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## 1279 – When Do You Cut Bait and Run?

Hosted by: Joe McCall

**Joe:** Hey, good morning, Joe here. REI in your car. Beautiful morning. It's cold in Saint Louis. It's about 37 degrees right now. And it was in the eighties a few days ago. But that's the way it is in the fall in the Midwest. Driving home from my rehab at the hospital was good. They keep on pushing me. I did 30 minutes on the bike normally I do 20 and I did 10 minutes. Now I did 30 minutes on the treadmill. Anyway, you guys don't care about that. I'm doing good, feeling strong. The health is doing much, much better and my blood pressure is good. I'm feeling great. Yeah. So I was thinking I got a question for my coaching client and then a couple of things I was thinking about. Number one, somebody was asking me the other day, I said, I have two things I want to talk about today. Number one is deals, Joe. And number two is when do you get out of bad deals? So somebody was asking me the other day like, why what's the difference between deals in the Joe and your land course? Because and deals with Joe I'm mainly teaching land are houses, right? Wholesaling houses. And with my land course, obviously I'm teaching how to deal with vacant land. So what is it? And I was thinking about that if I had zero money, I sell deals with Joe for just seven bucks. So if you go to Deals with Joe dot com, you get it for \$7. It's amazing. So I teach you, if I were to start all over again from scratch with no money in a new market, what would I do to start doing deals? And I would do houses. And there's a I was thinking about this. Why? You know, because I love doing vacant land. That's the main thing we're doing now. We're doing a lot of vacant land deals. I'm doing vacant land because I can invest in direct mail. And direct mail is easy. That's the easiest way to get leads. No matter what anybody else says it does costs maybe a little more. But if you look at the end of the day, no matter what kind of marketing you're doing, you're spending a certain amount of money in marketing per deal that you do. So if you're doing cold calling or texting or Facebook ads or direct mail or door knocking or, you know, holding, doing banner signs, doing whatever, you're going to pay a certain amount of marketing and money or time or both per deal that you do, right? So just get used to it. There are no free rides here.

**Joe:** So having said that, though, I love direct mail. I would put it up to any other marketing channel because I can target the properties that I want and I can target the sellers that I want, so I can target people who own a certain size vacant lot in a certain zip code that don't live in that area, that have owned it for over ten years. And I can send them a postcard. I can send them a letter, Hey, if you want to sell, call me. Goes to voice mail. I listen to voice mail. I send them an offer. I don't talk to them until after they get my offer. I love it. It's great. I don't like talking to sellers, but okay, having said that, now that's I have



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money to pay for direct mail on average for vacant land. We're spending about \$1,000 in direct mail cost per deal that we do, maybe 1500 dollars. That may sound like a lot, but our average net profit on vacant land deals about \$10,800. All right. So for houses, if you do a direct mail, you're going to spend maybe two or three or \$4,000. And in some markets, maybe even five or \$10,000 in direct mail marketing costs per deal that you do. So maybe doesn't work for houses as well. All right. So here's the dealio. If I were had to start all over again, I did not have any money for marketing and I had to go old school hardcore to do it, like hit the streets, knock on doors, do phone calls. And I had to hustle and I was willing to put in the work. I would do houses for one simple reason. There's a lot more of them and there's a much higher demand for them. So there's a lot more houses out there available because there are so many tired landlords. Then there are vacant lots available and the demand this is a real reason. Actually this is more important. Actually, the real reason is there's a much higher demand for houses than there is for vacant land. So you can sell a house a lot faster than you can a vacant lot. The house, you could sell it in a few days, vacant lot. You're going to it's going to take a few months. So there's just it's six one doesn't have the other, whatever that phrase goes. Right. So that's why I created deals with Joe. If you're limited budget and you want to get started and this is your first foray into real estate houses might be the way to go because you can. It's really easy to find the landlords, the hedge funds, the rehabs, the guys that are and gals that are buying a lot of real estate right now. It's really easy to go in and see what they're buying, what prices they're buying at, and then you just go find basically tired landlords. You go find people that own rental properties in those areas. They're sick and tired of them and you call them and then you offer them, you know, you offer them something and then you sell it to those other guys who want them. Much easier to get started with little money.

