



YOU'RE JUST ONE DEAL AWAY

HOW TO HIRE THE RIGHT CONTRACTOR

Host: Zack Childress

Intro:

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 Zach Childress and welcome to Real Estate Investing Talk Show.

Zach Childress:

Hey, hey, hey, everybody! Welcome to the show. Welcome, welcome. Glad to be back with you today. We've got a very important topic for you today. And why is, why would I say that? Well, I say that for several reasons. Number one is, is because so many times I have people that come to me and they say, "Zach, I don't want to do rehabbing because I hear contractors are a nightmare". Well, that's not true. And we're going to talk about that today. We're going to dig into that today. So, before we get started with that, I just want to let everybody know who I am. If you're brand new to the show, my name is Zack Childress. I am your real real estate coach and I'm in it every day making it happen. I'm doing the rehabs, got them going, managing contractors, multiple jobs, took two down yesterday.

I'm doing wholesales; doing commercial; doing apartments; you name it, I'm in it, except for tax deeds and tax liens. I don't mess with those things. I tried them years ago and never got the property, so I said, what am I doing here? So, I stopped. But the point to it is this, is that there is, we could not be in a better time right now than we are to be out there and buying real estate, and fixing them and flipping properties. We are literally in the hottest time we've seen in two decades. look, I've been in this almost two decades. I've been in this a



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decade and a half, a little over a half, and I saw this market a decade ago and it wasn't even close to what we are right now. Prices are even higher than they were in the past. You name it, and that's, that's what, that's what it was.

So, I share that with you because I want you to know that you need to really get your big boy pants on, you need to get the training that you need, and you need to be getting out there and putting it together. That's what it needs to be. The only reason that you wouldn't do a rehab is because you're afraid of the unknown, and the way you overcome the unknown is you get educated on it, right? That's like our big boy manual here. This is for like the big boy manual, right? The rehabbing made easy and I'm actually gonna share some information out of this manual with you today, which is all about picking contractors, getting the contractor on your team. So, we're going to talk about that and we're definitely going to help you. And you might even want to write this down.

I refer to it as the six-question test that you ask every single contractor, when it comes to what you asked the contractor for referrals and this is the six question test you asked the referrals. If you'll just follow that, you'll have much higher results with the contractors that you use, because look, are some rehabs, can you get in and out with the handyman? Of course, you can. Other rehabs you got to get in and you got to stay in with the contractor until the job's done, and you've got to get out because you have to have all kinds of permits and, you know, you're dealing with structural work, electrical, plumbing, HVAC. So, I mean, you name it, those are licensed skilled professional positions or jobs or roles that needed to be done and performed on your job site.

The rule of thumb is if you're going to change the structure of the property, the electrical, the plumbing, the HVAC, the roofing, major things to the house, your



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state is going to want you to have a licensed contractor to oversee that, okay? And so, what they do is they might have their own crews that do it all, or they can sub it out and the subs pull what's called a-... they pulled their permit off of the generals permit. And so that's why they call them a sub-contractor under the general contractor. But also, you don't have to, you can do what's called an owner builder permit and that will allow you to pull your own permit for your project because you own the property, and you can also hire subs and so they can pull their permit off your, um, your owner builder permit.

So, there's different ways. You just got to be a little careful when you do owner builder because some states have regulatory acts, and they have issues with you doing that. Like in our state, especially in our county, we have a very large contractor union board here, and they passed a law not too, I don't know, maybe four or five years ago, that states that if you're an owner builder and you are buying it, and you're pulling a permit to fix it up and resell it, like a flip, that you have to actually hold onto that property for 12 months. They cloud the title because you didn't use a licensed GC. So, those are just some of the challenges that we face when we're here in this market. You may not have that in your market, but it's always good to check. So, there are other projects where you're just doing carpet paint and, you know, landscaping, you're just doing some easy simple stuff.

I mean, I've got a couple of them like that right now and we're just, literally, we're going in and changing the carpet, paint the walls, slapping some new granite down. I'm changing out the fixtures and the plumbing, and doing some landscape and we're out of there. I mean, it's literally a week's worth of work and we're gone. The only reason it takes longer is because we have to order the granite and the granite takes longer, and so it prolongs the job. So, but that's just a kind of an overview of when you're looking at contractors and when you



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should get one, when you shouldn't, and what can you really do? But what I do want to talk about with you today is a really good way when it comes to hiring the right contractor, and also known as picking the contractor.

