Introduction: About this Course

There was a genesis to every real estate program you'll ever lay your hands on.

Often, in the current climate of revenue-driven real estate investing education, that moment of conception occurs when the guru—or, more and more often, some product development hogue in a cubicle at the multi-national offices of a company that uses the name of a celebrity guru to sell courses—thinks, "Hey, we could sell a million bucks worth of those. I guess we should figure out how to write it." And 3 weeks later, a product is launched.

This one started on the back of a napkin in a greasy spoon diner somewhere in South Carolina more than 3 years ago.

In the preceding 6 hours on the road, my friend and colleague Jerry Fink and I had talked about a lot of things: the Wholesaling Academy we were headed to Greenville to teach; the real estate market; our local and state REIA groups; and we'd somehow veered into a discussion about how few investors in our otherwise-savvy local market seemed to do really creative transactions.

We talked about a Meetup we'd both attended in the Tampa/Sarasota area, headed up by uber-dealmaker Pete Fortunato and creative finance guru Larry Harbolt, and how even the most unsophisticated person in that group seemed to have internalized the idea of using multiple techniques to massage deals into amazing new forms with bigger and better profits, tax benefits, cash flow, and options for exit strategies.

We reflected on how many years this group had been meeting, and how the decades of constant discussion, debate, and practice, by literally 2 generations of local investors in that area, had probably created an environment where creativity in transactions had, metaphorically, sort of seeped into the water.

We wondered aloud what it would take to create a similar environment in Cincinnati. We talked about experts that could be brought in to speak at our local REIA meetings, but rejected one after another as "technicians" who deeply understood pieces of the creative finance puzzle, but who basically handed their students the hammer of a particular strategy, and told them to go look for the nail of a deal that fit it.

We bandied about the idea of kidnapping Pete and keeping him in one of our basements, letting him out only to moderate a similar group in Cincinnati.

And then, in true brainwashed non-profit group leader fashion, we landed on the decision that such a group was necessary for the further development of our members, a huge benefit to the entire investing community, and that, obviously, we must volunteer to start and run it immediately.

But once we'd (rashly, but that's how things happen in non-profit REIAs) decided to commit to this project, we immediately became bogged down in the "How."

It might help at this point to understand that, although Jerry is far, far older than I am[1], we both 'got into' real estate investing at a time when creative deal making was more or less the norm. Extremely high interest rates on conventional loans made it difficult to make money on rentals by borrowing from banks; higher capital gains rates made 'flipping' properties a lot less desirable, and shorter depreciation schedules made holding them extremely attractive; the availability of 'freely assumable' FHA and VA loans made what we now call 'subject to' deals a no-brainer.

In the 70s, 80s, and early 90s, EVERYONE knew how to do creative deals. Sellers advertised their properties for sale with wording like "seller will carry." Agents encouraged buyers and sellers to negotiate loan assumptions and wrap-around mortgages. Investors bought deal after deal without ever setting foot in a bank.

Much of this atmosphere of seller-to-buyer financing—and the body of knowledge about how and when to do it—was lost to the real estate investing industry as lending practices loosened, interest rates consistently dropped, and then stayed low for over a decade, and the market heated up. Why would a seller wait to get his money, when any buyer with a pulse could walk into a local bank and get a loan? Why would a buyer bother to try to get seller financing, when the local S&L would give him not just the money to buy an investment property, but to fix it, as well? And why would an agent encourage his seller to consider anything other than cash, when buyers waving full-price offers and loan approvals were lined up out the door and around the corner?

Ultimately, of course, the worm turned.

Subprime lenders, drowned in a sea of red ink, washed away with the tide, never to be seen again[2]. Banks, having gladly accepted the milk of the government teat when bailout time came, looked up from suckling to find themselves swaddled by a new set of lending and secondary market regulations that make it risky and unprofitable to open the door to non-standard investor loans. Sellers, finding the pool of buyers drying up around them, became increasingly desperate to sell, and buyers, unable to qualify under the new guidelines, milled around helplessly in an ocean of good deals, unable to get the financing to buy any of them.

And who, among the hundreds of thousands of real estate entrepreneurs beached when the tide of easy financing went out, survived?

Those who remembered, or learned, that individual people are good sources of financing.

[1] He'll deny this, but when he does, ask him about how he took a real estate class from my father, when I was in middle school.
[2] At least until the memory of the world-wide financial collapse fades, which should be another week or 2.

Those who understood the benefits of creative deals—not just to themselves, but to their sellers, partners, or private lenders—and how to explain to counterparts who had never heard of such a thing, how it would work for THEM.

Those who understood that any given real estate transaction can take half a dozen forms, and that, sometimes, cash is the LEAST beneficial of them.