**Joe:** So if you're interested in Deals with Joe, go to Deals with Joe dot com. Vacant land, I like it, it's easier but you need to have more money to invest in it. You need to be able to start doing some direct mail just to bottom line. And I like it because it's easier. I don't have to talk to sellers. Okay. Bam. But if you're interested by just I just go check out Deals with Joe dot com. All right. Now, the other thing is, when do you cut your deals? When you get out of your bad deals, Because a lot of you guys and this isn't as big of an issue as it was when I first got started back in oh six, seven, eight, nine, ten, all the way to 12. A lot of people held on to their properties for way too long. By the way, who has better overnight FedEx or UPS? Just curious, because sometimes I have to send my son in college, lost his car key and I'm overnighting to him a spare car key that we have at home. And here's the funny thing is I knew this might happen. I didn't know it would happen to me. I thought it might happen. So I hid his spare key. So in case this did happen and here it is. I'm sending him a spare key overnight. FedEx overnight to where he is on college campus right now. So. Okay, when do you hold on to a bad deal and when do you cut battleship or cut whatever when you get



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out of bad deal? Well, here's my thing ASAP. As soon as possible, you should get out of your bad deals. So a client sent me a message to talk to me about their deal, and it's in really bad shape and they're hemorrhaging money and it needs a lot of repairs and in a bad neighborhood. And they're very, very they want it. They're very, very motivated and they want to get out of it. But they're not like in financial hardship. It's just stressing them out, which, by the way, if you're doing houses, there's a gazillion of these guys out there, they buy rental property. It's great for a couple of years until the tenant stops paying rent and then they see the property and is take, you know, they hadn't paid rent in two months. It takes another two months to kick them out. And the victim finally go and look at the property is trashed and their heart sinks and they look at it and they got to put 15 grand in the repairs. They've already lost four months of rent and they got to fix it all up, which didn't take another couple months, and then they got to pay their property management company another month's rent for a tenant finder's fee or whatever. It's just a disaster as it's a bad, bad hassle, which is why, again, I love selling vacant land with owner financing. You just don't need to deal with that kind of stuff. You do get people that stop paying, but they don't damage anything. You just find another buyer for it. Now that you might have stuff you have to haul away or whatever. But okay, regardless now. So he was asking, What do I do? And that's a good question. It's different for everybody. But here's my point. And I know a lot of people that really were hammered and hit hard when the market crashed in oh eight, and I think it could happen again. It is happening to a lot of people. But here's one thing that I know, like you're going with. You're falling and you're hemorrhaging and you're hurting in a certain deal. You're going to hit the ground eventually some time. And the sooner you get it over with, the better. Okay. You might think you're Superman and you can fix it and you'll get out of it. And you just need to do this or that and be patient and pour more money into it. Just hold on to it a little bit longer. Things will correct it and fix itself. Nine times out of nine it won't. Things are just going to continue to get worse. When you're in a bad deal, get out of it as soon as you can and stop thinking that you're so smart. You can beat the odds that you can beat the market, that you can you can do what everybody else can't do. So just get out of the deal as soon as possible and you'll find that you will avoid a lot of headaches and hassles that way.

**Joe:** Now, this particular client has his house and you're wondering, well, okay, I just want to get rid of it. He's got a good mortgage on it. He's got a decent amount of equity in it. So maybe he could do sell subject to his. You got some offers to sell subject to. But he's worried that somebody is going to take over the title, but the mortgage will stay in his name. Well, yeah, That's what happens when you sell your house. Subject to your name is going to stay on the mortgage. Somebody else is going to be on title and they can do a bunch of stupid stuff with it. Right. They could record, you know, leans against the property. They can have judgments put on them against the property. So there's some risks to that. And they could



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just not make your mortgage payment. Now, you still have access to your mortgage payment. You can I mean, you still have access to your bank account, right? So you can go log in to see if the mortgage payment has been paid. If it hasn't, you can make the mortgage payment, You can take over the property, you can take it back. You can't prevent them necessarily unless there's some way I know that you know how to do it. I don't know. But you can't prevent them necessarily from taking that a lean a loan on the property or putting private money securing private money against the deal which will over encumber the property. Maybe there's ways you can do that. So what do you do? Right? Like you could sell the property on a subject too to somebody else. And but I would give them a two or three year balloon. They may not accept that. I don't know. And I would only do a Subject To to somebody who already has a bunch of other rental properties. How does this I don't like that idea. Or if this is a bad deal, you want to get out of it and get out of it, so you should just sell it. So one of the things I told this guy was, how do you sell it? Well, first thing is I would look up all of the other landlords. Well, by the way, he also said, you know, the property management company said they would never own a property in this neighborhood. And he talked to one or two other people who said they would never own a property in this neighborhood because it's a pretty bad area. Well, I can guarantee you, though, there is somebody out there who is comfortable and is fine with owning rental properties in that area. And so you got to look to see who are those landlords who already own property there. And I would look up. Everybody that owns rental properties. I'll give them a call, skip, trace them and call them number one. Number two, I would send them all a handwritten yellow letter. I would find a hundred different landlords who own property in the area, and I would send a handwritten yellow letter that says urgent, I'm desperate. I've got to sell this property at one, two, three address. The title is clear Taxes are paid. It needs a little bit of work. Give me a call. I'm desperate. Hell phone number and goes to your cell phone, by the way. And yeah, crumple that yellow letter up, re fold it back out, put it in a folded four ways, you know, put it in an invitation envelope. Hand address, live stamp and send those bad boys out. You will get like 20, 30% response rate on those letters. They work really, really well. Just trust me on this. Don't even question it. Do it. If you have a property you want to sell, send a desperate, motivated a yellow letter to other investors in the area and just get them to call you. And yeah, that works really well. The other thing I do is I do bandit signs, put some signs in the neighborhood, say desperate, motivated must sell now. 3/2, you know, and give them your phone number, maybe a voicemail. And then the voicemail explains, Hey, this is a deal that I have, blah, blah, blah. It needs this much work. I'm willing to show up for this. If you're interested, leave your name and number and I will call you back. I'll text you some pictures or something like that. Those three things. And here's you should be able to sell it. Now, you may not be able to sell it for the price that you want, but you will be able to sell it.



