what are the rules? How do you see them?

Rick: So what I've learned over time is you can't go out and ask out, like you said, market for people to give you money. But what you can do is have conversations and ask don't ask money. Ask people how their money is working for them. One little nugget that we do is on the bottom of our email. What? That your signature? Whatever. At the bottom of your email? We have just a simple question. Interested in learning how to make double digit returns on your money. Ask me how. And that goes out to every person we email. So that's a little thing you can do. But I would recommend just talking to people. And if you're in the market in your marketing for deals and you're marketing for real estate and you really focus on yourself being an opportunity for other people, that's when the magic happens. Don't worry about, Hey, I'm flip this house, make 30 grand, or I'm going to say I'm going to offer you a 10% return on his money right now. Maybe he'll be interested in that. And if they're not interested, that that's fine. But understand that at least when you drop the seed and put it out there, what you're doing, they're going to pay attention because people aren't blind to what's going on in the world. People aren't blind to what they see on the news and social media and all that. When they find a resource where they can make double digit returns on their money and you give somebody a good couple experiences there, chances are they're going to come back and ask you those questions in the future. So what we do is we don't we don't really market. We wish we stay in front of people. I'm still working hard at learning this whole social media marketing thing of just putting out there what you're doing. You know, don't be afraid to say, hey, we were we just we just renovated this house and our lender was able to make double digit returns on his money, blah, blah, blah, put it out there what you're doing and be comfortable doing that.

Joe: Yeah, I love that. But they also then talk about one more time and then we'll go to the PDF here. When you are talking to somebody about it at the grocery store or the coffee shop at church or whatever, what is it that you say when someone says, Hey, what do you do?

Rick: If someone asks what I do? And I know that the point is that for the lending I would just say we show we show people how to make double digit returns on their money backed by real estate. And then the key is to shut up after you say that. Right. Be totally quiet and then let them ask you, how does that work? And when they ask you how that works, then you can share with them that you renovate arms and go into your that the key to all this is we haven't got there yet. But the key to all this is at that point, it's a very short conversation because I showed you a lot of double digit returns on his money backed by real estate. And then when they ask you how does that work? And you say, well, you know what, I'm really good at explaining these types of things. Let me can I just share some information with you? And he'll explain a lot better what I can do. Right? You share the PDF, you share the tool, and then the key is the follow up. Two days after you share the tool and answer any questions they may have.

Joe: Yeah, I think another important part is like, don't be desperate, right? I give this this is a this is a program that's not for everybody. I got a lot of private lenders that are asking me to lend on the deals. And so we we're looking it's not for everybody. And so if you qualify if you're if this is in good stead for you, if you feel like you know what I mean, it has to be mutual. Think I always say this to you have to dig your well before you're thirsty, Right? Would you agree? Like if it's if you need the money now for a deal, it might be too late.

Rick: Yes. Yeah, that's a really good point, Joe. A lot of people ask and we have a we coach a few people on the side, and a lot of people ask, what should I be looking for money or should I be looking for deals? Right. That's a very common question. And the answer is yes to both. Right. Because when you're when you're when you're building relationships with private money lending, that's great and all. But when you have a deal to present a private money lender, it's an opportunity for them. Now, without the deal, you're kind of just, you know, talking about what if, so what's going to happen in the future. But when I bring someone a deal that I own or have under contract for 50% of value now becomes real, Like they can really make X amount of dollars on the money that's sitting in the bank making zero. You know, so they just might changes the game a little.

Joe: Let's share this PDF real quick and guys again, you can get this PDF at Joe McCall dot com slash credibility Joe McCall dot com slash credibility. And I'm going to try to share my screen here. Maybe you can walk us through it. And all right. Can you guys see I'm going to make my screen a little bigger. So that's there we go. And so this is how many pages? 28 pages.

