This is Mitch. And welcome to the debut of the Real Estate Investors Summit podcast and yes indeed I am your all-knowing and wonderful host Mitch Stephen. I certainly hope that you have heeded that wonderful announcers warning to have your pen and pencil ready, because before this podcast is done I'm going to give you the exact formula for my success and I'm also gonna give you the mindset behind it and it has everything to do with owner financing.

The art of owner financing where you have to buy a property and you sell it to a person, who gives you a down payment and then promises to make installment payments for years and years to come. So, that is the strategy of my choice, that's what I've been doing for 20 years and that's how I have that huge Financial Freedom and Independence and I'm gonna share it with you by the end of this podcast.

Also, I wanna let you know about the Real Estate Investor Summit format, I specialized in owner financing strategy but along the way the finding the perfect owner financed houses. We find all kinds of different houses and we'd be able to capitalize on every single Lead. So, this podcast is dedicated to bring in the ancillary surrounding peripheral health that we need to capitalize on any Lead, much less the favorite Lead of all time, as far as I'm concerned the Owner Financed Lead.

So I will have all kinds of people on, when it comes to raising private money. Doing subject to's, Lease Options, Rental Units, just all kind of things. Anything that I think will help and I have a long list of very smart individuals inline to speak directly to this audience.

But right now, you're probably asking yourself who in the heck is Mitch Stephen. That's fair enough-fair enough, Who Am I? For starters let's start what I am not, I am not famous nor, I have made the news any time lately nor am I likely to make the news anytime soon. I did not graduate from a prestigious College or University. I-I was really just lucky to get out of High School, Go down Marshall fighting rams and you will not find me on any of the Forbes Top 100 list or the Top 500 list or even the Top 1,000 list, so at this point of the conversation I'm sure you are all very impressed.

Probably thinking right now, you know I could be watching a really good I Love Lucy reruns instead of this. But, let me tell you who I am. I am, first of a husband for 25 years, a Father, a Son and I used to be Brother though, I have no more brotherly duties till we meet again on another day. A little personal there huh, well it's OK we probably gonna be personal on this podcast too. We can't separate personal, business and regular business 99.9% of the time they're all mingled in this old mixed and so a lot of times we have to talk about what going on personally to get to where we wanna go financially.

What I am is a reasonably successful entrepreneur if not very successful. It's only a matter of perspective. I am a Christian that struggles every day and I'm a staunch conservative, I'm unashamed. If those last two words, Christian and Conservative deeply offended you, then quite possibly it's time for you to move on to another Podcast of your choice. However, if I just mildly offended you then just-just hang on a little bit, let's listen for a little bit longer because you'll gonna find out that we're no much that different. We all want the same things and we probably gonna be end up being friends at the end of our time.

So what has Mitch Stephen done? Well I have become financially independent and I am free to travel the world, if I wish, when I wish, with ample time and money. I'm the Author of three books in a series aptly named My Life in a Thousand Houses for I have to my credit, purchased and sold over 1,000 Houses in my home town of San Antonio, Texas. Actually, that number is right around 1,300 about now but, who's counting. I have mastered the Art of Cash Flow without being a landlord, this is very important because, I not a really a strong believer in the Landlord Model and will see the differences here shortly.

I'm an expert in a very-very niche strategy called Seller Financing or Owner Financing as I described just a little bit earlier here in the commentary, and in this thrice weekly Podcast. [Laughter] I don't know what thrice is a number or not but I hereby as the commentator here and host being thrice a word now, so in this thrice weekly Podcast we're gonna here a lot about The Art of Owner Financing and how Owner Financing can be used to set yourself free financially and give you the time and the money to be the person that you wanted to be.

Now this accolades and about $7 will buy you a cup of coffee at Starbucks right? But quite frankly I am in a position in life that many of the listeners out there would like to be in, I live in the greatest country in the world period, I don't have a boss and I have it for over 20 years, I have money in the bank. I have tremendous cash flow that far exceeds what I need to live day to day, and I have it all set up in systems that allow me to pursue my personal interests, will those interests make me money or they cost me money?