So, inside my massive Real Estate Made Easy training manual, I'm going to go to page 131. So, if you've been to my bus tour or have my rehabbing home study course, you can follow along. So, we're going to go to page 134 out of 300 pages. So, one of the easiest ways for me, and I have found this to be the safest route for me when it comes to hiring a contractor that I don't have a relationship with or you know, was not somebody that a buddy of mine who flips a lot of houses has been using forever, and I know they have the great credentials; but also, I love Home Depot. A lot of you guys asked me where I, where I go to get a lot of contractors. I get them from Home Depot, but either way I'm going to ask one simple question to the contractor and that is: can you provide me with three referrals?

And I want three referrals on the minimum. And if it's a good contractor, they'll say, well look, here's eight or nine or 10 of them, call them up. You know, if it's bad contractor, they're going to have a hard time getting you one referral. And, and sometimes if they're bad contractors, they're going to give you a referral from someone that they know, or out of state. I won't take it. If they can't give me a single referral in the county that I'm doing business in, like the reality is they probably have not left a good track record. Right? And so, if they can only give me one, I got an issue. If they give me one that's out of state, I got an issue. But if they can give me three, that's great, because here's why- and they still may have three friends to say here's referrals.



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Well, my three question- my six-question test will help overcome that. So, because one of the things I will always ask when I talked to a referral is, is this a project that I can come see? Right? So, if it's a friend and they live in a trailer, you're not going to go see it, right. So, the reference is always about- here's why I ask these questions because these questions are designed for me to get a very good feel of some things that I know are common issues. Like for instance, the very first question I'm going to ask for a referral is, is did you use them? Because a lot of contractors think that if they hand you referrals, you don't ever even call them. So, I'm going to call them up, "Hey Mike. Um, I was given your name and information from Joe over here. He's going to do some work on my property. Can I ask you, did you use Joe in the last six to 12 months?" Right?

Is it, is it, is it a current referral? "Well, yeah, we use Joe like five years ago." Oh, you did? "Have you used Joe in the last six to 12 months?" "Yeah, he was over here. He did a kitchen remodel for us." Great.

Um, the next question that I'm going to ask them is, is were you happy with their work? Were you happy with them? Were you happy with their work? You know, and this is the type of question that, you know, I'm not going to be specific, I'm just going to leave it open. Were you happy? So, you know, happiness can be, you know, you know, it can be stated in many different ways. Right. They could say, look, they came in, they did a great job, but it wasn't happy with, you know, how long it took or you know, they came in, did it super-fast and that's great, but I wasn't happy with the quality.

So, I leave it in a question like that so that I can let them share with me what it was that they were happy about. Hey, were you happy with them? Yeah, I was happy with them, but- there we go. That's what I'm trying to dig out of them.



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Right? The 'but' part. Um, here's the other side. If they answer every one of these questions with enthusiasm and they're trying to sell that contractor to you... eh, you probably got one of their buddies, right? That might be a scenario where you could say, well, look, I mean, if you don't mind, could I come see the work that they did? You're just validating it is all.

Now, question number three is: was the job finished on time? And that's a very important question that you want to ask a referral.

Was that job finished on time? Did they get in and get out like they said they would? Because the reality is, is a good contractor, they're going to get in and get out ahead of time, because they're going to tell you this job's going to take me six weeks because they think they can get it done in four to five. That's just how a good contractor works because they don't ever want to have to give a referral to somebody and them say, "oh, well they told me four weeks and it took six", right? That, that leaves a bad taste. So, a good contractor is going to always give themselves a window to be able to overdeliver when they initiate the relationship. And so, a lot of times it's getting it done ahead of time.

Now there's things that you know, will pop up on every job- well not every job, but I'll give you one. I got one right now. We, um, we started the gut job in the property and as we got into the kitchen and started ripping everything out, we have, we found a wall that completely has been rotted out. That we have to literally rebuild the entire wall, um, which is going to cost us extra. So, this is another good note that you need to be aware of. I'm not going to just pay the extra to build the wall because I have a certain amount of profit that I want to make on that job. So, I have to give up something else to rebuild that wall. We were going to paint the outside of the house, now we're not, right? It's a



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tradeoff. Oops, I found this so I have to give up this. So no longer are we going to paint outside of the house, but now we're going to fix this wall; this exterior wall that we have to get fixed with windows and so forth.

And the problem was created from the roof and so forth. We've already fixed the roof though. Um, so when I'm asking them was the job finished on time? You know, I want to know their response and if they say "no it wasn't". "Oh wow. Really? Was it, did it take a lot longer or just a couple of days?" "Oh, it took an extra three weeks." "Oh Wow. What was the reason for that?" So, this allows me to keep digging a little bit more into the referral. "What was the reason?" "Oh, well it was weather." Oh, Gotcha. So that's really not a contractor issue, right? They might've been doing exterior work, but if they say, "well, I just couldn't get him on the job", now I'm getting to the truth. Right. And they might say, "Oh yeah, it was finished close." Oh well what's close two days, three days, six weeks? You know, what's close to you. But I'm going to dig a little bit.

