How Eric Brewer's Investment Arm Does 375 Deal A Year While ...

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SPEAKERS

Steve Trang, Eric Brewer

S Steve Trang 00:00

Hey everybody. Thank you for joining us for today's episode of Real Estate Disruptors. Today we have Eric Brewer with Integrity First Homebuyers, and he flew in from New York, Pennsylvania, to talk about how this company did 375 investor transactions, and another 75 million in sold volume on the traditional side in the last 12 months. Crazy, crazy numbers. If this is your first time tuning in, I'm Steve Trang, founder of the OfferFast Homes app, the only MLS for off-market wholesale properties, and I'm on a mission to create 100 millionaires. Some of you guys may have noticed that we ventured off the reservation for skip tracing. We went back to the old reliable Bass Skip Tracing, if you guys like our show want to help us, please go to our white label, skipfast.com to do skip tracing. And if you get value today, you'll help us a lot. If you could tag a friend below, share this episode, or comment below. That way we can all grow together. And this is a live show. So please ask your questions for Eric to answer. You ready?

E Eric Brewer 00:57

Ready to roll.

S Steve Trang 00:58

All right. So first question is a simple one -- what got you into real estate?

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Eric Brewer 01:03

Um, so I got my start in business in the car business. We talked a little bit about that earlier today. But for the sake of time today, I got started in the car business and spent eight years in the car business; learned an awful lot established a great work ethic, learned how to sell and learned a little bit about how to manage. And got out of the car business, I don't remember the exact year, but it was right around the time that my oldest son was being born, and just realized that the time commitment was not going to work for me. [Yeah] in the car business. And so I got out of the business and made a commitment that I was going to take about the next six to 12 months to do some soul searching and figure out what my next move was going to be. And during that period, I kind of identified real estate, but not a niche or a segment as the next move for me. I just thought I would get involved in real estate. And I... in the car business, my involvement in finance and understanding of finance I felt always gave me an advantage. So I decided to get started in real estate and finance and actually took a position with a local mortgage company, learned how to become a loan officer, was in the process of doing that. And the owner of the car dealership that I work for called me and said, "Hey, I heard this radio commercial about flipping houses." And so I didn't even understand what flipping houses was back then. So this was 2005. And he said, "I think you would be good at it and I'd like to talk to you about teaming up and working together." So I did we went had lunch long story short, two days later, we decided to start flipping houses.

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Steve Trang 02:36

So you heard a commercial that release goes to the event.

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Eric Brewer 02:38

So we actually went to it's a brick and mortar flipping school. It's called Investors United in a suburb of Baltimore, Maryland. I mean, if you generally look for it, it's a brick and mortar school. So they teach how to do everything from from lead gen to contracting to all different aspects of predominantly wholesaling, I would say is their their core focus. But it was a 12 month course and paid like $10 or $12 grand for a 12 month course. It was a significant investment. Two months in we're like all right, I think we got the hang of it. We bailed and didn't go back for the next eight months of instruction, and bought our first house a couple days later. So

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Steve Trang 03:15

Let's talk about that first deal.

Yeah. First deal was a referral, oddly enough it ended up turning into like a land development deal, which was certainly not our intentions. But we put the house under contract and then found like it's zoning was... I don't remember the exact zoning, but it allowed for like high industrial use, which was actually a negative at the time. We had a title company do the search and they're like, you know, you're gonna have some... you're only gonna be able to sell this to a commercial buyer. Oh my gosh! He goes, well, unless you can buy the neighboring houses and you get over two acres, it could be you know, worth significantly more money. So we actually went through the process of buying the other three neighboring properties and ended up selling the total of the four homes to a local car dealership -- oddly enough -- that was going to put a small franchise there. Back then Suzukis were still being sold in the US and they were going to put a small Suzuki dealer there. So we sold it to a made re... I think we made $100,000 on the deal, sold four homes so, you know...

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Steve Trang 04:12

So not bad for first deal.

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Eric Brewer 04:13

Not bad for first deal. And then we were hooked, right? Like the the hunt, the chase was was pretty exhilarating, and then putting together you know four deals to make one was pretty cool and made a decent return. So, that was our first deal.

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Steve Trang 04:27

And then what happened after that?

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Eric Brewer 04:30

We just became a little bit more focused with... back then we did 75% of our business was on market. Just started making more offers, looking at more homes, making more deals. Our next deal we bought off the MLS, a bank-owned. My rental budget was $12,000; we spent $25,000, so learned a valuable lesson there. We, you know were fortunate enough to sell it, so you got to think this is like 2006, so the market was pretty hot. We got lucky enough that you know, we sold it for more than we anticipated.

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Steve Trang 05:02

You bought an reo property in 2006.

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Eric Brewer 05:04

Yeah. Yeah. That's because my rental budget was $12,000 when it was really $22,000. That's why I was the guy that was willing to pay more than anybody else. [Got it] So, but we ended up making a little bit of money on that. It was a valuable lesson. And just got really, really good at you know, we were always the first... I mean, coming from the car business, right, like it was just one of the things I learned was responsiveness was super important. The dealership that I worked at as I came up through the sales ranks, I talked a little bit about this with earlier today, but like, I would talk to anybody that... like if you drove on the lot, I would sprint to go talk to you. [Yeah] So part of my upbringing in sales was I just was the first. I wasn't always the best, or the smartest, or the best salesperson. But I got more deals because I was just first. So we applied that approach to the real estate business. And like, if it was a Saturday at seven o'clock at night, I'd go look at it and get an offer in. Back then you could actually get REO offers except that same day. They wouldn't have this holding pattern or highest and best wasn't even, you know, a thing back in 2006. Not on the REO side anyway. And we got pretty good at buying bank-owned properties. And I would say we were probably better at it as I think back and reflect to when we first got started. We were better at selling. So I wasn't really good at acquisitions. I wasn't I was horrible renovations, but we were great salespeople; we came from the car business. So if I paid a little bit extra for it, or went over my reno budget, we were really good at finding our own buyers. So we hardly listed anything in the MLS. [Oh really?] So we FIZBO'd almost everything. I put a FIZBO sign out front, a little classified newspaper ad, you know, bad credit, okay, everything that pulled over from the car business. So we were saving, you know, $6,000 to $12,000 on realtor commissions. And it allowed us to a little bit more freedom when we bought the home. So that was how we got started. I mean, I was I was bad at buying, but we were quick. If it smelled like a deal, we'd lock it up and figure the rest out. And I think we bailed ourselves out quite a bit just by being really good at selling the deal.

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Steve Trang 06:59

Yeah, there's a lot of people I know that started off buying off the MLS. So that's impressive. And then, 2006 what was the journey like, because there was this little thing that happened around 2008.

E Eric Brewer 07:16

So we got, I mean, we got better. You know, we established some relationships with some of these REO agents. If you think back to like 2006 or 2007, it's a lot like what we were dealing with now. So there was a... there were actually wholesalers that would attempt to tie up properties in the MLS with assignment agreements, and then had success assigning them. So the REO agents would gravitate towards us because I was fortunate enough with my partner that we had a significant amount of cash to operate with. So we were, you know, solid, real cash buyers. So REO agents would would, you know, gravitate towards us, we would always afford them the opportunity to be dual agent on the deal. So, you know, they had a slight advantage in dealing with us versus maybe another buyer that was represented by an agent. So we always recognized those little advantages and made the best of them. [Yeah] But yeah, I mean, we just we, we got really good at buying stuff on the MLS. And by the time that started to change 2007, 2008 rolls around and 75% 80% of our competition was gone. We were good at buying on the MLS in a competitive market and we continued that. It wasn't until probably four or five years ago, where we started to see that change. And I really started to get into direct to seller marketing about four years ago. For the first 10 years that we were in business about 80% of our stuff off the MLS.

S Steve Trang 08:34

Wow. Yeah. So you're finding that your relationship with REO agents gave you the competitive advantage? [Mm hmm] In that time? [Yeah] Were you listing stuff? Were you doing anything else creative, or was it just straight buying from the agents? I'm asking because someone had mentioned like, Oh, he's the Short Sale King and I didn't even know.

E Eric Brewer 08:52

So you as you and a partner. [Yeah] And then you guys are how many transactions are you guys doing at that time? It sounds like you guys pushed two out of the gate...

E Eric Brewer 08:52

Yeah, so we did, so what we did was, the first thing we did was billboards. We had a pretty good relationship with the local Lamar, you know, it was like the VP of sales or something. So we got like a pretty sweet deal. We had like eight or 10 billboards that would run. And every time we would examine the results from that we got more short sale and pre-foreclosure leads than we did anything else. We didn't get many high equity deals from billboards. And each time we would go back and look at whether or not they were worth it. We would always trace it back to Hey, we bought 35, 40, 50 short sales last year. We started a short sale company, saw some opportunity there. And then once it got to a you know, an operating level of 100 plus short sales in negotiations, we're like, Okay, this is a full time gig. I actually gave the business to the gentleman that still runs it and does all of our negotiations. But even today, we buy 45 to 50 short sales a year. [Really?] Negotiate probably... we only buy 25% or 30% of what we originate. [Yeah] So if you take that times four, that's that's how many leads that we originate with short sales and turn over to the negotiating team to handle. But we've always done really well with short sales. At the peak, we were buying, you know, maybe 80 to 100 a year, even as they called off across the country, we still had a significant amount of, you know, opportunity with short sales. I would bring it up and people like, "You still do those?" You know, and I was like, "Well, yeah, I never knew they went away." And I think that's in a lot of... I'm in a pretty small market. I mean, we talked about some of the numbers today. I mean, in York, Pennsylvania, which is a suburb of... it's kind of halfway between Baltimore and Harrisburg, are probably the two bigger cities that people would know, we have a population of 400,000 in that entire county. So it's small in comparison, certainly to Phoenix, or some of these larger metro areas that that people are doing business in. And, you know, the short sale market has always been an opportunity incident, you know, it maybe it changed a little bit as became more popular, what you see what has what went on in 2006. And what we're seeing right now is that, you know, once it becomes a very lucrative opportunity, people gravitate towards it. So a lot of the competition that we're seeing now for me is much like what I saw in 2006 and 2007. So [Yeah] kind of used to it.

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Eric Brewer 11:12

The first the first full year, I want to say we did like 70.

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Steve Trang 11:16

Wow, that's an incredible first year.

