



YOU'RE JUST ONE DEAL AWAY

WHOLESALE LEASE OPTIONS

Host: Zack Childress

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.

Zack Childress: This market is like 2006, 2007, 2008 all over again, right? So you would absolutely be naive to not get your education together; get your game going; get your business running; and get your network going, and get your offers out because you're going to sit back and it's going to roll right past you and you're going to wonder why all the people who were grinding right now are the ones laughing while you're saying, well, I hope that market comes back again. Let me tell you something. When you become a master investor, you look forward to all markets.

Zack Childress: Let me give you an example. Somebody said to me the other day, they said, Zack, are you excited about the market we're in right now? And I said, no, not really. And they said what, and I said three years ago I was excited because that's when it was accelerating. I was making a killing. I said right now I'm ready for this market to the shift. I'm ready for all the prices to drop again and people, you know, start selling houses left and right and the shift to happen. And you know why? Because that's where I make so much more money because the prices drop a buy them low and I sell them high. Like for instance, 10 years ago in California, I was buying houses for \$80,000 to \$100,000 and then you fast forward 10 years later and I'm selling them for one, for three, three twenty-five,



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three seventy-five. Right? Like let's get it together guys, let's get it together. But one of the things that you guys have a challenge with is when to act and when not to act. And let me explain this really quick.

Zack Childress:

You spend too much time trying to time the market just right and you're not gonna hit it. You've got to master your skill sets to know what strategy to use in either market. For instance, is this a rehab market? Yes. Is it a wholesaling Margaret? Yes. Is it a buy and hold market? It can be right. If you get it for the right price and you know, but all- look I own in this market alone, I probably own 26 fourplexes. Okay. I didn't pay over \$115,000 for any of them. Some of my bought at 60,000. Some I bought for 80. They're bringing in \$2,000 a month. Would this be the time to sell them? Yeah. Would this be the time to buy him? No, because they're here selling for one-seventy, one-eighty, which is ridiculous. These people buying them at this price and two years from now or a year from now or whenever, they're going to realize that they're not getting the cash flow they want off of it and they're either going to get rid of it or go into foreclosure and guess who's going to be there to buy it when it goes down in price again? Me, I am absolutely.

Zack Childress:

I want to, I want to own a whole street over here and I'm like four away from owning the whole street and then I'm going to barricaded it all off and call it my own apartment complex. But you know, that's a personal goal. So, um, so to do this, you gotta be able to move with the market. You got to get educated to move with the market. You got to know which strategies work best in the market. But on top of all markets, there's one strategy that will work no matter what market you're in, it's called wholesaling the option. If you're in a down market or if you're in an up market, you can always wholesale the option. And let me explain why- bless you Jill, bless you. You know where bless you came from? So, there's a- I forget what the whole process was, but it was told to me -



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I know I've got ADD, I'll get back on the option - It was told to me that when you sneeze for a split second, you die... Your heart stops and so your soul is vulnerable, and so people would say bless you so that no one can ward off the evil from capturing your soul. So yeah, see that's the random information I carry around.

Zack Childress:

Okay. So anyways, back to the option. So, the option is crucial to learn. It's crucial to learn, to know, to live by, let's be honest, an option is just one way to structure seller financing. Okay. Are there multiple ways to do so? Oh yeah, absolutely, there is. You've got a contract for deed, you got land installment contract, you got subject twos, you got wrap mortgages, you got straight line seller finance, you've got lease out. There's a plethora of ways to control a property without getting financing by meaning leaving the existing financing in place on the property. Okay. Um, it just depends on how you want to structure it for safety. Now look, is subject twos probably the safest way to do finance seller financing? It could be because you actually get the deed to the property, which means that they can't do anything with it. Right?

Zack Childress:

Contract for deed, that's another one. Land installment contract, that's another one. Like I bought a commercial building. I put it on land installment contract. I got the seller who had the property at sat vacant for three years. He wanted 225. I got him down to 130. I structured a seller financing deal with him. I got a payment to him of \$800 a month. I rent that commercial building out for \$2,800 a month. I'm a \$2,000 net cash flow. Well roughly \$1,800. Net cash flow on a building that was commercial that I structured a land installment contract on, which means I did not get a loan. I didn't go get a loan for the property, I negotiated with the seller to leave the financing in place because here's why: he couldn't sell it. Why? It needed a lot of work, let's just be honest with you.



