



# YOU'RE JUST ONE DEAL AWAY

## WHAT CONTRACTS TO USE

Host: Zack Childress

So, the big question is this, how do aspiring real estate investors like us escape from the rat race and build real wealth and freedom without access to millions of dollars in investment capital and start to live the life that we know we deserve? This is the question and this podcast will give you the answer. My name is Zack Childress and welcome to Real Estate Investing Talk Show.

We are digging into our 24-week challenge. I am Zack Childress. I am your real estate coach because I am a real real estate investor. I'm out there doing it every day and I've been doing it for 16 years and what I wanted to do this year, we start off with a 24-week challenge, which means over the next 24 weeks I'm challenging you to grow your business and I'm going to help you every week. I'm going to do that by giving you small pieces of the business each week as we move forward to help you develop strategies, skills, knowledge that will help you grow your business. That's ultimately the purpose of it.

And so, we're on Week 5 of the 24-week challenge. What is Week 5 all about? It's all about what contracts to use, what contract should I be using, and which one should I get familiar with, because that's ultimately what it comes down to when you're looking at contracts. Lots of people get nervous about contracts because they don't know enough about them. And what that really says to me is they haven't read them. You need to read all your contracts. You need to highlight the things you don't know or don't understand and you need to get answers for them so that you're very clear on your contracts.

There's different contracts for all different purposes. I mean, I can spend a three-day seminar just going over the abundances of contracts out there and the different ways to contract a property and the different strategies from it. But I really want to keep it to the core right now and help you understand specifically what contract should you be aware of. And so, what those look like is, is there's a list and if you want to write them down, you can. And those lists are, you should all be using an LOI. You should be



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using a purchase and sales agreement. You should be using an assignment of contract. You should be using a lease option agreement. You should be using a co-wholesaling agreement. You should be using a demand of funds letter. You should absolutely be using an independent contractor agreement (ICA), okay?

And those are things depending on which strategy that you're going to be in and how that unfolds. But we got the LOI and the purchase and sales agreement and the assignment contract, the lease option agreement, the co-wholesaling and the demand of funds agreement. Those are the things you need to be aware of when we're going to work our way through these main agreements, okay?

Well, let's talk about the LOI. Let's go ahead and break out a page or half a page or whatever you want to do. Spend some time on the LOI. The LOI is a very easy to use contract, right? The LOI is just simply the letter of intent and a lot of agents tend to balk at the LOI. And, and honestly, I don't know why because the LOI has been around longer than I've been around. Honestly its original purpose was for commercial investing because commercial investors would never even start a contract with anyone until they had initiated a letter of intent.

Meaning, "hey, look these, this is our intent to buy, this is my letter stating I want to buy based on these following terms." And what that did was it allowed the seller to acknowledge the terms and say, "look, I'm good with all these terms and if they are, then you move forward with a state approved contract at that point or any contract written by an attorney to execute the sale." Honestly, you can actually buy a piece of property from a napkin. Let's just be clear on that. But the letter of intent is also useful in real estate for residential. And the reason being is, especially if you're brand new and you're a little nervous or you're a little skeptical of the contracts, and I think that's reasonable. I mean, it's reasonable if you've never done them or haven't been through the process of actually closing on a property or haven't been through the process of learning your contract, you couldn't be nervous about it.



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There could be a sense of fear, which is false evidence appearing real, right? That you know, things may not go the way that you want. The biggest thing that I get back from students is, well, what if they accept it? Now I'm binded to the agreement. Well, in a purchase and sales agreement, you are binded to the agreement, in an LOI, you're not. An LOI is a non-binding agreement that allows you to basically put your intent out there to as many properties as you want without being bounded to buy any of them. Even if they sign it and you sign it, you're not bounded to buy. It's just an intent saying, "hey look, here's a formal letter of my intent to purchase your property based on these terms, based on these things right here. And if you agree to these, then I'll move forward with a contract."