Those who, in other words, had transactioneering in their blood.

But the problem with having something "in your blood" is that it's often hard to know where to start in conveying it to others.

As Jerry and I began to get down to brass tacks about what could, and should, and must be taught at this new focus group, we started to see a serious, practical problem: transactioneering is not a "technique", like buying a property subject to the existing loan. Nor is it a "strategy", like building wealth through rentals. It's more the art of deciding which of a number of techniques to apply to a given set of circumstances that represent a potential deal—along with a mindset that tries to take all of the moving parts of a deal into account and find the BEST way to do it, for everyone involved.

Which leads us to the diner, and the napkin.

Because Jerry is a recovering CPA, and I like to draw pictures, we sat down to lunch and tried to create a flowchart. We started with "Assuming that one is a true Transactioneer and understands multiple techniques for controlling properties, what's the decision-making process about which to use?"[3]

We quickly realized that, while that was an interesting question (and one neither of us had seen answered in dozens of years of combined seminar-attending), it wasn't nearly sufficient to tell the whole story. Because "Transactioneering" or even "creative deal making" is not just a collection of creative finance techniques that can be drawn in 2 dimensions—it's an entire philosophy and set of skills that includes:

- Beginning each deal with the end in mind—in other words, understanding your potential exit strategies and the probable income and expenses involved.
- Digging deep to find out what a seller's real problem is—and it's rarely what they say, or even think it is.
- Being comfortable with the math—from the basics of "what will this property make if I buy it with this financing" to the real estate algebra of "If I can pay $x per month for y years, and the seller wants an interest rate of z, what is the purchase price?"

[3] The napkin was lost to history in an unfortunate coffee-related accident, but a reproduction of this flowchart appears at the end of this chapter.

- Thinking from the seller's point of view, so that you can explain what you're proposing without jargon, and in terms of how it benefits him.
- And yes, understanding the various acquisition strategies deeply enough to analyze the pros and cons of each from a control, legal, tax, risk, and profit perspective and to document the deal correctly.

That's a LOT of complexity to try to convey in the environment of a subgroup, to a rotating group of attendees, many of whom are new to the real estate business, and who meet only once a month and only for 90 minutes.

And as time passed, and more and more of our members became comfortable with the basic language and mindset of creative buying, and went out into the world making creative offers, it became more and more clear that it was time to put all of these concepts into a single place and time.

Knowing a few, or half, or even 90% of them isn't good enough—I've now seen too many entrepreneurs negotiate themselves right into a really unprofitable no money down, no interest seller-financed deal because they didn't consider the expenses involved in the exit strategy. Or have a deal blow up months or years down the line because the paperwork was wrong and unenforceable. Or put together a creative deal that was the best possible—and sometimes, only—solution for a desperate seller, then not get it to the finish line because they didn't know how to explain it to that seller. Or a dozen other common "fails" that wouldn't have occurred had the real estate investor understood the whole Transactioneering picture.

So that's what this course is mean to do: paint that entire picture for you. The experience of 25+ years in the real estate business, and hundreds of creative deals, and a dozen years of coaching other people through those deals, have gone into this system, and the concept sketched out on that napkin has become a full-blown roadmap to becoming a Transactioneer.

