

Mitch: Hi. This is Mitch Stephen with the Real Estate Investor Summit. Am here today with a very special guest, and this is gonna solve so many issues, where a lot of people are thinking about owner financing, among other things. Randy Hughes, is gonna talk to us today about land trust. And he is known as, Mr. Land Trust throughout the nation. He is one of the top experts on land trust. How and why to use them. And, I've been using land trust in my entire career since 1996, let's say, am not exactly sure when I discovered land trust, but I started my career in '96, and shortly after that I was using land trust.

And I will say this about that transition. I thought it was gonna be painful. I didn't want to change my office, the office didn't want to change. Nobody wanted to change. We did the first 2 deals with land trust and made it part of the system. It was so less complicated than we thought it's gonna be. It just became part of one of the things on checklist, and we've been doing land trust ever since, and I am really glad that I've been doing it.

So, without no further ado, let's introduce, Randy Hughes. How you're doing, Randy?

Randy: Pretty good, Mitch. Thanks for inviting me on the call today. I am actually just start talking about land trust, you may be have a hard time getting me to stop. I just love the subject, I could go on all day. But, you let me know how long we can go and stop whenever you wanna stop.

Mitch: We'll just play it by your hair. Let's keep it going, I know you got sometime but-- I guess, the first question is, why a land trust? Why would anyone-- why should we use a land trust?

Randy: Well, the short answer to that is, primarily, privacy. Land Trusts are terrific privacy tools and if you think about asset protection, the very first step that you must take in asset protection is, privacy. Because, the less the public knows about you, the less of a target you are, for a law suit. And the first step of making yourself more private as a real estate investor, is to not own real estate in your name, because, if you do own a real estate in your name, that is public information and anybody can just get on their computers these days, they don't have to drive to the court house anymore and look up what you own.

And so, if you just think about this in a practical standpoint, the more you owe on your name, the people can discover, the bigger the target for a law suit. And I am not talking much about, you know, avoiding your just responsibilities in life or not trying to pay your bills, by using a land trust. I am talking about using and rust to protect you against you against the various characters out there and contingency lawyers, they are everyday searching the waters looking for somebody to sue. They don't even wanna go to court, they just wanna sue, and am just

gonna let them settle for \$10,000, \$20,000 or \$30,000. And cause him a lot of aggravation, sleepless nights and legal

fees. So, privacy starts-- or asset protection starts with privacy and the best privacy form for real estate investor is to use a land trust, to hold title to the real estate.

Having said that, am sure everybody on the call has probably talked to their attorney, about this issue and 99% of the attorneys have said, "Put your properties into an L.L.C". Let me just say right up front, that I use L.L.C, I use corporations. They are great asset protection tools, but they should not hold the title to the real estate. If you put more than one piece of real estate in any one entity, whether it is a land trust or a corporation or an L.L.C, you created a nexus for a law suit, which means, you got all these properties in one spot that is easy to attack.

So, my recommendation is, you put each property that you buy directly into a land trust. One property, one trust. Then, you make the beneficiary of your land trust your L.L.C, your corporation, and we can talk about that later if we have enough time, exactly how to structure that. But, that's a great structure to get started with. Because, it gives you the privacy of ownership.

Mitch: Yeah. That's a perfect reason. It also has state reasons, can you explain how a land trust can simplify in a state.

Randy: Yeah. Yeah. Sure, can. When you set up and create your land trust, you name a beneficiary. And you also will name a successor beneficiary. And so, if you are the beneficiary and you pass away. That interest will immediately go to your successor. You do not have to go to your probate. You don't have to hire a bunch of lawyers. It is not a public transaction. You see, if you own real estate in your name and you die, that has to go probate and that has to be done by a licensed attorney. It goes to the court system, it is made public. What was transferred, who has transferred to. It takes about a year to get at least to get the probate process complete. So, you've got a year of waiting, where you don't have a control of the property. You can't take money out. And so, using a land trust gets the property and the money directly into your heirs quickly, efficiently and inexpensively by avoiding probate.

