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How I made 100K on a Co-Wholesale Deal

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.

One of the topics we're going to be talking about today is how I made one hundred thousand dollars on one co-wholesale deal, which that means it was one or two hundred thousand already.

But people always ask me Well, Zack look you know what is co-wholesaling. How do you do co-wholesaling, you know what is that? You know, what is co-wholesaling? Well I'm going to talk about it I've actually got a blueprint I'm going to be going through with you today and this blueprint. I have a hard time saying that word. I'm going to give it to you for free today just for being on here so that you can actually follow that blueprint and then you can have it as a resource for yourself. That way you kind of know there's eight steps to a co-wholesale transaction and those eight steps are what we're going to be talking about today but you know why is the eight steps important.

Why is co-wholesaling important? Why should you listen to me when I talk about co-wholesaling?

Well it's pretty cut and dry. It's where we go back to when I was. Well you know you go back to when I was a bartender, broke I lost my job had to start over again got into real estate. Well the problem was that when I got into real estate it was tough man. It was a hyper market just like it is now. And it was a lot of competition out there. I mean there were massive amounts of competition out there and you know I was brand new. I didn't have the resources like everybody else had. I didn't have the funding sources like everybody else had. I didn't have the marketing budget like everybody else had. I didn't



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have the banking relationships. I didn't have my power team put together for rehabbing. The only thing I knew to do was wholesaling.

But the problem was everybody else was wholesaling and so you know I had a very difficult time you know penetrating a market you know because of that I was doing what everybody else was doing. You know and so it's one of those things that you know we're faced with all the time when you're doing what everyone else is doing, you're going to have a hard time, which is called the barrier of entry the barrier of entry gets harder and harder when everybody else is doing what you're trying to do.

So, I want to I want you guys to get clear on that, like what was it that I had to do to create success so that I could grow my business in a market where the competition was fierce. They had bigger pockets than I had and I didn't have the knowledge that I have today. So, and that was the biggest challenge right.

Not that I didn't have the desire not that I didn't have the want or not that I didn't hope I would be successful and not that I wasn't putting time in. I was putting the time in it was because I was faced with market challenges, I was faced with come competition I was faced with marketing challenges I was faced with all these things that were hitting me smack dab smack in the face and somebody watching this or listening to this you probably have some of the same challenges. You've probably have said look this seems like the route I want to go I want to go out here I want to start wholesaling but the problem is you've been taught the same thing everybody else has been taught which is traditional wholesaling, find a cash buyer find a discounted property and make it work.

Well the problem with that is if you don't already have cash buyers in your database you got to do what. You get a market for them and that costs money in some cases. The other challenges if you want sellers and you're going to go after the free seller lead you got to get to them before everybody else does, if not you've got to pay for your seller leads. So is that two forms of income that I have to put out there, yeah. I got a market for buyers I got a market for sellers. Well when I first started out



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man trying to market for both was almost impossible, I could barely keep my own business afloat much less start thinking about marketing budgets. But I caught on to a concept very quickly and that was co-wholesaling and if it wasn't for co-wholesaling I don't know if I'd be sitting right here in front of you right now. To be honest with you I don't know if you'd be here in my message right now. I don't know if I'd have the network or the database that I have today if it wasn't for co-wholesaling.

I don't know if I would have made it through the market cycle that I made it through in two thousand six seven eight nine ten eleven twelve. I don't know if I would have made it through if it wasn't for co-wholesaling. And so, I share this with you because I want you to understand that when you're looking at this business and you're starting to run into challenges sometimes you got to start thinking about what is another approach to gain the same rewards but not do what everyone else is doing right.

And that's something that you know you can figure out if you put enough time and energy into it. And so that led me down a path of really redefining who I was redefining what my business model was going to be because I was in a crash and burn model like nobody's business. I was absolutely doing what everybody else was doing and I wasn't getting the results that were going to keep me afloat. There was no way I was ever going to replace my income. None of that was going to happen. I was out I was a hit or miss type of guy in the business.