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Eric Brewer 11:17

The first full year. So like, yeah, I mean, we got started, I want to say it was like we bought our first house maybe like April or May of 2005, 2006. So long ago now it's like I used to know the exact day. And then so you know, we went like seven or eight months that year. And then the next full year after that, I think we bought and sold about 70. And then literally from like 2008 for ever we've done 200 plus deals.

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Steve Trang 11:47

Wow. So how long was it just you and your partner doing that... those kinds of numbers?

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Eric Brewer 11:53

Quite a while. I think our first hire, she's actually with me now; she's my controller, we hired her as a project manager. [Yeah] Quickly found that that was not my strong suit. And so we hired someone to basically drive around and check on the progress of renovations. After that, we hired a salesperson, we hired an acquisitions agent, and I mean, today we have 42, 42 or 43 employees.

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Steve Trang 12:19

That's crazy. [Yeah] 42 employees. Hmm, that's not stressful, though. All that overhead.

E

Eric Brewer 12:25

It's a, it's it's pressure. I like to use pressure versus stress. [Yeah] There's a certain amount of pressure that comes along with you know, particularly with COVID, not to get sidetracked. But you know, when that happened in Pennsylvania, they shut down real estate. So I had 42 people that were looking to me like, hey, is there going to be layoffs or is there going to be furloughs? And I remember, you know, the first couple days, I made the comment that my wife and I made the comment to some key people in leadership and was like, my whole goal is to get out of this without laying off a single person. [Yeah] Because you could just see the the real stress that was on people's minds about what was happening with their jobs. And it was, for me, it was a it was a pivotal moment in my career, that like everything that I had done to this point, should put me in a position to where I can I can make it through this on behalf of our people. Right. Like, it wasn't about me, like we could, you know, been successful long enough. And, you know, been wise enough with our money that we could sustain a two months, right. What was it supposed to be 60 days to flatten the curve? It's been six months or seven months now. So at the time, I'm thinking, Hey, we just need to get through this 60 days. And I mean, I was worried, you know, what was going to happen? Or you know, and I was I wasn't worried about it, I knew we would be fine. I was worried about the 42 people that work for me.

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Steve Trang 13:35

Were able to make a theory without layoffs?

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Eric Brewer 13:37

Yeah, yeah, we actually we hired half a dozen people between in Penns... Yeah. I mean, it was crazy. Because what happened was a lot of our competition, in anticipation of what... I was talking about this the other day, like there's there's no explanation for what we're seeing in the real estate market right now. Like all of the the circumstances you think would would lend itself to a correction or a crash. But the real estate market is responded the exact opposite way, right? [On fire, yeah] So we started to see that in real time. And it was an opportunity for me, and we'll talk about it as we get back to like the, you know, the the transition from 2006 to 2008 was a lot like what we're in now, we just haven't got 2008 yet. Like we're still waiting on it. [Yeah] But I, I lived it right, I went through 2008. And we made some some key business decisions back then that I think were critical and allowed us to not only survive, but thrive through that. So when this started happening, okay, this is it. This is the drill, right? Like I've, we've we've prepared for this our entire like, I've been... Since 2008, I've said hey, if this ever happens again, this is what you do. And as we started to do those things I saw, you know, people were pulling out of advertising. They were doing all of these things. And you know, I've always been a bit of a... you saw my profile. We looked at that today, right? [Yeah] I'm a little aggressive. And I was like, No, we're gonna double down on advertising. And literally, we were paying. I don't know what the exact amount was like $75 to $100 per television spot, and the cost went down to like $25 or $30 bucks. Oh, we became like the go-to person where like local networks, they would call and say someone just backed out of a $5,000 commitment for the month of April. We'll sell you the spots at a reduced price. I was like, Alright, well, let's do it. And we saw, obviously, exponential growth, like we picked up all that market share. Now, of course, television ads are back to five times that amount, they're a little bit more expensive. But it gave us what I would call like the proof of concept where we say made television really works. So I'm anxiously awaiting the election. So TV spots and commercials go back to normal prices, or some something closer to what we experienced. But yeah, we made it through, we actually hired half a dozen people, we saw a considerable amount of growth and opportunity. And here we are today,

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Steve Trang 14:02

I can't even imagine the cost of TV. I mean, seeing the election, this is gonna be... every time we have an election is like the biggest election as far as campaigns.

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Eric Brewer 16:00

Yeah, it's always the most important one, right? Yeah, what campaigns spend, and,

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Steve Trang 16:03

But they're spending so much money. And so with you on TV, it's going to be kind of hard to compete against that. And I've actually had a friend who was on the show before, and he said, like, you know, he had one November, where he spent like, $85,000 [Wow] And he brought in zero revenue, you know, just because they were drowned out by all the, all the campaign spending. [Yeah] So what were some early struggles. I mean, it sounds you like kind of just flew out of the gate. What were some of your early struggles?

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Eric Brewer 16:31

The early struggle was definitely renovations. I mean, we bought properties off the MLS, but very few of them were good deals. We had to, you know, literally, you know, bludgeon contractors to try and get, you know, renovation costs down to even leave a little bit of profit on the bone. So, I mean, we probably averaged, you know, single digits on our first 25 transactions. But that was the experience that, you know, helped position us as we continued into our second, third, and fourth and fifth year that we knew better. Made better decisions about what we bought. You know, I think one of the bigger challenges we make is in the car business, you can literally buy, you know, a 300,000 mile car that's falling apart and bring it back and renovate it. And you know, run it through recon and make it a nice, decent car. We tried that same approach with houses and you know, you can't polish a turd. We tried to polish turds, that was probably one of the biggest mistakes we made. [Yeah] It's just, you know, buying houses with the seven foot ceilings and non-conforming layouts. And if it was cheap enough, we buy it. We can... somebody is going to buy it. One of the things we would always catch ourselves saying is, you know, if we just found the right buyer for this. And like our second year, we were like, hey, if we ever say that about a deal, let's just agree that that means we're not going to buy it if one of us says, Well, if we could just find the right buyer. [Yeah] And we just, you know, we learned that lesson quickly. Because, you know, I think that's one of the things that that we all do is when we get in this business, we we get drawn to a deal. Like we say we want to do a certain amount of deals, but at the end of the day, we were talking about that before the show, right? It's like, who cares about me deals you did? Like, what did you make? [Yeah] Right? [What did you take home?] Yeah, they get too tied up, there's guys, and you know, and different markets that do a fraction of the volume that I do and make twice the money. You know, because they've bigger spreads, or, you know, whatever the case might be, or they just run a better business than I do so. But very early on, coming from the car business, like when you're the largest volume dealership, you get those bragging rights, right? And then everybody just assumes that if I go to the largest dealership, I'll get the best price. So we we sort of applied that thinking, right? And if we're doing deals, we're making money. And it wasn't until about the third or fourth year, we're like, man, we're just running ragged to make $8,000, $9,000, $10,000, $11,000 on these deals. What if we got more selective? You know, what if we only did half as many deals but made double the profit? Wouldn't that be awesome? And then we found that we could do that and still do volume. And so we just got better about what we bought. We got good at doing short sales. You know, when we started that it wasn't it wasn't, you know, vastly popular. So people weren't fighting over those transactions. You got to think in 2006 people would gravitate towards pre-foreclosure because to them it was a motivated seller that would be willing to part with equity because of the the obvious circumstances. [They had equity] Yeah. Yeah, lots of people had equity in 2006. And, but everybody that had no equity, like people would just throw those leads away, they wouldn't do anything with it. And that was one thing that I really learned from the car part. We literally tried to make something out of everything. [Right. We were the best at bad credit. So you know, they were just really, really difficult deals to get funded. And they would always reduce your, your, your advance, right, like so if you're selling a $12,000 car. Back then if you did a bad credit finance deal, the bank would only finance $10,000. So you had to sell it at a reduced profit. But we built a pretty significant bad credit car business. And, you know, we found that like it was the short sales were coming have the same, right? I mean they were deals that people were throwing away. And you already paid for the lead. [Yeah] Right. So like, you can either do nothing with it, where if you make half of what you would make on a normal transaction, you would otherwise throw that deal away. So if even if you make $7,000, $8,000, $10,000 dollars, but what we found was we were making double the money on short sales.

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Steve Trang 20:17

Yeah. Oh, really?

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Eric Brewer 20:18

Oh, yeah. Yeah. [Wow] Yeah, cuz there was no competition. I mean, our like competition was the bank. [Yeah] Whatever they decided the value was through their appraisal process, their BPO process this, you know, each bank has their different, you know, formulas that they use to arrive at what they're willing to sell it for during pre-foreclosure. But we weren't competing against other offers. It's, you know, it was whenever the bank decided, and then you know, depending on the product, they take 85% or 88%, of whatever value is. And we just, we did really well with it.

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Steve Trang 20:49

So one thing you were talking earlier, was your profile was not really meant to be a project manager. Correct? Not really a details person.

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Eric Brewer 20:57

The opposite Actually, yeah.

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Steve Trang 21:00

So you want to talk about how important profiling your personality, you know, behavioral tendencies and so on, and how that affects your business?

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Eric Brewer 21:07

Yes, so I'll nerd out a little bit on that. It's, it's something that, you know, I've learned a lot about, I'd say, in the last three years or so. We have a mutual friend, Gary, and I invited Gary into our business about three years ago, and we implemented EOS. And we've really just got to the point, you know, even three years ago, we had 20, 25 employees. And, you know, I was this, essentially micromanager of our business, every decision passed through me. [I've been there] What we bought, what we... I didn't know any different than right. So it was, it was my own nightmare, I owned it, I was happy with it, or, you know, I at least made it work. And what I found was, is I tended to hire people like me, right? So I would hire someone like me, as project manager. So I constantly had this turnover in project management, right? The only difference between me and them is they had to do it, right, I felt like as the owner, or you know, the partner at that point that if I made a mistake, it was a little bit more acceptable than someone that was supposed to be doing that job at a high level. So we would constantly hire good people that would eventually fail or burnout. So one of the things that that, you know, we were introduced through through Gary with EOS was right person, right seat. So I had a lot of the right people, but I had them in the wrong seat, and then I ended up burning those relationships. So I would have salespeople in project management positions, and they would burn out after, you know, two or three years or so. And that's because they constantly had to modify their behavior to do what was required of them. So you had mentioned that we looked at my profile, and I'm not detail oriented, right? So one of two things ...

