



TRANSCRIPT OF EPISODE 13 OF THE INVEST FOUR MORE PODCAST

Real Estate Investing - with Danny Johnson

Mark: Hi everyone, it's Mark Ferguson with Invest Four More. I'd like to welcome you to another episode of The Real Estate Investing Podcast. Today, I've got a great guest and I'm super excited to have Danny Johnson on the show. He is a house flipper, owns rental properties, and does all kinds of stuff in the real estate world. We are going to talk about how he got started, what he's doing now and advice he has for people who want to start flipping, get into rental properties, and maybe even a little bit of whole selling. Danny, thank you very much for joining. How are you doing?

Danny: Thanks Mark, for having me on the show. I'm doing great.

Mark: First things first, you've been flipping houses for about 10 years right?

Danny: Yeah, it's about 12 now, I need to update some of my websites. It's been about 12 years now that we've been flipping houses.

Mark: You did software before that right?

Danny: Right. I went to college and got a degree in computer science and went to work for a defense contractor in San Antonio. I worked in office without windows or anything. It was a contractor so you've got the florescent lights, kind of burn into your brain. It was miserable and the management wasn't very good at keeping us motivated. It was just a crappy sort of job and wasn't anything like I expected when I went to school for what I would be doing.

While I was there working that job, my father actually started flipping houses. Talking to him, it's like his whole life changed. He went from being super miserable with what he was doing, to being super pumped and excited and everyday was an adventure. Hearing all his stories, you could tell he was loving it. I would go trudging to work and sit there thinking, "Man, I wish I was out there doing all of that with him." It was cool to watch him grow in that. He was doing it for several years before I even started to try it out.

So I asked him, "I want to get started with this. What should I do?" A lot of people, when they hear my story, think that my dad just told me to do this, this, and this and held me by the hand. But it really wasn't like that. It was more him saying, "I'm here when you have questions about things, but you really need to learn on your own and take action on your own and when you come across something that's when you call and ask me." I think a lot of mentors handle things that way because there are so many people who want to get in the business, but so few who are willing to do all the work. It takes quite a bit of work to get started. So it was more of me out on

my own learning and you know, taking action. I just recorded an interview with my dad the other day. I brought up a story of whenever I got the first contract for a house. My wife and I got a contract signed, of course my hand was shaking like crazy, and I couldn't even sign my signature very well. It was so funny because we got the contract signed and went straight over to the title company. I remember sitting in the parking lot at the title company and thinking, "Man, I don't know what to say when I go inside with the contract, I don't know what I'm doing. " I know you sign the contract and take it to the title company but I didn't know what to say. I called him up and told him I had this contract. Of course, we had been talking about this deal so I told him I got the contract. I got to that point and realized I didn't know what to say when I went inside. So he told me to go in there and tell them that you have the contract and give them earnest money. It's kind of funny because you can, you can imagine that kind of thing but until you actually do it there are steps that you forget about. That's an interesting story there.

He helped a lot whenever we needed. However, we went and sort of did our own thing, my wife and I. We are in San Antonio, which is a bigger market, and he does small towns outside of San Antonio. So it's completely different markets and we saw him having fun doing that. We started part-time, evenings and weekends. As this kids said, and still say, we are obsessed with houses. We would always take them out and drive for dollars where we would look for the vacant houses and write down the addresses. We then would look them up, the owner's information, and send them a letter saying we want to buy the house. That's how we started with abandoned signs and driving for dollars, taking the kids out on the evenings and weekends.

We were actually part time for about 3 years. I didn't really enjoy my job so much, but the security was there and I got paid pretty well. It was a little bit tough for me to give that up. We did make good money with flipping, but sometimes it was the feeling of what if I don't get any deals for 3 months or something and that sort of worry, even after you have done 20 deals. It took about 3 years and then we went full time. There was a huge benefit for being part time for that long. The biggest benefit was that I was forced to do the 20% of things that produced 80% results because I only had so much time in the evenings and weekends. I was forced to figure out what can I do with the short amount of time that I have, that can get me the biggest results. Really hone in on your systems and get to where you are being very productive with it. That really helped for when I went full time. When I went full time, it's funny, I had that extra time that I didn't know what to do with myself. I felt like I could do everything I needed to in 2 hours and the rest of the day I would feel like I needed to keep busy. So I was wasting time spinning my wheels doing things that really doing much. I'd take 3 days to design a new business card, stuff like that.