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**Joe:** So let's say you find is you find somebody who wants to buy it. Let's say you owed 90 grand on it, it's worth maybe 120 grand. But you know, a smart landlord who owns property in that area, they know what the property's really worth, right? So you owe 90. They're probably going to offer you 75. So now you need to make the decision. You know, this is where this is where I was talking about. You're going to you're going to splat. You're going to hit the ground so you can just get it over with. So you're going to pay either 15 grand now or 30 grand later, Right? That's really sometimes what it comes down to. And it's better to just eat crow, admit your mistakes and say, you know what? Yeah, this is a bad deal. I need to get out of it now and just sell it, be done with it. It's going to stink to pay 15 grand. But listen, you're going to pay way more than that. If you stay in this deal any longer, you're going to have to put that money into repairs. You're going to have to put that money into a new property management company. If you can find one that can manage the property, there's somebody that you guys all know is very famous. They owned about three rental properties in the Saint Louis area and actually helped them sell the deals. So a friend of ours, mutual friend, put us together and he bought these properties at the height of the market with a ton of debt or cash. Did a cash out refinance, complete disaster, super bad neighborhood. And so I gave him three different options. I said, Listen, I'll pay cash. And my offer was like, not kidding was about maybe five or \$10,000 for each of these three properties. So I offered him like 30 grand to buy all three of those properties, and I was just going to wholesale it out. I was going to buy them for like ten and sell them for 15 to somebody else for third, second, second. I was going to offer to list them as is on the MLS and just I was a realtor at the time and was listed on the MLS and then waive my commissions and I told him you could probably sell them for 15 or 20 grand on the MLS. See, here's the thing. He owed like 70, \$80,000 on each of these deals and they were worth I'm not kidding. If you could sell them on the MLS, they were worth maybe 20. So he was underwater about 50 grand on each of these three properties, 150 grand. Now this guy is well off. He could have stroked a check for all three of them. But he you know, I don't know if it was his pride or maybe he didn't have the money, but it was like he didn't want to pay that kind of money to get rid of it. The third option I gave him was, listen, I'll because I like this guy. And I said, I will. I'll help you manage. I'll help you find a rehab or who can fix him up and I'll help you find a property manager. So I'll basically kind of be your boots on the ground and I'll help you manage the rehab and manage the property manager and we'll get them re rented, fix them up, re rent them out, and then you can just sell them for much higher price. Once they're rented and fixed up and rented, you'll be able to sell them for maybe 50,000. So if you went with number three and sure enough, about a year later, I get a desperate call from him. He's like, this is I'm done. This is this is it. So we fixed him up, rented him out. But his he started getting calls from neighbors of these properties, calling his wife, calling his parents. And then there was a murder in his front yard. And he was so just got to get out of these things because, again, now his wife is getting phone calls, his



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parents are getting phone calls and he's getting threats from his neighbors. Like if you don't clean this property up and get these people out of here, you know, this is bad. So he was completely stressed out, finally just sold them. I help them. So I just put them together with another wholesaler, actually, who gave him an offer. The wholesaler turned around and sold them, made I think, ten grand order, but the guy didn't care, right? Finally decided to just cut a cut a check.

**Joe:**

So what's my point in all of that? This guy could have avoided a ton of hassle and pain in the butt factor if he would have just eaten his losses and gotten out sooner rather than later. So that's my whole point in all of this. If I feel like I'm rambling, maybe there's some lessons in here that you can take away from this if you're starting to if you have a bunch of properties that are bad, if you are wanting to move on from the mistakes that you've made in the past, do it now because is you're falling, you're going to hit the ground sooner or later, so it's better to do it sooner. Just cut your losses now, right. And move on. This is like just consider this a, you know, 15, \$20,000 seminar, right? Sometimes this is the best way to learn what not to do from the by the mistakes that you've made in the past. Right. Does that make sense to anybody? I hope it does. Listen, I got to cut and go. I'm at the FedEx store. I'm going to do FedEx and I appreciate the emails. Let me know your comments on these and your thoughts on these kinds of things. You can send an e-mail to my support team, [Support@JoeMcCall.com](mailto:Support@JoeMcCall.com). And go check out Deals with Joe dot com. I teach you how to flip houses, wholesale deals, make money, fast Deals with Joe dot com. Appreciate you guys, see ya.