I was a onesie twosie every once in a while type of guy when I first started. Because I couldn't keep create the consistency that I needed I couldn't figure out a way to beat everybody else to the leads. I couldn't figure out how I was going to market for seller leads and buyer leads at the same time and still make a successful business happen. I couldn't figure it out and yeah there were moments where I wanted to quit. There were moments where I got frustrated. There were moments where I thought everybody was lying to me. And there were moments when I thought that this just wasn't meant for me.



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But the reality is this, that's the devil sneaking in and telling your lies trying to stop you from being great. Trying to stop you from being the leader that you need to be in your family and in your life, the person that you can look into the mirror every day and say I knew we could make it I knew we could do it and sometimes that's a challenge. Right. It's a challenge to get focused it's a challenge to stay committed. It's a challenge to get up every day when you feel like you get the dog beat out of you because it's not working for you. And the next thing you know you move into a cycle where you just start trying everything. You start trying to do everything because this isn't working.

So, you're trying to do everything you're trying to make anything work you're trying to throw spaghetti against a wall and hope that something sticks. And let me tell you something this isn't about throwing spaghetti against the wall. This is about figuring out how and what works for me in my situation to make this business work.

Well that was where I was sitting back in. Geez. How long ago was that. 2003 somewhere around there 2003, 2004 probably more 2004 moving into 2005. When I kind of was getting frustrated and I could tell the market was making some turns because for those you that don't know the crash of the market didn't happen in 08 the crash in the market started in 05. That's when it started. It started in 05. It's identical to the market we're in right now. We started seeing 100 percent financing on houses. We started to see a no doc loans. We started seeing foreclosures on the rise. We started seeing all this stuff right. One of the factors that I'm going to tell you right now you want to keep your eyes on when you talk about the real estate market has nothing to do with how many listings we're getting more listings than we're getting. It has everything to do with a number of sales, right? Are the sales growing are the sales slowing down? And so, you know if you look at a national average, we're kind of flat lining right now. Certain markets still are being a little peaking a little bit. But the other indicator you want to keep your eyes on when it comes to markets is list price versus sold price

Well. Let's go back though. So back then I was trying to figure out how I was going to keep my business alive how I was going to how I was going to keep putting food on the table how I was going to you



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know run an operation of a real estate investor with an entrepreneurship and the mindset to build this big business model that was going to give me this life that I've always wanted. The vacations the dream cars the dream house all the stuff that you know we wake up one day and say why do I not have this. And I was faced with those same questions again here I was on a good run I made some changes things started to happen and bad and that was when I sat one day and I started thinking well I wonder what all these wholesalers in the market that have bigger pockets than me that have a much larger marketing budget. What do they do with their leads that they don't sell?

What do they do with the leads that they get that they can't do anything with? Let me explain something to you. Most large wholesaling companies are looking for one thing they're looking for one thing is called equity. That's what they're looking for. They're looking for properties that have the equity in it for them to be able to capitalize on that lead to be able to either wholesale it for ten to 20 thousand in profits or to buy it and make 30 to 40 thousand on a flip right.

That's what these large wholesale companies are looking for. So, it led me to believe. Well if they can't find a property with a lot of equity in it so that they can wholesale it or flip it well then what do they do with it. And I was curious about that. And so, I started doing more research. You know I like to call this turning trash into treasure.

And the reason I like to call it calling Trash and Treasures because it had everything to do with my education, it had everything to do with me investing into me. It had everything to do with me learning skill sets that others didn't know how to do.

And one of those skill sets was called an option control wholesale an option control wholesale. And the other one was a co wholesale transaction. Those are the two things that I kind of clicked with me and I said hey I wonder if I could go and work with other wholesalers. And so what did I do I got in my car and I went around and started meeting up with every other wholesaler in the market? OK. And so, this is part of our blueprint.