Mark: So, tell me, your first flip. Now, I've interviewed quite a few investors and flippers and it's probably 50% lost money the first deal they did. So did you make money on your first flip? How did that go?

Danny: The first flip we made \$20,000 on a whole sale. It was actually a pretty crazy deal. Having a mentor in this situation really helped because it was actually a really crazy story. It was probably the weirdest kind of deal that we did and it was our first deal. We sent out postcards and you know, we drove for dollars. We found this house and it looked like it had fire damage. It was vacant and windows broken and stuff like that. We wrote down the address, mailed the

owner, and it turns out they actually live down the street from that house. We went in and they said that they got the insurance money from the house being burned and went and bought another house. So they had this one and I think they owed only a small amount. We made an offer to buy it and it was actually a short sale because they owed quite a bit actually and we couldn't offer anything near what they owed on it. The numbers were something like they owed \$70 something and we were offering something crazy like \$20-25,000 or something like that, I think it was. This place was burnt, it would be a big rehab job.

So anyway, we made the offer and they accepted it. We went into doing the short sale. The bank, Citibank or somebody, agreed to the short sale at that lower amount. Well, for some reason, the sellers, once they found out that we were going to be able to buy it from the bank for that much, got mad because they weren't able to just pay it off at that small amount. So all of the sudden they were saying they weren't going to close. They hadn't made a payment on the house in a year I think it was.

Mark: And they used insurance money to buy another house instead of paying the other one back.

Danny: Right, so it was crazy. Of course, the lender was surprised they hadn't foreclosed on them yet because it had been a year and didn't use the insurance money to fix the place up. So they weren't going to close. We just did all this work, the lender wants to get rid of this thing, and want to buy it and the seller won't do anything about it. So, I'm not sure whose idea it was, I think it was the lender with a big company, had contacted us and said, "Hey why don't we sell you the new one, at the price you wanted to short sell that house at?" So we would get the note, and of course from there we would foreclose. People would think that they hadn't made payments in a year so it's crazy that they haven't been foreclosed. Okay, they didn't keep their part of the bargain so let's do that. We bought the note for \$25,000. The lender actually waited to the day we were closing to mention, "Oh by the way, we don't actually have the physical note, because that was from another bank that we bought and all we can give you an affidavit that we once had the note." So I didn't know about this. So we were going to pay for an affidavit basically, saying that there was a note.

This was why they probably never foreclosed for that one year. I think while we were doing that, another investor contacted us, and I forget how he found out about how we were working on buying that house. I think they had talked to the seller and the seller said we were dealing with them. I think it was an attorney or something, that called and say, "Hey I want to buy that house." He wanted to fix it up and sell it. We said okay how much are you going to offer? I think it was \$15,000 which was a good deal for him since we were buying it for \$25,000. Since we were just going to be paying it off, we didn't have to explain that it was an affidavit. So we went ahead and bought the note. I forget how everything ended up working out, but it ended up not mattering that all we had was the affidavit. It all worked out and he bought it for a whole sale deal that we ended up getting about \$20,000 after all of the fees.

Mark: Wow, that's pretty crazy.

Danny: Yeah, I don't know if anyone was able to follow along with that.

Mark: What's crazy is that a big bank like that is willing to sell you a note. I don't think that would happen in today's world. There's so much regulation and so much going on with the note sales. Of course, since they didn't have the physical note, maybe that's why they wanted to get rid of it. Did you start off doing whole sale deals? Or soon did it take before you started doing flips, remodel, and rehab, doing all of that?

Danny: That one took, I think, about 6 months once we started driving around, sending letters. Something about 4-6 months before we got that one. After that deal, that one, maybe even while we were still messing with that one, within that month, we had the next one. The next property that we did fix up and flip was a light rehab, thank goodness. It was basically just paint and carpet. So we bought the house and fixed it up, just paint and carpet. It's funny because of the paint colors we picked back then. We didn't know what color we wanted to paint them so we thought let's just drive around the neighborhood and figure out what we want to paint it. So we just painted it white with this forest green trim, something I would never pick now. We painted it and the next couple of rehabs we painted the same thing, just because we had already decided on it.

