



1301 - How I Got Started Flipping Vacant Land!

Hosted by: Joe McCall

Joe: Hey good morning, Joe here. I'm driving in my car with my good buddy Rob behind the camera. Everybody say hi to Rob. Let's talk about real estate. Well, that'd be fun. I think this would be a good little series. I'm excited about doing something like this. So right now we're going to drive to my country club. I'm going to go to the. I got some time reserved at the, at the virtual golf simulator, and we're going to, hit some balls. And I want to talk to you about my story, kind of how I got started in real estate. I had a lot of interest in real estate in the mid 2000 to 2004, 2005, because I had a friend that I knew kind of going through college, that he was as broke as a joke as I was, and all of a sudden he's making all this money and he is doing these real estate deals, right? And he's buying duplexes and he's doing wholesaling. So he's doing some buy and hold and he's flipping properties and he's telling me about this, and he's buying these courses and these programs and these books. He's like, Joe, this is amazing. You got it. You got to get this. And he's actually making really good money doing it. And so I, I was really interested. And I asked him, oh, he said to me, you need to read this book called Rich dad, Poor Dad. And I kind of thought, okay, I'll read it later. And then, started thinking more about real estate, watching him. And then I started reading some of his books and some of his courses that he was by got really interested. But I was 2 or 3 years into this new job that I got because my degree was in civil engineering. I was working for a large engineering and construction company, building power plants all over the world. And I liked my job. And I thought, you know, I was going to be an engineer all my life, and I was going to be working on these big projects all over the world, which was fun. But I always got I was always a little frustrated because I just felt like I was this guy punching and punching out. I was just this number for this huge multinational company, and there could have been days I didn't even show up into the office and nobody would have known. And that was always a little disappointing and frustrating.

Joe: But anyway, I was reading these books and then he told me, he said, you should contact this guy in Austin, Texas, and look at some of his deals. I called the guy up, went down to Austin, Texas to look at some duplexes that they were building. This is probably 2003. And that guy recommended, he said all that. I was looking at the deals. They were too expensive. They were outside of my comfort zone. But he said to me, you know what? You should read these two books. And the first book he recommended was Rich dad, Poor Dad. In the second book you recommended was a book called The Secrets of a millionaire landlord. And I thought, all right, this is second guy who's recommended this book to me. I'm going to read it. So I read Rich dad, Poor Dad, and I really, really got excited about real



REAL ESTATE INVESTING MASTERY

www.RealEstateInvestingMastery.com

estate. And I got excited about being an entrepreneur and working for myself. And I thought, this is really cool. And right around the same time, my job and transferred me out to California to build a power plant in the suburbs of San Francisco. Really, really nice area. They paid for all of our living expenses while we were there and on top of my salary. Plus I got a bonus for traveling, you know, and it was an amazing job and I loved it. It was a lot of fun. The job was supposed to last two years, so we just bought a house like six months earlier, a little three bedroom ranch in the suburbs of Kansas City. And now we had to move for two years. So we decided, let's just rent it out. We hired a property management company. We rented the house out to these tenants. Then we moved to California and it was a disaster. Nightmare horror story is horrible. These tenants didn't care about the house. They complained all the time about everything. And they were late every month on their rent. And every couple of weeks there'd be something we'd have to fix. And I got so frustrated paying these plumbers, you know, 50 to 100 bucks an hour to do something that I could do myself in just 15, 20 minutes. And then on top of this, they were late every time on their rent. You know, we were pay our mortgage payment after the rent came in. Sometimes the rent wouldn't come until the 15th, and then we would pay the mortgage late, and then I'd have to pay late fees and hope to God that we would get paid the rent before the 30 days we were late, because then that 30 day ding on your credit. So anyways. And then this job ended early. This was shortly after 9/11 happened. And then this is also after Enron collapse, which sent shockwaves through the energy industry. The whole industry kind of shut down all of their big, huge projects. So our big client in California shut down the project and we all had to leave. We all had to move back home.

