1364 - How to Buy a House Without Bank or Mortgage

Hosted by: Joe McCall

Joe: Hey, would you like to learn how to buy a house without getting a mortgage, without dealing with banks, without getting your credit checked, without dealing or worrying about your credit report for your credit score? Would you be interested in learning how to buy a house? Well, I've done this a couple of times, and I'm gonna tell you the secret right now. So let me give you a little background into how I kind of figured this out. You know, I bought lots of houses with traditional bank financing. You know, did okay. But I reached a certain point where the banks wouldn't even lend me any more money. Even though I had a strong portfolio, there's just certain limits to how much property you can actually own. And the bank started getting a little antsy and nervous about stuff. Right? I realized, you know what? If I want to buy more property, I need to learn how to get creative. And so I by two started buying properties, investment properties with lease options, owner financing and subject to subject to just means where you take over somebody else's mortgage. A lease option is where you lease a property with the option to buy it in future. And then owner financing is where you tell the seller, Hey, I'll get you whatever price you want as long as you're willing to be the bank and lend me the money. So I pay this seller back over time. So I've done a lot of deals like that. But there came a point where I've talked about this a lot of my YouTube channel. I was hemorrhaging cash. The market crashed in 2007 and eight. I lost a bunch of my own investment properties back to the banks and I was losing my own house to foreclosure on the verge of bankruptcy. And so we just started renting properties for a long time. Well, fast forward six years and, you know, it takes a long time for those things to get off of your credit. The short sales, the 30 days, the 60, 90 day lates on your credit report, the foreclosures and stuff like that. It takes a long time for that stuff to get off your credit. And I also had some serious tax problems like I owed the IRS $520,000. I've done more videos talking about that. It's still hard to talk about. Very dramatic. But anyway, if anybody was in a place where they could not get a mortgage, it was this guy. I was making good money, but no bank would lend me any money. I could have had enough cash in the bank to buy a house with cash. The bank still would not lend me any money. So here I am. I don't want to rent a property anymore because we were tired of moving. We were traveling a lot at the time and we just wanted to settle down. We wanted to settle down. So and also, by the way, being an entrepreneur, a small business owner, it's hard enough to get a loan as an entrepreneur because you don't have a W-2 paycheck. You don't have paycheck starts. Well, anyway. So I was at this point where we wanted to buy a house, but we couldn't because no bank would lend to me.

Copyright © Real Estate Investing Mastery, Joe McCall
http://www.RealEstateInvestingMastery.com

Joe: And so what did I do? Well, we did what's called a lease option on this one particular property I was doing my marketing, a seller called me and said, Hey, you know what? I'm trying to sell this house when I can. I don't know how I'm going to make next month's mortgage payment. We just bought another property. I can't do two mortgage payments. What can you do to help me? And I said, Well, you know, have you thought about just leasing your property for a little bit and then selling it to a tenant buyer? Yeah, tell me more. And I said, Well, you know, I think I've got the perfect tenant buyer for you on this property. Me? This was a huge house, about 5000ft², five bedrooms, two and a half baths, finish walkout basement on a cul de sac in a great subdivision and out in the west suburbs of St Louis. And he said, okay, great, let's do it. I think about one month's rent down as a lease option deposit, and I told him we would take care of all the maintenance and repairs and we did. For two years, I think we were there in the house, might have been three years and it was a great house. We loved it. But you know, at the end of that time we were like, We don't want to buy this property. So we had the option to buy it, but not the obligation to buy it. We didn't have to buy it. So we came back and told him. He said, You know what, sorry, we're not going to exercise our option. We're not going to buy this property. And he said, okay. And so we helped him actually list the property and we helped him find another buyer that actually bought it with traditional bank finance. So it was a good win win win all the way around, right? For two years we covered this guy's mortgage payment. We got below market rent. We got a great deal on this property. It was beautiful home and we took good care of it. We never called him once for any kind of maintenance things to fix and all of that. And he got his rent paid every single month. And then by the time two years later, the house was worth a lot more and he was able to sell it with a realtor and make a lot more money. So he was happy. Everybody was happy. Never missed one of his mortgage payments. All right.