That was the first one that we fixed up and flipped. The next one came pretty soon after that. It was actually another burn house that we decided to fix up and that was a ton of work. I think after that one I didn't want to do any more work on burn houses. There's just so much, you're basically rebuilding the house.

Mark: So when you're doing that, were you doing the work yourself? Did you hire a contractor? How did you start out?

Danny: I never did the work because my father always told me. We didn't have time, we both had full time jobs. So I was forced to find and hire a contractor that would have their own crew that they managed. I was just dealing with a general contractor. In that burn house, the second fix and flip that we did, it actually worked out really nice. Now, I got a little bit lucky because while I was there looking at the house, I was so new, I didn't really know how to look and figure out all the costs for all the stuff in the house being burned to be able to determine a good repair value on the thing. While I was there, looking at the house, the contractor actually pulled up and got out to start talking to me. I asked him if he could fix something like this and he said yes. We walked around and I got the bid from him, just the rough idea of what he thought it would be, so I could base my offer on that. I got the house, I hired him, and he did the whole house. So we got really lucky that that worked out. He did a good job and wasn't a crook. I didn't know who he was or check out references, anything like that.

Mark: Well that worked out well. So you're progressing. You went full time after about 3 years. How many flips do you think you're doing a year, when you felt comfortable going full time into real estate? Were you doing whole sale deals too or were you just doing flips? How did that work out?

Danny: See, the whole sale deals were basically ones that we didn't want to fix and flip. It kind of depended on where we were. If we had 3 rehabs going on already, then our next one would end up being whole sale because we just have too much going on. If it was in a part of town that

I didn't like being in because it was dangerous or something, that would be an automatic whole sale. If we just had too much going on, then we would end up wholesaling.

To answer your question, when we went full time, I honestly don't remember how many a year we were doing, because we weren't really counting by year. Typically, in the pipeline of having contracts of houses to buy, in the process of selling, in the process of selling already rehabbed homes, we were always between about 12-15 properties. Always overlapping and that seems to be always where we were on the white board of all the properties we had and what we were doing with them.

Mark: So you've always been into direct marketing to find your deals. Have you ever used MLS or has it always been you with bandit signs or drive for dollars, trying to find those properties?

Danny: I've used MLS, but yeah I've never been big on using MLS because it's sort of the lower hanging fruit. With that, comes the competition. That's when I found that the best use of my time was to do the direct marketing to motivated sellers. I just got so tired of spending all day going to look at 10 properties, maybe I wasn't doing it right for one thing. But I'd look at 10 properties off of MLS, figure offers and make offers that same day. Every time I called the agent to make the offer it was like, well get in line. There's other offers. Submit your highest and best, and I just got so sick of that, it was a waste of time for me.

Whenever we built relationships with agents and we found out about properties that were being listed right away, and being able to get the offer in really quick, it worked out really well. That was the market after 2008 when everything kind of tanked and the competition went by the way side. When there wasn't so much competition, it was easier to buy off of MLS. But that didn't last long, maybe 2-3 years. Then it's back to motivated sellers because there's less competition.

Mark: Speaking of the market crash, you obviously flipped and worked right through that. Were you scared in seeing the market crash?

Danny: Oh yeah I was scared. Actually, a lot of people that were flipping locally, that I knew, were having discussions with me about how there was no shame in just going and getting a job. Nobody knew what was going to happen. At the time, nobody knew where the bottom was or how far the properties were going to sink. San Antonio was a little bit luckier, and South Texas, because our values never went sky high through the roof. They went up, but they weren't crazy like a lot of other places, so they didn't really go down a lot either. Time on market, days on market for properties after fixing them up, went up pretty high. Plus, all of the appraisers being super careful, undervaluing everything. It was just insane. We got like 2 offers over asking price and they would still put the value \$5-10,000 less. Why? We've got two people wanting to buy it, at that price, and you still put a lower value. It was a tough time to sell properties.