Joe: So we had only been gone ten months. Now this tenant from hell is in our house, and they still have two more months left in their lease. And we have to. We have nowhere to live. So we live in a hotel for 2 or 3 months. So finally we sold that house to the tenant. But here's my whole point. I said to myself, never, ever, ever are we going to own investment real estate? We're never going to own a rental property. The hassles, the troubles of owning and managing these tenants. Just slightly frustrating, by the way. Yeah, the tenants were late. You get late fees. But guess who keeps all those late fees? The property management company gets to keep those. And then when we decided we want to sell the property, guess who? We agreed to pay a 6% commission to when we eventually sold the property. Yeah. The property manager. In our agreement with him. We had promised or agreed to him that we were going to pay him 6% commissions to sell the deal, and we sold it to the tenant, so we didn't even have to listed on the MLS. So we said, never again. We're not going to do real estate ever again. All right. So fast forward then a few years I'm in Austin looking at some duplexes. I say, no, I'm not interested in duplex. But the guy recommended two books. Rich dad, Poor Dad and Secrets of a millionaire landlord. And that Rich dad, Poor Dad book got me all excited about real estate. And then The Secrets of a millionaire



REAL ESTATE INVESTING MASTERY

www.RealEstateInvestingMastery.com

landlord. The author of that book, Tad, had a chapter on there talking about lease options and lease options. That's a whole nother topic for another day. I love lease options, but the cool thing about lease options is, which got me even super more excited about real estate, was that you can rent your properties out to people who want to buy them, who to people who want to, who are going to take better care of the home. And they're not going to they're going to fix it up themselves. They're going to take care of it themselves. They have more at stake in the property. And they're treating the home like it's their own because they're going to be buying it in 1 or 2 years. So I got then at that point I thought, sign me up, I want to do real estate and I want to buy deals and I want to do lease options. So fast forward a year or two, we moved to Saint Louis from Kansas City. I got a new job with a new company that didn't require as much travel, and it was a smaller company. So I thought, okay, I'll be happier in this job because I'm part of a smaller company, a smaller culture. I'm not just a name badge or a number at this big company clocking in and out, and it was a good company. I worked for them for four years, but we bought our own private our own personal residence. Right. And then we started buying single family homes, and I was selling them on lease options. And I was doing a strategy that I actually don't recommend to people, but I know some people that do it successfully and so good for them. But what I was doing was I was finding the tenant buyers first who were looking for a home, that they couldn't get it. They didn't have good enough credit to buy the house. Now they just needed 1 or 2 years to fix their credit, and then they could get a mortgage and then buy the house. So I would find the tenant buyer first that had at least \$10,000 to put down. And then I would let them go pick a house because I had good enough credit, let them go pick a house, and then I would buy it and then lease option it to them with an option that give them the option to buy it in a couple of years at a higher price. The problem with that is you only make money if everything goes right. And one of the biggest things I learned early on is that, you've got to have multiple exit strategies whenever you are buying a deal, you're buying real estate. So I, I was counting on nothing going wrong, everything going right. I was counting on appreciation, always going up because at the time I was being conservative and I was thinking, all right, properties will always appreciate at least 5 or 6% a year. It always has for the last 50 or 100 years. Real estate is always appreciated. It's always gone up. So good thing was the tenants did take care of the properties, right? And so I didn't have to worry about repairs and maintenance. But the crash of 2008 and at that time I had about 6 or 7 properties that I had bought from the banks where I did this strategy.

Joe:

So, you know, an example of this would be like the house would be worth 200. I would buy it for maybe 190, and I would sell it for 215 to 20 in two years. So the goal was I'd be getting enough rent, pay the mortgage, make a little bit of cash flow and not have to worry about property management, vacancies, repairs because these were tenant buyers, right.