Joe: So then we traveled a year. We're gone for about three months, my wife and our four kids and we had an RV. We went in an RV for a couple, three months. We were homeless. And we thought, well, you know what? I'll be able to get a mortgage. And then we got back kind of settled back into living here in Saint Louis. And guess what? I could not get guess what I could not get. I could not get a mortgage because I was still about six and a half years removed. Usually takes about seven years for most of those bad things. On your credit report to get removed. I was still not seven years away from getting that stuff removed. Plus I had some huge IRS leans on my property again. We don't want to move anymore. We want to settle down. We're tired of traveling. We're tired of moving. And it was very, very stressful. So this is what I'm going to tell you now, is what you can do as well now on your own to find your own property. In fact, let me rewind, tell you another story. I had a client named Carl. This was a full time investor. He was just a regular wholesaler and doing all

Copyright © Real Estate Investing Mastery, Joe McCall
http://www.RealEstateInvestingMastery.com

kinds of creative deals. And he made good money doing what he does. But his wife was a teacher, so she did not make enough money to work. I mean, to live in this neighborhoods that they wanted to live in that they could afford. And he wasn't making consistent, steady income and he wasn't getting a W-2 paycheck every two weeks. So it was a lot harder for them to get a mortgage. They wanted to get a house at the time in the $500 neighborhood, $500,000 neighborhood. So they just it was too hard. So they found a seller that was in a very, very tough spot. This house was way too big for her. She didn't have any family with her. And she had a she had a mortgage payment that she needed to move out of the house. She couldn't sell it for what she needed it. She didn't want to sell it at the price that the investor wanted to buy it for, for an all cash offer. So he offered to lease option it from her. And what he did was he gave the seller the price that she wanted. In exchange, she gave him 100% rent credits for five years. So he put down $0. He didn't put anything down on this property. He had the option to buy it in five years. And basically his rent was enough to cover the mortgage payment. He negotiated that he would get 100% of that rent back in reducing the purchase price of the home. All right. So and if ever any month's rent was one second delayed, he would lose that credit. So from the seller's perspective, it was a win win. Okay. Anyway, so he then lease option was property and then I don't know if they bought it later on, but it was a great property in a great neighborhood, so they sold a couple of problems. Number one, they help a seller who couldn't sell their property, make any more mortgage payments. And number two, they were able to move into a really nice property in the great neighborhood where they eventually it gives them some time now where they can get the tax returns and get the right loans and qualifications.

Joe: All right. So anyway, back to me now. We didn't want to rent any more, so but we also wanted to live in a certain neighborhood. We wanted a certain house. And this is a crazy story. I'll give you the short, short, short version. We really started praying like, God help us find this house. We want to be in this certain specific area. So I got actually really specific and I prayed, God help us to find a property. This is true. Help me find a property that's on three acres that's within 15 minutes from our church big enough where I can have a separate office and we can have a separate area where we can homeschool kids. That's three acres, wooded, private that we can you know, I can do these Segway videos. I didn't say that, but I do a lot of Segway videos around there. So we prayed and prayed a lot. I thought, well, you know what? I'm going to start doing some market. So I went to Zillow and I started texting for sale by owners and I started texting them things like, Hey, I saw your property here. I think I sent the text from my wife. So my husband and I are looking for a property that we can rent for a little bit and then buy that wouldn't work for you. What We started getting responses from that. We also started sending handwritten yellow letters, so I knew the zip codes I wanted to. So again, we wanted 15 minutes from our church over here. Just write down over there and we want three acres. So I pulled a list of

Copyright © Real Estate Investing Mastery, Joe McCall
http://www.RealEstateInvestingMastery.com

all of the properties in these zip codes that had a certain number of acres, had at least four bedrooms and at least, I think maybe 3000ft² or something like that. And we got a list of maybe 1500 properties and we sent them all. Or we also pulled who said they have to have owned the property for longer than ten years, I think is what it was. And so we sent out these letters. All these calls came in and we're also now, in addition to sending out the letters, were sending text messages while one of the properties it was a for sale by owner in a great area where I'm actually driving there now and he responded back to my text said, yeah, we could rent it to you for a little bit and then you can have the option to buy it later on. We looked at it. Long story short, he said, Let's do it. We did some paper. We made a large option deposit. Normally, I don't recommend making as large of an option deposit as we did, but it was about 10% of the price of the property, which is a lot. But this is this is a house. We knew we are going to be there forever. We're never going to move again. We're going to buy this product. All right. Well, fast forward three years. The IRS stuff has gotten really, really bad. And so the there's no way I can get a loan on this property. So we negotiated with the seller to convert it from a lease option to owner financing. And these are great. So we agreed to pay him the same price, the same price we negotiated three years ago. But instead of paying rent, we were paying. He was he was going to be the bank because doing it owner financing was going to make it easier. Normally this is the case, but when you refinance, when you do refinancing, it's easier than getting a new mortgage. That makes sense. Talk to a mortgage broker about this. But we decided, you know, the easier and I talked to some mortgage brokers and they said, yeah, the underwriting requirements are a lot simpler when you're just refinancing. So okay, that's great, except when you have IRS leaves attached to the property. So as soon as I turned into owner financing, I took title to the property, the IRS attached to lean to the property. So that's a whole other story.