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Zack Childress: And it was in an area that wasn't that desirable and he was the original owner of the building. He was the original builder of the building and he got old. His business, he sold off his business and he was at home and he couldn't figure out why I couldn't sell the building. Well, one, he had a really poor agent on it. Um, I'll tell you that right now. But, um, and that's a telltale sign for me when I'm calling aged properties, write that down, um, that's some of the best avenues for structuring seller financing aged properties, write that down. Um aged listing properties, write that down. I'm trying to give you a golden nugget right now. You need to go after those, right? Because here's a seller who's been trying to sell. They can't sell it. A year goes by, two years goes by and they still can't sell it.

Zack Childress: Guess what they've been doing for two years? They've been paying taxes, they've been paying principal and interest, they've been paying all that stuff on that property. They don't want to pay it anymore. Right? So, they're willing to do some form of creativity to get rid of the pain. That's what it is. Pain. It's called payment pain. Write that down. Um, so the payment pain is what makes the creative financing work so well in, in 80 to 90 percent of the time. Because here's why. If a person can make their payments regularly and they don't have, they're not motivated.

Zack Childress: It's like me in this house out here that Megan is trying to sell for me. I pay taxes on it. I don't have a payment. I own it free and clear. I don't have a payment pain. You understand? Like I'm not motivated. If somebody came to me and said, hey, I'll do seller financing. Well then, I'd say no. Like I'm not, but yet, I've sat on it for how long? Almost three years now, vacant? It's almost became like the um, the, the um, what do you call those? A boarding house. It's kind of become a boarding house for me, like if I have a friend that needs a place to stay, I'm like, Oh, I got this house out in the country, go stay there. Well, Megan



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probably wouldn't call that the country, but I call it the country. So, um, so I'm like, yeah, just go stay there. Right? It's become more of a boarding house. Um, but the point is, is that it's all about payment pain. You can't go after an age property and the person doesn't have a payment pain. There's no reason they want to do the deal. So, it's all about payment pain. Okay? So that's one of the key factors moving into an option or creative financing.

Zack Childress:

Now I'm not going to sit here and teach all nine different ways to create a financing. My goal is to teach you why you should wholesale and option, right? Because let's go into the option world. The option world is known as a sandwich lease option. Why is that? Because you structure seller financing with the seller with a lease option, right? With a lease to purchase, meaning that I have a purchase agreement with an option to buy. So, the, the, the actual terminology of the contract is a purchase option agreement. So, I have a purchase option agreement, whether that's for two years with the rights to purchase, three years with the rights to purchase, 10 years with the right to purchase, or even 15 years with the right to purchase on, on the commercial building that I was telling you guys about. I structured a 15-year term, right?

Zack Childress:

I got 15 years to, to pay him. Actually, I'm sorry it was five years, 15 year, um, uh, amortized five-year balloon. So, so that's something to take into consideration. Now on top of that, I'm structuring that with the seller, right? So, I've got- I'm taking over their payments because why? There's a payment pain, right? So, I'm taking over the payments, um, and I'm structuring the long-term lease with the option to buy. Now I don't want to live in it. You could, but I always say, why would you rent ever when you could just do a lease option on a property At least then you have the rights to buy it, but with that said, over here I have this agreement with the seller. The seller has agreed to let me take over



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their payments, take over the debt that's on it. Let's say the property's worth 140,000 and they owe one-thirty.

Zack Childress: Well, I'm going to take over the one-thirty. Okay. Now you might say, well, there's only \$10,000 in it. Yeah, there's, there's \$10,000 in it. That's right. There sure is, but I don't need to worry about that. All I need to worry about is a couple of factors. Number one is the payment, write this down, is the payment that I'm taking over equal to or less than the rental market. That's the primary thing I need to focus on. Okay. Once I've identified that, let's say their payment is \$700 a month and the rent's \$900 a month, great. I can typically charge 10 to 15 percent more than the rental market when I'm doing some type of finance seller finance or carryback finance or a lease purchase back out to a tenant buyer. I can charge them more because of that process, right? Because I'm not hitting them with a 12 or 15 or 18 percent interest on the loan.

Zack Childress: So, I raised the price on the rent. So, let's just say I raised it to a thousand dollars. So now I've got a \$700 payment I'm taken over. I've got the tenant buyer over here, right? The tenant buyer over here says, I want that property. I can't get a loan. My credits, you know, not so great, but I've got a great job. I'm making money. Great. You're my guy. You're my guy. You're my guy, right? So here is where you have to look at this. If 700 I'm taking over and I can charge Mr. Tenant Buyer a thousand, I'm not wholesaling that option, I'm going to stick right in the middle of it. I had a mentor once tell me something a long time ago, and he said, Zack, find some good and get in the middle of it, get paid on it. That's what a sandwich lease option is.

