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1269 – What is Wholesaling?

Hosted by: Joe McCall

- Joe:** Hey. Good morning, Joe here, REI in your car. I hope you're doing an awesome. Today is Monday. Monday, as I'm recording this, I think it's October 1st. Second. Wow. October already. Driving back home from the hospital rehab. I go there three times a week and I kind of I kind of, you know, enjoy driving. It's about a 25-minute commute. But I'm also glad that I'm not doing it all the time, every day, you know. And I might be doing this rehab only for a few more weeks, but I like doing it because I get to do these kinds of podcasts. And then I also get to listen to some amazing podcasts. When you work from home, you don't get to listen to the audio books and the podcasts that you used to, you know what I'm saying? But anyway, I wanted to let you guys know. This week or late last week, rather, I launched finally my new program called Deals with Joe. Deals with Joe, and it's a 30-day program on how to do your first real estate deal in 30 days. No, I'm not promising or guaranteeing that, but I kind of went into this program thinking, all right, so if I had to start all over again from scratch, a brand-new market, I didn't know anybody had a very limited budget and I had to do a deal in 30 days. This is what I would do. And I'm spelling it out on a daily 30-day course of what I would do and what I think you should do as well if you want to do some deals.
- Joe:** Now, this program, it's not free, it's \$7 a month that I'm doing monthly because there's a bunch of continuing things that I'm doing in it. For example, every week I'm going to be doing special trainings, just updating the program, then talking about deals and doing some special things like that. So I'm going to be doing weekly trainings in there and I also get access to some deal analysis software. I call it Automated Offer Pro, and in this software it helps you analyze deals, helps you come up with offers and gives you the letters and the contracts that you can send it to the sellers when you ready to send the contract. And this will help you do this is for houses. This whole program is for houses because I have a different program that's for vacant land. But the software will help you analyze deals. You just put in some numbers and to show you how to do from Zillow or Redfin, it'll give you some different options that you can offer to the sellers Cash offer. You could offer them a lease option offer or owner financing offer or whatever, right. So anyway, it's pretty awesome. I'm proud of it. I'm excited about it. It's called Deals with Joe and it's just \$7 a month. So check that out if you want to know where it's at. Yeah, great question, Joe. Where is it? Where do I get it? Deals with Joe dot com, Deals with Joe dot com and if that link doesn't work, if I have it some issues with it, then do it [www. Deals with Joe dot com](http://www.DealswithJoe.com).
- Joe:** All right. So I thought I would be doing a podcast series talking about wholesaling 101 or just breaking this kind of down to this basic most elemental things, right? Like what is



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wholesaling? How do you wholesale a deal? Well, wholesaling in my mind, it's really simple. It's kind of like, you know, you get a property at a discount and you sell it for a little bit more to somebody else. Now, kind of like pawn shop, you know, somebody who takes a a ring or a gun or, you know, takes some kind of a guns, a bad analogy. But like, you know, somebody brings something to a pawn shop, it's worth a lot more than what they're wanting to get from the punch up. But they just want the cash for they don't care. They just want the cash. So like, let's say you have a you know, I don't know. I got a graduation ring from a really famous high school or college, and you can bring it to the pawn shop and you can sell it for 25 bucks. Maybe the pawn shop will give you 25 bucks for it. Now, you could have sold it for \$100 on Facebook Marketplace, or you could have sold it on eBay, or you could have hired somebody to sell the ring for you. But you just wanted the money now, wanted it quick because you had some kind of motivating reason. Maybe you had, you know, your utility bill. Maybe you just didn't care about the stupid ring anymore, Right? You just didn't care about it. So you took it to a pawn shop. And in exchange for getting a high price, getting a lot of money for it, you instead one of the speed and convenience of getting fast cash. Okay. So it's the same kind of way with motivated sellers. We typically buy properties from a motivated seller who just doesn't care about a property anymore. It just needs too much work that they just want to get rid of it. So in exchange for speed and convenience of selling it quickly, I'm going to give them a low price. They can make more money for the house if they wanted to. Right? They could list it with an agent. They could fix the property up, they could repair it, they could paint the walls, they could replace the AC. You know, maybe it was a landlord and they had a tenant in there who completely trashed the property and hasn't paid rent six months. And they're just like, I'm done. I'm moving on. I want to do something else. I don't want to go through the hassle of fixing it up, listing it with an agent, paying the commissions, pleasing picky buyers, dealing with all of that hassle and rigamarole. Just give me a cash offer. Sell it quick. I know I'm selling it at a large discount. I don't care.