Joe: I did two things that helped us get out of the tax problems that we had. Number one was we started tithing. And number two, I read the book Profit First and we started implementing profit first. Short story, long paid off about $520,000 in back taxes within about 18 months, got rid of the IRS liens and were able to finally get a mortgage. We got a we got a mortgage locked in a rate at about three point. 3.5% or something like that. And that was right before interest rates. Well, maybe a year or two before interest rates really started going up. So anyway, here's what I'm trying to tell you. If you can't get a mortgage right now, it's okay. There are other options. There are other attorn alternatives of what you can do. Number one, find a seller who's got a property that maybe for whatever reason, they just can't sell it right now. They want to, but they can. There's a lot you know, even if the market's hot, the average day is on markets like 34 days or something like that. Right. You can go and look for properties in your areas that have been on the market over 90 days. There's still properties today. I was just looking the other day like in Saint Louis, there's 800 or something In Atlanta, there's 1700 in L.A. there's 1800 in Denver, Nashville

Copyright © Real Estate Investing Mastery, Joe McCall
http://www.RealEstateInvestingMastery.com

and Baltimore, Washington, D.C. area. I looked at a bunch of different cities, and there are thousands of properties right now, not new construction that have been on the market over 90 days. Right. Pull that list and send letters to the owners. Text skip trace, call the owners, contact them and say, hey, would you be interested in maybe leasing your property for a period of time and then selling it to me? Or you can negotiate and talk to sellers, all this creative financing stuff I don't really do and teach it much anymore for houses. There's a lot of resources available. I have a lease options course, you know, join pace more ways can community a sub to community. There's a lot of really, really good stuff out there. I think Pace Morby has a great book. Real Estate Without Cash I think is what it is. Go get the book. But you just start like finding these people. There's a lot of motivated sellers out there that would love to sell their house, but for whatever reason, they can't. And they're worried about making next month's mortgage payment. They want to rent the property out, but they don't want to be a landlord. And so you can offer them a solution now. Now, when it's your own specific house that you're going to be living in, it's actually an easier deal to negotiate than if you're trying to do it as an investment property.

Joe: So anyway, start talking, it's called the Flap your lips method. Okay, Start sending out letters. Start sending out text to landlords to for sale by owners, to realtors, to the owners of properties and say, hey, we're looking for we can give you whatever price you want as long as you're willing to wait for it. Okay. I don't know if this a word for you, but if I could pay you or if I could just take over your mortgage payment. If I could just take over your mortgage and buy your property, would that work for you or. Probably not. What if I could lease your property for a period of time and then buy it? Would that work? It's as simple as that. Okay, now there's a bunch of steps involved, paperwork and all of that. But make sure you're working with a competent real estate attorney title company that can help you with all of this stuff. Make sure you've got the right paperwork. It's an amazing, amazing way to buy real estate. And actually it's a way to control real estate without owning it, depending on how you structure it. And so that's how we bought this house. And we've been living here now seven years. We love this property. We love the neighborhood drive. And right now we have a neighbor right there who's really funny guy and we love it. We're on three acres. We have we backed the trees were very private. If you see any of my videos, you've seen our driveway. I have a separate little carriage house, finished garage that where I have my office. We have a big sunroom with a big private area in the back with lots of trees. Yeah. Got answers. Prayers. Right. That's it, man. I appreciate you guys. We'll see you later. Take care. Go to my channel. Give me a thumbs up, comment down below this video. Let me know what you like. I appreciate you all. We'll see you.

Copyright © Real Estate Investing Mastery, Joe McCall
http://www.RealEstateInvestingMastery.com