Zack Childress: I'm putting together something good and I'm getting in the middle of it so that I can make some money on it. Right, and so I'm making the \$300 in between and



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making \$300 a month on a free house. I've never bought anything, you understand that? I had a guy call me about three weeks ago, said, hey look, I don't want my house anymore. I'm going to buy an RV and I'm gonna hit the road. I said, great, that's awesome, what you gonna do with the house? He goes, well, will you buy it from me? I said, okay, well what's it worth? He said, 100, 15,000. I said, okay, well what do you owe on it? He said, well, 90,000 on it. I said, well, I don't want to buy it from you. I said, but if you want me to take over your payments so that you can move on, I'll do that for you.

Zack Childress:

And he was like, yeah, that sounds great. Free house, boom. Nothing out of pocket. And then four days later he told his buddy about who had a property over in Athens. He calls me up and says, Hey, I heard you did this for so and so. Look, I don't want this house anymore. Um, uh, you know, it's got a loan on it and I just can't keep up with the payment. I think his uncle or his aunt lived in and she passed away and he got it. And um, and he's like, I just don't want anymore. I said, well, great. I won't buy it from you, but I'll take over your payments. I structured five-year terms on both of them. Two free houses and literally within seven days.

Jill:

They need to write that down. They need to write down that verbiage, because that verbiage was good. I won't buy it from you but I'll take over your payment.

Zack Childress:

You should write your intent statement. Your intent statement is always we buy one of two different ways: I can pay you cash at a discount or I can pay you closer to your asking price with one of our terms programs, if your property qualifies. That's the intent statement. You set your intent upfront with them. So, so then when they do come and they tell you, you know, hey, you know, this is where I'm at. And be like, yeah man, I can't pay cash for that, but I could take



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over your payments. That's when you- now the intent statements in their minds. So now they can loop back around and say, okay, this is what he was talking about. And then they go, I wonder if my property qualifies.

Zack Childress: So, um, so anyways, the point with this is, is now, let's go back to this example. If Mr. Seller agrees for me to take over his payment, let's say his payment is a thousand dollars a month and I can only get a thousand dollars a month from a tenant buyer. Well, what is the use of me staying in the middle of that transaction? You follow me, there's no cashflow, there's no reason for me to manage this transaction if I'm not getting paid on it except for one reason and one reason only, and that is if this seller's property was worth 140 and they owed, say a 100 on it, you can bet you I'm going to stay in this transaction as long as this tenant buyers paying that payment and I don't have to worry about it, but I know I've got a \$40,000 backhand on this. I'll stay in it just so that I can sell it to them in a year or two years and get that \$40,000.

Zack Childress: But in this example, it was worth 140. They owed 130. I'm not going to stay in the middle of this transaction. His payments one thousand. I can only get the tenant buyer to pay \$1000. There's no need for me to stay in it. So, the purpose of this is I'm going to wholesale the option, so I'm going to put together a purchase option agreement with the tenant buyer, right, with the terms associated with that transaction, and I'm going to use what's called an assignment of option. It's a good agreement, it's like an assignment contract, but it's an assignment of the option and I'm going to sell my assignment option rights to this tenant buyer. Because remember there's a big difference, I want you guys to write this down. There's a big difference in what's called equitable rights and legal rights. Okay? Equitable rights is when I have an agreement put together between me and a seller with the intent to purchase.



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- Zack Childress: I have equitable rights in that contract, which means, what? I can sell my equitable rights, right? So that's what we sell off as a wholesaler, as a wholesaling the option. I'm selling off that equitable rights.
- Zack Childress: Legal rights is when you've actually are equitable ownership versus legal ownership is when you actually closed and executed that agreement in a closing intake and taken property in possession. Now you have legal rights, but before you have legal rights, you always have what's called equitable rights. Okay, so it's the same way in a standard purchase and sales agreement as it is in a purchase option agreement. I have to make sure that I have the rights to a sign that agreement in there and I'm assigning the option to the tenant buyer. Now remember it's worth 140 and I owe, or they owe 130 on it. You with me? So, there's a \$10,000 spread and wholesaling the option.
- Zack Childress: And guys, let me tell you something, if you're in any market out there, wholesaling the option is absolutely viable. I mean, you'd take Jill for example, you've got what, two or three free houses so far?
- Jill: We've got two.
- Zack Childress: Two free houses, right? You look, why would you ever go buy houses when you can get free houses? But you gotta know how to communicate. You got to know how to talk. You got to know how to explain what it is you're wanting to do. And let me be honest with you, nobody's gonna give you a free house if there's not what? Payment pain. Or if they're sitting on a lot of equity, they're probably not going to do it. So, it's a very niche type of model we're going after. But if you're trying to build cash flow, man, let me tell you something. You need to be doing creative financing.



