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## 1314 - How To Use Assignment Contracts To Make Money with LITTLE Risk

Hosted by: Joe McCall

**Joe:** So I was doing a coaching call this morning with my land coaching clients, and some of them were asking me, hey, how does an assignment work on a land deal? Because some people are in different spots right there in this place where they want to do a land deal, but they're worried that they don't have the money or can't get access to the money to double close on it. Now, sometimes, you know, when we're wholesaling properties, right? If you don't know what wholesaling is real quick, it's when you get a property under contract at a certain price, and then you sell that contract to somebody else at a higher price. There's different ways to do that. You might have to buy the property and then turn around and immediately resell it at a higher price. Or sometimes what's easier is when you can do an assignment, and an assignment is where you just take this contract and you have the A to B contract with the seller to buy this property. Whether it's a house or vacant land, it doesn't matter. And then you sell that contract to somebody else for a higher price. Or what you do is you assign the rights to that contract to an end buyer. Now, some people say in some states it's illegal, immoral and fattening to do assignments or to do wholesaling. Maybe it is, maybe it's not. I'm not going to go down that rabbit hole and try to argue my point or prove. But here's the thing. When you're dealing with realtors and a real estate commission that is made up of realtors, you're never going to win that argument. You're never going to win the argument that you have equitable interest and that the contract says that you can assign. And that's okay. The wholesaling police are out there and they will get you, and you'll have to pay a fine if you get caught doing something illegal, like wholesaling or a signing contract. But the bottom line is, and I'm not an attorney, so I suggest you get one. But every attorney that I've talked to said every contract is assignable unless the contract says it's not. Okay, so even realtors contracts in Saint Louis, Missouri, where I am right now, even the realtors contracts here say this contract is assignable as long as the seller and the buyer both agree to assign the contract. So it is okay.

**Joe:** Now, having said that, we just recently did a deal in Florida where we had it under contract for \$215,000. It was a vacant lot, about 10 or 11 acres, and we were trying to sell it for \$280,000. Now, remember, we bought it for 215. We're trying to sell it for 280. So that's what a \$65,000 spread there. Okay. This property was actually listed on the MLS for \$320,000. So we were now it was listed for 320. We offered 215. The seller said yes. Now at the time two. This was a cold calling leads. So we didn't know the property was listed. We contacted the seller and the seller agreed to sell it at 215. Then we found out it was listed.



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So what did we do? We didn't freak out. We called the realtor up and said, hey, we want to buy this property. The seller said yes. We didn't know it was listed. The contract we said to the seller was our standard one page contract. Then, we sent that contract to the realtor and the realtor said, well, we need to use ours, okay, no big deal. We use that realtor's contract. And so now we have this \$215,000 is a lot of money, right? I don't have that in my checking account right now, so I'd have to go get the money. I have private investors that I could use. I have business lines of credit that I can use. I can pull money out of savings to use that, but I didn't want to use any of my own money. So what did we do? We immediately got on the phone and we started calling other realtors that have sold vacant land recently in that area to other buyers, and we said to them, hey, we think we've got a deal. And this is what we said. This is really important. Understand? This is how you kind of get around the whole licensing or, you know, the whole licensing issue and doing assignments or wholesale deals without a license, whatever. We called all these realtors and said, hey, we see that you just sold a property recently to another investor or another buyer in this area. We think we might have a land deal that you might be interested in, and we'll pay you 10% commissions if you can help us find a buyer. But this is what's going on. We just got this under contract. We're investors in Saint Louis, Missouri. This property is in Florida. We don't know what we're going to do with this deal yet. We might buy it and close on it and sell it with owner financing. Or we might actually just flip it, just flip it as is to somebody else for a quick profit. But we don't know yet. Do you have any buyers that might be interested in this deal? And so what are we doing there? We're telling that other realtor, number one, that we are an investor and we have not bought this property yet. We have it under contract. We're scheduled to close. We're trying to figure out what we're going to do with it. Okay. And so they automatically know, oh, this is an investor. They might have figured out we're wholesalers I don't know. But now we're bringing this deal to them. We want to work with realtors. That's a really important point in this. When you do assignments you want to do assignments with realtors because they have access to the MLS. They have access to the largest pool of buyers. Right. So they knew immediately that we're investors. We have this property under contract. We don't own it yet. And so all they have to do is make a few phone calls, send a few text to some of their clients that are looking for land, and they can make it quick. You know, I think we offered 6 or 8% commissions, which is really generous for just sending a few text messages and phone calls. All right. So we had, a realtor that had a buyer. Who was interested. And so the realtor came to us and said, okay, I've got somebody who's interested. How is this going to work? And we said, well, if they're interested, there's two options. I said, if we're going to double close on it, bring in a private investor, pay them interest on their money and do double closing costs. We'll sell it for 280. But if they will let us do an assignment, we'll sell it for 260. All right. So we're buying it for 215. We're selling it for 260,000. That's a \$45,000 spread. And so the realtor said, well that's interesting. I don't know if we can do that. I said,