It's super easy. It's super-efficient and the best part about it is it allows you to move a lot faster through properties and offers. A lot of people get stuck on making an offer because of the contract. Well, it's a one-page document. If you have my 30-day fast track, if you have my quick start, my quick cash, my matchmaker. If you have my bus tour, if you have my two-day immersion. Yeah, my three-day event. If you have any of the stuff like that that I produce, you have a copy of my letter of intent. Use it, like use it. I'm telling you, use it. It's powerful. You want to use this thing, it's strong. It gives you the confidence to keep getting offers out there. Then from there it allows you to take an execution on the ones that you want to move on and the ones you don't, you don't have to. That's the beauty of it.

So, the letter of intent, purpose is to get you to the purchase and sales agreement, right? So instead of you, let's say if you live in California, bless you. If you live in California, I lived there and I was happy to get out there. Hey, I'm not complaining about California, I'm just saying I was very happy to get out of California. There was a lot of good in California, but then I was really happy to be out. So, purchasing sales agreement is where you actually get bound into the agreement. It's when you have laid out your intent to purchase, you've laid out your intent and your terms of purchase, whether that be cash or whether that be through some type of seller financing through a purchase and sales agreement on a number of things, right? That contract is binding.



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So, what does that mean? That means you need to know it, you need to learn your contract, you need to read it, you need to pay attention to it, you need to understand everything about it and you need to move through it, okay?

And you need to be able to communicate that contract to a seller if you need to, right? The purchase and sales agreement is what controls the property, okay? The LOI is what gets you to the contract. The contract is what controls the property. Here's the beauty of dealing with for sale by owners without an agent. I do not need any type of pre-approval with a for sale by owner. I don't need it. I don't need it, okay? All I need is the seller to say yes. And now I'm in control. Don't confuse working with true for sale by owners, meaning I've picked up the phone and I've called for sale by owners. I picked up the phone, I've called rental ads, I've picked up the phone, I've made contacts with sellers who are selling and now I'm in control of that.

Versus going to an agent, which so many new people make this mistake. They lose money because of this. They think they don't. They just go out and pick up the phone and call an agent. They're going to get all these deals and then that's not the truth. Especially if you're a creative investor, especially if you're trying to get out there and do creative stuff. You're not going to do it with an agent. You're not. You're going to get let down. They're going to eat you up for lunch. They're going to ask you questions you can't answer. They're going to require documents that you can't produce, so stop. Stop doing what you can do. You guys need to get my book, My First Deal Playbook. Go to Amazon and it's six bucks. If you can't afford six bucks, then you really need the book.

It's on Amazon. It's \$6. It's called my First Deal Playbook. It breaks down the psychology of why so many of you are failing because you're going after the wrong lead sources and you need to change your thinking process and go after the right ones. That's where the purchase and sales agreement comes in. It controls the property, it dictates closing day. It dictates your inspection period and it dictates your rights to get in and get out of the deal within your inspection period. It has all your contingencies. It has the amount you're going to pay for. It lays out all the logistics of the deal and when you both sign it, yes, you



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are now in a binding agreement. Unless as a wholesaler, you're in and out of that deal within inside your contingency period because you have a contingency for an inspection. Don't ever, listen to me. Don't ever go into a contract without an inspection contingency. And I know, trust me, I know there's some people out there that'll say, oh, well if you put an inspection contingency, you won't get the deal. Well, I don't want the deal. You understand? Like, why would I want a deal that I can't inspect?

