

EPISODE 444

[INTRODUCTION]

[00:00:00] ANNOUNCER: Welcome to The Real Estate Syndication Show. Whether you are a seasoned investor or building a new real estate business, this is the show for you. Whitney Sewell talks to top experts in the business. Our goal is to help you master real estate syndication.

And now your host, Whitney Sewell.

[INTERVIEW]

[00:00:24] WS: This is your daily Real Estate Syndication Show. I'm your host, Whitney Sewell. Today, our guest is Eddie Speed. Thanks for being on the show, Eddie.

[00:00:32] ES: How are you doing, Whitney?

[00:00:33] WS: I'm doing great. I appreciate your time in sharing your vast experience and knowledge with us today. So, a little about Eddie though, in case you haven't heard of him, he is a 30+ year veteran and expert of the discount note-buying industry. Has purchased over 40,000 performing and nonperforming real estate secured notes with total dollar value exceeding half a billion dollars. He's partnered with many real estate companies to design and implement effective seller finance programs, notably HomeVestors of America ("We Buy Ugly Houses") where he constructed a comprehensive in-house program, covering cell structure by our due diligence, loan servicing, and loan resale in the secondary market and complete solution.

He's also the founder of NoteSchool, which is a comprehensive training program available in-home study courses, live seminars, and ultimately mentoring programs.

So, Eddie, thank you again for your time. Give the listener a little more about what your focus is now or what you're up to, and let's dive in.

[00:01:34] ES: Well, thank you, Whitney. So, yeah, I have a long history of buying seller-financed notes and helping people create seller-financed notes that can be resold. But we've added a twist. And the twist is we started all these real estate investors that we work with and were around. Either they're – They don't have to be buying houses. They can be buying land. They can be buying apartments. They can be buying storage units, whatever it may be, whatever a syndicator would find as a good product. It's all the same market condition right now, and the price point is affecting real estate's investor's ability to buy the bargains that they could buy a few years ago.

So how do you make a bargain in today's market? Well, I use some of the same note skills that I've learned for now since 1980. What that has led me to is showing people very creative techniques of how to buy a property and get the seller to be willing to carry creative financing.

Now, there is a lot of different ways to do that, and you can't draw a circle around one financial model and make it work. So, they can have existing financing already own it that's got to be paid off. They can have it free and clear. There's a lot of different ways it could be structured, but the idea is – think about the good properties that you like that you would pursue if you could figure out how to make the price and the cash flow work. That's what stops everybody from doing the deal.

So, this is another angle that we started really helping a lot of real estate investors do is like how do you fix this, and that is essentially think of it like this: The seller of the property will agree to terms that a traditional bank or lender would never agree to, and it's knowing how to structure those terms that could lead to letting you buy a property that otherwise you love, you just can't make the price work.

[00:03:43] WS: I mean, dealing with the seller, I mean, it's like a skill of its own, almost. Tell me about that conversation a little bit or maybe some – Or even some terms that we should be thinking about before we even have that conversation.

[00:03:56] ES: Well, so what we've learned is this: The seller will have a property that for some reason needs something. It needs repairs. It needs – They don't really need to take all the money today. They don't want to take all the money today. They don't want to take all the

income today but they want to sell it. They're a motivated seller, and that's the very person that can make it work. On one hand, it could be free and clear. They can own 50% of what it's worth. Or it could be one of these crazy deals and on a house deal for sure. But even on some commercial is you could take over existing financing.

So, the idea is this: About two years ago, I was really involved with some real estate investor mastermind. I still am today but I was been deeply involved for years. And at the Real Estate Mastermind, everybody would get up and kind of tell their story. "I'm this and I do this for people."

And they all said the same thing. "We're getting crushed. Our margins are killing us. We can't buy something that will cash flow. The price we're paying, we can't buy, and resell it and expect a big lift in the market of price."

I said very calmly, "Well, I want you to just pay them whatever price they want and demand that you get the terms you need." Then I started giving examples. I started whiteboarding out examples. "You could do this."

So essentially, just think in terms of the simplest form of this is if somebody had a million dollars in equity, you're not going to pay him a million bucks today. You're going to pay him 50,000 bucks a year for the next 20 years. Now, even if you added some interest down to that, below market rate interest, then you're getting paid with income off of the property before you ever even have to pay for their equity. So that has led me to really about two years of the most creative deal structuring I've ever done in my 40-year career.