Mark: We went through the same thing here. Really similar, because our prices didn't sky rocket like California, Arizona or some of those places. So we didn't have the huge drop, but it did drop. Same thing on the appraisers, multiple offers, over list price, it was just crazy seeing them come in low. What are you guys thinking? I know they had a lot of pressure on them from the regulators.

Danny: Right, they became sort of the scapegoats right, for all of the overvaluing of properties. It's like, who do we blame? Let's blame the appraisers.

Mark: There were a few appraisers who made it a lot worse for most of the appraisers. I don't know if you had it in your area, but we had a few subdivisions, with massive fraud, new construction sites, where the agent, a lender, an appraiser, and a builder, were all working together, and they would find immigrants who could speak English, basically give them a 6-month arm, with super low payments and then it would double in six months and they were paying \$100,000 more than the house was worth at that time

Danny: Oh that's crazy

Mark: With fake appraisals. Those guys really screwed over a lot of people in the whole industry. Very cool. So you kept flipping, when you did your marketing I know you did drive by signs, bandit dollars, did you ever do direct mailing?

Danny: With the drive for dollars, we would send letters to the owners based on what the tax assessor's website where the tax bill was going. Then we also did absentee owner mailing and you know, I did some pre-foreclosure just for a little bit, but you know, that was one of those that was always being, after I went to a couple of sellers businesses' with that, they would show you the stack of letters that they had got, and I was like wow I'm going to find some other lists to mail to because there's, you know, in that case, you're probably better off going knocking door to door to these pre-foreclosures to where you're talking to them, because otherwise you are one in fifty letters they received. But, other than that, no I didn't try any other direct mailing. I did try billboards.

Mark: oh really

Danny: Yeah, for a couple years, but they weren't the big ones. I think they are called nine sheet, I think. They are like the five foot by 7 seven foot billboards. I had like fifteen downtown and I think that didn't work because I don't really try to brand so much but when I would talk to real estate agents they would always say "Oh yeah I've seen your billboards" so it kind of helped with branding but I didn't get enough deals to warrant the cost.

Mark: Right. What do you think was your best deal per cost of marketing that you did?

Danny: Like what type of marketing got the most bang for the buck?

Mark: Right. Exactly.

Danny: Over time, you know, driving for dollars was pretty good. But then you've got to calculate the time, you know if you're the one doing the driving, and doing the envelopes, you sort of need to add that in there. But without that cost added in, that was always really good for us in cost per deal. The other thing was my website. It got to be the best thing that I was doing cost per deal, cost per lead.

Mark: Cool. So I know you're very focused on websites now, and obviously you have a software background so that made it easier for you. But how did you promote your website, did you advertise it, did you just put it up and hope for Google to pick it up, how are you getting people to your website?

Danny: I've had a website for a long time. I started off with a corporate website. So it was my company name dot com. Then I included that in my marketing. I never really got a lot of leads through it. I wanted to do make my marketing more personable so it was more about me being a normal Joe because I found that when I went to properties wearing a t-shirt and jeans, people seem more comfortable and more relaxed. They didn't have that wall up, you know, because they don't know who you are. You're coming over, they see marketing and you're talking about buying houses cash, that they are going to have some high-powered salesman come up to the house. And so I figured with the marketing, with the website, you know if I made it more personable it would be better. So I changed it to dannybuyshouses.com so I got that domain name and I set it up and I put it on my marketing, but I put it on letters, postcards, like car magnets and stuff. I got some traffic through it.

But some people don't want to call you, they want to go online and find out more about you. Especially when it was a less known thing to flip houses. Nowadays, everybody knows about it so it's nothing where they are asking what you do because they have all seen the shows. But when it became more personable, I felt like there was a change in the amount of submissions I was getting. And I started looking into trying to get my page to the first page of search engines, on Google and everything. I started looking at what I would need to do to do that, studying search engine optimization and I implemented that and I remember doing everything I could read and find about it. And the site wasn't barely moving. And I remember being so frustrated. And it wasn't a one day thing. I spent like a month in the evening, in bed sitting up until like 10 o'clock at night on my laptop. You know, doing all the stuff and it didn't really budge. So I sort of dropped it and got busy with the rehabs. I didn't turn the website off, I'm just saying I just stopped trying to do all the optimization.