Mitch: Yeah and I've learned that the go to answer, if you are sitting across from an attorney, an opposing attorney, or someone who is not relevant and they are asking, "Why you put this in a state, why you put this in a land trust"? You simply say of course, "For state finding reasons". And that is legal and fair enough and enough said and the other reasons you can keep it to yourself.

Randy: Agreed.

Mitch: Yeah. So, that's the easiest answer. I wanna tell you a lot of times when am looking at people-- am just curious, they are some people in my town that are heroes to me for buying all the properties that they bought. And it is amazing to me that I can just type in their name in the courthouse records, and I could see 800 properties in their name. And I think, that is very bad move on their part, hugely bad move.

So, I wanna switch gears a little bit, because part of the well--one of the main reasons that I got you on the call. I want to talk about was, the group of people that I run around with, interested in buying and then owner financing houses to private individuals. You know making it a consumer loan. And, I wanna talk to you about how can we use land trust facilitate that and not trying to get around anything, not go under anything, or skip around anything. But, to use them, the legal right ways to use a land trust, to help us in state that have long lengthy detrimental judicial foreclosures for people who might want to owner finance houses say like in Florida, or Ohio or Kentucky or any other place that has a judicial foreclosure.

Can you talk to us about how to use a land trust? To not have to deal with that judicial foreclosure situation.

Randy: Yeah. Let us start at the beginning here and make sure that everybody on the call understands that, when you create a land trust and you dig property into the trust. The trustee of the trust hold full, legal and equitable title to real estate. You, as beneficiary, hold a personal property interest. You control the trust. You control the trustee. But, you do not own the real estate. What you own is a personal property interest. To further illustrate, think of it this way. You may be sitting in a house right now, listening to this call, and once upon a time, all the component parts of that house were laying on a home depot somewhere. And there-- at that point, personal property. The carpet was, the ceiling, the tiles, the boards, and nails. That was all personal property. But, a builder came along and bought all the stuff, took it out on a piece of ground and stuck it together and now, it is a house.

Now, all that personal property stuck together it falls under real estate law, because it becomes, real estate. When you take that real estate, and dump it into a land trust. You now created it. You've converted it back to personal property, via that land trust beneficial interest. Why this is important? Because, real estate law is different than personal property law. Personal property falls under the U.C.C, the Uniform Commercial Code in the United States, and the laws are different. Now, having set that foundation, if you sold the beneficial interest

on a land trust, on an installment contract basis, you are selling personal property not real estate.

To me, I love selling real estate on an installment contract basis, because as you all know, you can sell for a higher price.

Mitch: Sell faster.

Randy: You can sell faster. You have no vacancy. No loss during vacancy. You have no real estate commission. That's just a great way to sell real estate. But, the risk is, what if the buyer defaults? And the land trust takes most of the risks out of that equation, because if the buyer defaults, you repossess that personal property interest. You do not foreclose. Now, foreclosure in my state of Arizona, it takes about a year and about \$8,000 to \$10,000 on legal fees, and a whole lot of sleepless nights and aggravation.

If you repossess personal property. It is just like a car or a boat. If you financed your car at the bank, they hold the title and you make monthly payments to them until you make the very last payment. You don't get the title to that car until you make your very last payment. And if you default anywhere along the way, they send the repo man. And the repo man puts a hook underneath your bumper and tows your car away. And that's what we do if you default on the purchase on a beneficial interest on land trust.

Mitch: So, let me help with the explanation, too, one way that I see it. Sometimes, you know, we learn from different explanation from different people. Land trust is like a paper bag that you put asset into. And that paper bag is personal property. And you can sell the paper bag on installment. And not give up any-- and the title still stays on the trust name until the final payment. The reason why you need to go through a foreclosure is to move the title from one person's name that to another entity's name. And that's what we are trying to avoid in the judicial foreclosure state because they are condescending, because they are expensive and lengthy.