I get to do pretty much whatever I wanna do these days, because, of the price I paid a long time ago, and the commitment that I had to get in some residual income while wasn't liable for everything in the world. So, why am I here on the Real Estate Investor Summit podcast? [Laughter] I love asking, I love interviewing myself because I asked such good questions and I love to answer them. I am here because a little back story, so that you know where I come from. First of all, growing up I was not poor, however, I did not come from money, either. I think that our family was raised somewhere little fast, probably, lower middle class looking back on it. I was not poor until I left home and then I became poor [Laughter], I spent a lot of time being poor, because I was too proud to ask anyone for help.

So, I left home, when I was on my own, I abruptly went broke as many of us do and I stayed that way for a while. Second of all, I'm not the smartest guy in the room, and I want everyone to understand that. I don't think that I am, and I know that there are you know, ingenious people out there. I am not an ingenious person, but I will tell you this, I have a ton of common sense, and that was my saving grace. I have ton of common sense and I have a huge work ethic. And those are the two things that pulled me through despite my lack of acceleration in traditional educational institutions like high school, a brief few minutes in college.

I am here because, if I can do it, I believe you can do it if you want to, that's the whole reason I'm here is because, I think others can do this and realized the kind of freedom and the kind of life that I think everybody would like to have. I am here because a lot of people kept asking me, "can you help me do what you've done, Mitch"? A lot of people have asked me that, and I kept saying "no", and I said "no" over and over for years because for one, I haven't figured out how to make the time. You know, I haven't learn about systems yet. And the other thing was, I was not sure that I would be a good teacher and that I would be something that I would be good at because I have never really taught before.

I am here because on one day a person named Katherine Conner convinced me that I'd make a great teacher and she showed me how to do it. She taught me into stop saying no and so I stopped saying to just a few people to see how it would turn out, and it worked. And it was an emotional rush for me, to see that I could be an instrumental in changing lives of people, who are quite frankly didn't know if they could but they would really want to try hard, so we took on that challenge and I saw people winning and I caught the bug that day, that moment. I am here because I know how to teach people a certain method that I used to get free. I've made a lot of friends along the way, friends that I thought I never saw these people on my horizon and now they are now my friends and I think it's a great environment and I love my friends that I met here and have helped through the struggles. And last but not the least, I am here because it's the teacher that amasses all the knowledge more than anyone in the room, it's the unwritten law of teaching, that I have discovered.

I have to live it to discover it, is that while I made bring 99 pieces of a puzzle into the classroom, it just takes one of those students to bring a piece which I did not see or I did not that existed and all a sudden, am better today than I was yesterday and it's all about brain consortium really, the people that attend sometimes the classes have, may not be as equipped as I am, in a certain arena but they also come from different places in the world or different places where the angle they look at things is just different and when we have different people looking at the same thing from different angles we get a different perspective and I learn something all the time because of that dynamic and now that introduction of who Mitch Stephen is, that's how it's like, I'd like to get to the meat of the matter and deliver on the promise that I stated at the beginning of this podcast which was to describe to you how I become financially free using real estate as a vehicle in owner financing as the primary strategy.

Let's get the mindset all the way first, number 1, you don't need money to be a success in the creative real estate investing arena, you absolutely do not need money, what you need to do is find terrific deals, I'll get to that soon. Number 2, I believe the buying whole strategy is largely a myth for most of the novice investors out there in the world and let us just say that this buy at rented out till it’s paid for, the landlord theory buying whole theory, I think there is a better way personally not that there has been a lot of millionaires and billionaires made out of that rental model but am gonna show you some differences that you may find very appropriate and you may start to come to the conclusion that maybe that's not the best way to start a career in real estate.

The idea of borrowing money to become a landlord, the idea of making a profit between what you owe and what you collect, I believe is highly overrated because when you are responsible for every single thing that could go wrong, it simply ridiculous to think that you can maintain that spread between what you owe and what you collect. So, let’s think about it like this, you borrow $50,000 to buy a house, but you gonna rent out for $1,000 per month, now by the time you subtract the mortgage payment that you have, with property taxes that you are responsible for, and the insurance, the hazard insurance in case the house burns down or blows away or floods, and of course the unknown overlooked insurance that you should have and hopefully you do have rental properties is the liability insurance, because you don’t wanna own rent properties without liability insurance.