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Steve Trang 21:07

Possibly not manageable [laughs].

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Eric Brewer 21:42

At all, so, so it's good to work for myself. But yeah, I mean, the only thing was, is that, you know, I would find that one of two things would happen: I would either modify my behavior, and I was miserable. If I had to be too detail oriented, it would just crush me. Or I would gravitate towards my normal behavior, which is to not be organized. And I would have all these handshake deals with contractors, right. Like, well, Steve, did we agree that we were going to drywall, the middle bedroom? And I'm confident, right, that that's exactly what we discussed, but I don't have it documented. So now we have this confrontation. And, you know, I may win the conversation or the negotiations about whether or not he does it does it for free, but then I may burn that relationship. Right. So we quickly learned that like, it wasn't just about hiring the right person, it was about hiring the right person for the seat that they're going to sit in. So we were introduced to behavioral profiling and testing that shows someone's normal tendencies and what they feel comfortable with. And then we align that with the job description and what's required of that position. And it's, it's, I mean, I have, we still have turnover, I wish I could say that I didn't, but it's, it's minimal. To this point, people are just generally happier in their jobs, including myself, because one of the things that realized with... we use predictive index, and my profile is one in which I'm best suited to build big relationships, chase shiny objects, right? Like that's, that's actually in my job description as a Visionary of our company. But when I was the decision maker, and I was in charge of running actual departments that required organization, I failed miserably. Which ultimately would fail the people that worked in that department. So I had to fire myself from literally five or six, you know, different jobs, and then staff those with the correct person. And it's tough because, you know, if you're a detail-oriented person, I'm interviewing you, and I'm not a detailer, we naturally do not get along. [Yeah] You're gonna seem slow to me. Right? I'm gonna go, What's taking you so long to make a decision? You're like, I don't have enough information. Yeah, I need like this much information to make a decision because I go with my instincts or my intuition where someone that's better suited to be a project manager will wait until they get all of the data before they make a decision. [Yeah] So it was difficult until I learned the value of those positions and how important it was. And now like we won't even engage in an interview until I have someone's profile.

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Steve Trang 25:05

Right. And that's so critical. For everyone who's listening, we're talking about Gary Harper with Sharper Solutions, [Yeah] who's actually coming to my office in two months. I can't wait for that. So let's jump into the numbers right here. We're talking about 375. investor side transactions, which sounds astronomical. As someone pointed out, I didn't think about it because it's so obvious -- you're doing more than a deal a day.

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Eric Brewer 25:28

It is, yeah. Even on leap year. Yeah. Yeah, I never thought of it that way. It's, but yeah, I mean, when we when we think about... because we have KPIs and scorecards for each of our acquisitions and dispositions departments. And our goals are actually much more than that. We talked a lot about... we have, you know, releases due to title issues and stuff like that. So we're, we're finalizing more than a deal a day, but we're doing, you know, 30 to 45 acquisitions a month. Landing around the 30 to 35 market deals that actually stick and stay together for various reasons. But yeah, it's, it's got to be I mean, for us, I mean, it's, it's, it's funny, like, you know, when I have these conversations, and people are like, Wow, that's a big number. Like for us, I think we've just we've we came from a high volume car dealership, right, we were selling across our new and used dealerships, 1,000 cars a month. So when we did 70 deals our first year, we were like, Man, these are just small numbers, right? Because we came from volume [We're better than this] Yeah, I was just like, so there was this constant push for volume. And then, you know, we made the decision about quality over quantity, but then we found that we were able to actually do both. And, yes, so that 200 numbers always been like a sort of a, you know, basement number for us that anything below 200 for me would feel like a failure.

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Steve Trang 26:46

So but let's talk about because, I mean, there are people that they're struggling to get to, you know, their first deal or struggling to get to two deals a month consistently. There are a lot of things that have to happen to be doing a [Couple of moving parts, yeah] Yeah. So let's talk about all those moving parts, [Okay] or as many of them as we can. [Let's do it] Alright, so what's the first thing that you would give to someone... tell someone like, Hey, you know, you want to get to doing 30 deals a month, like, here are the things you gotta do.

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Eric Brewer 27:13

So, you know, in complete transparency, just to add some perspective, so, you know, we talked about list buying most of our deals off the MLS. About four and a half years ago, in my market, that started to change. Where it was harder to buy them, I had to pay more, you know, I started to transition back to like that 2006 feeling where these compressed margins. That's when I reached out and ended up getting connected with Collective Genius. So about four and a half years ago, I was introduced to some advanced methods of direct to seller marketing. And it's, you know, obviously had a huge impact. If we, if we had not made that decision five years ago and relied still exclusively on on market MLS... So our market for us is, you know, any referral from an agent, Sheriff sales, tax sales, like anything where it's not direct to seller, right. So we would go to public auctions -- I bought a ton of properties at public auction. When we get into novations, when we talk about that, that's actually one of the areas where I apply it the most. Just the nature of the inventory that we find at public auctions are, you know, good bones, like a good solid bones, maybe the purchase price, and our max allowable offers $10,000 to $15,000 difference. We found it very applicable and public auctions. So that's what, you know, once those started to dry up, I mean, it went from being like one of 10 buyers at a sheriff sale to one of 100. Like it went from being like, you know, sit wherever, I'd row in two minutes before the sale and you know, sit down up front to like, standing room only. And I was like, this can't be good, right? This is not gonna work out well for me. And we went from buying, you know, maybe five or six properties every 60 days at the sheriff sale to like scraping to maybe get one. And if you've ever worked the sheriff sale, there's a considerable time commitment. You got to look at 45, 50 properties to maybe bid on 10 to hopefully get five. So we're spending all this time, spending money on title searches and all this crap and buying one property? And I saw that across everything that we were doing in the MLS and public auctions have just started to tighten up. So I looked for a solution, came across the Collective Genius, and the long version of the answer to your question is it absolutely starts with identifying your market and getting really dialed in with lead gen. We talk a lot about you know, acquisitions and sales skills and all of that stuff. But the reality is, if you don't have anybody to talk to you can be the best salesperson in the world. You can't close a vacant seat. [Yeah] So you absolutely need to become great at marketing. And lead gen is the best, I think, place to start. If I were to start over knowing what I know now, I would put 100% of my focus on acquisitions and marketing. [Yeah] I would become you know, as best as I possibly can to maximize my dollar when it comes to marketing dollars. And then become, you know, world class or you know, I like to use that terminology when it comes... because people use best or the best of my market or the top guy. For me world class is like this elusive plateau that we should all work toward.

S

Steve Trang 30:11

You're a gold, gold medal Olympian.

E

Eric Brewer 30:13

Yeah, that's world class.

S

Steve Trang 30:14

So let's just say we pluck Eric out [Yeah] of Pennsylvania. [Yes] Plug him into Phoenix. [Yes] Just drop him in Phoenix? [Yes What are the top three marketing channels you would use to grow? Your...

E

Eric Brewer 30:25

So television's been extraordinary for us? [Yeah] And frankly, we we tried it. I don't know, somewhere between 2008 and 2018 we tried it and didn't do well with it. It was very expensive. So your your cost per lead was significant. And it's not very focused, right? Like the the great thing or what you pay for billboards and televisions, they talk about exposures. How many people are watching your commercial? Well, but like 1% of those people that are watching Judge Judy actually have a house with equity that I can buy, right? [Yeah] But they're charging me because there's a certain amount of eyeballs on that particular show. But we've we've found a great relationship with someone that manages our television. And they've really dialed in, where our leads come from the time of day, the program, the network. So we're able to make, you know, very micro adjustments to that budget on a weekly basis. So we're, I believe they're buying spots, only five or seven days in advance. So we're taking the data from this week and seeing where we got our leads, and then pivoting all of our advertising dollars towards that timeframe or that network or that channel or whatever. So we've had tremendous success with television, at least in our market. Direct mail still works. I know for a lot of people it's it's... For us, we're very targeted. We're fortunate to have access to you know, some, some really, really, really good data and some, you know, predictive analytics that are included in the lists that we buy. And then we, we get extraordinary results out of cold calling and texting. It's super labor intensive. [Yeah] We're constantly filling those seats, I've outsourced it, I've, you know, hired VAs. I only have success in my market with stateside virtual employees. So, so by virtual most people think, you know, VA is their their outsourced out of out of the country. But we have people that work virtually that, you know, live... one lives in Connecticut, we have one that lives in the South, I feel horrible that I don't know exactly where it is. But trust me, she lives in the US; she's, she's a great employee. And someone that actually, that lives in my hometown but just works from home. And what we found is, is that cold calling is just a grind to begin with, right? We really try and limit the amount of hours that they spend on the phone. And the ability to be able to work from home makes it less grueling. Like the fact that they don't have to drive to the office to do you know, a job that's thankless. You know, they literally get hung up on 99 and a half out of 100, you know, phone calls. But their ability to stay from home and then manage that schedule and be at home contributes to their production, it contributes to the length of time they're able to stay in that job. So those will be the, you said top three -- for us, it's television, direct mail, and outbound cold calling, and texting.

S

Steve Trang 33:16

Any tips for these guys for direct mailing?

E

Eric Brewer 33:19

Um, measure everything. That's the one thing we're constantly adjusting. So I've changed my mail piece 100 times and they're all the same. Literally. It's, you know, it's, it's good, I think, to mix up your messaging a little bit, just to give somebody a unique look. But it's really about... we've, we found the sweet spot for is as we mail, we get fresh data every 90 days. So we're only mailing people that. you know, show up on the spectrum of being motivated by, by our calculations. And then we're mailing them every six weeks. We've done it every two weeks, every four weeks, every eight weeks. For us the right frequency is every six weeks. So they're getting you know, two pieces of communication direct mail-wise from us every quarter. And then if they stay on the list, they'll continue to get it time and time again. When we do direct mail and I buy new data, I always mail the fresh people first. Right? So if you were on last month's list or last quarter's list, and you're on the list again, you get mailed second. I'm mailing the fresh date or the people that are just... because timing's everything in this business, right? So particularly when you're talking about a motivated... and that's... I told you'd have to tell me to stay on track. So here's what I love about television. Everything about data and direct mail is about timing. So if you buy a tax delinquent list, by the time you actually get the data, it could be what, 30 days old, 60 days old? [Or longer] If you mail it out today, it takes, it's taken 18 days we measure from from the time I sent out a postcard, it's 18 days until it hits somebody's mailbox.