So, when I really thought a couple years ago after a lot of transactions, lots of transactions, tens of thousands, I thought I had kind of seen it all or thought about it all. I realized how much I hadn't thought about until I really kind of gotten the whole vein of how to structure this deal and that deal. So, you could utilize new financing, and the seller carry a second. You could have the seller carry financing. You can carry deferred interest. You can carry deferred payments. You can do all kind of different things with it, and I will agree to you. Not everybody's going to take the offer, but let me ask you a question. Of all your clients and all your people that watch your podcast, how many deals do they look at before they find one that will work?

[00:06:51] WS: Yeah. Probably at least 100 usually.

[00:06:53] ES: So instead of that insanity, why don't you try a plan B on the 99 that wouldn't work and see if there's a deal there? So NoteSchool has now an audience of people like this coming and hanging out with us and just whiteboarding it out. You could do this. You could do this. You could do this. The next thing you know, people are like, "Oh, my God! I hadn't thought about any of this."

[00:07:15] WS: So instead of just telling that seller or broker, "No, that won't work. It's not worth that," and cutting it off there, there may be another option, right? Or two or three options that we could present with that and say, "Okay. We'll pay your price, but here's the terms."?

[00:07:30] ES: So here's a simple deal. If your seller insists on that price, I've got to get some terms that will work for me, instead of all cash today. So, if your seller needs that price, we can make their price work if they can make my terms work. Is that a conversation we should have?

[00:07:49] WS: I like that. I like how you lay that out there.

[00:07:51] ES: Then you go from there. It's fun. In all of my years in the business, I don't think I've ever had more fun doing anything. I get to teach some really smart people. Guys that buy several hundred houses a year. Guys that are in the commercial business doing various kinds of property, all of the above.

I've gotten to teach all kind of people things that they kind of knew existed. Your audience is smart folks, right? They're much more seasoned than a house flipper. But let me just tell you what I've learned over and over and over is they will laugh and say that the answer was right in front of my nose. I just wasn't finding it. So, I just – I'm a facilitator. I'm a facilitator of ideas to go take something that somebody like is watching your podcast, a savvy person, and just say, "What about this and what about this," and get them in a creative vein of thinking that they have the capability of doing. But I'm just pulling it out of them a little bit.

[00:08:55] WS: I guess how many deals now are you working with investors on as well or you're able to completely figure the terms out just with a seller?

[00:09:03] ES: So, we carve up financing on probably more than 25 deals a week. So, I train a bunch of hotshot house buyers. If you took the top 500 house buyers in the business, 200 of those have been in NoteSchool or either scheduled to come to NoteSchool or had been in NoteSchool in the last 12 months.

But I'm also involved with guys that do commercial stuff. And more and more of them have said, "You know, Eddie, we really have the same problem." Really, for me, the asset class is kind of irrelevant. I've bought land doing this. I've bought apartments. I've bought office buildings. I've bought houses. It doesn't really matter, and there are some things that the seller really likes. I laugh and say, "It almost if the seller is too cheap to pay a real estate commission, they're perfect for us." Because they are so hung up on price that they will give the farm away in giving the terms that I won't because they get the closing statement. Then it has the price they want on it.

It's funny but it is very much a psychological game. You just find out what somebody's hot button is. If somebody's so hung up on price – Listen, if somebody is hung up on price and they really don't ever need to sell their property, I don't know that anybody's got a fix for that. But how many times have you seen, Whitney, people needed really, needed to sell their property yet they were still so hung up on price, they couldn't make a deal?

[00:10:38] WS: Yeah. It's often.

[00:10:39] ES: We can fix that.

[00:10:41] WS: By knowing some terms, by having some other options. We can say, "Okay. That price will be – We're happy to meet you at that price, like you said, if you'll meet us on our terms."

[00:10:52] ES: So, here's what happens. Probably in the commercial business, maybe 15 or 20% of the successful people do in commercial real estate, syndicators. They would say, "Oh!

Yeah, yeah, yeah. I know creative financing. I've done this a lot."And they maybe have. But what I've learned is after carving up 25 to 30 deals a week for the last two years, I know that being a seasoned note guy is probably is in the business today. I don't know many people that's closed 40,000 notes other than me. I can't believe how much I didn't know two years ago. And it just shows me that how many creative things have you come up with and you're thinking, "Why wasn't I doing this six months ago. Oh! I know why. I didn't thought of it then." Right?

[00:11:42] WS: Often.

[00:11:43] ES: So, I just want to create a creative environment. I love taking like insanely seasoned smart people and then just all of a sudden, "What about this and what about this?" And just see in like them all of a sudden just completely up see a lane that they could go down that they hadn't considered. That's why I said it's been so fun.