Joe: Do you see what I'm saying? So it's just kind of like a pawn shop. So you find that kind of motivated seller. And before you tell me, Joe, there's no motivated sellers out there. There are. Life happens. There's always going to be situations. There's always going to be people where for one reason or another, life happens. You know, they've had a divorce, a job loss, a death in the family, a job transfer, a just a tired landlord who has 500 properties and is done with the rental business just wants out. Things happen, you know, even in the hot market that we've been in for the last ten or 11 years, a lot of people are wholesaling deals, buying properties at huge discounts and so is number one, you got to believe that there are people out there and you just got to find it. That's your job as a wholesaler. You got to find them. So when you find a motivated seller, again, let me emphasize this we're not trying to take advantage of their bad situation. We're not lying to them, telling them the house is



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really only worth 100 when it's really worth 200,000, you know what I'm saying? So we are not lying to them. We're not deceiving them. We're not trying to pull the wool from under them or whatever. You know what I'm saying? Pull the wool from under their eyes. How does that phrase go? I tell my sellers all the time. Listen, if you want full retail price, I am not your buyer. You should probably list this house with a realtor if you want to sell it for the most price, highest price possible and walk away with the most cash, you should fix it up. You should find an agent and call the realtor and then sell it. In fact, I'll give you the names and numbers of three realtors in the area that can help you. But we buy houses at large discounts because we will fix them up. Sometimes we sell them to other investors who will fix them up. So knowing I'm always honest and truthful. So I find a motivated seller who's had some kind of motivation, some kind of reason why they want to sell it fast and quickly. And we give them an offer. We give them a contract to buy their house. Now, this is the same for land, but we make them an offer to buy their house at usually 50, \$0.60 on the dollar, sometimes \$0.70 on the dollar for vacant land. That's for house is right for vacant land. Sometimes we're buying them at 35, 25 to \$0.35 on the dollar. It just kind of depends on the deal hands and where it's located and all that. So we have an offer on a property at maybe \$0.60 on the dollar. The seller accepts it and signs it. Now we have 30 days to close. Now that's four houses with land. We typically get three months, so we have 30 days to close during that time.

Joe:

Now, this is important. I don't want to get too technical here, but I there's issues with wholesaling without a license or actually there's issues with brokering. Without a license, you can't do it. You can't broker a property without a real estate license or working with a realtor who can help you do it. So we're not in the business of finding a buyer for a seller. We're not. We're in the business of buying and selling homes. Write that down and the business buying and selling homes. So we've got 30 days now to buy this property. Now, there's a couple of things that can happen. Number one, we can go ahead and buy the property. We could just close on it and then turn around and sell it. That's the preferred way to do that. Okay. Now, you may say I don't have the money. I can't. I have this property under contract for 125 grand. It's worth 250 grand. You know, it needs 40 grand and work or whatever. In a future episode. I'll tell you how we come up with offers, but you may not have that \$125,000 to close on that deal, even though it's a really, really good deal. Right. Well, there's a lot of people out there that can lend you money short term temporarily, so that you can close on it and turn around and sell it. So you can use transactional money, you can use hard money. You can use a private investors. Right. So that's the ideal situation. You want to actually close on the deal and turn around and sell it. That's what happens at a pawn shop. You know, you bring in a ring, they give you the cash, they stick it in their jewelry thing and they sell it, you know, the next day for a different price, right? Like a higher price. You remember, too, with the pawnshop analogy, let's say a



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ring is worth \$1,000. You bring it in and they say, hey, we'll pay you \$200 for that ring. Say, okay, now that pawn shop, they'll give you 200 cash. They're going to turn around and mark it up. They're going to sell it for maybe \$500. They're in the business of selling these things quickly. Right. And that ring is probably got some scratches and dents. And it's old and it's you know, they'll clean it up a little bit, but they're going to they're still going to sell it at a significant discount. It's worth a thousand bucks if they were to, you know, get it professionally cleaned and maybe add some diamonds to it or, you know, I don't know, just talk it out of buy. You know, what they could maybe listed on Facebook, marketplace pay or eBay and pay for sponsored listings in. They could hire a professional jeweler to come and give an appraisal on it, you know, and all that. But they just want to sell it quick and get done with it, be done with it. So they're going to sell it in their shop for \$500 and they make a \$300 profit. So that's kind of what we're doing with houses. You're going to get a property under contract at a significant discount and then you're going to turn around and sell that deal to another rehab or a landlord or even a retail buyer. You know, maybe you buy it and you just clean out all the trash and you stick it on the MLS and sell it to a retail buyer who will fix it up themselves. Most of the time you're going to sell it to a landlord who wants to fix it up and put a tenant in there and just rent it out or you'll sell it to a rehab or somebody is going to fix and flip it. Somebody is going to go in there and put their own \$50,000 into it to clean it up, to fix it, up to stage it to listed and sell it to a owner occupant retail buyer. That make sense?