S

Steve Trang 34:44

Really? [Yeah] Wow.

E

Eric Brewer 34:47

So there's, you know, the US Postal Service is not at the top of their game right now. [Yeah] And unfortunately that has an impact on the results for mail. Right? Because if you're mailing someone because they just showed up on a tax delinquent list or a mortgage delinquency or something about, you know, the predictive analytics data that we use, they're looking at, like 100 different set of circumstances that might change maybe had a recent change in job, they applied for, you know, some relocation program or something. They're pulling all kinds of data from everywhere. So if we don't get that, that postcard out for, you know, takes a week for us to get the data to send it to the mail house, because it could be 25, 30 days. [Yeah] So we start with texting and calling. As soon as we get the data, we do that first. Mail the new people first because timing is sensitive. So those are a couple, you know, timing is of critical nature at this point. And obviously, you know, mail is expensive. I mean, by the time you buy the data, mail it, it could cost you 45, 50 cents a record. If you're doing it on a large scale, it's a considerable investment. Depending on the service that you use to skip trace and text, they cost you between 10 to 15 cents per record to communicate. [Yeah] And all you're trying to do is ... So what I love about cold calling is and texting is people are like, Well, I'm getting hung up on. Well, how many? What's a good response to direct mail? You know what it is? [0.8%] Okay, so like, in what other like, industry is 0.8% considered successful? So like, but we look at direct mail, and we're like, Ah, man, I got 1%. So if you get 1%, which is about what we get, you're doing a good job. [Yeah So I told you, you get hung up 99 out of 100 times on cold calling. But that somehow is not considered acceptable, right? It's like, Well, I'm not going to do that, because we're only getting a 1% response rate.

S

Steve Trang 36:22

It's very damaging to the ego.

E

Eric Brewer 36:24

It is. But here's the thing, like we do direct mail, just to get the phone call.

S

Steve Trang 36:29

Yeah, that's true. That's true.

E

Eric Brewer 36:31

We don't, we don't get... we're not getting a 1% deal rate, we're getting a 1% response rate. So if I can text and call them for a third of the price and get that communication established, that's all I wanted, right? We just want the lead, we want the connection, we want the ability to be able to follow up with them. And you can get that through cold calling and texting. It's grueling, it's process oriented, consisting is everything. The good thing about direct mail is you can just mail, right, you don't have to really be super involved. If you just have a good relationship between your wherever you get your data in the mail house, it happens without you. It takes a considerable amount of time and energy to manage cold calling and texting. But it's, to me it's well worth.

S

Steve Trang 37:10

So you mentioned like it almost didn't matter what you were sending. And Scott was has been on the show and he said the same thing. Stop overthinking it just send anything. [Yeah] Because it will work, if you just do it. So one question we're getting here is the... the... the data. I mean, like you're relying on the data. So where are you pulling data from this as Okay, these people are worthy of a direct mail piece.

E

Eric Brewer 37:37

So we buy almost all of our data from a company called DanTech (dantechservices.com). [Yeah] You may know Chris Richter?

S

Steve Trang 37:43

Yeah, Chris Richter, he's in CG (Collective Genius).

S

Steve Trang 37:45

All these data points.

E

Eric Brewer 37:45

So yeah, so he does this predictive modeling, that says, you know, I'll give you the third grade version of it, because that's my understanding level. So go back, let's say 12 months. And he'll look at all of the properties that sold in our market for, you know, let's say 70% or less of whatever their market value calculation is. And then they'll look at each of those people in the circumstances or a snapshot of that particular person at the time that they sold: age, were they non-owner occupant? Where was there? You know, it was much information. Remember how much information of ours is available now, everything from credit score to you know, that they have two and a half kids? Did they have three autos? Like were they married single? Like, there's...

E

Eric Brewer 37:50

Yeah, a ton. So then what they do is they create an avatar of a motivated seller. Then what they do is they go into your market, you know, on September 1, and say, show me all of these people that own real estate that fit this avatar, and then that's the list that I get. [Yeah] So you know, it's it's extraordinary the amount of data that goes into it to to identify and it takes a little bit... I mean, we would always guess, right? Like, it's easy to say non-owner occupants are more motivated because they don't live there. Someone that's on a tax delinquency list, or has utility shut-offs, or these four or five things. The problem with that is, is it's such low hanging fruit, that everybody's marketing and targeting [Everybody's chasing it] that same demographic. This gets a little bit more granular. And it's probably, you know, before they show up on the tax list, what are two or three things that happened 60 or 90 days before that. Because you can do that through modeling, you can say that, you know, 60% or 80% of people that end up in foreclosure had these things that happened to them.

S Steve Trang 39:28
Yeah, the precursors.

E Eric Brewer 39:28
Yeah, so I... what I know to be true is that they're, they're actually getting into those precursors as far in advance as you possibly can. So we're communicating with people at the earliest sign that there could be any level of you know, significant motivation. So we, you know, we have tremendous success with with direct mail.

S Steve Trang 39:46
So that's marketing. You've got incredible salespeople. I argue every industry is sales and marketing. [We talk... Yeah I agree] Every industry is sales and marketing, and then once you've kind of figured out sales and marketing, not that it's perfect, but it's more or less working, [Yeah] now everything else is systems and people. [Correct] I think that's probably the biggest thing [It's excruciating] that's helped you, [Yes] right? [Yeah] You know, what, what we talked about, you know, your company's done, you know, 375 plus another 400 on the traditional side. And it all sounds great. But it's not you. [Yeah] It's not you doing it right? [No, not at all] So let's talk about... we kind of touched on a little bit as far as profiling goes, but let's talk about what it takes to lead an organization and how you make that all happen.

E Eric Brewer 40:34
Yeah, so I mean, bottom line is, I'll go back to and, you know, I, I try and, you know, pay credit where credit is due. Like, literally, everything that I do is either modeled after, or specific teachings that I've learned from someone else. So about three years ago, shortly after I joined CG, and we got good at direct to seller marketing, and, you know, then I was introduced to Gary Harper and we implemented EOS. And that's really when I started to get the understanding of how to be a leader and not a manager, right? Like Gary says, something (I'll probably mess it up) but managers manage processes, leaders develop people, right? And both are needed, at certain, you know, levels within the company. But as the owner, I really needed to push myself to become less of... And frankly, I was a little burned out. [Yeah] You know, for me, you know, I still think it wasn't that long ago, where I was calling leads at seven, eight o'clock at night. And it's because I hadn't spent the time

to train and trust someone to do it on my behalf. We... and you and I talked about this at breakfast this morning. We... we believe that we're always literally the best at everything, or at least I do. I'll take, I'll take the blame for that. Right? You didn't say that. You nodded your head, but I said it,

S

Steve Trang 41:47

But we have these ideas.

E

Eric Brewer 41:48

Yeah. So it was real... I never trusted anybody. And so every decision had to pass through me. And, you know, that wasn't, I didn't know that that's what I was doing. I just felt that it was the best thing to do to make the most out of a deal, make the most out of a marketing campaign, to make the most out of a property, right? Like I had to go walk the house before I'd sign off on a reno budget. I had to see the house before I would agree to what we would sell it for, like maybe I'll, you know, see something that you didn't see and we'll get an extra $1,800 dollars out of it. [Yeah. Yeah, that's the best use of my time. So I've learned otherwise. But literally, when Gary came on, we, you know, EOS teaches you basically how to put right people in the right seats. And then one of my mentors along the way was a business coach that I had. That talked a lot about what we call tribal knowledge. So I had all of this tribal knowledge, right? And literally, I told you like the way that I used to train acquisitions agents, I was like, come on, just come follow me for 30 days, and then just do what I do. [Yeah] It doesn't work, right. It sticks for 30 days, but then they forget 88 1/2% of whatever it was that I taught them. But I didn't actually teach them anything. I just behaved a certain way. And wanted them to emulate whenever I did,

S

Steve Trang 43:02

They heard the words, they did understand the science.

E

Eric Brewer 43:03

Yeah. So we started to process map everything. We started to have, we have a... it's about the size of this television. So our accountability chart is about this big. You could imagine with you know, five core departments, and then 42 employees how that organizational and accountability chart looks. And I had to literally take everything out of my head and put it onto paper. And then I had to give people the opportunity to challenge why we did something a particular way. And it couldn't just be because that's the way we always did it, or that's what Eric said. So we created this environment of what we talk about, which is agree and commit or disagree and commit on what you know, Gary refers to and what I've learned to be healthy conflict. [Yeah] So that whole development process was, you know, from the time that we implemented EOS to today have almost 100% turnover in leadership. Still had great people. [Yeah] A lot of those people still work for me. They've just been repurposed and repositioned within the company to a place that, what we talked about is, Do you love it and are you great at it? [Right] Right. If you're not great at it, and you don't love it, someone else should be doing it. Because there's a person and a profile that would actually love to be organized and be held accountable.

S

Steve Trang 44:15

There's somebody out there that loves spreadsheets.

E

Eric Brewer 44:16

There's a... there's a king there's a, there's a... my dad would say there's an ass for every seat. Right? And there is. So that's what I started to learn, is that through, you know, the addition of people, and then empowering them through process, right. I didn't need to be engaged or involved in like, I'm literally involved in like, zero decisions today. [Yeah] Unless it's a, you know, a big personnel decision or, you know, a large investment that's outside of our normal, you know, core .focus

S

Steve Trang 44:50

It's outside of your bread and butter. [Yeah] So I think it's important, right, so you got the the GWC, right, Get it, Want it, [Yeah] Capable of it. [Yes] And that part where... everyone's allowed to challenge you. Not necessarily publicly, but you're allowed to disagree. [Yes] And there's no ego here. And I think that's one of the big things about about Traction. And ironically enough, you know, when we drove here, you're laughing like, I only have one thing in my trunk. And what is it?

E

Eric Brewer 45:16

It's the book Traction, yeah. It looks tiny in that big trunk. It's like, really? You have one thing back here? But yes, I thought that was kind of funny.

S

Steve Trang 45:24

So let's talk about all the, I don't know, he said, the four or five key leaders. So like, let's talk about different organizations within to make this whole engine run. [Yeah] Get some key leaders, key positions... [Yes] What are all those key positions or key...