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okay, well, why don't you go figure it out? That's the great secret to this thing. All right. You can you don't have to be the one to figure out how it all works. If you've got a realtor who knows what's going on. So there's no, like, surprises that come up. They'll figure out a way to make it happen.

**Joe:**

All right, so this realtor said, all right, well, we'll figure it out. He called his broker, called the title company, said, hey, can we do this? They said, yeah, no problem, assignments, it's not a big deal. And by the way, this end buyer is paying with cash, so there's no banks or mortgages involved. It doesn't matter. So then get this. The realtor said, okay, we can make this work because obviously they want to buy it for 260, not 280. Okay. Now it was a good deal. Remember it was listed for like 315 or whatever I said before. So we're selling it at a good price. Then what happens? We said okay, well we're going to do an assignment and it's going to be a \$45,000 assignment. And the realtor said, oh, wow. I don't know if that's going to work. Let me talk to my client. So the realtor went to talk to the investor buyer and said, hey, you're going to have to stroke a \$45,000 assignment fee check on this deal. Is that okay? And the buyer wasn't very comfortable with that. All right. But, you know, so they came back and said we don't know. He said, well, listen, it's not a big deal. If you don't want the property that's fine. We have somebody else who wants. We've got a bunch of people actually, that are wanting this deal because it's such a good deal. If you don't want it, no big deal, don't worry about it. Then make a big deal out of it. We said we got somebody else. We got other realtors that have clients. And then they said, oh, whoa, whoa whoa, wait a minute. We'll do it. Okay, so this is such a cool story. We did an assignment. I'll walk through an assignment agreement. What it is, what's in it? In just a minute here, because I got one on my iPad. We close the deal. We got a \$45,000 assignment fee. We paid that realtor who brought the buyer some extra commission. The seller who had it listed with the agent paid their agent a commission. It all worked out. We did an assignment on a vacant lot that we didn't own where there was a realtor involved on the listing side and a realtor involved on the buyer's side.

**Joe:**

Okay, but here's the thing. We didn't have any title companies that we knew in advance that would do these kinds of deals. They're the Realtors had probably never done an assignment with wholesalers before, you know that. We didn't pretend to know everything. We just said, here's a good deal. You know, we can buy it for this. We want to sell it for this. And can you help us figure out how to do it? And we did. Our net at that deal was about \$36,000. Okay. I think I did a video on that earlier. I got a notification while I was playing golf. It was a little warmer than it was. Today is today. But I got a notification. Let me close that deal made 36 grand on an assignment. Isn't that cool? Well, here's the other cool thing about this. This buy was such a good deal for that end buyer. We just got an email from him two days ago saying, hey, I'm looking for more deals. Do you have