Joe:

So that's what we're doing now. Ideally, you want to close on it and then turn around and sell it. That avoids all of the brokering without a license, stuff that makes sense. But you could also assign the contract if you do it right. That's a little tricky. Are now in saying you have 30 days to close let's say you find another buyer you could assign your contract to that other buyer be done and out of the deal and you can assign the contract for five or ten grand and the title company or the closing attorney will take care of all of that and pay you usually at closing if you get that assignment fee. Now that's gotten harder and harder to do with a bunch of states are passing legislation and laws against that kind of stuff of assigning. The big issue is and this is I don't wanna get too technical here, but the big issue is when you're wholesaling, you've got to make sure you're doing it right. You have to have the number one, the means and number two, the intent to actually close on the deal, you have to have the means. So you have to have access to the money, which is easy really. It is. You find a hard money letter, transactional money, private money, maybe your own. You have to have the means. And then number two, you have to have the intent. So your intent end of the deal needs to be to close on it, to buy it. All right. The other thing is that that is a lot of people over look or ignore is you can have realtors help you do your wholesaling for you. That's a big thing. Like the realtor commissions, the states that are passing these rules for whatever reason, whether you think it's fair or not, the realtor



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industry has a monopoly on homes and it's frustrating to me, but whatever. So instead of fighting it, just join them. All right? Like number one, get your license. I'm not telling you should, but you can think about it. Go ahead and get your license. Or number two, hire a realtor to help you market and sell these deals. We've done this with land many times. You've done it what you can do it with house. It's a little easier with land because we're typically only dealing with cash buyers, but with land or houses, rather, it's we get a deal under contract. The first thing we do is we will call a bunch of realtors that have listed other land or houses or other in the area that have sold recently, and we'll call them up and say, Hey, hi, we're investors, we're from out of town. We've got this deal under contract to buy it. Not sure that we actually want to close on it. And we're just calling to see if you have a buyer who might be interested in it and we will pay you, you know, whatever commissions will pay you five, six, 10% commissions if you can bring us a buyer. But this is how it's going to work. They may say, Yeah, well, I might have a buyer. You can say, I see you sold this other property here recently, three months ago for 50,000. This is a similar property. We're trying to sell it for 45,000. So the realtor says, Oh, yeah, I think I've got a buyer. You're going to pay me 3% commissions for just making a few phone calls and sending a couple texts. Let me see what I can do for you right now. What happens? Something really cool. The realtor now gets involved and this helps the whole licensing issue stuff. Right now you can have the realtor bring you the buyer, handle all the paperwork. Now I tell the realtors, Listen, this is why it's going to work. What I was trying to say was, you can use realtors now to help you wholesale your deals, maybe even become a licensed agent, or just have realtors find buyers for you. So what we do is we tell them we tell the realtor, listen, we've decided, well, like sometimes we buy properties and turn around, turn them into rentals. Sometimes we fix them up, sometimes we don't. Our money's tight. We just don't want this deal. So if you can bring us a buyer and help us figure it out, we'll pay you a commission for bringing us a buyer. And then with all the paperwork and how all that works, I don't know. But just let the realtor figure that out.

Joe: All right. The other thing we'll tell the realtor is, listen, we want to save as much in closing costs as we can. And so we're trying to sell this deal. We will sell this to one of your buyers for 50 grand if we have to close on it and double close, you know, and use our own money or private money to close on this thing, we'll have to increase the price to \$55,000. Or, you know, if we can just do an assignment of we can you can help us find a title company, help us with the paperwork. We can just assign our contract to your buyer. We you know, we can just do an assignment and I'll save everybody about. Because then we don't have to pay for double closing costs in the use of our private money and stuff like that. That makes sense. And I'm saying so my point is this when you get a good deal on a contract, just start calling a bunch of realtors and help them. Have them help you find a buyer that makes sense, that solves all of the licensing issues. You use realtors that way, and the realtors



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have access to some of the best buyers. They're the ones that pay a lot more for deals. But as you get established and as you start, you know, yeah, that's the best way, especially when you're starting to do your first deal. That make sense? All right. Listen, I got to go. I got to I appreciate you all go to Deals with Joe dot com or dub dub dub dot Deals with Joe dot com. And in there I'm going to be giving you a 30 day course on how to do all of this awesome stuff. And I'm excited about it. It's going to be a lot of fun. Let's see, is there anything else. Oh yeah I'm going to be doing future episodes, talking more about wholesaling and how do you find the deals, what do you offer them? How do you evaluate after repair value? How do you determine repairs? All that good stuff. All right, guys, we'll see you. Bye bye.