[00:12:02] WS: What was it that changed in your learning process? I mean, after doing this many deals two years ago though, you just talked about that time frame where your education is growing, growing, and growing. What has caused that? I mean, looking at that many deals a week is going to cause you to grow or to learn a lot as well.

[00:12:18] ES: People brought me deals that I had to solve problems that I didn't know I had to solve before. One week after another, somebody would bring a deal, and this guy seller wants this, and there is this. It needs this much in rehab. Where am I going to find the money? We don't want to pay that much down, blah, blah, blah.

I'm like, "ch-ch-ch-ch," and all of a sudden start getting in a habit of how we can cut it up. One thing just led to another, and I – Being around the seller-finance business and the creative finance world, I've been around a lot of people that really would say, "Hey! This is my thing. I'm really good at this."

Yet I looked at it, in all due respect, and I realize that our industry, including Eddie Speed, did not have an A player." I wasn't an A player. We could show people how to be an A player, doing things that they would've never considered before. That to me is exactly how it works. I mean,

like I'm just showing people how to go do stuff that's outside the box. Once again, it's one little piece has led me to another little piece and that kind of thing.

That's why in a perfect environment, what I do is get in a situation where we can start whiteboarding deals, and it's hard to do that online. People are like, "I don't want to come to a class or I don't want to do whatever." And I get all that.

But I'm saying to you that I don't have anybody halfway through a class that says, "Oh, gosh! I'm not thrilled I didn't come." So, it just starts creative juices flowing, and that's when it really becomes so fun. So, I stumbled into it. I heard guys that had a real estate problem and I said, "Sometimes, you can fix a real estate problem with cash and sometimes you can fix a real estate problem with creative financing." I said with that second option, I think I can really help them.

[00:14:13] WS: I like that. Somebody that has the years of experience that you have in the business, what would you tell yourself if you could go back 30 years, knowing what you know now?

[00:14:22] ES: I would have pursued buying properties some terms excessively more than I did in the past. Like everybody else I did not know was possible, and so I started trying to work through what was possible and I have bought properties on terms since 1983. I bought my first house in 14% interest rate environment, being a young, self-employed note guy. So, I had reasons that I was pretty motivated to figure this out. But I don't think I've ever pursued it to the degree I should have.

[00:14:54] WS: I guess what's your piece of advice for somebody that's getting started in this business now?

[00:14:59] ES: Well, you've entered a very interesting market. If you're getting started today, you've entered a market that is the most competitive in real estate that I've ever seen in my 40 years in the business. Margins are tighter. Competition is greater than it's ever been. And I would challenge you to say to go be successful is entering the market with an idea that you're

not just another tomato. You're not just another guy that does everything that everybody else does.

"We're a relationship-minded. We're this, we're that, we're great." I get it. But I would say if my – Well, I'll tell you this. I have a 22 and a 25-year-old son who are young real estate investors. One of them is a fireman and one of them is a full-time real estate investor, and those two guys are doing exactly what I'm telling you that I think somebody should do, which is they are entering the market, buying on terms.

[00:16:00] WS: So, what's been the hardest part of this real estate business journey for you?

[00:16:04] ES: When things get really good, we get used to it being so good and we can't visualize what the backside looks like. I've lived a bunch of cycles now and I'm a little bit anxious when I see a market where it is. I'm anxious when I see multifamily, because it is so aggressively priced.

But if price is what's beating the market up, then the way to counterbalance that is just to pay for their equity with tomorrow's dollars and not today's dollars. So, I think it's a great way to approach like the hyper priced markets. In multifamily obviously, we jump in anybody's mind. I don't know. Some people still think multifamily is a bargain. But I don't think there's any seasoned guys that aren't like looking at it with weary eyes, going, "We got to be smart."

[00:16:56] WS: I hope everybody's looking at it and saying, "We got to be smart." But that leads right into another good question is how are you preparing or prepared for this potential downturn that everybody's talking about?

[00:17:07] ES: Well, I'm a note guy, and when there's a good chance of a slide in the market, I'd rather own an 80% note than 100% piece of property. Makes sense?

[00:17:18] WS: Yeah. I just want you to elaborate a little bit.

[00:17:20] ES: Well, if a property is worth a million bucks, and they owe me 800,000, I'd rather be on the note side than own the property at a million. If it slides back in value, that's straight off of my equity.