Then I started getting quite a few leads and I looked after a couple months and saw wow, I'm on the first page. But it took time. It's never something where you make changes and then all of a sudden you're first. It doesn't happen like that. Especially when I started fishing for it, it was quicker. So it's still possible to rank websites and get them to the top but it takes time and I think that in this day and age, it's going to be several months if you're really focused on doing the right things to get a site up there. But sites are good for other things other than just being ranked at the top. So like being another way for people to contact you. A way for people to find out more about what you do and it builds credibility for you because if you're getting some letter that's handwritten to you, some people think that's kind of creepy, you know, it's like what is this about?

Mark: Right.

Danny: Somebody's written me some little letter saying they want to buy my house cash, it's not for sale. So it gives you credibility and tells them more about what you do and everything. And you include it on your other marketing so that whenever someone submits information through

your website, you can have your website ask them all the questions you need to ask them. And I find that people will give you almost everything that you want from them. So our websites have a short form where it just has them submit their information, like their contact information, property address.

So they don't see a huge form and say "I'm not filling out all of that." So they will fill out the short one, and then it takes them to the longer one. Some people won't fill out the longer one but, they already submitted the shorter one so we now have their contact information and can contact them right away to get all of that other information. But, most people will fill out the second form. The second form asks them certain questions in certain orders to get their level of motivation and to also have it fresh in their mind, why they're selling their house. And it even does negotiating for us because it even asks how much are you asking your house? And then a couple questions later, after we ask why are you selling it, what repairs are needed, then we ask what's the least you would even consider for it if we pay cash? And it blows my mind because almost everybody will put \$5-10,000 less than what they put for the asking price. So it gets down to, you know, because most people don't know what to ask so they ask something kind of high just hoping and then they will put a lower one if they really are motivated to move on and have the deal close quickly.

Another thing that is nice about my website is that I have it where it triggers a text, where before if I got an email for a lead if I didn't check my phone or have my phone check my email then I didn't know I had that lead immediately. There was a delay. So I had it texting me as soon as I have a lead submitted, I get a text with their contact information. So what it allows me to do is, immediately while they are still on my website and while they are likely looking at and filling out that second form, I am calling them. And that's huge, because they are setting out to do something. They are setting out to take care of the problem that they have with their house and if they call people and people don't pick up the phone, likely they won't leave a message and then they're calling another person. And so when they finally have someone to talk to and you talk to them right away and find out what the problem is and what they are wanting to do and how quick they want to sell the house and you make an appointment to see it, they feel like they've accomplished what they wanted to do on their to-do list and they can make it off. And they're likely not going to be calling a ton of people after that.

I find sometimes that even from the website, I'll call them, we will set up an appointment and I'll go and make an offer and they won't be having anyone else coming and looking at the house to make an offer. It was like I was the one. They wanted to see me first and if it didn't work out they would start looking at other people. So you always want to be answering your phone and setting appointments and making the seller feel like they've accomplished what they set out to do.

Mark: For sure. I'm sitting here writing stuff down as you said that so I can implement some of those things in my own marketing and website. That's great information. One thing, too, and I feel like we should've mentioned this earlier, but your website, flippingjunkies.com, you have also created this software for other people to use, right? To help them create their own webpage that capture those leads so they can do their own direct marketing and have their own website.

Danny: Right, so what it is, is that I set up a blog called flippingjunkie.com and what that was back in, I think it was in 2010 or 2011, my family and I went on a month long trip of the entire west coast from San Diego to Seattle and I had gone to an air museum up there in Oregon, looking at the planes, and I had been up in a small plane with one of my mentors a couple of years before and had a blast. I just loved it. So I had it in my mind, and I put it on my vision board, that I wanted to become a pilot and get a license to be a pilot. So after that trip and going to that museum, I told my wife “when we get back I am scheduling for flight lessons. I’m just going to do it.” So when we got back from our trip, I scheduled flying lessons and started taking those and while I did that I was sort of playing semi-retired and wasn’t really tending to the business too much, which was fine at first.