Rick: Yeah. Yep. It's this is designed it's a it's a system design. The first five pages are designed to be thrown in a PDF editor and make it yours. So the first page here will just describe who you are and your business. Eight years. Why only do what you do? And then introduce. Introduce yourself. We don't spend a lot of time. Yeah. Yeah. Who we are. The story of you and your company. How you got started. Just a very simple short blurb. We don't spend a lot of time talking about ourselves here. It's just a simple introduction. Here comes the. Here comes the credibility. Right. So this is where people, when you get started, you might be licensed some way or you might you might not. Just the simple people just want to know about you to begin with.

Joe: You know one of the things I say to people. Two is like, if you don't have any good credentials or references, you really kind of actually maybe do. You can always put on here for referrals or credentials. Realtors that you've worked with in the past, property managers that you know. Bankers that, you know, insurance, your insurance agent, anybody who is in business, maybe a coach or somebody who's already doing real estate, you can kind of put them in here and kind of lean on their larger experiences. Does that make sense.

Rick: Right. But I like the personal pictures. Fun, cool. Business model.

Rick: Okay. So once we get into this, we that here's where you point out your investment strategy. And when you're first getting started, a lot of people start off in the real estate world. They want to be wholesalers and then they kind of graduate into the more in the bigger numbers the buying holds in the flips. So this is where you just simply highlight what your strategy is. And a lot of us, when we get started, it's pretty much identical as you're going through the transition of building real estate business before people find out what they really want to focus on. So this is pretty much duplicate able as well.

Joe: Yeah. All right. So it's kind of the model, our competitive advantage. Now, let me say this to you guys can take this. Don't copy it word for word. Make it your own. Make it unique. And but whether you're doing houses or land, you can do a lot of this similar real similar things now for you and your business as well, right?

Rick: Yeah. Yeah. Private money can be used. Really.

Joe: So you're BBB accredited? I, I don't like the BBB. I am accredited as well. I send them my 400 to $500 a year. I think it's a racket, but it helps. It's a good thing to get. Right. Yeah. You know, one of the things I when I used to raise a lot of private money with this strategy, I also had two Chamber of Commerce logo on this as well. And then the Chamber of Commerce is easy to get. Anybody can get that right. It just kind of does build some credibility there. Good idea. Company business model. So you talk about how you do deals versus the normal traditional buyer.

Rick: Yeah, this really separates the regular retail person coming through and it shows the benefits of working with someone that can buy cash.

Joe: Yeah. So this is why you need private lenders. So you can have fast cash and you can close on these deals quickly and sell them quickly. Cool your buying criteria. This is really good. Just kind of how you look for deals. Yeah. How do we buy homes so far? This is a really good common question, like how do you actually find these deals? It is good to tell them how you do it.

Rick: Different markets just breaks everything down, not breaks everything down and how we find them.

Joe: How you sell and who you sell them to. Right. Yeah. Yeah. And these images, you just find them on Google.

Rick: Yeah. Some of these are I Google the other, a lot of them are us. Okay. On the front end, which we just took our team and took some things that we were out doing and you'll see some before and after is at the end.

Joe: Yeah, through private lending. You have the opportunity to become the bank. I love that phrase. You can become the bank. How the process works, you know, typical whole time. Rehab is 3 to 6 months, wholesale flip a couple of weeks. Good diagram here. So walk through this diagram.

Rick: So this this is the lifeline of a deal. So at the very beginning, we get an accepted offer, private money, letter funds, the deal. Then they're going to get the from the title company. They're going to receive all their documents after everything signed and the home is purchased, then all happens together. And then we we're we renovate the home, we sell the home. Or if that could be plugged into if you're doing the burn model could be refinanced out, then the lender receives their money back with interest and you just go repeat the process over and over and over. The goal is with the private money. Lending is so they can get the full 12% throughout the year to keep it busy throughout the entire year. That's always the goal.

Joe: Are you a graphic design artist? How did you do this little image here?

Rick: Absolutely not. This is all stuff that we just found off the Internet.