REAL ESTATE INVESTING MASTERY

www.RealEstateInvestingMastery.com

And then I would sell the house at a good market price in a couple of years, and my profit would be in the spread. So I figured and I was always and all of my you can get a spreadsheet to tell you whatever you want it to tell you, right? So in all of my spreadsheets and analysis, every tenant buyer would buy the house and every tenant buyer would always pay their rent on time. So ideally you buy ten of these and in a couple of years you sell ten and then you buy some more and you sell ten. Right. So, I was looking at this thinking that properties always appreciate, and maybe it would have worked if the market didn't crash, I don't know, but when the market crash, all of a sudden it got hard for people to get mortgages. A lot of people started losing jobs. And so I had a lot of these tenants that all of a sudden the property that they had a contract to buy it for at that 220, it was only worth 180 now. And so they're like, I'm not going to buy this thing. And then a lot of those tenant buyers, they lost their jobs. Their credit wasn't as good as we thought it was at the beginning. They still didn't have good enough credit to buy the house and get a mortgage. And the values were dropping. Also, at this time I had I had bought some more courses and I started buying houses subject to the existing mortgage. I started taking over mortgages and buying houses that way. I started buying houses with creative financing. I was buying houses with owner financing and private money and things like that. I was using OPM other people's money. So I was taking out a ton of debt. I had about 15 homes at the time when the market crashed. I had a ton of debt. I was highly, highly leveraged. I owed more than the houses was worth at this time. If you remember, a lot of people were doing cash out refinances. They would buy a house at a certain price. Wait a few months and pull out their equity and pull out a bunch of their profits early, because houses prices always go up, right? So we even pull out our profits early. And, now all of a sudden I owed way more than these houses were worth. I had a bunch of private investors that were wanting their money back out of the deals. I had tenant buyers that were not paying their rents because they, you know, the job economy. And then it was hard to get new tenant buyers that were good. So anyway, fast forward, I'm in a world of hurt. I'm on the verge of bankruptcy. I owe a ton of banks money. I owe a ton of private investors money, and I had a bunch of houses that were I had taken over the mortgages. I never did miss a seller's mortgage payment, but I almost did. And, you know, hour day 30 of every month. Man, the these sellers were calling me saying, are you going to make the mortgage payment? Because the banks, they weren't calling me to remind the borrower of making that mortgage, right. They were calling the owners of the property. So anyway, huge disaster, but I never missed a seller's, mortgage payment. But I did miss our own personal residence, our own mortgage payment, which, looking back, one of the biggest mistakes I did is I tried to hold everything together for way too long. I should have just jumped ship, earlier. And I should have been more concerned about saving my family's financial future than anybody else's. But by God's grace, I paid all of my private investors back. All of those properties that I took over, subject to. I deeded the properties back to those owners, and I had good tenants in the properties.



REAL ESTATE INVESTING MASTERY

www.RealEstateInvestingMastery.com

I just told the sellers who said, listen, I can't make next month's mortgage payment, but here's a here's your prows back with a tenant in there, and the tenant is just going to send you their rent next month. And so all of the sellers are like, okay, fine, they understood. And I dated the property back to them. And then I did have to do some short sales and foreclosures on some of my own rental property, which took 7 or 8 years for all of that crap to get off of my credit report. Another long story, but here I am, hemorrhaging cash. I thought the key to freedom was just, you know, the old rich dad model of get into a ton of debt, buy a ton of properties, use leverage. Always looking at the best case scenario, not looking at worst case scenario, not having multiple exit strategies and all that. So a lot it was all on me. But here I am at this point in 2008, 2009, my wife was like a few months from delivery due date and we had to move out of our house that we were losing to foreclosure. We did a short sale on it. We moved into a rental like a month before Christmas. It was horrible.

Joe:

Well, anyway, I knew I had to learn how to make cash fast, and I had always heard about wholesaling, right? Because I had seen all of these other guys teaching real estate, doing real estate, and they were wholesaling, and the guys that were wholesaling were making a lot of money during this tough economic time. The guys who were getting crushed were the ones that had a lot of debt. They had a lot of properties. They were overleveraged. They took out too much equity. They took their profits early. They were getting killed. So I realized, I need to learn. I need to learn wholesaling. And this is about a time where it had been a couple, 2 or 3 years where I had not done a deal yet, I had not done a deal, and I was buying every course imaginable. I was buying every book you could buy. I was signing up for these expensive coaching programs. I was going to all of the real estate clubs, and I was really getting educated because I wanted to learn everything I could about real estate, so I wouldn't make the same mistakes I made before. Right. Well, there's a problem with that. I became a professional student for like three years. I was a professional student, and I was spending way more money on my education than I was making in real estate. So but here I am. I'm losing my house to short sale. I'm hemorrhaging cash. I have all of this debt I need to make money now. And how am I going to do that? So I decided, all right, I'm going to buy one more course. But this time I'm going to do what the guy says to do, and I'm not going to change anything. I'm just going to I'm not going to question it. I, you know, I may not like it, but I'm going to do what he says to do. I'm not going to change anything. And so a good friend of mine, some of you guys know him, Chris Chico, he had a course at the time called Absentee Owner Profits. I bought that course and I said, I'm just going to do everything he says to a tee. He said, find these certain zip codes, pull these lists, send these postcards, use this contract, use these scripts. And I some of it I didn't like I that know a man that's dumb I don't. That contract looks weak. You know everybody's doing that. But I said I'm just going to do what he says. Again I'm not going to change anything. That is