Because a lot of times when you’re doing marketing for flipping houses, you sort of build up an accumulation of all the marketing that’s out there. There’s people holding onto your letters and things like that, that they received even months before, so even if you aren’t doing a lot of marketing, if you’ve been doing it for a while it still brings in calls even after you stop. And so that’s what was happening. So I wasn’t really worried about it, but then after three months, the phone stopped ringing. The number of properties we had in our cue really dropped and I became like wow, I need to ramp this thing back up. So I didn’t want to just get back into what I was doing. I wanted to have fun with it and teach other people so I started flippingjunkie.com and started blogging about ramping my business back up. Because it was like I was starting again. I was able to post the “what would you do if you had to start over” because I felt like that’s what I was sort of doing. I posted about 34 weeks of every marketing that I did, every single lead that came in, why people were selling, the numbers, how I decided which houses to go see and things like that. After the 34 weeks when I was tallying up like which marketing produced x number of leads, it was pretty obvious that the vast majority of my leads were coming from my website. And people were asking me “hey, can you set up a website for me?” and that wasn’t really my business, you know, I’m flipping houses and didn’t have time to do that. And they would ask where they could go to get one made and I didn’t have anywhere to tell them. So you see where it’s going; I ended up building leadpropeller.com and then we have the websites there where, from years of using the websites, all that knowledge that has gone into building so people could use a template and easily customize it to make it their own. And get it live and have the texts come in when people submit leads to their website, all of that kind of stuff.

Mark: Very nice. I love the text idea. That’s great and then the whole idea of the website is nice because you’re getting someone to enter information before you talk to them so it’s not just a cold call. They know who you are, they are giving you information already and it just seems so much easier than having to talk to someone right off the bat without knowing anything about them or their house.

Danny: Oh yeah. And it’s a little bit strange because sometimes I’ll go to a lead submission from the website and I will go and visit the house and talk to the seller and they will tell me that they felt really comfortable with me. Even before we showed up because of the website, because I have a picture of my wife and daughter on there because it’s a family business and that’s how we run it. We don’t act like we are big shot sales people going in there to high power and strong arm people.

Mark: Right. That's great. Very cool. So yeah, leadpropeller.com, flippingjunkie.com, and then we talked about flips and wholesaling, but you also have rental properties as well. I know your wife does most of the rental property but tell us a little bit about your rentals, how you got into rentals, and are you trying to buy more of them? What's your plan?

Danny: The rentals are interesting. I like the tax benefits of having rentals, I don't necessarily like having rentals though, at least when we don't have good tenants. When we have good tenants it's not a problem. But basically the first rentals we got were just where we bought a house and someone was already in it for 10 years. They had already been renting for a long time and they've been paying for this long and they're good tenants so I'll buy the house and just continue and I'll start getting the rent payments. So those were the first ones. Then we were also doing owner financing. So we'd buy a house, and these are like the low rent houses.

You know I don't take houses that I can retail flip and turn them into rentals because here we have a high property tax because we don't have a state income tax in Texas and so property taxes are higher. But it doesn't make sense with the numbers on some of the retail houses, the ones that will get a retail on them, you know closer to the median home values so it's usually the lower end ones that we make rental properties and that we sell with owner financing. Dod Frank came into the picture recently and there's a lot of other hoops you have to jump through to qualify people and make sure that you're doing your part in qualifying them correctly. It's not to say you can't do it, it's just more work so we are renting them now instead of owner financing. And basically my whole rule for, which I got from my father, the whole renting thing is if I'm getting a loan to buy the property I want the rent payment to cover my loan payment. And I have to have my loan payment and amortizes in about 8 years.

Mark: Oh wow.

Danny: so that I'm not really cash flowing on rental properties but they are paying off way quicker and I'm paying a lot less interest and that's sort of the retirement stuff so that's all, sooner than later I'm not waiting for big cash flow.

Mark: Right. You definitely have to have some good numbers to cover 8-year amortizations.

Danny: yeah, you've got to get them pretty low. And that's why it works for the lower properties because you can get the higher rents. How relative the rent is to the cost of the house, that stuff just makes more sense.