Joe: Yeah. You know, if you were doing something like this for vacant land, for example, by the way, if you're a simple land flip student, I have a one page. I forget what I called it first private investors. It just kind of explains what it is that you do a business model on one page. But if you wanted to do an image like this, you could easily just find somebody on Fiverr to do it for you, right? So here's the investment deal scenario purchase price repair costs. So it gives it's good to show an example of how it works. Yes, cool. How are you different when why is this safe? What's in it for you? It's a safe investment secured by real estate. High returns on your money, very predictable income stream because rates fluctuate very little. No management costs, no daily headaches. Cool. Why is private lending so compelling? I love this. Is just benefit, benefit, benefit. What's in it for them, right? Yeah. Risks versus rewards. This is awesome. Really cool. Good stuff here. How private money helps our company. Okay. This is just gets in. Do like. Why do you even need private money? Why don't you just go to the bank and get it? Yeah. Being able to offer fast closing with private funds motivates sellers to take our offer over the competition. So basically, we if we have the money, we can close faster. And then how do we protect the lenders? I like this promissory note, deed of trust and hazard insurance policy. Set up another diagram that's funny. Find them on Google Common Ways Private Lenders Fund deals. This is good. Sometimes they don't know, right, that they can actually use a retirement account. Yeah. Or a home equity line of credit or self directed IRA.

Rick: Can I share something right there, Joe. So a lot of times people didn't understand. And I know what's changing with the interest rates now, but a lot of people didn't understand that. Most people don't understand that they have cash just sitting there in the equity of their house. Well, when rates are at, you know, 5% and you can borrow an equity line of 5 to 6% in equity and loan that out is private money lending at 6 to 12 or I'm sorry, 12%, They can double their money on the equity that they have sitting in the in their house. It's not being used for anything. So when you're able to educate someone on that, it is kind of a big deal because depending on what numbers you are, 6% on cash is sitting there doing nothing. Could be a lot of money to some. So being understanding home equity line of credit is can be really beneficial to you.

Joe: Okay. Yeah. Interest, self-directed IRAs. Do you do you have a self-directed IRA company you connect them with?

Rick: Yeah, we use equity trusts here in Ohio. There's a ton of them out there. I was recommended by another gentleman here that does a ton of business to equity trust, and that's what we've used.

Joe: Okay. This is really important to know your investment terms and conditions. What's the minimum? Because you can't just tell the private investor whatever you know, they want to know what's the program. Right. And so you say this is really a minimum 50 grand, 10% on average payment schedule. You pay them on the first of the month. Mortgage terms, 12 months, typically for projects, usually completed 3 to 6 months, paid back your closing first or second open to renew all documents are recorded. Yeah, really good Important. It's important right to have this is what our program is very spelled out. Yeah. Cool. Testimonials. What if somebody doesn't have any testimonials?

Rick: When you don't have testimonials, number one, it's always good to have credibility testimonials from friends and family, employers, people that know you personally, that can talk about what kind of human being you are to begin with. Right. Yeah. So and then once you do your first deal, immediately, that's the first thing you want to ask is if someone Hey, would you mind sharing a little feedback on your experience of working with us that your first testimonial do another deal and just keep stacking those up and the testimonials are good coming from both everybody you work in contractors to sellers to title companies, coaches, whoever. Right? And anybody that can say something about you in a positive way. It counts as a testimonial.

Joe: Especially when you can get somebody in who's in real estate, like a property manager or realtor or title company or banker and something like that. All right. So you've got before and after, which is great. I'm still thinking about this in terms of somebody who's brand new to the business now they may not have before and afters of deals that they've done before. Right. So simple. Just don't put this in there. Yeah, not this isn't going to make or break a private investor doing deals with you. This is just helping. Right? You got some good before and after. You know, it's funny. I have a friend. I've never done this, but I need to, I guess a friend who does a lot of wholesaling and he'll do before and after of the same house and nothing has changed. And it's like that which one of these things and this is different, you know, like one of those picture things, right? And he makes a point like, we don't do anything do these deals, right? This is a before now. So you could do the same thing if you're doing vacant land, do it before and after picture of the vacant lot, just as kind of a tongue in cheek joke making money for not doing nothing. I like it. Yeah. Good. All right, you give some numbers, and this looks like a house you'd see in Saint Louis, that's for sure.

Rick: Yeah. Toledo and Saint Louis. I hear are a lot alike.