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So, let me show you this blueprint. I always say that wrong, slurry. Let me show you our blue print OK. If you can see this, this is the eight-step process to a co-wholesale transaction. And so, this eight-step process is you can see it hopefully on the screen right now has eight components of walking you through what a co-wholesale deal is. And I'm going to let you guys just kind of look at that for a minute because this is really what I built out I built out this process. This flowchart and when I'm talking to you about right now when I said I went and got in my car is really step number one, which is finding partners. So, let's talk about that.

So, when it comes to finding partners. This is a part that is really you making the effort to get out there and look for these types of co-wholesale partners. And so, who are these co-wholesale partners. Well these co-wholesale partners are other investors. Are other wholesalers there though. We buy house guys. The investor specials the bandit sign people the ads in the newspaper there they're all those guys. And so, part of what you do is you go connect with them, right.

You go connect with them and you communicate with them based on an approach that helps you not just explain what you want to do with them but helps you move into what's called qualifying a partner fit. So that's step two.

Let's look at step two. So, when you look at step two it's all about qualifying a partner fit. And you know when you think about that you know you're like well what is a qualifying a partner fit. Well let's talk about that.

So, qualifying a partner fit is where we start to make sure that they're on the same page with us. And what does that mean? So, when I drove around and I started meeting with these other wholesalers you know I would start asking them questions like hey do you have deals that you don't close on. And the answer was inevitable yes, I knew they didn't. They didn't sell everything sometimes because they couldn't get it cheap enough and no investor wanted it just like they didn't want it. And so, I'd say well



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look well what if I was able to take those dead leads that you don't do anything with what if I could take those leads and I could turn them into cash.

Would you be willing to split that with me? Anything that I can make on it or the assignment fee would you split it with me? And of course, they were like yeah. And so, I had to earn my stripes right. I had earned my stripes. So, I would start taking their dead leads and this is where option control wholesaling came in because most of the stuff, they gave me didn't have a whole lot of equity in them. So, I would go back and I would start negotiating the deal with the lead and the seller to get it more into a terms type program to get an option control on it. And then I would go wholesale that option control over to a tenant buyer and make it three to five thousand fees.

And so, I would split it with them. Well when they started seeing me do this what do you think happened? They started saying hey we got more leads where you got more leads for you we have more leads for you. So, I became like this exit dump bucket. I became this trash bin that had this magical funnel in it that would take their trash and turn it into treasure and so they would just dump leads on me dump leads on me. Well that was really where I started thinking about the next level will look if they're just giving me their trash.

What if they'd give me their treasure too? And so I started going back to them and I started saying look why don't you give me the opportunity to help sell your deals with you. Why don't you give me the opportunity to help sell your deals with you? We could sell more deals and you know if you want a you know a three- or four-day window to see if you're buyers interested, great. But after that you know shoot the deal to me and let me then find it. OK. So, from here I was now going back to these wholesalers and I was getting them to engage with me on the idea of actually sending me their good deals too.

Well when that happened, I realized that there was only one thing one thing I needed to do and that was build a buyers list. That was it. I needed to build a buyers list. So, then I had to qualify them. I had



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to make sure they were on the same page with me one of the biggest things that I was faced with in the beginning was the challenge was is when they would say to me well Zack, we've got this deal for one hundred and ten thousand and I would say ok well part of my process is I split.

Listen to me listen to me. I split the assignment fee with you. I split the assignment fee. So, what's the assignment fee. Well the assignment fees fifteen thousand dollars. Okay well then, I'm going to get seventy-five hundred you're going get seventy-five hundred. Well some of them were fine with it but others what do you think they said. No, I'm not splitting it. If you want to make something you put it on top of that OK.

Well that's why you got to be careful in this. So, part of the process is you can't just go take one hundred and twenty fifteen-thousand-dollar deal that they bring you and then go market up to one hundred and twenty-five and then shop it out to your buyers. Because here's what's going to happen if that whole seller is already marketing that property on the web for 115 and you brought it to me and I looked up the address and saw I could get it for 115 instead of 125 from you then you looked like the idiot.