E

Eric Brewer 45:37

So I'll start like, for me, I operate from memory. If you go from the left side, it's really... If you think about, for us, our accountability is set up for like the, you know, what's the life cycle of a lead or a deal look like? Right? It starts at, at marketing, then it comes into lead management. So these are all departments: marketing, lead management, acquisitions, then for us a deal could go back into lead management, if we don't close it. We have our lead management department do about 80% of our follow up. Then it goes into either dispositions, if we're going to wholesale it, or it comes into renovation, if it's a fix and flip, or we do a considerable turnkey business. So if it goes into renovation, it goes into renovation, then it either comes out and goes to property management, if it's a rental or a turnkey, or comes back out and goes to dispositions, and then you have finance and HR that's involved throughout the entire lifecycle that right. There's some accounting measure that needs to be made, whether we're buying it, right and we have to fund the purchase. If we sell it or assign it, and there's income that comes in through the assignment of that contract. Or if we close on it and we renovate it, there's accounting and bookkeeping that has to be done for the contractors, our lending relationships, draw schedules, all that kind of stuff. So those are our key departments: marketing, acquisitions, lead management, renovations, dispositions, property management, and finance.

S

Steve Trang 46:58

But just a handful of people. [Just a handful] Alright, so let's talk about the 375 transactions. [Yeah] You had broken down for me; I don't remember it. So I apologize.

E

Eric Brewer 47:07

So we do roughly 125 to 150 wholesale transactions. We do about 75 novations, which, oftentimes, most people before we get in the explanation of is, is a whole tale, right? There's a different methodology of how to get to the deal. And then the rest of our business is fix and flip, which is a small percentage. I mean, 2006 through 2015, like 99 1/2% of my business was fix and flip. [Yeah. It took its toll on me, especially, you know, so I'm renovating 250 homes a year, and I don't... I'm not very good at renovating. I was good at buying, got good at selling never quite figured out the renovation game.

S

Steve Trang 47:45

Just that little meaty part.

E

Eric Brewer 47:46

Yeah. And it's literally, you know, I tell people all the time, if they think about getting into wholesaling or fix and flip, I was like, listen, you you have to understand what's required to run an effective renovation business, right? Because once you bring it into inventory, you're now a general contractor, at least to be able to operate as one. [Yeah] So what made you great at marketing and acquiring the property does not make you good at managing. Just because you know how to pick out granite and the right color shutters does not make you qualified to manage a $70,000 renovation project. Actually, it disqualifies you. Like if you're good at sales and marketing, you probably should have nothing to do with the renovation portion of the deal. So, yeah.

S

Steve Trang 48:25

So what was the number of flips last year?

E

Eric Brewer 48:28

Total?

S

Steve Trang 48:29

Yeah.

E

Eric Brewer 48:30

What do you mean? [So those 375] So we do between 125 and 150 wholesale transactions, do about 75 or so wholetale/novation deals, and then this year, we'll do about 150 or so turnkey deals. [Got it] And our so we... I think in 2019, it was like 100. This year, we're on track to do between about 150 or so turnkeys.

S

Steve Trang 48:52

Got it. [So] And just for real quick, for people that don't know, what is turnkey?

E

Eric Brewer 48:57

So basically, you've heard of the BURR method, right? Buy, Renovate, Rent, Refinance. If you just take the last star and replace Refinance with Resell. That's it. So we buy, we renovate, we rent, and then I resell. And then we sell it with property management in place. So basically, what you have is, you know, you have people that get into the wholesaling, fix and flip business, typically have a considerably high risk threshold. They have an entrepreneurial spirit, they're comfortable with taking risk. And there's a huge portion of the population out there that wants to invest in real estate that does not have the same risk threshold that you and I have. [Yeah] But they still want to get... I mean, everybody wants... I think wants to be in real estate, just whether or not they can or are willing to take that, you know, leap of faith to go out and get the proper education so that they're not making mistakes with their money or somebody else's. So we sell predominantly to what we identify as high income W-2'd employees. So their time commitment is, you know, focused on their their primary job. But our average turnkey nets between 13% and 16% cash-on-cash ROI. [Yeah] So our typical buyers are not cash, they're, they're leveraged. They're putting 20% down using a 30 year amortorized product, making 13% to 17% cash-on-cash returns.

S

Steve Trang 50:14

Got it. So, and and that they're 375, 75 are novation. [Correct] And just ballpark math, I'm guessing it's about $1 million in revenue.

E

Eric Brewer 50:24

So at 75 transactions at profit yeah, so we're closer to $20,000 per transaction. So million... what's that, a million and a half?

S

Steve Trang 50:32

So there's a million and a half in revenue you have right now, [Yes] that everyone else would throw away?

E

Eric Brewer 50:37

Most of it. That's some of that. So we talked about... Yes. I think a lot of those deals... Well, before. I mean, that's how I came to develop this process. [Yeah] Was, so let's go back to if you if you remember, if you've been in the business long enough, you'll remember something called an FHA flip waiver. So, what it meant was, is that prior to this waiver, any FHA financing required the property to be seasoned for 91 days before you could write a contract, and an FHA buyer could purchase that property. [Yep] So there was a flip waiver shortly after the market crash, because there was a considerable amount of investment inventory where people were buying bank-owned properties and flipping them, and now 90% of loans were FHA, right? Nobody could get a conventional mortgage anymore. You know, they were doing 80/20, 100%. And we had this huge reaction by lending institutions where they went from being ultra liberal on lending everybody money to like, now you got to have an 809 credit score and 40% down.

S Steve Trang 51:38

Countrywide was basically in the strip club business.

E Eric Brewer 51:40

Yes. Just making it rain. [Yeah] So now, you know, you flash forward to 2008, 2009, like everybody's trying to learn FHA. Loan officers that never did FHA loans before trying to learn them. They're like, it's crazy, right? So that... that... I don't remember when, it was around 2010, the FHA flip waiver was tied up in this Congressional bill with like this other funding, and it didn't get approved. And I'm sitting with my attorney, I'm like, dude, like, I can't hold all this inventory for 91 days, like what's up? And we started, you know, talking about how I could still make those deals, and sell those deals without it. Because if you write the contract on day 91, and it takes 45 or 60 days to close the loan, now it's up, that's 130 days where otherwise I was able to close, maybe, in 50 days. So if you think about that, when you're doing 200 transactions, and almost all of them are fix and flip, right, and 95% in our market, people were using FHA. So it's literally every deal. I'm like, I'm gonna go from holding it for 60 days to holding it 160 days, like this is not good.

S Steve Trang 52:45

Your hold time's more than doubling.

E Eric Brewer 52:46

And not necessarily think about how much cash commitment it takes, right? If you're doing 200 deals, that means you're doing around 15 to 20 a month, which for me meant I always had to have about three and a half months worth of inventory. So I had to be carrying 75 to 80 homes to do 20, where before it was, you know, literally two-thirds of that. [Yeah] And so we started looking at the amount of capital that would be required, the interest expense, like it... it was significant. And we ended up coming up with this Novation strategy, which the terminology novation just basically means replacement, right. So when I start explaining that to people and like, you know, you go A to B, B to C, which is probably common, you know, commonly understood with most people that would listen. And then you have basically A to C, which is just like an assignment agreement that literally every wholesaler in the world knows about. But you can't do that with a retail transaction. Right? You can't assign your interest in a contract to an FHA buyer, [Right] or even a conventional mortgage buyer. I don't know, you know that that that would be an approvable [no lenders don't like that] line item on the HUD because it break... it's it's there's an interruption in the chain of title; they don't like that. They can put plenty of fees on the HUD, but they won't let us as investors put fees on it. And so we came up with this Novation agreement, which and I don't want to get too deep off the bat, but basically what it does is extinguishes the A to B contract. So I'm buying Steve's house. I have a Novation agreement in place of my original agreement that says, Hey, Steve, if I happen to come... just like the assignment language, right? Says if I, if I assign my interest in this contract, it's permissible as... as written in our sales agreement. So we have the same language except it uses the Novation language. And what it means is, if I find a third party buyer, we can extinguish the A to B contract in exchange for the A to C. If I agreed to buy your house for$ 100,000, and I sell it for $140,000, I'm able to benefit from the difference between the $100,000 and $140,000. If our contract was As Is cash, no contingencies, no inspections, and now this contract has inspections and contingencies, I get the $40,000 difference in price but I also inherit all of the liability that comes along with it. [Yeah] So that essentially is a Novation agreement, and what I was able to do is skip that whole seasoning process that was now required because anybody was so... I stopped taking deed too properties and then reselling them, and started novating them to retail buyers at retail values.

S

Steve Trang 55:13

Yeah. So to simplify it, it's basically, you're allowed to sell a property on the MLS [Yeah] to an FHA buyer...

E

Eric Brewer 55:21

any conventional finance buyer

S

Steve Trang 55:22

...without actually owning it correct.

E

Eric Brewer 55:24

Or taking title... [Yeah, yeah] in any capacity. [Right] So yeah, so now what happened is we did that to, to, to, you know, just do or continue doing our FHA... FHA business back then, but what I found was, is when I started applying that thinking to each of my acquisitions appointments, you know, you got to imagine like, you know, the, one of the values is a being able to do that deal, right. Like, now I can sell it to an FHA buyer, and not wait 120 days, or 90 days. So because often what would happen is the buyers will go, I'm not going to wait around, I don't want to wait 90 days, I'll just go buy something else. There's plenty of inventory back then to choose from. So what I didn't want to do was lose that buyer. But once I started applying that, and I would look at it... so I'd look at you know, what's the wholesale price, what's a fix and flip price, what's a wholetale price, what's a Novation price, Novation would always afford me the opportunity to spend an extra 10% on the deal, because I was saving realistically 10% between the acquisitions cost -- transfer tax, title insurance, you know, proration of taxes, all of that any bank fees that would come along with it plus the sales costs, right -- I pay transfer tax when I buy and sell it. So if you buy $100,000 house, if all you did was buy it for $100,000 and resell it the next day for $100,000, it costs you $2,000 just in transfer tax, right? Assuming that you're only paying your 1%. In Pennsylvania, it's 1% buyer, 1% seller. So oftentimes, we advertise no fees, no commissions, we would pay both sides of transfer tax on the acquisition. So now it cost me $3,000. So that stuff starts to add up. So with the Novation agreement, if you just eliminate your need to close on the property, you've eliminated between $3,000 and $10,000 worth of fees. [Yeah] That doesn't benefit the buyer, doesn't benefit the seller, it's taxes, right? Like it's, it's just wasted revenue that gets donated to the local and federal governments. So by implementing this Novation agreement, we found we were able to bring more properties into the inventory by eliminating those costs, which the Novation agreement... It's basically, it's wholesaling a property, or assigning a property, to a retail buyer, [Right] at retail value. So you know, when you're when, when for all our wholesalers out there, when you're looking at a deal, you know, what your wholesale buyer is gonna pay. And there's the max allowable offer that limits what you can pay. And if you don't have the funds, or want them to, you know, spend the money to pay for it, you're done, right? If your max allowable offer is $90,000 because you can wholesale it for $100,000, and they want $100,000, what do you do? Shake hands, you leave, and you hope that they might be more flexible when you call them in a week? [Yeah] So this gives you the ability that now you have to start to look at... because I think what, what, what I lost sight of was, as an investor, I knew what wholesale value was, and what renovated value was. That's the only, that's the only world we live in. But there's this, this whole other massive chunk of inventory that gets sold day in and day out, that's not renovated. And it's not selling for wholesale value, and it's not selling for full retail value, right? It's selling for what we call wholetale. But for wholesalers, that's not a legitimate exit strategy,

S

Steve Trang 58:29

Yeah, you can't pay what they need.