So, what we are suggesting is, instead of selling the property directly to the buyer including the title on his name. And you are having the first lien on it, and if they default, you have to go through that judicial foreclosure to get the title move back out of their name and back into your entity's name, that's what we are trying to avoid. So, what we wanna do is put the property, into a land trust and sell the beneficial interest of the land trust on installments and they don't get the 100% beneficial interest of the trust, which contains or controls or owns the real estate. They don't get the 100% beneficial interest of the trust until they make the last payment. So, that the title is still in your entity's name, if they default, it is simply an eviction or

repossession. It is not a repossession, it is not a foreclosure. It is not trying to move title. It is just trying to take possession, and so, that is the difference. And yeah--

Randy: Can I add to that, Mitch?

Mitch: Please. If I said anything wrong, feel free to correct me.

Randy: No. Not at all. I just think that lots of times when we discuss these concepts, especially verbally, it is a little bit of difficult to grasp. So, I'd like to explain the process that I go through when I sell this beneficial interest. Most of time, I am selling to a tenant that has been a long term tenant. They paid rent on time and they're good and know respect but they just don't have quite the credit score they need to cash me up. And quite frankly, I don't want cash up because I am making too much money off a contract sale versus the cash sale.

Mitch: Yeah.

Randy: But, the practicality of it is, I set a closing at my attorney's office. We all go sit at the big conference table. They've been given the contract to purchase just to review in advance, but my attorney, if they don't have an attorney representing them, sometimes they do, and sometimes they don't. But, if they don't, my attorney explains the contract to them again, so we go through that, we all sign the contract. Then, the-- if I am the beneficiary, the trust am selling, I signed the assignment of the beneficial interest form, and my attorney keeps the original contract, the original assignment and any other documentation he keeps in his files as an escrow agent.

Mitch: As an what?

Randy: As an escrow agent.

Mitch: Ah, okay.

Randy: He holds the original assignment of beneficial interest. The tenant /buyer walks away with a copy of the assignment and a copy of the contract to purchase, which both clearly state that they will not be recorded. So, what am getting at here, I want these tenants, these buyers to know real and psychologically that we close the transaction that they just purchased the beneficial interest of the trust. So, they can't come back later and say, "Well, you know, I really don't think we ever really did that", or " I thought I already owned it", "I thought I had title". Whatever it is, then I can go back, if I gotta go to the court, I can take my attorney in there and

we can explained exactly what we did, how we did it, copies of everything, and some legitimate transaction that we can prove as opposed to if we just lose and say, "Hey, look at this contract and get back to me with your cheque". That's not a good way to do business, in my opinion.

Mitch: I understand, because, just the process of what the buyer has to go through and how official that process is in their minds, has a lot to do with whether you gonna get sued or they'll gonna start playing games or not. And I agree, 100%.

Randy: Exactly.

Mitch: Now, I wanna talk about another set of deals-- see, I close my deals in house. Because, I find it safe of these expenses, although you've got me wondering if I shouldn't just go ahead and pay the attorney and close it in his office right at this minute. But, there's another thing that I do, that I think might make it official enough. And I really want your opinion on this. I have been told and it seems to me that if you are selling personal property that you could be superseding the Dodd- Frank Law, there's some people would wanna use this supersede that Frank. I, personally and still gonna go through the Dodd-Frank and conform and hire my R.M.L.O, because, I think the penalties in my volume is so much, that I wouldn't want to be the example with the one to win or lose the case. Just winning the case can costs you a fortune, if you are the first person out.

So, in your opinion, should we go ahead and am I doing the right thing by, getting an R.M.L.O and doing the Dodd-Frank complaints. Because, it is eventually, it's gonna be someone's homestead most of the time.

Randy: Yes. It is still not exactly clear as of today's date. The limitations and the exemptions under the Dodd-Frank. For example, Illinois would have-- when Dodd first came up, a couple of years ago. Illinois said they were gonna us-- our citizens, 10 exemptions then, they changed it later to 3 exemptions, then they changed it and said, "No exemptions". They are waiting to see what other states are doing. So, it is still up in the air. But, I think from what I know, using a land trust or an L.L.C or corporation, whatever you are using, you are not gonna get you around Dodd- Frank. So, I do suggest, you follow those rules, as you just mentioned, Mitch. But, let me go back and answer about using an attorney.