Ok. So, this is why you've got to be upfront. This is why step two is called qualifying your partner fit. OK. Qualifying your partner fit because you got to make sure that you understand each other and that you understand the ground rules which is step four. OK. Now I know we skipped step three but I'm going to come back to it. So, qualifying your partner fit setting the ground rules which is how each of you are going get paid how they're getting paid how you're getting paid.

But step three is segmenting your wholesaler. And the reason that this is important is because this is a verification of the wholesaler. Or do you find deals or do you have buyers and here's why. Because if they've got a large buyer's list and you've got a wholesaler over here who has a deal that they don't know you could facilitate that transaction. You could facilitate it if there's a 15 thousand assignment



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fee you could go to this wholesaler say hey look, I know another wholesaler who's got a buyer who wants it but I'll put you together as long as I'm in a three-way split here.

This is the same thing we did with Brett Wade and any of you have ever heard the story it was he made four thousand dollars on facilitating a co-wholesale transaction and it was a three-way split. Twelve thousand assignment fee. So, all he did was that because why he segmented his wholesaler. Which was step two. And then if you look, I mean step three so if you look at your blueprint if you've downloaded it or we'll pull it up on the screen for you. Step three is segmenting your wholesaler that's identifying who they are what type of wholesaler there going to be they're going to be a buyer wholesaler they're going to be a seller wholesaler and then going into step four which is all about setting the ground rules and then setting the ground rules. This is where you're talking about how you're getting paid who's getting paid was you know are you having to add your fee on top. If so, have they marketed that property? Have they marketed that property?

And then it brings you into step 5. So, let's talk about step five real quick so step five is secure your position. So how do you secure your position is everything okay. This is everything because here's why. There're several ways you can do this. If I'm if I'm dealing with a wholesaler let's be clear. OK. So, there's really three ways to secure your position. OK.

There's three ways there's a CO marketing agreement. There's a service provider agreement and then there's an all what's called a flex option agreement. OK. There's three different ways in a co-wholesale transaction. So, listen when you have the seller and you're going to co-wholesale with another wholesaler as a buyer. Yeah flex options. Perfect. OK. If you have a wholesaler and you want to use a flex option sure but a co-marketing agreement is basically what it is it is it's an agreement that the other wholesaler is hiring you to do some co-marketing with them, as for a lead gen.

Now you could use a service provider agreement which is something that we have it's a four-page service provider agreement and it lays out what we are being hired for as a lead generation company.



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It helps us stay legal in the process of what we're doing. They're basically hiring us as a lead generation company. Our job is to provide leads for them with an understanding of how we how we get paid which is based on earnings and so it's a lead gen. It's a lead service and so it keeps you a little bit safer. Now if I'm working directly with the seller yeah, I mean I can easily do a flex option and sell the option. It makes it a little easier but that's step five is securing your position.

Now let's look at step six and step six is important because it's really split into two groups. And as you can see right their step six it is finding deal buyers or find sellers. OK so what does that mean? Well in a traditional co-wholesale deal if you look at step six there on the screen, you're either doing one of the sides you're either out there looking for sellers and then you're working with other wholesalers who have buyers to sell those deals quickly so you have less cost involved or you're out there looking for deal buyers right. People who can buy deals.

And you're working with wholesalers who have contracts on sellers. OK. So that leads me into seven and eight. So, in the co-wholesale transaction once you have identified those buyers, you're going then do what's called an assignment agreement or sign agreements between you and the both parties. And then you got to get paid, right.

And so co-wholesaling is really designed around you understanding the process of how do why get started quickly with the least amount of money possible. How do I get started quickly with the least amount of money possible? Well that would be co-wholesaling and you guys heard my story about I had to get started this way. So now what I want to do is I want to share with you how I made one hundred thousand dollars on a co-wholesale deal. OK. So, I wanted to walk you through what co-wholesaling was show you how you could actually get your hands on this for dirt cheap. Thirty-seven dollars.