Mark: Right. Now, with these properties and with these flips, how are you financing the properties? I know a lot of them, some were wholesale deals in the beginning and you began to finance them, were you doing cash, were you doing banks, how were you financing some of the flips you were doing?

Danny: so private money, so when we first started one of my mentors, he actually, we went in to business working with him and put up the money for the deals. So we did all the leg work, we went out and found the deals, we put them under contract, we handled the rehabs, we handled selling them and we would split the profits 50/50. So we got an education and we got the money

for the deals. So that's how we started and after doing enough deals, several dozen deals, we ended up putting together a little packet. What I did was I looked up on the county's website, you can look up recorded deeds and stuff like that, so I looked for properties that had sold recently on the MLS that were fixer uppers, like investor type properties and then I looked up the deed records online and I looked for the ones that had a note because those showed that the investor got a loan to invest in the house, so I found who the lender was because sometimes it is a private person and after writing down enough of those, you start seeing names come up more often than not. You see some come up more often so they are lending quite a bit of money.

So you have to check with the SEC rules, Securities and Exchange Commission, about soliciting for someone to lend you money. Definitely don't do that and find an address for them and write them saying, "Hey can I borrow some money?" There's rules you've got to follow. You can't just send these guys letters that have certain information. Check with an attorney of course. I think it's like you can't write to them about a specific deal, I think, and you can't pull money either. You can't get investors to put money on a deal, I don't think. So it's more like one investor per property, where they're just the lender. But check with an attorney before sending mail to try to get people to lend on your deals.

Mark: Yeah. I've never actually thought of that idea of searching for flip deals and then seeing who the lender was. That's a really smart idea. People are always looking for private money and if you don't have a rich uncle or rich parent, it's kind of hard to approach people but that's brilliant because they are already lending on real estate and flips so you know they know what's going on. It's just a matter of if they want to keep lending to other people too.

Danny: Right. And while you're looking on those and there's not a note, not a recorded loan, then they probably paid cash, and then you've got a cash buyer. Whoever bought that house was a cash buyer and you have them for wholesale deals.

Mark: Exactly.

Danny: If you want to whole something, you've got somebody. And I've found some of my best buyers that way. Sending a letter saying hey I know you bought this property, I know you want to buy more and they'll call you up and say of course I do. So I've found some of my best buyers that way; because with wholesaling, I'm only contacting one or two people. I don't do mass emails, I don't do that stuff because I don't want to deal with a bunch of people calling me with questions like how old the roof is, you know I just want to call somebody tell them the price and the address, and then that's it, they tell if they want it or not. And you do that by finding out who the real players are, who can handle a bunch of deals and who can make a decision quickly. I could probably make more if I did try to find other investors but it is so much more work and then I don't know if they are really going to be able to close that deal.

Mark: Right. Just add more headaches. There's a wholesaler around here who just started working and I think her strategy to start out was that she's an agent and she emailed everybody on the MLS her wholesale deal.

Danny: Oh wow.

Mark: I'm like wow, that's gutsy but I don't think it's working very well because the houses I see advertised keep coming back on the market.

Danny: Oh yeah. It's like a big wholesale buyers list versus one that has five of the best buyers in town, which one would you take? I mean I would go with the short one.

Mark: Right. Every time.

Danny: Yeah, take the time to try and meet and find the people, and that's really a lot of the time just calling people. Like you see bandit signs, just call them up, and add a little a bit. What do you do, where do you buy, some back and forth. And then ask who's buying a lot right now? After asking some people, you're going to hear some of the same names and then you know who the real deal people.

Mark: Yep, sure. Very cool. Well I think we've covered most of the things that I wanted to cover in this call. Great information. Before we end it, what's your advice? I know your father helped you, but he didn't really hold your hand and guide you along the way, He kind of pointed in the direction and said go find your way. To me, I think that is probably one of the best educations you can get instead of someone telling you exactly what to do. For people who want to start flipping, what is some advice you can give them to get started especially in a market like we have, where in most areas of the country we are back to a hot seller's market?