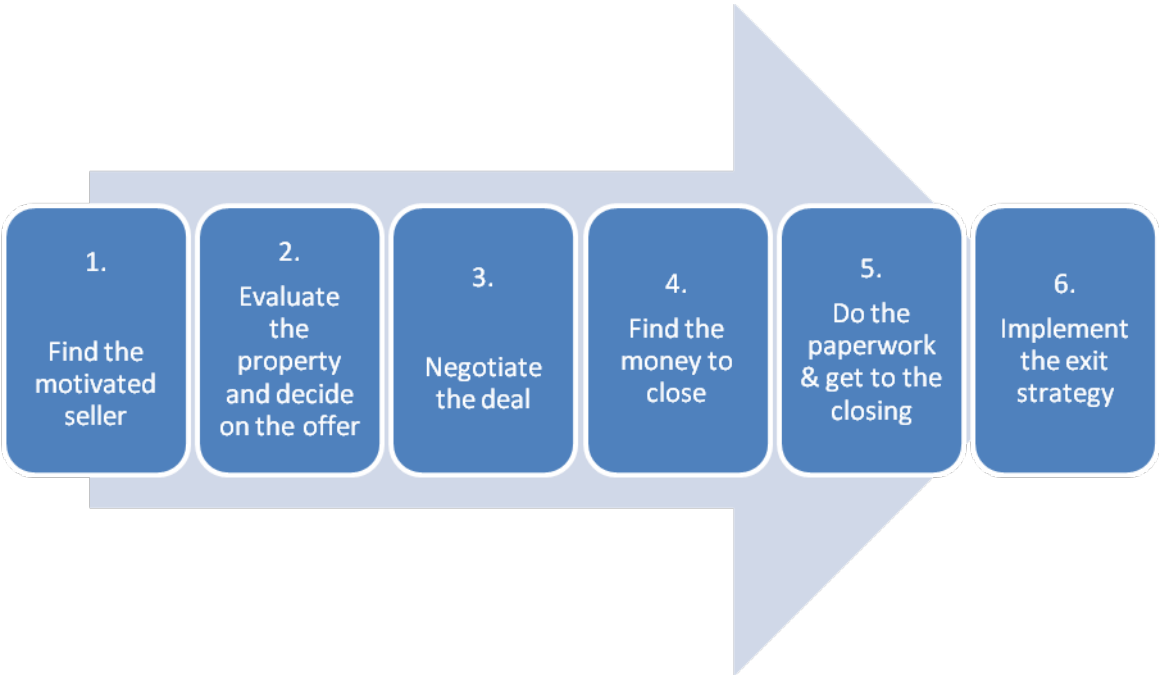
The Focus of This System

You're going to notice something about the Transactioneering Mastery Program that's unique in the real estate education world: it focuses on understanding and implementing part of the process of making a deal, and it shows you how to think about that part of the process.[4]

When I sat down to develop the curriculum for this course, one of the most difficult decisions was about what to leave out.

After all, the full process of making a deal (and it can be any deal, in any market, on any type of property) actually looks something like this:

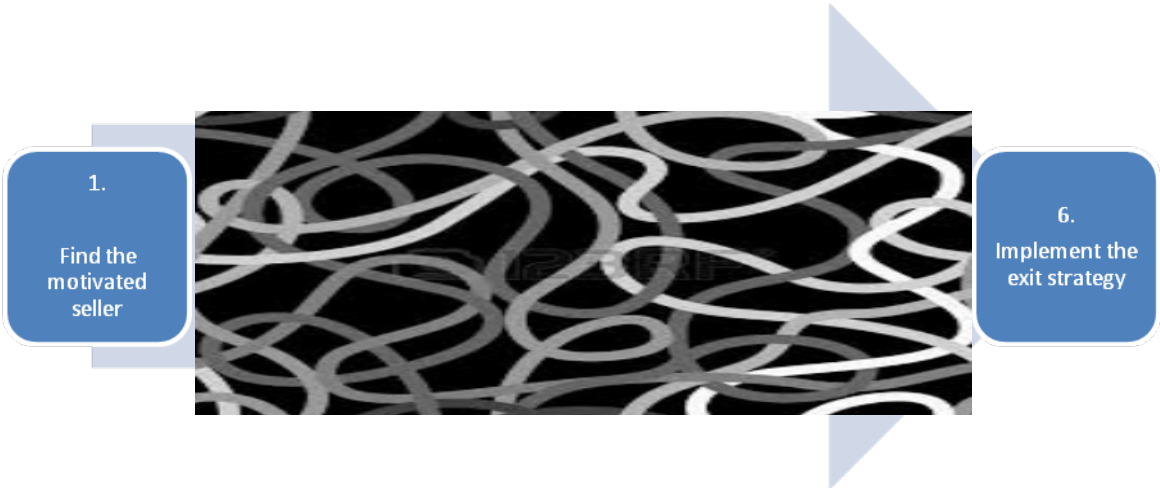
[4] Yes, I said you're going to have to think. And yes, I know that this is a nearly sacrilegious thing to say in today's "done-for-you", "turn-key", "no work needed" real estate education product. The problem is, of course, that there's no such thing as building the get-out-of-the-rat-race-level wealth you want without work, and without understanding your business. But you already knew that, right? Right?



In every deal you do, of every type, for the rest of your life, you'll go through each and every one of these steps. And for any given exit strategy, there are endless courses and bootcamps that will walk you through this entire process, step by step, in great detail.

The problem with this awesome little flowchart is that, unless you have a very regimented, cookie-cutter strategy that requires you to reject any deal that doesn't fit a pretty exacting mold, they don't actually move in lockstep as they appear to in this graphic. In fact, in the case of creative deals, the evaluation, negotiation, paperwork, and financing parts are so interconnected that a new fact brought to light about one can send all the others in a new direction.

A more realistic picture, in fact, would look like this:



The purpose of the Transactioneering Mastery Program is to train you to cut through the Gordian Knot[5] of creative seller deals and get to a solution that is beneficial, workable, and explicable to a civilian seller.

It is NOT to tell you how to find the sellers in the first place—because every way you've already learned to do that will turn up sellers who are motivated to sell, but can't take a lowball cash offer.