But now I want to teach you guys what I did to do a hundred thousand deal. So, the key to this is this is I chased this investor I chased this investor for months and months I chased this investor try to co-



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wholesale with him I mean for months and the guy wouldn't give me the time of day. He was a traditional wholesaler. He would buy the good ones wholesale the rest buy the good ones wholesale the rest throw everything else in the trash.

And I kept saying Look man I'll turn your trash into treasure. I'll turn your trash into treasure I'll turn your trash in a treasure just come on with it come on with it. Share with me share it with me give me some of those leads and I just assumed that he wasn't going to do it, his name was Rusty Simmons he's out of Vacaville, California and one day I got a phone call from a Rusty and he said Zack I got a deal for you. You said you could turn my trash into treasure. Here you go man.

And I asked him. I said well where is this property at. He said it's up and Angwin and if any of you know anything about Napa Valley or that part of California, Angwin is kind of a ridge line going into Napa and I said ok well what's the address. He gives me the address. And I asked him I said I said well what's it worth he said about a million dollars. Well I said ok what you got it under contract for. He said about a million dollars.

And I thought to myself what have I done. This guy's giving me an opportunity here and there's no way I'm going to be able to put this deal together. It's worth a million. He's got it under contract for a million but you know what I didn't give up. I put my big boy boots on. I strapped in and I started doing some research and what I found out was these were this was an area where properties were being turned into four five six seven million our homes.

And so I went to work finding a buyer for this deal and I'm not going to bore you to death and go through all that stuff that I did but it's in the course actually though the whole story how it all came together but. But I ended up finding a buyer I end up locating a buyer that was a builder and he met me out there and when he met me on the property, I knew I should have asked for more like. Right. I'm being greedy right here.



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I mean I literally I made a two hundred-thousand-dollar assignment fee on this deal that I co-wholesaled with Rusty Simmons and he made one hundred and I made one hundred and I said to him he asked me. He said Well how much do you want for the property. I said one point two million. And he said great who do I make the check out to? I knew I knew right then that I should and should have and I could have gotten a lot more for that property.

But let's just call it what it was. Was I grateful? Of course, I was grateful I and I had never made that kind of money on one deal in my life or had I ever made that much money that fast in my life. You got to think I mean this was a matter of two to three weeks I'd made one hundred thousand dollars, like it was insane. And what was even better than that was that it made me realize that there's no limitation to what I can do when I know how to do strategies that others couldn't. And that's what led me into really branding my name in the Bay Area becoming a well-known investor in the Bay Area.

Then everybody was sending me stuff everybody was sending me their leads. I didn't even have to do marketing like I was getting so many leads from investors that I didn't have to do marketing like it was like night and day my business flipped when all of a sudden, I became a master co-wholesaler, I built my buyers list I found ways to find buyers that nobody else could find. I found buyers for deals that no one else wanted.

I found buyers for deals that didn't even have equity in them. I became the go to man in my market because I was willing to take a risk on me. And I was willing to put time and effort in to learning new things and new processes and that's what changed the game for me. That changed my game completely overnight my game changed. I'll never forget I went to Rusty and said I sold the deal. He said oh great how much I said two hundred thousand dollars he about fell out his chair.

He said what, I said yeah. Where's the next one? I said where's the next one, right. Bring them to me baby, right. Like who who's playing the game are you playing the game? Are you sitting on the sideline hoping and praying that your team wins without you playing, right? Because you don't want to get put



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in because you're scared. Guys you got to jump in. Ain't nobody else is going do it for you. You got jump in. You got to play. You got to invest in yourself. You got to get the training. Guys I'm introducing to you of course it's made me hundreds of thousands of dollars for thirty-seven dollars. I mean if you don't buy that there's no reason for you to even watch me anymore. I mean I'll be honest with you I mean geez. Thirty-seven dollars. If you can't afford thirty-seven dollars one, we have problems.

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