Part of it psychological, as I mentioned, to use his influence, his conference room, the pillars on his building, and make it look and feel official. The other reasoning is, he can service my escrow agent, which adds more legitimacy to it. And third, when I close the transaction, with my attorney. His omissions insurance apply, and so I think I paid \$550 per closing with my attorney,

and to me that is insurance. If nothing else, if I got his insurance on the hook, in case if a problem comes up down the road and something was done wrong or was missed or whatever, at least I've got an insurance policy to fall back on.

Mitch: But you know--that is exactly why, I used my R.M.L.O in Dodd-Frank, it is because they have insurance. You know.

Randy: Right.

Mitch: And these are great points, you know, I used not to have something on. And so now, I do, 'cause I have to pay \$650 for the R.M.L.O and if I have to pay \$550 for the lawyer, then I now, am gonna charge \$2,000 for the closing costs. And I still simply add it to the note. And it's kind of like an employee matching plan. I've got to pay an extra \$1,000 out of my pocket, but, they'll gonna match me \$800, and it's a ten and a half percent C.D over 20 years or whatever the terms were.

Randy: Yeah

Mitch: Yeah. Well, so, if you bought a carpet for five hundred bucks and put in the room, you wouldn't charge five hundred bucks. You charge a thousand bucks, 'because that's how you make a profit. So, the same thing with these closing costs, you just have to add them onto your closing costs and then mark them up a little bit. Because, you don't have to lay out your money. And I say that, we don't use this stuff to supersede Dodd-Frank, even though there is no case falling now. I have a whole interview with Scott Horn and he is a real estate attorney on this topic on Dodd-Frank and with the R.M.L.O that works on his office named Grant Kemp, is also on this Real Estate Investor Summit, so if we've got your grandeur about this subject, you can also go to [reinvestorsummit.com](http://reinvestorsummit.com) and listen to that interview on Dodd-Frank. It is not hard to comply with.

As a matter of fact, you are paying these people to help you comply, just like you'll be paying a [reduce-Inaudible], to help you see how easy it is to use land trust. This stuff seems intimidating at first, it made me wanna quit the business for a little while, all these stuff about Dodd-Frank. But, I wanna faced up to it and look it right in the eye, it was actually just forcing me to delegate some things that I should have been delegating anyway. So, it is all good.

Now, in the land trust arena, Randy, are there any states that oppose land trust or there are states work better at land trust, or everything is even across the board and how land trust look at all throughout the United States?

Randy: Well, first of, there are no states that have made land trust illegal by statute. There are states were a little more difficult to deal with them. Primarily because, title companies are not familiar with them, and say, "Well, yeah they may be illegal but we are not gonna insure to one or something". You get out in Wyoming and some of the far stretched to this country and no one knows anything about land trust, no attorney does, no title company does, nobody. So, you know, it can be a little changing in those areas, but most of the major metropolitan areas, have some familiarity with them.

And as I mentioned, they are legal. You know it's kind of good news- bad news thing, Mitch, because, the bad news is, it is hard to find somebody that can teach you how to do this. The good news is, once you learn how to do it, then it is not hard, it is just finding the correct information but, once you learn how to do it, then you are operating at a level that 99% percent of the population doesn't know about or understand. And that is a great position to be at. When nobody knows what you are doing, but you, it really takes you off the radar.

It is like a submarine, that dips down below the surface and all of a sudden, it can move around underneath the ocean and nobody sees where that submarine is. I think, that is a key element of asset protection. It is not being able to be tracked in the public records, as to what you are doing.

Mitch: Yeah. Even you-- they, this is why I use. This is the large part why I use a land trust. Am gonna explain it right here. You don't want an attorney and you have your property in your own name or in your L.L.C, not an attorney who knows how to deal with you. And so, someone in your rent house or your house stub their toe, and they go to the attorney and wanna sue you for \$10,000. Not because it is worth it, it is just because they have played this game before. And they know how to extort money from you.