Joe: Yeah, You have basements? Yeah. This looks like. This looks like Saint Charles County. Saint Peter's. All right, good. Nice Rehab, fixed and flip pictures, rental properties. Maybe some of these are rentals.

Rick: I think all of these ones. I think all those are flips. Okay. And again, yeah, Don't let people get intimidated by the fact all this is when you say build credibility. These houses are built up over years, Right? So every time you do a deal, you're starting your credibility packet when you do another deal. Starting your credibility packet.

Joe: Yeah. So here's the next steps. Give me a call, shoot me an email. And you also do a referral program. Do you get any business from the referral program?

Rick: We get people that make referrals. A lot of times the person have make and the referral is one too much money. We do more of a we do more of a journey thing with people that want to get. They just want to do deals and take a equity split on the back end.

Joe: All right, cool. I love frequently asked questions. This is really where everybody flips to the end to the frequently asked questions. But this is so good. What's private lending? How is the money used? Why don't you get a traditional loan? How can you afford such high returns? This is really good. Talk about this like sometimes. And I found when I was first borrowing private money, I felt like I had to offer like 12 to 15%. And then I realized I had way more no's because it was like, Wait a minute, what's wrong? It sounds too good to be true. What's the catch? Right? But still sometimes are going to ask, Well, why are you offering such high returns? Talk about your answer to that.

Rick: The answer to that would be the focus on the I have am what's in it for me. So when you're talking to a seller, they might not need 12% return, right? They might be completely happy with six or five or I've got people aren't I work that are getting it for four because you're literally losing money. It's sitting in a bank account. So I focus more on the best thing to say is focus more on what they want rather than what you think they want. Because coming to someone. Doesn't have any education on this. This is industry or private money lending or anything like that and offering them. I hate 1215, whatever some made major. And of course, it's going to sound like they're winning the lotto and it's down to unbelievable. Right. So focus more on, hey, how's your money working for you? Right. And then when they tell you what they're what they're saying, they listen. I have I have a way to make two or three times more than what you're making now. Would you like to hear more about that? Right.

Joe: You know, a great source for private lenders too are sellers. Yeah. Sellers and buyers, as you're talking about. You're talking to a seller about their house. What are you gonna do with the money when you sell this deal? When you sell this house? Now, other investors and buyers who are looking for deals, what if the market gets worse and values go down? Well, that's really our track that like three years down the road. Yes, that's the answer right there. We're in and out of our deals. Quick. How long am I funds be held? What if I'm on a short term note and I sell the home only after one month?

Rick: Yeah. So there's different strategy in this. There's a there's ways where you could put minimum interest rate so that as if, say, solid one month, well they're going to get paid for whatever you decide, three months, six months. There's ways to sweeten the deal for them So they're not just holding their money for 30 days. We do that on our BRRR models with our one of our lenders. We make sure he's always getting paid back six months, regardless of whether we hold it for three, four or five months. He's always getting paid back a minimum of six on every deal we do.

Joe: Cool. When will I receive the payments? Is there a guarantee? I love the honesty. No, there is no guarantee. I can't make a guarantee. Run from anybody who does offer you a guarantee or a promise. Now, who buys insurance? What kind of insurance? How much is it going to cost me? What my money be pull of the other investors? No, we don't ever pool funds. Great question. And you know, you're not hiding from the truth here, right? You're right up front with them. What if you default on the loan? How do you acquire the property? So then explain this.

Rick: So if we default on a loan, we are liable responsible for the deal no matter what. If something if something was a default and knock on wood, this isn't it. This is never happen. It was say something happens where you do your numbers wrong or you run into, you know, the rehab costs or higher. The case may be ultimately you're responsible for the to pay back to the lender and do what's right. If you have to work something out to where you got to get money from other resource, it's got to happen. The number one rule in real estate investing, in my opinion, is operate with the highest integrity and make sure you protect your lenders at all costs. The quickest way you can bury your business is by give a lender, give somebody your network a bad a a bad experience, and then not make it right. Yeah, right. That's the key is just make it right. Things happen, things go sideways. It's going to happen with us. Going to happen with contractors is going to happen with deals periodically. Just make sure you make it right.