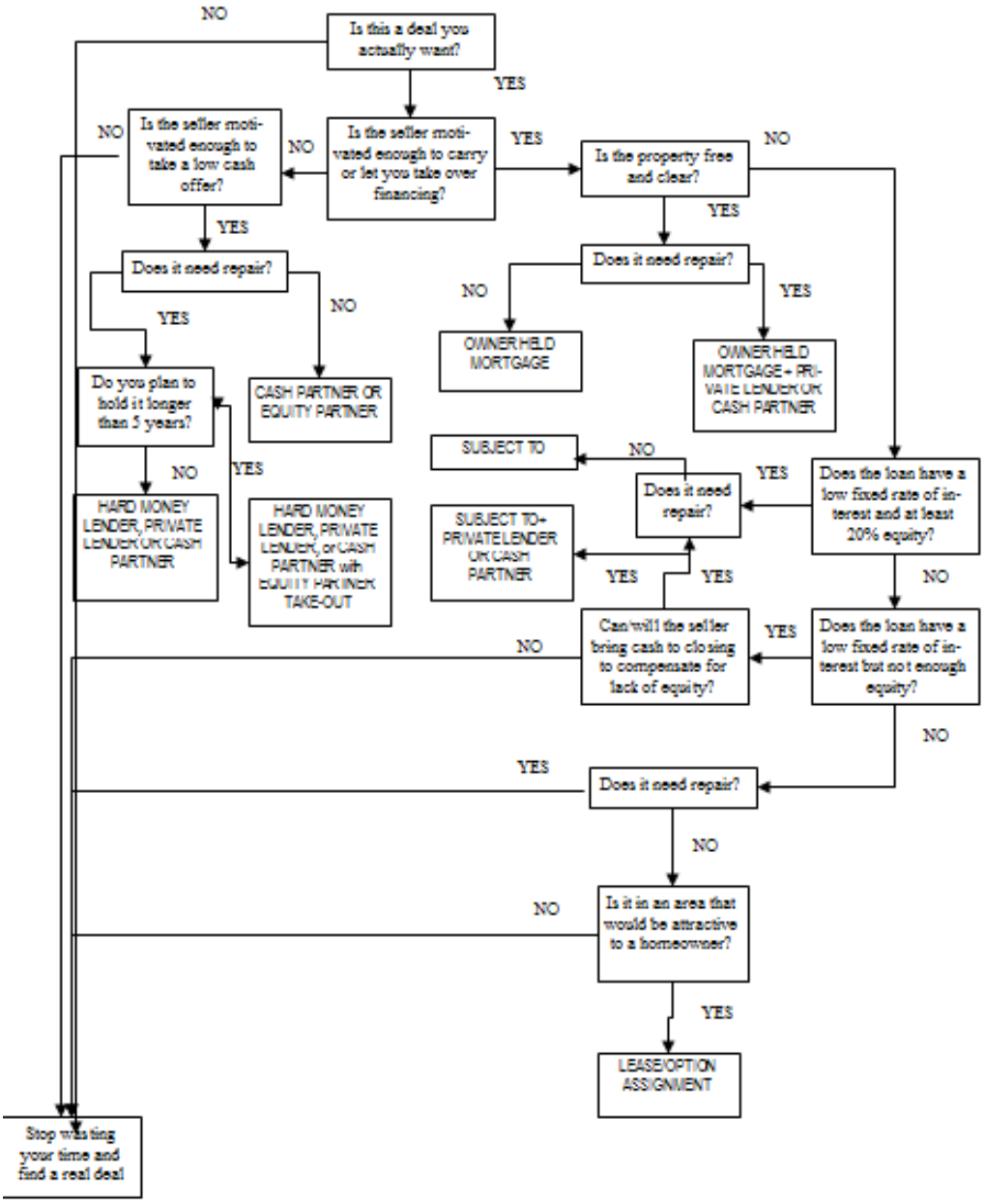
It is NOT to tell you what to do with the property once you've got it tied up, because you should already know what exit strategy, or strategies, you want to exercise, and there are plenty of awesome courses out there that delve more deeply into those than we'd have time to, anyway.

It is NOT to tell you how to bring 3rd party money people, like cash partners, credit partners, or private lenders, into deals, though we'll use examples and look at times when it makes sense to do such . While Master Transactioneers often do this, "raising money" in its various forms, is a fairly heavily-regulated activity, and deserves separate study on its own.

It IS to show you how to make lots of money by finding people who want to give up something they don't want (like the management of a piece of real estate) and give them something they do want (like a no-responsibilities-attached monthly check), and do it legally, ethically, intelligently, and profitably.

So let's go.

[5] And expose you to all sorts of random classical references for my amusement and your edification.



A reproduction the back-of-napkin flowchart that started it all