And so, the attorney would get into the courthouse records and find everything that you own. If it is in your name or your L.L.C. But, in this other case, you have every single one of your properties in a land trust. And they are after people to bring in their papers and so their clients brings in the papers and it is in this land trust and 99.9% of the attorneys in the planet do not know what a land trust is and what it is for or how it worked.

And all of a sudden, he's gonna have to go to the land trust statute and start learning all about land trust, so he can try to defend this person's poor case about stubbing their toe, and now you have to ask her poor retainer because, he's not gonna study up on land trust purposely. And that's when the thing goes away. Because, the person that stubbed their toe in your house, that wants to give you an illegitimate lawsuit, doesn't have the money to pay this attorney-- the retainer.

And so, the whole grayness of the whole thing, it just goes away. And that's my explanation of what are the main reasons why I use land trust. It is just, the lawyers don't understand them and they're not gonna take cases on contingency on things that they don't understand.

Randy: Yeah. That is a great explanation, I agree 100%. And oh, let me get back to answering your original question about states. A few of the states, like Pennsylvania, Arizona and Hawaii have laws on the books that if you create a land trust, the whole title of real estate that you have to disclose the beneficiary of the land trust upon creation of the trust. And that seems a little [LAUGHTER], a little counterproductive to your privacy issues.

So, never fear because they cannot think of bureaucrat, they might as well as go home. What we do in those states is-- I tell my students to make the beneficiary of their land trust a personal property trust and then they can either own the personal property trust as the beneficiary of-- or their L.L.C can be the beneficiary of the personal property trust. But, the point is, if you make a trust the beneficiary of your land trust, then in those states where you have to divulge the beneficiary, you are just telling the state the name of another trust and that doesn't tell them who really is in control, which is you at the bottom of the pile. So, there are ways around these states which are a little more problematic but, it doesn't mean that you can't use them in those states.

Mitch: Well, make no mistake. If you really get into a real lawsuit, they'll subpoena your tax records and they gonna find out. You'll get it to bottom at the end. It is just a matter of how much trouble that they want to go through. And it is really a matter of avoiding privilege law suits and there are so many predators out there that are becoming more mischievous all the time. Not so much in Texas but in some states which is rampant.

It is all about making things difficult or possible for people or at the least it is to you, 'cause you could put everything in a separate L.L.C with my gosh, think about the tax returns you have to do and tax reporting and those late billing law-- is a nightmare. 'Cause the more entity you create to protect yourself, the bigger your tax bill, C.P.A and income tax return will get, because you have to keeping all of these entities. What needed about land trust is they just got to flow through to the beneficiary and so people will ask me before, if we have to have a separate bank account for every land trust. Please say to that--

Randy: No. No. Most land trust don't have bank accounts. Land trust don't file tax returns, they don't have tax i.d numbers, and they are flow through entities in the eyes of the I.R.S. So, if you own real estate right now in your name. You are filing the results of that real estate on a 1040 Schedule E. Your personal tax returns Schedule E. If you put that property into a land trust,

making yourself the beneficiary of the land trust, you will continue to report to tax ramifications on your 1040 Schedule E.

Mitch: And if you make your corporation the beneficiary in the land trust, it just flow through the corporation, right?

Randy: That's right. That's right, or L.L.C or whatever it is you've make them beneficiary. Then, you'll gonna file it on that level. No tax issues when it comes to a land trust, they just flow through.

Mitch: So, all you have to go do is just code your cheques, when you write cheques for different things, you just code them to what land trust or the expenses or the income. Very simple, it will quickly sort out for you. Well, I think we've touched on good amount of what I wanna talk to you about on land trust, Randy. Do you have anything you want to add?

I just wanted to tell everyone there's gonna be the link right there where you could listen to this interview and if you want to know more about Randy's course, and it is phenomenal. This guy's gonna give you free access to him. He's actually gonna answer the phone himself. Just like we do around my office. You know how I answer my phone and talk to you personally, when you are on my team.