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anything? And he gave us some criteria of what he's looking for and in one of his bullet points, and he's sending this out to a lot of other land investors, we're looking for deals in the area. One of his bullet points was assignments accepted or assignments or whatever. Now I forget the language you use, but he's actually putting in there that he's okay with paying assignments because as an investor, we've showed him, listen, if you can just let us do an assignment, we're going to save a bunch of money from interest, from borrowing him from a private investor. We're going to save a bunch of money with closing costs. It's a great deal. So it just works. Okay. Assignments are not illegal. The issue becomes and again, I'm not an attorney. I don't pretend to be one either. You need to talk to an attorney about this, but you need to work with realtors when you're doing assignments, generally speaking, okay? Otherwise you just have to purchase a deal and turn around and sell it, or go ahead and get your license or whatever you want to do. But you can do assignments. Okay. Now, I've done a lot of assignments on vacant land, on houses, and even on houses. I've done assignments for cash purchases, so I buy it. I have a contract to buy it with cash. I've also done assignments on lease options or owner financing, or subject twos or just straight up regular option. So how does that work? It's really, really simple. Okay, you have a contract to buy or lease or owner finance a property with the seller. You're the investor. You have a contract in that contract usually unless it specifically says you can't, it gives you the right to assign that contract to somebody else. And there's a one page contract that we use when we do assignments.

**Joe:**

Okay. I'm going to walk through this. By the way. You can get this for free. Simple land kit.com. All right. Simple land kit.com. You can get this contract for free. It's a one page assignment agreement. And it's very very simple. And sometimes what I do is when we're doing an assignment, when I'm talking to a realtor and I'm talking to a title company, I say, hey, this is normally what we do, but I don't know how you do it there in your area. So can you help me with this? I don't come to them. I might fill this out, send it to the title company, send it to the realtor. And I say this is. What I normally use. You know, if you have something else that we can use that might be better. Then can you help me out here? So normally are the like, okay. Yeah. They want to make some commission on these deals. Right. And I pay my realtors very generous commissions. They will figure out a way to make it work. That's aboveboard. That's legal. Using their paperwork, all of that stuff. You don't have to worry about how all the paperwork works. That's my main point I'm trying to say here. Okay. You don't have to know how all the steps work. You just go to these realtors and title companies and other investors and say, hey, I think I've got a good deal here. And I think it'd be best if we did an assignment. It saves everybody a bunch of money. How do you suggest we do it? So this is a contract for only two people that signs this. Okay. It's a really simple. You have the assignor and the assignee. The assignor is you the investor? You're the one that is giving the assignment. You're the giver of the assignment. That's how



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I remember it. The assignor the giver. And then there's the assignee. That's the one receiving the option agreement. Right. So there are there's usually an assignment fee of 510 \$45,000 okay. And that goes on the assignment fee part. And this is where you say the date. This is a date made between the assignor which is you the investor. And the assignee is the end buyer that you're assigning that deal to. There's two things that you assign. Typically the assignment of the contract. And in this you reference that contract you reference okay. So this contract for a fee of \$5,000 we're signing this contract dated, you know, December 14th, and we're assigning it to you for a fee, for an assignment fee of \$5,000, \$10,000. And by the way, when does that money get transferred and paid? At the close. And I'll talk about that in a minute. The second thing you assign is the earnest money. And this is how if you put down \$5,000, \$500 earnest money on that transaction, on that deal that also gets assigned to the end buyer, okay. And then you sign it and the person you're assigning that contract to signs, it's a simple one page agreement. Again, go to simple land kit.com to see I have two assignment agreements in there. Then what do you do. You just send that to the title company with your A to B contract and the assignment agreement with your end buyer, the investor that's buying the deal. You give that to the title company and say hey here. This is what we're trying to do. Is this good enough? Is this okay. The realtor may have another document they need you to sign or something like that. That's it.