The next question that I asked them after I get through that one is, was the contractor within budget, because that's another one that eats up an investor, is these work change orders. We put it in our independent contractor agreement that we put with our contractors that there is never to be an add on work or add on order that is not approved by me in writing, and the reason we do that is so that contractor knows that if he sees the wall that needs to be built, he doesn't go buy the material and build the wall and then come to me and say, Oh, here's a work change order. No. If he calls me up, says, "Zack, I really think you need to build this wall right here, it's going to help". I'll say, great, give me the cost. It's going to cost me to build that wall and how much extra time is it going to add onto the project? And then I send him a work change order, which is in this manual, and I have him lay it all out and then if I approve it then I sign it and I gave him a copy. That means that I've accepted the new work change



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order and price increase or time increase in some cases, not all the time.

Sometimes they can get it fit in, but that's where you get eat up in your budget is these little work change orders. It's and it's the stuff where they call you up and say, "yeah, Zach, I saw this and you know, I really think you should change that". Yeah, go ahead and do it. And then they call you up, "hey, you know, like I saw this, you know?" Yeah, yeah, go ahead and do it.

Well the next thing you know, you've said go ahead to five different things that all cost about \$800 a piece. So now you know what you, you follow me? So now you're literally sitting on \$4,000 in work change orders that eat up your profit. You may not think of it much because although it's \$400, oh, it's \$300, oh it's \$500. Yeah, but they add up. So, you want to just check with the referral. "Hey, was he in budget or was she in budget?" "Well, yeah, they were in. They actually came in under budget." "That's great. Did you take something out of the project?" "No, it was everything that we originally talked about." Great. And if they say no, he was over budget, I would say, well what created that, you know, like, well what was the reason for going over budget. "Oh well we found this when we ripped up the carpet, the floors were rotted out. We had to replace those." "Okay, so that was a work change order that you approved?" "Yes." Okay.

So that—and here's the thing—always help the referral to get a clear vision of it, because if this contractor sending people to this referral, but it's really not the contractor's fault, I help them understand. I said "okay, so that really wasn't an over budget because you approved the work change orders. So that was an add to budget. So, if you took his original budget and all your approvals for work change orders, was he over those?" "No." Okay, great. And so that just helps them get clear that he wasn't over budget, right. The contractor was not over



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budget. The contractor had a budget found issues, you approve the increase in cost or time.

So therefore, your budget moved up every time you approve that. So therefore, it wasn't over budget. But if he's not approving them and he's just coming back and he's saying, hey look, to finish it, we need an extra \$3,000. Well then yeah, that's an overbudget issue. So now the fourth or the fifth question that I asked them is, what is one thing that you would like them to do different? I asked that with whole hearted sincerity. I say, look, Mike, you're a referral for Joe. Um, you know, obviously what we've been talking about, you know, you liked his work, he was on time, he was in budget, but what's one thing that you would have liked him to do different? See that question lets them dig a little deeper, you know? Okay. He was on, he was on time. Okay. He was in budget, you know, okay, he all that worked.

But what was the one thing that drove you crazy? And that's really a very important question and I'll tell you, out of the years I've done this six-question test to my referrals, the one thing that pops up more than anything is cleanliness. They just didn't clean up after themselves. I wish they would have swept the floors more. I wish they would've picked up the nails. I wish they would have taken their trash out. So, one of the things that you'll start to learn is that something that's very common, so you can always put that in your independent contractor agreement that says that the job site has to be broom swept every evening before contractors leave and it's just a part of the agreement. Like, look, I don't want to come out to the job site or other people come into the job site like granite people to come measure and it's a mess and somebody could trip or step on a nail.



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And next thing you know, I got somebody trying to sue the insurance provider have on the property. Um, that's one thing. Other things that I've heard in the past is like foul language, smoking in the property, you know, things like that, that you just want to confront the contractor about and say, hey look, I called your references and a couple of things that came up was, um, you had workers smoking on the property, can't have that, and they wish that you would have been cleaner on the job site. So, one of the things that I'm just going to add to this agreement with me and you are, is that there's absolutely no smoking in the job site and that the property has to be broom swept before you leave every evening. Are you okay with that? Yeah, I'm okay with that. Great. It's the little things, right?

And what those little things do is that makes the contractor realize like you're responsible, you're, you're checking up on them. They don't have free will to do what they want. That's the key. Where most junior investors go wrong with hiring a contractor, is they come into the project looking at the contractor as this Almighty know it all. And that contractor has dealt with that for so many years that they feel that way too. So therefore, they look at you as this person who's trying to get in real estate and you don't even know what you're doing. And so, they are going to dictate the conversation. They're going to try to control how you remodel your property and tell you things that you just, you don't really need to be doing. And so, you've got to set that boundary early with them. It's okay to say, look, I'm, I'm leaning on your expertise, but at the end of the day, this is my project and this is my money.