E

Eric Brewer 58:31

Yeah. So this Novation agreement allows you to approach it as a wholesale deal, because the only thing that's not wholesale about is the price. But if you're still making the same, if not more revenue, you can call it whatever you want, right? It's essentially, conceptually, a wholesale deal because you'd have to pay for it. You didn't have to take title. [Yeah] Right? So to me that was, what it's done is it's opened up all of these, you know, we would... instead of leaving appointments at a $90,000 figure and hoping that they would come down to our number, or stretching and paying $100,000 and then buying it, renovating it and ended up making $6,000 on $140,000 investment. This was a great exit strategy for us that we sort of stumbled upon because of the the expiration of the FHA flip waiver that allowed us to do all of these additional deals. And then here's the best part: like it most often seems to apply to, and has for 10 years, to... to homes that are in better condition. Right. So I kept passing in all these deals that were in good shape, right? People like what kind of house should you buy? I'm like, ones that are all messed up and nasty, right? So like when you think about that, it's like, why am I... Why do I continue to pass on nice homes, right, because that's what would happen. You think about the majority of homes that you pass on there, you're $10,000 or $15,000 away, they end up getting listed, selling in the... on the MLS for $40,000 more than what you offered. The buyer... or the seller's like, "See I told you," right? [Right] "I knew it was worth that amount." But they would have gladly sold it to you for $100,000. It just didn't match up with your fix and flip strategy. It didn't match up with your wholesale strategy, so you had to pass on it. This gives you a third layer or a filter to run those deals through where you can make... I talked to certain people that I've shared this with inside of CG, it's now 50% of their total revenue. [Yeah] Particularly in this market, because everybody wants another $20,000 for their house today than they did three years ago, because of the way that the market is.

S

Steve Trang 1:00:16

So basically, innovation, you can pay more for [make the same] the same house. [Yeah] But make the same, if not more money [Yes] on the on the back end? [Yes] And it's like, was it like 7% more, 8%? How much more can they pay with a whole

E

Eric Brewer 1:00:29

Typically 10% is... Like, so for us, when we see it, you know, it allows me to pay $110,000 for a house that I would rather otherwise want to pay $100,000. And it probably sells for $140,000 in As Is condition. So when you net out commissions, you know, maybe, typically we're doing this with inventory that would pass an FHA appraisal. You're not going to get, you know, slammed on a home inspection. This doesn't work for, you know, dilapidated properties, it works for properties that, again, more than likely, if you're not buying them, they're selling on the MLS to a retail buyer for $30,000 to $40,000 more than what your offer is. And the seller would gladly leave that $30,000 or $40,000 in the deal, but you don't currently have an exit strategy in place to be able to make that deal happen. [Yeah] The Novation agreement and Novation strategy allows you to capitalize on those deals, which for us is a... it's a, it's a large enough portion of our leads that we get. [Almost 20%] Yeah, it's a considerable amount.

S

Steve Trang 1:00:31

Yeah. So for, again, for everyone that's listening. So a Novation, more or less, it's a way to wholetale, the way I like to explain it, you can wholetale without actually owning the property.

E

Eric Brewer 1:01:37

Yeah. Because the problem of wholesale typically means you buy it, you clean it up, right, you put it back on the market, sometimes you don't do anything to it, other than just getting the people out.

S

Steve Trang 1:01:45

So acquisition costs, holding costs, there's the funding...

E

Eric Brewer 1:01:48

Real money that has to be spent. And depending on your situation, you know, you you may have not the best funding setup, and you might be paying multiple points. And you know, if your interest rates 10%, 12%, 14%, which you know, sometimes with hard money it is. That chews away at that $15,000 profit that now becomes $6,000 or $7,000, and you're passing on those deals now where you could make $20,000 by just eliminating the need to take title.

S

Steve Trang 1:02:15

Yeah. And you can make, if you so choose, their mortgage payments, if you negotiate it. [Yeah] Either they can continue making the mortgage payments, or you make the mortgage payments. But more... at the end of the day, you're not making hard money payments. [Correct] Yeah. So I'm getting a lot of questions about the the documents, guys, if you guys want to get the documents, Eric's packaged all of it. You can go to BrewerMethod.com. You can see those documents. So let's now transition, because the

375 investor deals is bonkers. [Okay] And then you did 400 on the retail side as well. [Yes] What does that look like? How does that happen?

E Eric Brewer 1:02:51

Man, I, so, you know, I told you we started in, in the... to... the first of couple years, we bought everything on market. So I needed, what I found was is that I'm calling agents trying to get them show me properties at the drop of a hat. Didn't work well. They didn't work with the same urgency that I did, right? I'm buying $60,000 bank-owned properties. They're walking away with $900. I'm trying to make $20,000. I had a little bit more urgency. So we just hired an agent. I was like, Hey, why don't you work for me, I'll buy all of my stuff through you, right? Or I'll pay you a salary. And I'm a cash buyer on every transaction. So we started to hire agents as our acquisitions people. Which was a good fit, because we did everything on market, right? So they just needed to write a contract, they needed to know basic, you know, negotiating skills with a bank-owned agent, which is not much, right?

S Steve Trang 1:03:44

If you can get them on the phone.

E Eric Brewer 1:03:45

Yeah. And it was, it was a, it was a night... and again, we would... so a lot of times we were allowing the list agent to be dual agent because they would call us back. So our agents working paid on commissions, we would pay them a flat fee for every house that they bought, because the commission was being kept by the list agent, because we just found that that was the best way to get a return phone call. So we started to add agents to our team, I told you about how we were better at FIZBOing our deals than we were acquiring them and renovating them. So we started to hire salespeople and got them licensed as agents, right? So just from a compliance perspective, if you're working with buyers and all of that stuff, it just it was cleaner for us to have them be real estate agents and then represent us as the seller. And so we slowly started to accumulate agents that worked for us. And then they were like, Well what happens if my friend calls me wants to buy a house so... "You can't sell it. You work for me?" [Yeah] Right? "I don't want you out there... What if I need you and you're out showing a house, that's bullcrap." And that didn't go over... So over a period of time, we were... they solely relying on us to make income, so if like if I didn't need to buy a house for a couple months because I had plenty of inventory, like they weren't making money or I was paying them a salary without them producing. So we started to loosen up those restrictions and allowed them to sell stuff, and we started to make money off of the commissions of buying and selling, and them selling retail inventory, and people then gravitated towards our culture. And I didn't necessarily have a fit for them on our acquisitions team or our, you know, wholesale division or turnkey. So we basically started to use our retail buyer agent section of our business as a training or entry level position, if you wanted to get... So if you came to me and you want to be in acquisitions, first thing I'm gonna tell you is I want you to become a buyer's agent and sell homes for a year. Once you learn how painful a retail transaction is, you will have a much greater appreciation for cash, right? Because you got things like appraisals and mortgage commitments and inspection contingencies and people that change their mind. So once you can literally sit across from a seller and say, you know, one of the great things that we offer is, you know, just a streamlined process. And here's what you can compare it to. Like nobody knows, you know, like, you go to different markets, like in LA and you'd say cash like, well, so does everybody else. Yeah, right in Pennsylvania, like cash transactions are a very small portion of [Really?] of business. Retail-wise through the MLS, it's a very small percentage of transactions. When anything over like $100,000, and over the median price in our market, which is about $170,000. It's low compared to, you know, a national median value. But, I mean, so yeah, we just started to accumulate real estate agents and, you know, decided to make it part of our business. And we have a team of 10, I'm sorry, nine agents, 12 people in total: we have an ISA (inside sales associate), transaction coordinator, and a listing consultant that helps agents, you know, get their pictures and MLS and all that stuff so that they just can focus on meeting with buyers and sellers. And it just kind of happened, it was a...

E

Eric Brewer 1:03:53

Are you feeding them predominantly or are they on their own?

E

Eric Brewer 1:04:51

We do. So one of the things we do is when we get deals in, which has been one of the things I talked about what television is, that's not as targeted as direct mail. So we get a lot of leads from motivated sellers, but not motivated to sell at a discount, right? Like there's a difference between a motivated seller and a seller that's motivated and willing to sell at a discount. And then, you know, if they just frankly, are motivated and would gladly sell to us for a discount, but their payoff restricts them from doing so, we'll schedule that appointment for the agent to attend, rather than an acquisitions agent. We'll lead with an offer. So our agents still attend and make a cash offer, but if it doesn't work out, which we obviously anticipate it not working out because of their equity position, or what we discovered in the original call, they transition right into a listing presentation. So we do feed them a considerable amount. But then you do a really good job of leveraging each of those listings to generate additional business off of that. We're, you know, we run a team inside of Keller Williams and Keller Williams is phenomenal when it comes to training about how to not just be an agent, but literally how to build a business. [Yeah] I think Keller Williams is like one of the top voted one of the top training companies in the world and they're a real estate company, which is kind of crazy, right? So yeah, Keller Williams has been a great fit for us. They've taught us how to, you know, apply the same type of business strategies, marketing strategies, focus on, you know, squeezing every ounce of opportunity out of the leads that you get. And that... we've seen that, you know, applied to our residential retail agency business. And it's, it's been pretty phenomenal.