Logically don't make any sense. I don't want it. And listen, if they say, "oh well, you're not going to get any in this market." Then guess what I'm going to do? I'm going to go to a different market. That's what I'm going to do. That's your purchase and sales agreement. Most agents want a state approved contract. Do you have to have a state approved contract with for sale by owners? No. You just need a straight purchase and sales agreement. It can be a one-page agreement. It could be a 10-page agreement, but it doesn't have to be. State. State is driven around agents. Agents use a state approved contract to protect them. Okay, so now we're moving onto the assignment contract. Okay, so I've taken you through the deal, right? What we initiate with an LOI and the LOI is just my intent to buy, right? It's my intent to say, look, I'm interested in your property. I can send out a thousand of those. A thousand of them. I don't even have to put any earnest money down. I don't have to put anything now with an LOI.

Now once they come back and say, yeah, I'm interested, like I'd like to talk to you about selling my house, you say, great, then you move to a purchase and sales agreement. Now let me be very clear. If I'm dealing with a for sale by owner that I have found through calling, you know, for sale by owners through Craigslist, rental ads, all the resources that we talked about, those are straight seller for sale by owners, okay? Which means all I've got to do is put a contract together and that contract dictates how I'm going to be in there. The language that needs to be in that contract so I can wholesale is buyer reserves the rights to take title and name or entity of choice. That's what reassures my ability to assign my contract. The buyer reserves the right to take title and name or entity of choice.

Okay, so that's one of the things you have to put in there. That's what allows me to then move to the assignment agreement, okay? And I'm just so proud of all the students that are on this feed that watch



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us every Tuesday that make the comments about how they're doing deals. They just wholesaled a deal there in the middle of wholesaling a deal, the ones that are giving our coaches credit and talking about how great they are. We have one of our coaches on here, I see we had some people last week giving him a lot of praise and I just think that it's beautiful to see those that listen and believe and actually do the work, right? That's where the game changes. I appreciate that the assignment agreement is where we make our money.

The assignment agreement has to dictate that you, as the wholesaler are not the owner of the property. It has to be fully disclosed. It has to be disclosed fully, that you're not the owner of the property and that your intent is to sell your rights to close on that property to someone else. The new buyer in this case has to dictate the address of the property in which you have a contract to buy. It has to dictate the amount of the assignment fee that you're requesting and there's other language to keep you safe. Like all the information in the contract is binding to the new buyer. And this is why you as wholesalers have to listen to this, it's very important that you got to remember when you're selling an assignment contract.

Remember, we don't wholesale as sell houses, as wholesalers we sell the contract. That's what the new buyers are buying. So, for you as a wholesaler to say to that buyer, you can't see the contract. That's like saying to somebody, you want to buy a car but you can't see the car and just pay me the money. You can't do that. Where people have a fear of showing the contract is they're afraid of the new buyer is going to go around him, right? Well, you just got to make sure you'd cover up the pieces of the contract that you don't feel comfortable with that buyer using or seeing. And then allow them to review it because for me as a buyer buying from wholesalers all the time they make it an assignment fee. I want to know the language in the contract, I want to know what is in that contract and what am I buying because I'm bound to that. Once I buy that through the assignment agreements, you just need to be aware of that.



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So, moving on, lease option paperwork. What is the lease option purchase agreement? Well the lease option purchase agreement is just that. It is a purchase and sales agreement with the intent of you taking the property with a long-term lease with the rights to buy it at the end. That's what that unfolds. So, it's just like saying, hey look, I want seller financing on your deal, but they may not want to do straight seller financing or they may not want to do a wrap mortgage or they may not want to do subject to. Or they may not want to do a contract for deed or land installment contract because they may. They may have data on it and they may be nervous about that or not sure how to do it. So, the simplest way to control that property is to do a lease option purchase where you're saying, hey look, I'm going to go into a purchase and sales agreement with you, but I'm going to have a four-year lease on it with the option to purchase it at the end of four years and we're going to control the price now.