**Joe:**

So just to kind of summarize what we're talking about here is you're going to now have an assignor, you sign the contract, the assignment agreement. You're going to have the assignee, the end buyer sign it. Now sometimes what I've done before is I've also had the seller sign the assignment agreement. And sometimes realtors require that. Not a big deal okay. So the way I explain that to the seller and I used to do this a lot on lease options, I'd have a lease option agreement with the seller. And then I would assign that lease option agreement to a tenant buyer. And then I'd be done and out of the deal. But I would tell that seller upfront, this is what's going to happen, and I would let them know at the beginning, I may or may not be the one that actually closes this transaction. I might actually assign my contract to somebody else. It's not going to be a problem. I just let them know right up front. Also, I have disclosures in my main contracts with the seller that says I have the right to assign this to somebody else. So you don't always have to have the seller sign the assignment agreement, but sometimes it might be a good idea. Now, when it comes time to where they actually have to assign the assignment again, they might ask, well, what's going on here? What's this all about? You just need to remind the seller, I gave you an agreement to buy your property, or to lease your property or whatever for \$50,000, \$100,000. And that's still happening. I promise that we're going to close on the 5th of January. That's still going to happen. I'm just bringing in my money, partner. I call him my money partner in with me on this deal. And in order for this to work for him, in order for



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you to get your money, in order for you to close, like when we said we would, he needs to do this assignment agreement. So you can kind of almost put the blame on your end buyer investor in a good sense, right? And say in order for the money part of this to work, my money partner, we need to do an assignment, that's all. It's not a big deal here. Go ahead and sign this right here. We'll get it taken care of right away. So, you know, you see, what I'm saying is very, very simple, especially when your title company is now involved. This makes it easy. All right.

**Joe:**

One more thing I'll say about this. One of the best ways to do assignment agreements is with options. Okay? Sometimes you get a seller that wants way too much for their property, but it still might be a good deal. Or it's in an area where you don't have a lot of buyers. Or maybe it's a two. It's a really, really large property, and you don't have \$500,000 to buy this 100 acre piece of land or whatever. You can give the seller an option agreement. And this is what I like to do. I'll tell the seller, hey, listen, I don't know if I want to buy this property for \$500,000, but I might know somebody else who would buy it for \$500,000. So what I want to do is I have a six month option agreement here. It's an option. It just says for \$500, I have the option to buy this property for \$500,000 sometime in the next six months. Okay. So. If what we need to do. If you can sign this option agreement with me, I'm going to go find somebody else who might buy this property for 500 grand. And I will just when I find somebody else. If I do, I will just sell this assignment agreement to them. And that's how I'll make my profit. Is that okay? Is that fair? Never had a seller say no to that. Okay. If the seller does object, it might be, well, like, what if I find a buyer on my own? Before you do, before the six months, you're tying up the property for six months. So then I'll say, oh, we can do this as a non-exclusive option agreement. We can just set this up where if you find another buyer that will beat my price, just give me 48, 72 hours to give you a real contract that either matches or beats that price. Would that be fair? And then usually the seller is like, okay, that's fine, you understand. But now you've got an option agreement on a questionable deal. You don't know if you have a buyer that will willing to take that from you. Right. You don't know if it's a good deal or a bad deal. So use a straight up option agreement okay. The one page option agreement. And then when you find that end buyer you do that simple one page assignment agreement. And you assign the option to that guy. Now you give that to the title company or you give it to the realtors and you say, here we go, we got this deal. I have an option. I'm assigning this option for \$25,000 to this guy. What do we do next? And guess what the realtor will tell you because they want to get their commission, the title company. They want to get paid, their closing costs and everything they say. All right. What we need to do, we need to do a new contract. All right. How do we do that? What contract should we use? So this is my thing. Now I'm saying you don't have to be the one that understands how all of this works. Okay, then lean on the title company, lean on the realtors, and they will give you the paperwork to sign to make



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this work. Actually, all the way to closing. All right. That's all I got for you. Again, if you want this assignment agreement, go to a simple land kit.com, simple land kit.com. It's all there. Check it out. And if you like this video, please comment down below. Give me a thumbs up. Subscribe to the channel. I'd love to hear what you guys think. Do you have questions about this stuff I'm talking about? Does anything I said make sense? Did I make a mistake on and let me know please down below in the comments. What other kind of videos would you like to see me talk about? I appreciate your will see a comment down below I appreciate it, thanks.