S

Steve Trang 1:08:46

One of our guys saying that Steve wants to go to KW. Alright, so [Is that true?] No, absolutely not true.Pproud of our brokerage. So let's see what, what questions we got... I have some questions here. So how many markets is Eric in?

E

Eric Brewer 1:09:02

So we talked, I consider it one market, but we're in seven counties. So those seven counties for my home office is, they're all within an hour drive. So we're in I think, see if I can get them all right. York, Adams, Cumberland, Dauphin, Franklin, Lancaster -- six. There might be one that I'm missing in there. So it's it's either six or seven counties. But we consider that to be one market.

S

Steve Trang 1:09:26

Yeah. [So] Joshua was asking who manages your TV ads? And Josh, you should know the answer this question because you're in our coaching program. Anyway.

E

Eric Brewer 1:09:34

It's, um, Bull's Eye Marketing.

S

Steve Trang 1:09:37

Yeah. So Joshua, have Matthew go onto our Facebook group and look up Darren Damme. [Yeah] So we're already talked about what lists, yellow letter... We're already talked about that, it's identic... Who should be your first two hires on the retail side?

E

Eric Brewer 1:10:00

Lead manager, oh, retail side. ISA.

S

Steve Trang 1:10:06

Inside Sales Agent.

E

Eric Brewer 1:10:07

Yep. And a transaction coordinator. [There you go] If you think about... Agents will gravitate towards you if you allow them to do what they're great at, and they enjoy. And typically agents are great at prospecting, and selling, not the organizational side of the business. So if I were an agent today, and I wanted to look for a home or join a team, I would look for someone that would feed me leads... would, would probably be a large portion of my decision making process. But I would give an equal, if not greater amount, of influence influenced towards, do I have to do any flippin' paperwork? If you have someone that does all of my paperwork, there's a good chance I'm gonna come work for you. Because like, I just, it's hard for me, and I'm really bad at it.

S

Steve Trang 1:10:48

Yeah, [So] bonus points, if you can get initials and signatures [Yeah] for missing documents or writing addendums as necessary.

E

Eric Brewer 1:10:54

So ISA and a transaction coordinator and I think you would find that agents will gravitate towards you, at least good sales people that are real estate agents. If you talk about that, that behavioral profile again, some of that on the predictive index as a high A, high B, low C and low D, will just be an absolute mess with paperwork.

S

Steve Trang 1:11:14

Yeah, I have someone in our office is always, you know, complains, like why are agents so sloppy? And I have to remind her, about once a year, it's like of agents were not sloppy, you wouldn't have a job.

E

Eric Brewer 1:11:21

Yeah. So yeah, exactly. It's the same with project managers, right? When they tell me like, "This contractor sucks!" I was like, Well, if he was organized enough that he didn't need to be supervised, you wouldn't have a job. Because I've tried that. I've tried to let them go unsupervised; that doesn't work. Tha,t I always say, you know, you can let me into a brokerage and I'll find... You can turn all the all the lights on, have everybody out of the office, you know how to identify the best salesperson? They have the messiest desk. Like literally there's stuff everywhere. But he's probably got a pipeline full of deals that would choke you, right? So like that, it's, I think it's a good example of like, what makes a great salesperson makes them completely unorganized. Now you'll find a rare profile where someone has [the Unicorn] Yeah, the unicorn. Where someone's organized and has the you know the the behavioral traits of a salesperson, but more often than not, the person that's a great salesperson will not be organized. So I believe whether you're building a brokerage business, an acquisitions business, a wholesale business, dispositions, or whatever it is, keep the, the, the administrative work out of the hands of salespeople. Even if they do it, they're going to be bad. Right? So, and then all you're doing is just crushing their dreams, like your buddy, when he left here, you called him a Dream Crusher. If I'm a salesperson, you tell me I gotta do administrative work, that is crushing my dreams.

E

Eric Brewer 1:11:27

Well it's, it's grating, it's exhausting. [Yes] You'll do it, but you're not gonna stick around.

E

Eric Brewer 1:12:40

I'm gonna complain about it the entire time.

S

Steve Trang 1:12:42

Yeah. It's like my kids. [Yeah] So Robby wants to know where he can find the Novation agreement. Robbie, go to BrewerMethod.com. And Eric and I are gonna be holding monthly calls where we're gonna go over not just Novation agreements and the documents, but also case studies and how to... how to work it. But Warren has a question. How do you present a Novation agreement?

E

Eric Brewer 1:13:03

So here's the thing I always... I present it with every single contract. So I stick...

S

Steve Trang 1:13:09

One of my takeaways from our last meeting.

E

Eric Brewer 1:13:10

What's that? How did... how you present it?

S

Steve Trang 1:13:12

Novation in every contract.

E

Eric Brewer 1:13:13

Yeah. So here's the thing, like, what happens is, if you start at a price of you know, and if you're depending on how you manage your negotiate, negotiation, Steve and I will call it an anchor, right? Like whenever we start negotiations. So anytime I move off of that number, I'll ask for concessions. For me, it lends credibility to your original offer. It's like, did you ever wonder like, if you start at $70,000, you land at $90,000, isn't there a part of that seller that's gonna go, "Steve, did you try and get over on me for 20 G's or what has happened here?" Right. [Right] I'm glad that you came to $90,000, but it kind of feels like he tried to rip me off. That's a real thing.

S

Steve Trang 1:13:47

Yeah. What did you have to give up where it made sense? Otherwise, you were ripping me off.

S

Steve Trang 1:13:50

Please.

E

Eric Brewer 1:13:50

Yeah. So anytime I move off of an anchor, I'll propose what we call terms. So at the end of the day, what you have to get the seller to agree to is terms. Will you allow me reasonable access? So it might sound something like, and I don't want to get into sales training here, but like presenting it, right? Because that's the question is, I'll say, Hey, Steve, it sounds like you know, ultimately, for you time is, not near as important, maybe as getting maximum amount of money for the house. You know, I really think that the $70,000 number, we kind of looked over some comps, and we talked about it. And you understand how that number makes sense for me as an investor, but ultimately, it's your decision, right? Doesn't matter how much I believe in the price. If you don't like it, it's just not going to work. [Right] And, you know, I would be able to close on a short timeframe, it would be completely As Is, you know, we could button this thing up and it would be easily the least hassle free transaction you'd have ever seen. But if I hear you correctly, you might be willing to go through maybe just a little bit of hassle if it means getting more money? You're gonna[That's correct] Okay. So like, would it be okay, if I make a suggestion?

E

Eric Brewer 1:13:51

I think I could maybe get you closer to that price that you're looking for, if you would work with me a little bit on what I call terms. Terms are like, you know, let's say if we didn't close in seven days, and it sounds like you're not in a huge hurry, you might actually prefer closer to like 60 days.

S

Steve Trang 1:15:09

Yeah, [Is that okay?] if I get my 90.

E

Eric Brewer 1:15:11

Yeah, I get it. And, you know, it sounds like you got a lot to get done between the time that, you know, now and when you move, you got to find a new play you shared with me. Like you got lots you got 30 years worth of belongings here you need to get packed up. So it might even help you if it was 60 days versus seven days. So I'm happy to hear that, because we can we can work with either one. So ultimately, what I would think is that, you know, if I buy it, renovate it and sell it, I mean, I literally have to be at the $70,000, unless, I think I can sell it for $20,000 more, which I don't think I can. You and I kind of talked about, it's worth $170,000 fixed up, I don't think it's worth $190,000. But, you know, if I were able to, you know, sell it potentially to someone for just a little bit more than the $90,000 that I'm paying you, and I didn't have to close on it, and I didn't have to payout a full, you know, realtor commission, and I didn't have to pay my bank to lend me the money, that would allow me to be more flexible. So you know, if I was able to save $10,000 or $20,000 in the transaction, and I could pass those savings on to you -- I mean, is that something you'd be open to talking about?

S

Steve Trang 1:16:16

Yeah I'd be open to that.

E

Eric Brewer 1:16:17

So if you get the $90,000, let's say, hey, Eric, as long as it's a, you know, it's a legitimate transaction, you don't change the deal up on me completely, that's, that's something we might be able to agree on. And then basically just talking about, hey, like, ultimately, what I want to do is I'm gonna market. You got to be completely transparent with them, right? Because what you don't want to do is dilute what you're actually going to expect of them. And then three days in, you've got 15 showings, they're like, "Hey, bro, like, we didn't talk about this, like, what's this all about?" [Yeah] So, but the bottom line is, they're conceding that they will give up some flexibility with terms to get the higher price. That's ultimately what they're going to do if they list it. Right? And the other part is, is I'll go through that, and the person will sit across me go," I don't like that. Let's just stick with the $70,000." So like people like options, right? So the one thing I realized when we started presenting Novation, so we... anytime I move off of a number I propose, that doesn't mean people are going to say yes, but if they do, why not have that luxury, right? So what I've realized is that, let's say you buy it at $70,000. Anyway, or you buy it at $72,000. And they gave you, right, authorization for terms and access. Now what can you do?

S

Steve Trang 1:17:20

You got a lot more options.