And so let’s say, that you are clearing now out of that $1,000 a month, you are clearing out $300 per month, $300 a month is what everyone is running into this rental business model looking at, everyone is jumping up and down, saying "hey, I just bought this house and am gonna have $300 a month positive cash flow and we are doing the jig, but what happens is, that $300 a months is a myth. That $300 is what you collect when nothing went wrong, now let us look at what might go wrong because you are responsible for everything in the world on a rent house, this gonna take a minute, you are responsible for everything, roof, gutters, hot water heater, plumbing, electrical, sinks, faucet, shower heads, faucet handles, lawn maintenance, trees, sprinklers systems, termites, insects, pest control, windows, broken glass, doors, garage doors, garbage disposals, dish washer, dryers, stove, oven, microwave, fridge, freezer, central heating, A/C units, fences, gates, lawn maintenance, I mean the list goes on and on and on, and in order for you to collect, that $300 a month positive cash flow, nothing can go wrong with these list and I just touched on a bit of it here.

So, not to mention, early move outs, lost rents, eviction costs, the make ready repairs necessary when you have to prepare for a new tenant to take place of the old scoundrel and to think that a deposit that is generally equal to one month rent, so on this example, a deposit of a $1,000 is going to cover the make ready cost and damage of a renter that's been in your house is not likely-that a $1,000 is gonna cover all, you'll spend that $1,000 in a snap of a finger, so, the point is this, if you think you are going to net $300 per month, your plan is severely flawed in my humble opinion for the reasons stated, just one major blow out from an A/C unit, it could costs you half a year's positive cash flow, if not the whole years, because that’s one of the things that costs the most in the landlord because is the heating and A/C unit.

So, let us compare those liabilities to an owner financed deal where you are simply the bank, you're just the bank, you've taken the down payment, you sold the house, you agreed to collect X amount payment for X amount of months, probably years and years and years and this can be a much different situation, first of, the mentality of a buyer is far different from that of a tenant. Tenant tears things up and leave your properties, buyers fix up the properties instead, this is quite different dynamic in their mindset. Second, the amount you can collect as a down payment, can be as much as $5,000, $10,000 down, $15,000 down or more, this week, I collected $30,000 down towards one of my owner financed houses and that simply doesn't happen in the rental game. When was the last time that you got a $10,000 nonrefundable deposit for someone to rent the little house in your little town USA, probably never. I mean, if someone I'd like to hear about it, but am sure there are special circumstances not normal by any stretch of imagination if it’s ever happened.

So, let’s explore the Owner Financed Strategy: the core belief in Owner Financed Strategy is based on a simple statement, and that statement and core belief is, that a person paying a $1,000 to rent would rather pay a $1,000 to own, and this is the core belief. If you don't believe this, if you don't think it’s highly likely that most of the people that rent would rather own than it cost the same, then you need to stop right here in owner financing strategy is not for you, because you have to believe this core belief, in your heart of hearts, a person paying a $1,000 rent would rather pay a $1,000 to own, so let’s start with how we establish a owner finance value of a property. Let’s use some real numbers here, so this is where you papers and pencils gonna come in handy, cause you might wanna jot this down.

Let’s say, the rents are $1,000, and so, we've got and this rents, are pretty to establish with these days with this today's technology, much easier to establish than traditional values cause when we just wanna find out what the rental value is, we can go to websites like rentometer.com or zillow.com or trulia.com, we can go back to these rents and try to establish an owner financed value, meaning how do we move this person from paying a $1,000 rent into paying about the same amount of money to own, which should be a $1,000, give or take a few bucks. So, we get into our computer and we figure out the rent of $1,000, for this little house that we are contemplating by and so, we need to figure out what is the owner financed value, we do that by taking out the $1,000 rent, subtracting the $150 for the property taxes, subtracting the $75 for the property insurance, which has left over $800 per month.