Joe: When the market crashed in oh eight and oh nine. I had about ten or 12 properties and lost a lot of money. Foreclosures, short sales almost went into bankruptcy, but I paid every single one of my private investors back, took me quite a few years, but I paid every single one of them back. And that's something I'm really proud of. You've got to have that mentality that your private investors get paid first. They get any money out of that deal before you do, and if you lose money, you should lose money before your private investor does. And your private investors should never lose money. But what I'm saying calls that credibility kit again, Thank you. Rick is giving it to us for free at Joe McCall account slash credibility Joe McCall dot com slash credibility. Go check that out. All right Rick. So how can I get a couple of questions like how can people get a hold of you and reach out to you? But also, any final tips and advice to students who are trying to you know, wanting to raise money for vacant land or houses?

Rick: Yeah regardless of where you're trying to raise money for, the key is talk to people. Let them with confidence to never. Joe made a really good point here a little while ago. Never feel desperate. Never act desperate for when you when you when you act desperate for a deal, they can sense that it just doesn't come off right when you when you are confident in offering them an opportunity. But understanding, hey, if you're not interested in this opportunity, somebody else will be that will give you it gives you a lot better posture, number one. And number two, you get a lot more deals because when you're desperate, it just doesn't go off. And another thing is focused on, like I said before, what's in it for them? Take yourself in your profit. We all want the profit. Let's call it what it is. We all want to make money. We want to do deals. We all want to make money, of course. But when you focus on helping somebody else make money first, your money will come back exponentially. But by doing that, get out there and get out there and do the work and understand this isn't a this isn't a get rich quick thing. It's a consistent thing, but done repeatedly over time and having conversations daily with people. You really don't have any limits. I've got I've got students of ours that are in the construction world, and I have one gentleman that generated off this tool alone from January through the third week of January when I gave it to him. So now he's generated almost a half a million dollars by learning how to quit talking. We're talking so much selling himself and offering the opportunity to other electricians in the field that are coming close to retirement. They got 40 years worth of retirement build up and he's generating money left and right by letting this tool right here do the work for him.

Joe: There's a point where you need to stop talking. Right. And never chase a private investor. You make them come to you? Yes. Sometimes it's hard to do that. But you've got to be disciplined and you got to learn how to do that and have that confidence and that positioning. And I'm telling you guys, listen, this is a really important understand too, Rick, this tell me if you think this is true. If you get a good deal, the money will be there. The money is not hard to find if you have a good deal. Would you agree with that?

Rick: Absolutely. Absolutely. Well, don't get caught in that, that's the biggest if I had to say anything when we got started. And now the biggest question that's ever asked is, do I search for the deal? Do I start marketing or do I look for private money lender first. Right. And just make sure you're consistently doing both. There's two jobs as you develop your business into the CEO that we're all going to work to get to. The two things you have to do is make sure you keep your marketing going and make sure you're always finding private capital. That's it. That's the two jobs that that your job is as a real estate investor.

Joe: Yeah. And I would also add to that find buyers too, like always be looking at buyers that are buying deals. Rick how can people get a hold of you?

Rick: I'm on Instagram, on Instagram, just my name Rick Howell actually Instagram, Tik Tok and Facebook is just Rick Howell REI. I feel free to shoot me a message asking a question we put out trying to put out 2 to 3 very informational videos, stuff you can use in your business every single day. And if you have any questions or you'd like to learn more about anything that we do, just don't hesitate to shoot me a message and we'll create a video out of it and try to help as many people as we can. Nice.

Joe: And then so is that right, Rick Howell did I spell it right there?

Rick: Yes, sir. You got it. Rick Howell REI.

Joe: At Instagram. Tik Tok. Are you on Facebook too YouTube?

Rick: Yeah, all of them.

Joe: And that credibility kit again is Joe McCall dot com slash credibility. And thank you so much Rick for being on the podcast appreciate you and go follow guys go follow Rick Howell REI on all the social media is and yeah go get some money, go get some money. Thank you Rick Have a good one.

Rick: You got it. You too, buddy.