So, let's just make sure we're on the same page. And to do that, we're going to talk about the divorce before we ever get married and we're going to lay it out in this contract. So, if you don't abide by it, then we- me and you are done. And therefore, I'm held accountable to you too on when I'm going to pay you, how



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I'm going to pay you and how that's going to look for me to you. And so, when you're straight and right forward with them like that, they know really quick. Okay. You know, this person means business and one of the telltale signs is always when to try to get them to sign the contract. Oh, we don't do that. Well than I don't do you.

Jill: I just see it just talking about this makes me think of, do you remember back when me and Rob bought that house and Rob was like, adamant he was not going to talk to you about anything real estate. Do you remember that he was not going to take help from you at all?

Zach Childress: Yeah.

Jill: And what ended up happening, we had a contractor living in our camper in our driveway. We were paying for his power, his water and he was using our bathroom and he couldn't show up to work and like, yeah, he was living in our property. And now that you know, Rob has accepted help from you and contracted help from you, it's not that way anymore.

Zach Childress: And it helps, you know what I mean? It's all about- here's the reality. The first Rehab I did, I didn't accept help either and I lost \$100,000 on it.

Jill: I mean we lost a pop-up camper.

Zach Childress: Yeah. Well not just that you lost more that, because a lot of the work he had to go back and fix.



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Jill: Yes. The windows, the window, remember all that, the leak.

Zach Childress: I remember all that, you know, and, and you know, just the issues that he should have been aware of and should have done correctly the first time.

Jill: I mean the changing the pitch on the house for no reason.

Zach Childress: Yeah. That was absolutely ignorant. Like why in the world would you change your pitch then and then the house did not need the pitch change.

Jill: No. And the um, the siding all being taken off the one window being closed in, we lost a window and we had to pay to close it up and seal it, but yet the back room still was leaking from the channels when you had all the siding off. So, you could see that the windows were not installed correctly and then we had to redo it.

Zach Childress: Yeah, that's part of it. And that's a big part of it. And so, the key to understanding this is like just running into this business and think you're just going to hire a contractor because he's cheap, is actually the most expensive contractor you will hire on your project. You may not believe me, but trust me when I tell you that the cheapest contractor that bid your job is the most expensive contractor you'll ever hire. Take that to the bank, my friend. Um, and the reason is, is because they're just trying to get the job, but the problem is they've priced it so low that they can't even survive on it. And now they've got to hop around to 15 other jobs taking money from this job to finish this job, take money from this job to finish that job. And now they're playing the round robin dancy, you know, I forget what it's called, red rover, red rover, red rover, come



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over process. So, um, but the last question that I always end with them on it was this. Would you hire them again?

Jill: No.

Zach Childress: See, right there is a very good answer. No. All right. I'm not going to hire that contractor. Now, let me be clear. I'm also not going to be biased about this. That's why I asked all these questions the way I do because, you know, look, like I said earlier, there might be things that, that homeowner didn't agree with what the contractor did, but it wasn't a reflection on the contractor. Does that make sense? Like, oh, they went over budget and well, we had massive tornadoes and storms, okay. Well that would have, I mean, not budget but timeframe. Well that could have affected that, but if they don't see that, then I'm like, okay, so maybe they're not being realistic about it. Then the next thing I'm going to be wondering is why in the world did this contractor gives me this referral? Right? Um, but I'm gonna I'm gonna play it.

I'm not going to just be like, oh, you're right. I'm going to think logically. Oh, they went over budget. Well, how did they go over budget? Oh, well we had to build a wall and we had to replace the windows. Oh, did he come to you and talk to you about that ahead of time? Yes. Did you agree to have him do that? Yes. Okay. So, he really wasn't over budget. You just had to increase your budget. Oh, well, I guess if the way you look at it, yeah. Well that's how you look at it, right? You didn't go over budget, you had to increase your budget. So, when I get to the last one, if that's the type of conversation I'm having and I say, would you hire him again? And they say, no, well I've got to take that a little bit of grain of salt and now I got a call the next referral and kind of see what they say. But you know, if they say yes and everything is in order, then I know that



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I'm probably talking to a good contractor at this point and I move on to the next referral and I move onto the next referral. So those are some key points that you got to keep in your mind that when you're talking about contractors, do the referral tests, get three referrals and, and go through the six-question test with them.

You've been listening to the real estate investing talk show. I'm Zach 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, and register for my free web class where you'll discover how to escape from the nine to five grind and become your own boss in real estate. See you there.