The tenant in this house if you take the taxes and insurance away from the rent, it leaves the tenant, $800 dollars per month that he could pay for principal interest, if someone will give him a loan to buy this house. If we use, 30 years and 10%, we can take our basic amortization program or app in our phone and discover that the tenant can afford to finance, $91,160 dollars and some change and his payment will be $800. Now, for easy numbers and easy Math, let’s just say that it is just $91,000. So, $800 a month left over for principal interest, this tenant can afford to borrow $91,000, at 10% for 30 years.

Now, to arrive at the owner financed sales price, we take the $91,000 in this example and we multiply it by 10% and we add 10% on top of the $91,000 for a down payment and we arrive at the owner financed sales price. So, $91,000 times 10%, roughly $9,000 dollars, we're gonna use $9,000 here, it's really $9,100 but for easy math, we'll gonna use $9,000, we add $9,000 to the $91,000 financed amount and the owner financed sales price is $100,000.

Now, I wanna be very clear on this, this is the owner financed value. It is not the A.M.I appraiser's value, it is not the Comparative Market Analysis or the CMA, where you used sold around the neighborhood in the last 6 months to establish value, this is not that. This is not the Broker's Professional Opinion, with all the broker's did was perform CMA and tell you what is the value based on comps, comparable sales if not, a Broker's Professional Opinion or a BPO, this $100,000 value, is the owner financed value, it is the value that is given to the property if you believe the core belief, that a person paying a $1,000 rent would rather pay a $1,000 to own, then this is a circle of circumstance that this could be done and we could move this person from being a tenant to being an owner, now, what separates them from the ownership is that $9,000 down payment. That $9,000 down payment is very critical, we want at least get 10% down, because in most cases the tenant that want to become Home Owner don't have great credit or they would have already gone and gotten a traditional loan and a much lower interest rate and they would have already become Homeowners. The glue that make us work is the financial commitment of the tenant, who's moving from being a renter to being an owner, and what makes me comfortable with that is that they have skin in the game, they have $9,000 at least. Now, I like to collect more than 10% down, because the more money I get down the stronger this deal is, the more likely is it's gonna last into perpetuity till the note exhaust.

So, establishing value is your number 1 asset and it's really the number 1 asset in any creative Real Estate Investing endeavor, because if you cannot establish what you can sell something for, then how in the world would you know, what to offer to buy it for. If you get this number wrong, then you know everything could go to hell in the hand basket right away, because everything is based on the assumption of what is something is worth, all your decision are gotta come from that number and it's a very important number and the reason it's so important and it has to be accurate and this is why, if you're gonna buy something and try to make a profit on it, you cannot know what to buy something for if you don't know what you can sell it for.

So, now that we know what we can sell this property for, a $100,000 we can begin now to make a calculated offer to purchase the property. So let's continue with this example using the same numbers and we'll refresh right here. We've got the rents for the a $1,000 we've subtracted $120 for property tax $75 for the insurance and arrived at $800 that the tenant have left for principal and interest and we've established that this person could afford to finance $91,000 if we use the terms 10% in 30 years, now looking at this house it's not hard to figure what this values are, like I said you could do it on a laptop parked right in front of this house. You would go to www.rentometer.com or some site like that, you find out what the rents are, you go to the county tax assessor collectors site and type in the address and find out what are the taxes are per month and then you've done your homework and so you know that a houses in this neighborhood and these price ranges about $75 per month, so you plug that number in and this is how we arrived-this is how we physically do this in front of the house.

Now, I get out my amortization app and I plug in the $800 for the payment, I plug in 10% for the interest rate, I plug in the 360 months for the 30 year term and I solve for the balance and so that balance would come out to be $91,160 and stated before we're just gonna use the financed amount to be $91,000 for easy math here. Now that we added the 10% or the $9,000 to the $91,000 financed amount we've arrived at the $100,000 sales price, but at this point in the conversation I'm not focusing on the sale price. I'm focusing on how to make an offer on this house and I'm focusing the $91,000 financed amount, because if I can buy this property for 50% of what the financed amount is, then this is a home run deal, I like using the 50% number because I can divide by 2 really easy and so that's why I picked the financed amount instead of having some other number I have to do a calculation and have to have a calculator I picked the financed amount, because if I have to divide that by 2 I find out that if I can buy that house for $45,500 then this is a home run.