Danny: Yeah, that'll change eventually. It's all in cycles. I think the best advice is along the lines of don't take my hand and show me step by step but learn enough of the basics. But don't spend all of your time trying to cover every single possibility because you're never going to start if you're staying in your comfort zone and using that as your excuse; thinking I'm never going to be able to handle every situation, well guess what, you're never going to be able to. There's still situations I come across that I don't know how to handle but I figure it out. So really the thing is to just learn the general rules of the game and start taking action; putting marketing out there and getting the call and seeing what happens.

The first call that I ever got, I've told this story a million times, but the first call I ever got my phone rang and I had to throw it to my wife. I couldn't even take that first call. I was nervous. And she didn't know what to ask so she just asked the address and phone number and maybe how many bedrooms and bathrooms. And then I ended up calling them back, but you know everybody starts out at the same place. They hear these stories of people's success and all of a sudden they started doing well, they never stumbled, but everybody goes through the tough points. And if you're not passionate about going into the business then you probably won't do what it takes. Because it does take you out of your comfort zone. And one of the analogies with that is just focusing on what that first step is so you don't get overwhelmed.

You know like the first step of putting marketing out there to get calls. I forget who gave this analogy, it was probably Jim Roan or somebody; it's like when you're driving at night from San Antonio to Chicago. You don't need headlights on your car that are going to illuminate the entire path to Chicago, you just need headlights that will illuminate 500 feet in front of your car or

whatever. Then as you drive those headlights adjust to 500 feet further down the road. So that's how you sort of look at it. Learn enough to illuminate what is right in front of you, what's in front of you right now and then progress.

So what you need to do is focus on what steps you need to learn right now because you're never going to learn everything to cover every situation.

Mark: That's awesome advice. I think one thing that people can really take away to is if someone's looking for a mentor, they want to partner or someone to teach them what they are doing, you can't just show up to them and say, "Hey teach me everything you know, I'll work hard for you." You know, they will think I don't need to think of a new job and train someone. Like you said if you can bring someone a deal- hey look I have this house we can make money on I just need funding, then you're going to get a partner, someone who will work with you. But you have to bring value to the table, something that will motivate them because it takes a lot of time and a lot of effort to mentor someone and teach them, even just part of, the flipping game or the wholesale game. It's a lot of work.

Danny: Right, and people are being asked all the time for people to help them out so what sets you apart from them? If you have leads I guarantee you it's going to set you apart. And, like you were saying Mark, it's a mistake people make, where people will contact you to be their mentor and say I'm willing to give to, I'll do whatever you want me to do. That doesn't help me, because it makes me try to think of something for you to do. You know I've got things taken care of. Bring me some leads and yeah, okay.

Mark: Yep, very cool. Well, Danny I appreciate it. Great job. Again, flippingjunkie.com is your main site with the blog. You also have a wholesaling program on there as well. Leadpropeller.com is where people can get a website basically created for them to bring leads to them. Anything else I'm missing? Oh, REI mobile. Tell us real quick about that.

Danny: REI mobile is basically a cloud based system to manage all of your leads. Whenever I first started flipping houses, being a developer, I started coding a system to keep track of all of my leads because it's an important part of it, especially now with how competitive everything is, it's the people following up that get leads. A lot of times you won't go to a house, make an offer, and have them accept it. A lot of times they are waiting for other offers, just not ready to make a decision right then. In essence it's a system to remind you to contact them two days from now, three days from now; set it on auto-pilot for remembering all of these contacts and offers to follow up, to be that person who is always calling them so when they do decide to sell you're the first person that comes to mind because you're the one who's been contacting them. Too many investors will make an offer, not get it and assume that they've sold it to somebody else and that's sometimes not the case. But they never follow it up to find out. So that system helps you keep track of stuff like that. The software is in beta version right now. We just released it. So you can check it out and see what it is all about.

Mark: Very cool. And that's another great point of marketing. Sending out one letter, making one phone call probably is not going to get the job done. It takes persistence; multiple letters,

multiple attempts. You can't give up on people. You just have to keep working at it over and over again.

Danny: I couldn't agree more.

Mark: Alright, great. Well thank you very much Danny. We will have links to your websites on the page if people want to go there. Thank you for your time. Lots of great information. Like I said, I'm down here writing down notes for myself too. I learned a lot as well. We will talk again soon.

Danny: Yeah, take care.