Well, Randy got the same philosophy as I do. When you call him you don't get one of his students that did team land trust last year, you get him. And that's the same way with me. He's gonna be on retainer for you, for a whole year. And you're gonna be able to talk with him about this stuff and he's gonna help you state for your causes, and your reasons. Tell us a little bit of what they'll get Randy. I don't wanna speak for you.

Randy: Well, I do have a home study course that teaches you how to create your own trust. It provides all the forms you'll ever need for the rest of your life. You'll never pay another dime to create land trust for the rest of your life. So, it is a great home study course, it comes with a DVD and we are teaching the same material for a live audience and so you can listen to it ten times over, if you want to.

But, I encourage everyone on this call, to consider getting that. And then as Mitch said, I will answer my phone and help answer your questions for you. I would like to make a free offer to everybody, if it is all right with you, Mitch.

Mitch: Sure-- tell us about your bonus and stuff, that's fine.

Randy: Okay. Well, first of if anybody wants, I'll be glad to send them a book that I've written. I guess it has the same questions over and over again, you know. "Why should I use a land trust", and so, I send out and wrote a little book with, that is titled "Fifty Reasons to use a land trust", and I'll be glad to send it to anybody on this call for free, it's like "Fifty Shades of Grey". "Fifty Reasons---- Fifty Shades of a Land Trust".

Mike and Randy: [LAUGHTER]

Randy: Fifty-- and I'll send that book to you for free. But, my whole study course comes with a 100 page course guide, all the forms are hard copy and word documents, so you can load them up on your computer and fill the blanks and hit print. It comes with trust agreement you need, it comes with audio CD of me teaching this live seminar, so you can listen to the seminar in your car, the audio portion. You can watch the same material on your DVD on your computer and at your television set on a DVD. In addition to that, Mitch has negotiated with me, a killer deal and he said, "Randy, I want my people to get something special, so I said okay, what I'll do for Mitch's people only is, I will give you a 1 year membership in my land trust university". You go right down in my website, it will cost you \$797 for that.

I will give you 1 year membership for free if you buy my basic home study course and that land trust university membership includes, my personal coaching. It includes a lot of other material that you could look at in detail on my website, but primarily includes my personal coaching, I don't hired up somebody else, I do the coaching once a month on a Saturday morning. I have all my students call in and we discuss these issues and it is there, Mitch. Those calls are recorded.

In case you missed a call, you can always go back and listen to it and I will give all of your folks on this call right now, I will give them access to the last 60 calls that I've done over the last years, 5 to 6 years, whatever that is. This training calls, there's tremendous amount of information in there. Not only about land trust but we talked about corporations and L.L.C, personal property trusts, all kinds of really important information for us real estate investors. So, I hope everybody takes advantage of that. That is a killer deal.

Mitch: Am just gonna say this flat out to everybody listening. If you are in this business, and you're dealing with any kind of volume at all, and you are not using land trust, you are making a big mistake, in my personal opinion. So many, so many attributes and reasons why to use them, and so many bad things that can happen extra that if you don't use them. It is just foolish not to get into it. It is not that hard. Randy, you have been really great to share your ideas. I hope everyone goes to the link, it is up there.

Get your "Fifty Reasons To Use a Land Trust". You'll be better off if you get to understand this and start implementing land trust in your business right away. I've been using it since 1996 or 1998, whenever I converted over, from doing it the wrong way. You know, it served me very well, in my career. I actually been sued 3 times in 1,300 houses, and those people will gonna sue anybody they

bought a house from next and I was the lucky guy. I won of 3 of those law suits, and the land trust has really been very beneficial from keeping them from moving to my other-- and look out into my other assets and stuff. And so, I am grateful that I had it.

Randy, thanks for being on the call. I just can't thank you enough, because what you give is so valuable. It is so valuable, it can save people a lot of time and money and heartache. And I appreciate you.

Randy: Thanks for having me on. I love talking about it. Feel free to call me anything you want to, Mitch.

Mitch: All right, we'll gonna wrap it up. You guys, be sure to click on the link, right here where you listen to this interview and get to know more about what Randy is doing. You all have a good one, we're out.