Now, in my wildest dream I like to borrow $45,500 and be owed double $91,000 and this is just the bar is the home run bar, It's a bar that I measure by, I could pay more and it's still be a good deal, I could pay $47,000 for this house, I could $48,000, shoot I could pay $50,000 and it's still be a great deal. OK, it just wouldn't be a home run, $45,500 is a home run and it's just something I used to measure by. I don't get always home run deal, sometimes I get base hits, sometimes I get doubles, sometimes I get triples but this is the bar $45,500 is a home run. It's half of the financed amount $91,000, now on the other hand if can get this property for $40,000 I'd have a grand slam, well you know, a grand slam is when knock the ball out of the park and the bases are loaded and you drive run in the four runs, you're running the other 3 guys on the bases for those of you who are not familiar with baseball, but nonetheless forget about the baseball analogy, it's a big-big-big winner, you know, so if I can get it for $35,000 or $40,000 I'm just dancing in the street, If I can get this house for $35,000 you probably find me out taking a victory lap around the neighborhood with my hand over my head you know, cops will probably try to arrest me for public intoxication but it won't be from booze, I will be intoxicated but it won't be from booze it'll be from the fine art of living well and doing well and being high on life.

So, believe when I tell you I am an addict, I'm addicted to this deals and I'm what you call a deal junkie, because once you do some deals like this you'll want to rent and repeat as often as possible and that's where I am, but there's even more to this story than we've gotten to yet, so let's finish out this case study and see how the numbers fall. Let's say I do buy this house for $45,500 now I always borrow $2,000 more than a property cost me all-in. You know that's-If it needs repair and I need that, I borrow that, if it has closing cost, I borrow that, I always borrow in excess of $2,000 above and beyond what I need. In this case, say the house needs no fix up and I borrow $47,500 and I put that extra $2,000 in my left hand pocket, now I want you to understand about this $2,000 is that $2,000 is a tax deferred $2,000, I don't have to pay income tax on it right away because it's borrowed money and you don't pay tax on borrowed money until a major event happens, like someone pays me off or I sell the note and realized all my income.

If anyone asked why you do you borrow $2,000 more than it cost, if anybody asked why do you borrow $2,000 more than what the house cost, you simply tell them, because house-you simply state because that finding houses is not free and so I wanna point this out for a lot of investors out there that are running around finding houses, and you are not adding back in some kind of expense and reimbursing yourself for the cost for the time and the energy that it takes to find houses, then it's no wonder why you don't feel like you're not making any money at the end of the day cause you're not compensating yourself for a true cost of goods, and in on average I find it, it takes about around $2,000 to find the right kind of houses.

So, I borrow $47,500 from a private lender, I used O.P.M. Other People's Money to buy my houses, and I borrow this money at 8% interest only, for 5 years non-recourse, which means I don't have find personally the houses the guarantee if I-for whatever reason I didn't make my payment, [inaudible - seems] the lender can only take the house as collateral, a collateral only loan or a non-recourse loan, so again I borrow $47,500 from a private lender at 8% interest only, for 5 years non-recourse and my outgoing payment to my private lender is roughly $315, I'm rounding this up by a dollar or two here for easy math. $315 I owe every month for the right to borrow that $47,500 now let's go the next step, I own the house now and now I sell the house, I sell the house as is for $100,000 with $9,000 down and I put that $9,000 down payment in my right hand pocket, I financed the $91,000 for my buyer and I charged him 10% interest for 30 years and my buyers payment is $800 per month exactly as I planned.

So this person has moved into the house owes me $800 a month, you noticed the difference between what my outgoing payment of $315 and my incoming payment of $800 is, if you don't have a calculator with you I'll do it real quick $800 coming in minus $315 going out to my private lender equals $485 per month, positive cash flow and this is a true positive cash flow, because in this scenario we are not a landlord we are a bank and when that $800 hits my account it is my money, now out of that $800 I have to pay my private lender $315 of it but I get to keep the spread. And that is not maybe I get to keep it, it means I get to keep it for sure. I get to keep $485 every month when the payment comes in.

