1385 – Giving Sellers Options

Hosted by: Joe McCall

Joe: Hey, what's up, guys? Joe McCall, REI in your car podcast. How you doing? So if you listened to my last podcast I did from the car, I was in a line for this place called Small's Sliders and I'm still in the line and it's been... I don't know, I've been here 20 minutes and there's one, two, three, four, at least a dozen cars, maybe 15 cars still in front of me. I did get my order in and the guy didn't even have a menu. He's like, what do you want? I said, I don't have no idea what you guys have. And he says, well, we do these little hamburgers and that's it. I said, all right, so how many do people get? He's like, are you familiar with White Castle? I said, yeah, they're nasty. And White Castle is gross. I don't know why it even still is open. He's like, well, we're better than them. And I said, well, how many do people normally get? And he said, Two to four. I said, all right, so I'll be three and I found out that this is really popular in New Orleans So maybe I get it, you know, and it's funny because okay. I hope I'm trying to be really sensitive here I'm probably gonna get in big trouble. There's a lot of black people here a lot of black people and I was like What is going on with this? It's like soul food or like there's this many black people here It must be really good or it's like something that's black people really like Or, you know what I'm saying? And so I probably, I don't know, I'm saying something stupid, I'm sure. But yeah, so I guess that explains it. You know, there's not much in this area of St. Louis, okay, there is not much fast food places like this that is New Orleans. Like this is, I'm kind of excited about this. So maybe on my next podcast after this, I will tell you all about it. These are sliders and all they have is like cheese and onions and pickles, I think, or something like that. And one of the things that he recommended I get on the side is some queso. So I guess you can dip your hamburgers in the queso. I mean what? I don't know.

Joe: So okay. I wanted to tell you about something I think I'm gonna be testing and I'm curious to know what you guys think and I'm curious to know if you guys want to try it and test it along with me So, you know I've been doing a lot of land Investing and I go through phases where I do a lot of marketing and then I just get busy and I kind of taper it down and even my boys who help me sometimes will go through phases where they're really active they want to help and do more land deals and so they get involved and then they get busy or they get distracted or they get discouraged and they're like, ah, I'm done and they don't do it anymore. So whatever. But sign up this phase now where I'm ramping things back up slowly, right? I mean, we're constantly doing deals. I've been lending a lot of money actually lately on deals to people in our community, the Dirt Flippers community and that's been really cool. So one of the things I thought about doing lately is ramping up my

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marketing again, But this time, as I'm making offers to sellers, giving them options. In the past, I've always just made one offer, a cash offer, and it's worked well. And that still works. I'm not saying to change that. You should keep on doing that. But I'm looking to grow my passive income cash flow portfolio, and I want to buy more deals that I can turn around and sell on owner financing for the cash flow. I'd rather make, okay, I got interrupted from one of those amber alerts. And so let's just say a word of prayer real quick. for this little girl. Chrysler Town and Country. So Lord, I pray you'd help. find her in Jesus' name. Amen. All right. Y 'all praying with me on that? Yeah, God answers prayer and you better believe it.

Joe: Okay. So I thought about giving sellers options and the way that I've done that in the past with houses, I've said, all right, here is a cash offer. And if that doesn't work for you, here is a, I've either done a lease option offer, like I've gone into one of two ways. It's like two different paths. One path to the left is a cash offer with sandwich lease option offer and a wholesaling lease option offer. And then the pathway to right is a cash offer and a two owner financing offers interest only payments and principal only payments and each of those offers the price goes up so on an owner financing offer would be cash is low and then a cash offer with interest only payments is gonna be a little higher and then a cash offer then an offer with owner financing and principal only payments will be even higher still does that make sense and so I've been thinking about doing this for land and instead of just a cash offer giving them some options and of the way I've been thinking about doing this would be generally speaking I offer on a cash offer 40 to 50 cents on the dollar so let's just say round numbers if it's worth let's say $30 ,000 if the property is worth $30 ,000 I'll send them a cash offer for $15 ,000 and maybe whatever the difference then between 15 and 30 is $15 ,000 right and half of that is $7 ,500 So fifteen thousand plus seventy five hundred dollars is what twenty two thousand five hundred bucks So my owner financing offer would be twenty two thousand five hundred dollars with zero down and zero percent interest principle only payments And so I'd probably do you know sixty payments, so that's five years of principle only payments So I'm not sure what that is But let's just say it's two hundred dollars a month for sixty months for five years And that would be my offer cash offer for fifteen grand option number one or option number two $22 ,500, I think I got my numbers right, somewhere like that, $22 ,500 with zero down, or don't even say zero down, zero percent interest. Just say $22 ,500 paid, or the word I'm looking for is kind of like $200 a month until paid for 60 months, $250 a month for 60 months, whatever, whatever that equals, right? Just to get the conversation going with the seller, just to kind of get my foot in the door. And here's a cool thing. if they say cash offer, that's great. I'll either use my cash or I'll use one of my private investors cash to buy the deal and either I will just wholesale it or sell it on owner financing. And so I'm looking right now to do more seller financing on to sell them.