So, there are sides that the notes make a lot of sense, and I'm not saying that buying properties doesn't make sense. I just think when things are really good, we are not forced to be very innovative. I think we're approaching a market cycle where we got to be really innovative. So, I would just – I believe I would wake up every day and tell people to just don't be copying other people just to be copying other people. If you're copying somebody else's model, you better specifically be absolutely clear as to why their model is really that good.

I see people that I'm sure you do. I see people repeating to me every day. It's – I've never seen so many people entering the multifamily space in my life that I look back in three years ago. They never even walked in to set an apartment. Now, all of a sudden, they're buying apartments like they're just – I mean, it's not that you can't make it work. It's just you need to be clear as to how you're going to make it work. Right?

[00:18:38] WS: Yeah. So, what's a way that you've recently improved your business that we could apply to ours?

[00:18:44] ES: I think buying on terms. There's a lot of different things that I've done, but I would say that I think now when somebody talks real estate to me, I'm like I'm instantly thinking, "Okay. I understand you're going to make a cash offer to a certain percent of sellers, and they're going to take it."

There's always a seller in the market, and you're going to make a cash offer, and there's always going to be that one deal you can make work. But what I'm worried about is how deep is your trashcan? How much time are you spending working on deals that that one model won't work? I think the alternative model is creative financing. So, yes, I have excessively applied this to my life. I'm definitely a specialist in creative financing. I mean, I'm not a generalist in any way. But I've got a lot of people that I've seen change their net worth significantly in the last year and a half because of this.

[00:19:41] WS: What's the one thing that's contributed to your success?

[00:19:45] ES: Never giving up. Just I wish I could tell it was brilliance. But I've been tenacious. So, I've been doing this 40 years and I just had never given up. But I have had to get up and significantly dust myself off and reinvent myself and I feel like I'm a little more of a forward thinker now. I'm reading the curve in the market a lot better than I did when I was in my 30s.

[00:20:10] WS: How do you like to give back?

[00:20:12] ES: We've got charities that we support, and I like giving back and helping kids that can't help themselves. There are so many great things you can do, and there's not any one thing. But we've influenced a lot of people within our sphere of influence to do things like that. Then not obviously, for the professional side, I feel like I've been on a 40-year journey, learning this business and I love it. I'm passionate about it and I like doing what we're doing today. I mean, this is truly the very best part of my day is being able to share something that's taken me 40 years to learn how to do.

[00:20:50] WS: We're grateful. It's always great to hear from somebody that has the experience like you do, so we cannot make the same mistakes or we can get there a little faster if we'll listen. It's what I tell my boys. You got to be a good listener first. What is that? Seek to understand before you seek to be understood. Thank you again for your time today. Tell the listeners how they can get in touch with you and learn more about you.

[00:21:10] ES: Well, I'm going to do a simple landing page, and it'll be noteschool.com/whitney. So, we'll give them a little book, just an e-book. But it's short but it's good. It's only about 50 pages. But it's a good sparking of different angles of how you could do this business and it's not just for houses. It may refer to a house in there but it's not – This strategy will work with any kind of real estate.

So noteschool.com/whitney. Then also, we'll invite them into a little workshop, and it will just be a working shop where we can work through some ground, through some numbers and show them some examples and give them a sense of maybe how that might work.

[00:21:52] WS: Nice. Will you repeat that URL one more time?

[00:21:54] ES: It is noteschool.com/, your first name, Whitney.

[00:22:01] WS: Awesome. Thank you, Eddie. That's a wrap.

[00:22:03] ES: All right, my friend. Thank you.

[END OF INTERVIEW]

[00:22:05] WS: Don't go, yet. Thank you for listening to today's episode. I would love it if you would go to iTunes right now and leave a rating and written review. I want to hear your feedback. It makes a big difference in getting the podcast out there. You can also go to the Real Estate Syndication Show on Facebook, so you can connect with me and we can also receive feedback and your questions there that you want me to answer on the show. Subscribe too, so you can get the latest episodes. Lastly, I want to keep you updated. So, head over to lifebridgecapital.com and sign up for the newsletter. If you're interested in partnering with me, sign up on the contact us page, so you can talk to me directly. Have a blessed day, and I will talk to you tomorrow.

[OUTRO]

[00:22:46] ANNOUNCER: Thank you for listening to The Real Estate Syndication Show, brought to you by Life Bridge Capital. Life Bridge Capital works with investors nationwide to invest in real estate while also donating 50% of its profits to assist parents who are committing to adoption. Life Bridge Capital, making a difference one investor and one child at a time. Connect online at www.LifeBridgeCapital.com for free material and videos to further your success.

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