You see when you are landlord, you could have a situation like this, you are not sure if you could spend it or not, you are not sure if the $485 per month is yours or not, because you could go for a couple of months you could be fine, and then an air conditioner could break, and you could owe $3,000 dollars.

So, apparently, the money that you are collecting wasn't yours, it was the air conditioner's men's. You see, I got fed up with that, because I was doing a heck of a job collecting money for the air conditioner men and the carpet cleaning men and the roof repair men, and the water heater fixer guy and all that stuff, I was collecting my butt off and have to handed out that money that I collected that I wished was mine and have to give it to those guys.

So, do you see this scenario where I collected, $11,000, to $2,000 upfront when I collected the money and the $9,000 when I collected the down payment, $11,000 cash upfront to create $485 a month positive cash flow for the next 30 years. That is quite a statement. 30 years of $485. Anyone care to do the math? Let's do the math. What is $485 per month times 360 months? It calculated out to be $174,000 over a period of the loan. So, I paid myself $11,000 to create a potential income coming over for the next 30 years into my pocket of $174,000.

Do you see how this might make to make a multi-multi-multi millionaire? If you do one of these deals once a month for twelve months, what will your year look like? Now, let's take a look, let's get our calculators. Well, you'd have $11,000 times 12, because you collected 11 down payments, and that would equal to $132,000 cash that you'd put in the bank that year, and you'd have monthly cash flow of $485 time's 12, which will be $5,820 per month, positive cash flow with hardly any liabilities at all. Hardly any, basically zero. So, if the air conditioner breaks it is not your air conditioner, you sold the house, it is not your house nor it is your air conditioner. So, it's not your problem when your air conditioner breaks.

You have sold this house with owner financing with seller financing and you are simply collecting the payment of $800 every month and you are paying your debt to your private lender. Folks, I've been doing this for 20 years. Sometimes, 30 and 40 per year, sometimes more than 30 or 40 per year. In 2015, I just did under a 100 houses, in 2015. One year, I did 150 houses exactly, 150 houses. So, to think about doing one a month, might seem a little to be eminent at first because you are not acclimated but once the wheels get rolling, it is astounding just how many houses you can buy. In just how many situational properties there are out there.

It comes down to a few basic things. One, you need to learn how to find great deals and how to contract them up to your advantage, meaning, give yourself sometime before you have to close and make no mistake, it all starts with the deal. This whole business is predicated on the ability to find a great deal.

Number two, you need to find sources of funding or private lenders, you have to find these deals, the difference between making a good living and being a multi-multi-multi-multi-multi-multi millionaire in this business is your ability to find and keep private lenders for years and years and years. I have done that for years and years and years.

Number 3, you have to learn how to spell deals and how to you move these properties once you own them, that's probably one of the easiest solutions on the planet right now, I have lots of ways to do that, we'll be talking about that in the future. And more than likely you'll gonna need to have the right coach and you don't have to have a coach but to try to go it with any business, and not hire someone who is where you want to be, who has gone through things that you don't wanna go through to get to where you'd gotten to, where you could avoid, and to be able to shortcut the learning curve so that you go straight to the things that matter and avoid the things that don't matter, it would be foolish not to hire a coach.

The trick is when you get the right coach and who is the right coach, to get this presentation, on a little bit easier to follow powerpoint, because you have picture, graphs and stuff, you just go to the link there in the shown ups and there is a powerpoint presentation, that will give you some different case studies and you'll be able to see all the numbers in the landing page and it might be a little bit easier for you.

Now, I can hear you guys thinking, I can hear the gears in your inside your head. And I can hear a very prominent question and a very common obstruction to you jumping into this basic owner financing and it is when I said when I borrow the money from private lenders or OPM, and you are thinking "how in the world am I gonna find the capital to fund these deals".

Well, you are in luck, because the next topic, episode 2 at the Real Estate Investor Summit podcast is gonna be about raising private money so that you can fund your deals and part of it is gonna be a mind adjustment on your part, cause right now, you’re probably your biggest enemy when it comes to raising private money and I'd like to change that for you, we are gonna change that, so make sure you see Episode 2 of Real Estate Investor Summit podcast coming to you shortly.

So, that's what all we have today. This is Mitch. Now Go Getcha Some...