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Joe: But here's the cool thing too. I am willing to pay the seller more for a property with good terms. And so it's either the way this works. The reason why it works is you're buying properties either on price or terms. And if the seller, if their price is more important to them, Okay, I can get them the price they want on my terms, which is zero down, zero percent interest. And then maybe, you know, instead of 60 months, if that's too high, maybe it's 120 months, 10 years or something like that. If terms are more important to them, like they want down payment or they want interest rate. Okay, I can get them a down payment. I can get them interest rate. I can get them their terms, but on my price. So the price will go down. So if they want five percent down, then I say, all right, well, if I can do five percent down, would you do this deal today? Could we agree to this? Yeah. I said, all right, well, I can't do 22 ,500. I can get you 5 % down, but the price will be $20 ,000 and I'll put $1 ,000 down. So the price again goes down when the terms go up. And this is now makes everything a lot more negotiable and user -friendly, I guess, for you, right? Or the seller, because they might not want all that cash right now because you're gonna have to pay taxes on it. So when you do it this way, it gives you more options. It gives the seller more options, more flexibility. So now you can, with a cash offer, you can only negotiate one thing and that's price. But when you offer owner financing, you can negotiate five or six things. You can negotiate down payment, interest rate, the amortization, like how long, principal interest only payments or principal only payments. You can negotiate when the payments start. So you could, if it's a, you know, boring line deal, you're not sure if it's going to be any good or not. You can say, all right, payments will start in 90 days. And that gives you time to find somebody to buy it from you. But here's the cool thing. Now, when you are owner financing this, you can buy it with owner financing and you can sell it with owner financing and do 100 % of the deal without using any of your own money, without using any private investors money. So even though again, you're giving the seller a higher price, you are buying it on better terms and you're not paying a private investor 12 % on the money, you're not paying a hard money lender, you know, 15, 18 % on the money, and you're more negotiable on the payment terms. So you just got to make sure you're cash flowing at least $200 or $300 a month depending on the price of the deal. So you got to look at, okay, what can I sell it for? What are other competitors that are doing owner financing, selling their properties for in this area? Are they getting 500 a month? Okay, so then if your goal is to cashflow at least 300 a month, so make sure your payments to the sellers are $200 a month. Does that make sense? So you sell for 500, you'd collect, you're collecting 500, you're paying 200, your cashflow is 300 a month, makes it work. So this could work potentially, and we'll see, this is my test.

Joe: This is what I'm curious to know about is in a market that's really, really competitive, where a lot of investors are sending letters to sellers and the sellers are getting a lot of mail or they're getting a lot of stupid blind offers, you know, I can come to them with a real legit

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offer. And I'm thinking of even putting on my letter. Are you sire? Are you tired of fake offers, giving them like a real offer at a higher price than what anybody else is doing because I'm offering owner financing. A lot of these landowners, they don't need the cash right now. It'd be nice to have. They don't have to have it right now. It's not like they have to have the cash so they can pay off a mortgage and, and move into another house and they can't buy another house unless the mortgage is gone and they have a bunch of money. This is just nice to have cash. It's not need to have cash. And so you can position it to them where I can actually pay you a lot more money if you let me pay you over time. Make sense? Cool beans. I'm gonna be testing this, trying it out. And I'm thinking about doing some YouTube videos on it as I go along, just kind of reporting on my progress and results and letting you guys know how it's going. I'm thinking about maybe even if I can crack the code, doing a new class on it. And again, I've done this before with houses and it's worked really well. Don't know anybody that's doing it with land.

Joe: All right, so one more thing too. If you want me to set up a land investing business for you and work with you one -on -one I'm looking to grow and expand into new markets So I'm looking for apprentices that I can work with closely to open up some new land markets in and the way I do This is I'm gonna do all your marketing for you. I'll pay for the market I'll give you give you free business lines of credit if you're qualified now if everybody qualifies for that now But I'll give you 60 leads in 60 days set up everything for you give you freedom software free and work with you 101 for until we do deals. And the goal for this, the reason why I'm doing it is I want to partner on deals. So there is a deposit required and I require that deposit because if I do all the work and you don't do anything with the leads I give you, then I'm the one left holding the bag. So there is a deposit required and it is significant, but you get that back out of the profits of the deals that we do together. So we don't split profits 50/50 until you get your deposit back. And how much is the deposit? Well, it's a lot. And I want you, I just going to tell you to go to a website to check it out. It has more information. There's a little video of me explaining it. You go to JoeMcCall.com slash apprentice, JoeMccall.com slash apprentice, and yeah, let's go. I just interviewed one of my apprentices, Zach, a few weeks ago, released it on my podcast and YouTube channel. He did like four deals his first three months. I'm getting a lot of really good stories and success stories like that. So here I am. I'm the second to the last car in Small's, I forget the name of the place on that. I've been here for so long. And it's probably, I've been here 40 minutes and I'm about ready to get my food. Perfect timing, because I'm ending this podcast. I'll let you guys know how it ended up. We'll see y 'all later, bye.

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