REAL ESTATE INVESTING MASTERY

www.RealEstateInvestingMastery.com

finally, when I did my first wholesaling deal, and that changed the whole trajectory of my life, because then I started actually making money instead of spending money, and I was making fast money now without taking over any mortgages. I was staying out of debt during this whole crash. I said to myself, I'm never going to get in debt again. I'm never going to take over another deed. I don't want any more. Deeds are better ways to make money than this disaster that I was at. So I started wholesaling deals. I started getting properties under contract at significant discounts. I started turning around and selling them. I was selling most of these deals with bandit signs. I would get a property under contract from a postcard, put a bandit sign in the yard and I would sell it. And the great thing was, I was making ten, \$20,000 on these wholesale deals without going into debt, without buying and taking any ownership of these properties. All I was doing was flipping paper, which was crazy. So I'm finally starting to get some momentum. I'm finally starting to take action and finally starting to see results. I'm starting to make money. I'm starting to do deals. I started doing a lot of deals at the same time, like I was, remember I talked before about lease options. All this is kind of tying together. So I was doing a lot of houses were just regular traditional wholesaling. And then I started asking myself, well, I'm throwing away a ton of leads that don't have any equity. So what if what if I did a lease option on those and instead of wholesaling the cash contract, what if I wholesale the lease option? And then this is what allowed me to quit my job. This was 2009 and I was working for my third company. We were building a power plant in the suburbs of Saint Louis, and I just didn't like my job. I wanted to do real estate full time, but I couldn't get consistent income. My wholesaling was really, really up and down. And so I thought, well, what if instead of wholesaling a cash contract, what if I wholesaling a lease option contract? And this then I started doing this where I would, find a seller that didn't have any equity. And there was a lot of them. I said, hey, what if I just leased your property for a period of time, and then me or one of my tenants will buy it from you in a couple of years, and some sellers would say, okay, great. Sometimes I'd give them two options. I'd give them an option of like, here's a cash offer at 50 \$0.60 on the dollar, or here's a lease option, offer it a little higher at a higher price. And the seller would choose which one. So the sellers a lot of them started accepting these lease option offers. And then I would turn around and I would sell that contract to a tenant buyer. I'd put a tenant buyer in the house, and I would sell my contract to that tenant buyer for three, 4 or 5, ten grand. And I started doing about 3 or 4 of these a month. And by this time now I'm making more money doing these lease option deals than I was in my full time job. So that's when, in the spring of 2009, I finally quit my job, started doing real estate full time, and the rest is history.

Joe: I mean, I've done a lot of deals since I've done. I've done all kinds of crazy deals, you know, traditional, you know, where you get banks, bank loans and you buy properties, subject twos, owner financing, regular wholesaling and lease options. And now I'm doing a lot of



REAL ESTATE INVESTING MASTERY

www.RealEstateInvestingMastery.com

vacant land. And the great thing about this business is no matter what direction the market is heading, if it's going up or if it's going down, the cheese is always moving. There's a book called Who Moved My Cheese? So at one time, you know, cash wholesaling houses might be the easiest, best strategy. Another time maybe lease options. Creative things like subject tos is a good strategy. Another time commercial might be good. Buying old might be good. The BRRR strategy was a good thing at one time. Maybe vacant land is a good thing, you know. So like the market is always shifting and wealth doesn't disappear. Wealth transfers. Right now we're in a time, in my opinion, where vacant land is the easiest way to make money in real estate right now. And maybe it's going to be that way for a long time. Maybe not, I don't know, but it's really important to stay educated. So even though I was a professional student, I still invest in my education. I still spend a lot of money on coaching, on mentoring, on courses. I go join masterminds and stuff like that because I always want to stay on the cutting edge. I want to stay sharp. I want to find out. I always want to know what's working. And now, you know. It's been 14 years since I've been full time real estate investor, and I love what I get to do. I get to drive around, get coffee with my friend, go play golf in the middle of the day, go to the country club and hit some balls, have some lunch and talk business with folks like you. All right, so anyway, hope my story wasn't too long there. Hope you learned something out of it.