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Zack Childress: But anyways, back to the option. So now I have a \$10,000 spread. Okay? \$10,000 spread. I have 130 the seller owes, 140 is what it's worth. I've got a tenant buyer that's willing to pay a thousand. I got a seller who owes a thousand dollars a month on their mortgage. I'm not staying in. I'm going to take the option, I'm going to take my assignable rights, which is my, my assignment option of this purchase option. And I'm going to go to the tenant buyer and I'm going to say this right here... Listen to me really carefully. I'm going to say, Manny, you're my tenant buyer today. Okay, Manny. I'm going to say, Manny, I've got you a deal. It's a thousand dollars a month. I've worked it out to you've got two years to take ownership of this building. The financing is going to stay in place.

Zack Childress: Okay, Manny. Now here's the thing, the property's worth 140. I have it under contract for 130. I'm willing to give you \$10,000 of equity, if you will pay me five. You pay me five, I'll give you 10,000 in equity. That's how I position it every single time. If there's \$20,000 of equity in that property, what do you think I say? Manny, I'm willing to give you \$20,000 of equity, if you pay me \$10,000. I'm going to double their option fee in equity. So, if there's only \$8,000 of equity in there, then what am I going to charge you Jill?

Jill: Four thousand.

Zack Childress: That's right. I'm going to charge- Hey, Manny, there's \$8,000 of equity in this property, so if you give me four, I'll let you have the eight. That way that there's a, there's an investment to them in this. They see like, oh, I'm paying for, I'm getting am paying five. I'm getting 10 of paying 10. I'm getting 20.

Jill: And they pay that up front, right?



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Zack Childress: What's that? Absolutely. They don't, they don't ever get the property contract until they pay it. It's called an option assignment fee. Right? And so, they've got to pay that to me. Now, here's the beauty. It's nonrefundable. Here's the other beauty. Once they pay it to me, the tenant buyer and the seller are now in a direct contract. Now I'm gone. I'm out. I'm out of the deal. I'm out of the deal. I got a student out in Vallejo, California, Martin. He does about, I don't know, four or five of these a month. Now you're not going to get rich on wholesaling the option guys, your average wholesale on option fee is anywhere from two, three to maybe five or \$6,000. Um, but think about it, if you're doing five of them a month at \$3,000, that's 15 grand a month.

Zack Childress: I mean, you're talking, you're pushing one 71, \$80,000 a year just doing that. Now in California, you got to do that many, but you know, places like here you don't. The point that I'm making is, is that that's always a transaction. Now, here's the best part. If this seller really loved you, loved your communication, loved your style, loved how you kept them in the loop the whole way - and that's the key to this program is keeping the seller in the loop - because let me tell you something, most sellers are going to say no to this because why? They're afraid. They've never heard of it before. It's, it's, it's confusing. They don't understand it. You know, all these things start to arise. And so, you've got to keep them on the phone. You got to keep talking to them, letting them know what's going on, letting them know the process.

Zack Childress: Because this, I mean, let's be honest. I mean, they don't know you from a hole in the wall, you know, and so when you don't communicate with them, they think that you're out doing something shady. And so, uh, and this has happened to me so many times, and I'll just give you an example. One out in, uh, uh, in the Oakland Hills. There was a lady who had a house in the Oakland Hills. There was no way it was ever going to cashflow. Her payment was way too high than what



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it would rent for, but she had some equity in it. So, I was willing to do the deal and I was going to wholesale the option. She moved out to the Carolinas. I found a tenant buyer move the tenant buyer in there, collected, I think it was like an \$8,000 option fee and I don't know, six or seven, eight months later this guy, he was a, he was like a salsa dancer or some type of dance instructor.