So, in four years I'm paying for what we negotiated now. So that's where the lease option paperwork comes in. I'm a big fan of lease options. I think they're super powerful. If you're renting right now, you should be doing a lease option instead of renting especially if you're finding lease options through like a foreclosure list where people are behind on payments. You might have to have some reserves to clean them up out of arrears, but they're really easy to get in on a rental. Ads are another great avenue for that. I mean, there's lots of ways if you just put the time in. But at the end of the day you got to do this, you gotta literally pick the phone up and you got to make a lot of calls. For those of you that were at my two-day immersion or any of my two-day immersions, you've seen the amount of deals that we get in a matter of two days and we don't pay for any of them.

Guess what? We don't even send out a proof of funds letter, right? We just get deals because we're dealing with for sale by owners, okay? And that is why it is so important that you understand that it's just this, it's making the phone calls to for sale by owners. Real estate agents are the ones that are going to require more documents, more proofing, things like that. But stay away from that. Stay with for sale by owners, okay? That's where you stay with.



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Alright, co-wholesale agreement. What is the co-wholesaling agreement? A co-wholesaling agreement is nothing more than an agreement between you and another wholesaler who either has a buyer or has a deal already under contract without a proof of funds. And let's be clear on that because they're dealing with for sale by owners. You're saying to that other wholesaler, I'm going to go into an agreement with you to help in this partaking of selling the contract in which you have on that property.

So what that means is, is that you can now say, instead of me spending money and going out and doing a big marketing campaign, I can literally go out and I can find another wholesaler who already has deals and I can go into a co-wholesaling agreement with that other wholesaler, which means I can now bring a buyer to the table and we can share or split in the assignment fee to sell that contract over, okay? And that is where the co-wholesaling agreement comes in the deal for him. This is a very specific form that you're going to want to think about because the DLF form is a form that allows you to get paid out of escrow, demand of funds. It allows you to get paid out of escrow. What that really means is is that you're now able to move out of the contract.

So, if I have a seller and I have a buyer who's getting financing, that finance buyer has to have a direct contract with the seller so that the lender will approve his funds or her funds. Well, if I'm the wholesaler and I'm in the middle, that buyer has a contract with me to buy my assignment agreement, not with the seller, so I get myself out of the way and I put that buyer and I put that seller into a direct contract. But before I do that, I have them sign a DLF, a demand of funds letter that dictates my fee and how I'm being paid out of escrow. So that's the power of a demand of funds letter, alright?

What's an ICA? We're going to talk about ICA. ICA is independent contractor agreement. This is for all my level three investors, meaning that you're a rehabber now. Meaning that you've secured some down payment money, whether it be through a private investor or through your own hard work and effort, you have security, you've secured asset-based lenders or hard money lenders. You've secured both of those, right? You've secured them both up. Now you're moving into a tier three investor, rehabber. When you move into a rehab position and you're hiring contractors, you have to use an ICA. You have





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to. It basically lays out the scope of work. It lays out all the stuff that's involved in that deal and what you need to be prepared for. It lays out every single thing that needs to be agreed upon between you and that contractor to be able to produce his work and how you pay them, what they're gonna do and what you're going to do to pay them.

That's what it's for, and that's important for you. It's important for you in many, many, many ways. Learn that the ICA is protection. It's protection from you to them and also gives you a very clear understanding and a very clear layout of how you're going to work together, okay? How you're going to work together. That's what it lays out. So, use the ICA, guys.

My doorbell just rang. Did you guys hear that? I can't get up and go over there. I'm sure there's somebody out there but they'll just have to wait, won't they? Alright, I've been here for a long time today. I got to get rocking and rolling. I got things to do. I got kids to pick up from school and I got things to get done.

This is Zack Childress, your real estate coach. I've enjoyed you guys today. Keep it positive. Keep it real and keep showing back up. You've been listening to the Real Estate Investing Talk Show. I'm Zack Childress and I'm on a mission to create 10,000 real estate bosses over the next year. Will you be one of them? Head over to my website, [Reisuccessacademy.com/webclass](http://Reisuccessacademy.com/webclass) and register for my free web class and you'll discover how to escape from the nine to five grind and become your own boss in real estate. See you there.