Zack Childress:

Well, he got the opportunity to travel internationally and teach dancing. So, he called me up, he's already called the seller and said, hey look, you know, I've loved my stay here. It's a great view, but I've got to go. Well, guess what the seller did? She called me back. Ring, ring, ring, ring, ring. Hello? Hey Zack. You remember me? Oh yeah, I remember you. She's like, Hey, you remember that house over on the Oakland Hills? Yeah. She's like, Hey, can you do that again for me? I'm like, you need another tenant buyer? And she's like, yeah. I'm like, absolutely, and here's the thing: why does the seller agreed to it? One payment pain, but two, it's because it's not renting it. They don't have to worry about toilets, trash and tenants. They don't have to worry about any of that stuff because the person, the tenant buyer is actually taking ownership in the property.

Zack Childress:

They're stepping in to buy it one day. So most of them are fixing it up, taking care of it. I've never had a lease option to where if I got the property back, it was destroyed. And I've been doing this 16 years, never have I ever had that happen because it's all in the prescreening. I'm not putting people in that are renters. You understand? I'm asking them point blank on the phone, are you looking to rent or own? And when they say, Oh, I'm looking to rent something, I say, Oh, I'm sorry that, you know, my program's not for renters. Uh, I help people take a home ownership. That's what we do. So, the point of that is, is it's, it has everything to do with the screening going in and look, most renters aren't going to be putting down five, six, eight, 10, 12, \$15,000 neither.



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Zack Childress: I mean they're used to put down a security deposit, right? For \$300, \$400, \$800. That's about it. So, so that's gonna drive a lot of them out of the way anyway. So, so, you know, the key is wholesaling the option, it's always about if you're not going to do the creative financing or you don't know enough about the creative financing, you can always just structure that deal and then wholesale that off to the tenant buyer. But that's just one buyer source. Can I also wholesale that deal off? If I, let's just say I didn't want to do the deal, I just didn't want to be in. I didn't know enough about it. I could- and let's say it did produce cashflow. Could I wholesale that off to a landlord? Yeah, absolutely I could, couldn't I? Let's go back to where it was producing \$300 a month.

Zack Childress: Could I go to a landlord and say to that landlord, hey look, I've got a deal. Seller financing is already in place. It's got a \$300 a month spread. I'm looking for \$4,000 and I'll assign the option over to you. Absolutely. Because if you think about that, if we just run the numbers really quick, somebody rang my doorbell at home. I wonder what that is.

Jill: I set the alarm off this morning. Did you hear that?

Zack Childress: Good job. Alright, so let's just take that \$300 a month. Let's say you put property management on it, so you're really only going to make \$200 a month, times 12. That's 2,400 a year off of that. Divided by if I charge \$4,000, that's like 60 percent cash on cash return for that landlord. You think they might want to do that deal? Yeah, absolutely. They want to do that deal, right?

Zack Childress: So. So that's how you got to think about and you've got to position it. So wholesaling the option guys, if you like, wholesale in the option and the idea or the concept or the reality of how you can make money from it, just give me



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some thumbs up, give me some likes, give me a like, give me a little heart going across the screen, you know, uh, share the page, you know, do some of that fun stuff. I only got one share today. I'm kind of sad about that. Um, but you know, just, just, just give us some, give us some love here. You're way ahead of everybody. You know that, right, Jill?

Zack Childress:

So just say, Hey, look, this is some good stuff right here because why? That's the key to it, right? The key is building your arsenal of information so that you can apply this in the real world, right? How do I apply this to deals? For an example, when you're getting deals that only have like five, \$10,000 of equity in it, why would you run from it? It's a deal. It's a deal if you structure it the correct way. So, so guys share this with some people out there, I know there's a lot of people out there that are confused about, you know, what is options or what is wholesaling an option, or wholesaling lease option. I'm sharing this message with them. I mean this will probably give them a real good overview of what they need to learn and, and how that's going to be.

Zack Childress:

Remember, always remember if you like what we're doing here, you need to give us a review. You need to go over to our reviews page tab on Facebook and you've got to give us a review. Okay. Look, I know you can't be on the web as much as I am and be everywhere as much as I am, and not have somebody that's going to not give you a one star or two stars. But the people who actually learned from me are the ones who give me my five stars. Right? Um, so just be honest over there. If you like it, tell me about it. If you don't like it, tell me about it too. Don't mean I gotta like you either, you know that's, that's the beauty of this world, right? You don't have to like me and I don't have to like you.



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Zack Childress:

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