E

Eric Brewer 1:17:21

You can list it on the MLS. You can sell it to a retail buyer, right? Where we're always as wholesalers, we're trying to, to walk this slippery slope of an open house, and I'm going to bring by my contractor and you know, there's all this kind of gray area that that sometimes we you know, operate in as wholesalers to get us access. Because no matter how great of a deal we have, like our buyer wants to see the house. [Yeah] And we're always kind of dodgy about how we explain that to the seller. [My partner, my financer] "Dude, I'm going to need to bring a buyer through here to get your $90,000. Is that cool? I might need to bring 10, I just need one of them to say yes. So I need a little flexibility. So I'm gonna put a sign up. I'm going to list it on Zillow, I'm going to list it on the MLS. But that's the only way I can get you $90,000, bro." And then people go, Why don't they just list it? Because they want to deal with you if you're handling the appointment, right? They don't want you to leave without a solution. And we talked about this today, right? I mean, I got I'm gonna bring four more people out here. I got to tell them my whole life story. They're gonna ask why my wife left me. Right, I get to get into that whole story, and then they might not pay $90,000 for it anyway? I really like Steve, and always asking for is for me to allow a little flexibility with showings. It's not that big of a deal. [Yeah] If I get my $90,000, like you said, right, then I'll do it. So it's all about everything we teach and talk about with our acquisitions agent is all about transparency in setting the proper expectations. So one of the things we can do in our monthly calls is spend some time on... because it is different. But I will tell you, it's much like what you're proposing to your sellers, when you lock up a wholesale deal, you need to have access to bring 13, 14 cash buyers through. [Yeah] You're just setting expectations, this is no different. So as long as you're clear about what your expectations are, and then we propose a Novation, literally every time I move in price. And if I get if I get the the authorization for access, what you really need to be able to novate, you really just need access, right? To be able to show it to conventional buyers, you need to list it in the MLS, put it in showing time, and you need to have, you know, and we'll talk about like, hey, if, you know, would 24 hours notice be, you know, reasonable for you? So you got to manage it on the other side, you just can't have you can't blitz them if it's occupied. Now, if it's vacant, it's no big deal. They don't care about access, it doesn't affect them at all. Sometimes we'll do... so we I'm big on programs, right? Like anytime I give up something I like to give it a name. So we'll call it the Utility Liability Program. You know, Steve, it sounds like one of the bigger concerns for you is like closing in 90 days isn't a big deal. But you have taxes. What if we started the prorations from today? Right. So when we get the settlement, you get your tax provisions? What if we took over taking care of the lawn, seems like that's a really big concern of yours. You're spending your free time between work and kids and all that stuff over here mow in the grass for two hours a week. It's no fun. So we'll, we'll give them you know the Liability Utility Program something like that. Cash for Keys, we'll call it right? Like it's a pretty common turn of view. You know, sometimes we'll give them a small deposit up front, particularly if I know it's a great deal. Hey, what if I could advance you $1,500 dollars out of your net proceeds that you would get at settlement? Would that help you with some of the moving expenses? Or the deposit that you need on your next time? Yeah, yeah, that would be cool. So you got it. You got to be a deal engineer, right? Like, it's not just this one thing where you go Novation and they go, all right, deal. Like you gotta you gotta know how to present it. But that's the great thing about you know, I think what you and I are doing is we have the ability to explain it, we have the ability to do some centered training around how to present it. But it's no different than anything else. Right. It's the same as getting access to be able to wholesale it. It's the same as everything. The hard part's buying the house at a discount. Right? Like, that's literally the hardest thing in the world to do is get someone to sell you $100,000 house for $40,000. [Right] It's pretty hard. Right?

S

Steve Trang 1:17:28

Well, I mean, that's, there's a whole industry. [Yeah] We train on that. [Yeah, it's hard.] So Josh wants to know, how are you financing the Novation?

E

Eric Brewer 1:20:58

You don't finance it. That's the whole beautiful part about it. Same way you finance a wholesale deal? [Mm hmm] You don't? Right?

S

Steve Trang 1:21:06

No, you don't know.

E

Eric Brewer 1:21:07

That's, that's the beauty of it.

S

Steve Trang 1:21:09

It's taken care of. Let's see what else is there? What are your thoughts on agents and investors working closely together? That's funny, because we were talking about that this morning.

E

Eric Brewer 1:21:17

You gotta do it. It's... Yeah, I mean, so I, maybe that's a topic for another day. But literally, Steve and I were talking earlier today, if you put 100 people in a room, and you send them an investor postcard, right? And you send a real estate agent postcard, and they had similar messaging. If I told you that, it was 60 other people called one person back 40 other people called the other person back, who do you think this the larger portion of the people call? [Realtor] Yeah, why? Credibility. We don't have the best reputation as real estate investors and wholesalers. And there's an assumed credibility that comes along with being a real estate agent. So I think, and hopefully, I can figure it out, is if you can perfect the messaging to our same database... Like I would love to send a postcard that comes from my agency team, and goes to my my wholesale acquisition team. And then all I want is the lead. Once I get the phone call, we'll dig into motivation. What do you do now? You take a lead from acquisitions business, and you refer it to the retail team because of their motivation and their equity position. Why can't it go the other way? [Right] Particularly if a larger portion of those people are going to call an agent, but they still want to sell at a discount. They just like the assumed credibility that comes along with listing with an agent, I'm gonna sell it for $100,000. Right? If that's the number, I'm okay with it. I know, I know, my house needs some work, and I want to sell quickly, so I might have to be flexible in price. If an agent tells me that's what it's worth, it's more believable than than if Steve Trang or Eric Brewer tells me because you're an investor and your job is to buy my house cheap.

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Steve Trang 1:21:41

Well, I like what you said earlier, was that some of the problems you have where they need to talk to their son or their daughter? [Yeah] It's because that it's not a regulated...

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Eric Brewer 1:22:58

It's non-conventional; it's non-conforming, right?

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Steve Trang 1:23:00

But if you talk to your realtors, it's like,

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Eric Brewer 1:23:02

It's all good.

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Steve Trang 1:23:03

Yeah. Well see, he works at REMAX, right? It's got to be a legit deal. And again, I think there's a portion of that that's, that's legitimate. [Right] That's a legitimate concern of a potential seller. And I get it. So we can either fight about it, right? We can slug it out with agents and continue to put... but I told you what happened, right? So we're, we're big on analytics, and DanTech gives us a report. And we were at, like, 30% of off-market transactions over the course of one quarter. And as I was talking to Chris, he's like, dude, like, that's a big number. like for you to have 30%. [HUGE number] So I'm like, Okay, so what are you trying to tell me? He's like, don't plan on it always being that. [Yeah] Well, that kind of sucks. Right? So I'm like, so I got 30% of 300 deals, right, in a quarter. But then he shows me this other batch of deals. And I'm like, well, what's this? What's, what's this big number over here? Like, who's got this market share? Oh, those are deals that sold at a discount on the MLS? So I'm like, Well, okay, well, how many of those? Well, 1,200. So on one quarter in our six counties, or seven counties, I apologize. It's one of the two, I promise you. But there was 1,200 transactions on the retail side at a discount. Now maybe it wasn't, you know, a deep discount, but it was a discount by whatever measurement they use if... [They were motivated] Yeah. And literally, that person got 6% less in their pocket than they would have if they sold to me. So I said, Well, if there's 1,200 transactions, and I got just 10% of that market share, it's equal to 30% of the smaller piece of pie that I'm fighting for with every investor in the world. [Yeah] So to me, that's that we developed a tool; I presented on it at CG. It's basically, it takes all of our off-market data and scrubs it across the MLS. So if I have a motivated seller and it listed in the MLS, we know the first day that it goes active, and then we go out and make an offer on it. So you might look at that and go, well it's not on my radar because it's priced at retail. But we talked about this, like, how often do real estate agents actually know the level of motivation with their seller? Not enough.

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Steve Trang 1:23:03

If it works, it's normal.

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Steve Trang 1:23:22

Not asking enough questions.

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Eric Brewer 1:25:08

We've bought plenty of homes, right, from homes that were listed for $250,000, and we bought them for $200,000. And agents were like, Well I didn't know they were that motivated. Because you didn't ask. But what we teach them, what we do is we have to talk about that motivation, and the only way that we can really solve their problem, and it's the only way that they're going to justify selling us at a discount is because we're able to solve their problems. So we have to talk about it. I think so often agents, you know, avoid those difficult conversations, which is understandable. They're, they're difficult, right? This is what we try to avoid, I try and avoid difficult conversations unless I'm getting paid for them. So, um, I mean, I, there is no secret that there's plenty of deals out there that originate through real estate agents. So I would tell you, the relationship between us an investor and a real estate agent, is significant enough that you should spend time developing those relationships.

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Steve Trang 1:25:54

Absolutely. And I think that's a great, great point. Ryan Berry wants to know what percentage of acquisitions are over the phone versus in person?

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Eric Brewer 1:26:02

A very small, so in COVID, in Pennsylvania, we were, you know, if you're not familiar with Pennsylvania, the most rigid If not, you know, by a large landslide. So we pivoted to ... prior to COVID, zero about nothing over the phone, everything was in person. During

COVID, it was 95%. There were very small exceptions where we would physically... we couldn't go to the house. So if it was vacant, we might go, but everything that was occupied, we weren't permitted and weren't willing to, to, you know, do in person appointments. So from about what end of March through June 15, or I can't remember when King Wolf let us off the hook, where we could go back to going outside again. But we moved back to in person appointments. Today, because now we learned how to buy over the phone, I think it's a great strategy. Our people, and I mean, not our acquisitions agents, I think our sellers haven't made the transition. Like they don't trust what they can't see. [Mm hmm] So, and our demographic typically like our, our ideal sellers are over the age of 65. [Yeah. They're the largest portion of the population that gets scammed. Right? Like they have people from Nigeria that want to sell them a couch for $1,200 bucks or something, right? Like they're constantly you know, they they're, they're being exploited with with the contractors, you see it on the news, right, like all the time, it's like, Little Miss Mattie got taken advantage of by a contractor that charged her for a job and never came back to put her ramp in or whatever. So, you know, understandably, they're super skeptical. So while our people started to make the adjustment, I felt like our sellers weren't willing to make the adjustment. They were asking us to come out, and we're like, Hey, we can't That's it? Well, let's, let's revisit it, you know, when when you're able to come out to the house. Like we could give them a number and they didn't believe it? Like say, I don't know, Steve, I'll give you $90,000. Like, based on the conversation we had, I'm willing to commit; they weren't. [Right] So we made the transition to go virtual, did a pretty good job of it. It was, it was a tough spot for our agents to because we never did it. We talked a little bit about like the energy of sales people and how they benefit from being in an environment and they really, like I love to be...

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Steve Trang 1:28:15

They need to be engaged; they need to be social.

E

Eric Brewer 1:28:16

and I need to be you know, belly-to-belly at the kitchen table. It's, I can do a fair amount over the phone, but like I feel more comfortable in person.

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Steve Trang 1:28:25

Yeah, Eric was laughing at me when we're at Starbucks because the...

E

Eric Brewer 1:28:29

He was too nice. Steve said, this guy's too nice. I didn't know you can have somebody too nice.

Steve Trang 1:28:33

And that was the experience. I was very uncomfortable...

Eric Brewer 1:28:35

He was nice. And he got you with the laser tag comment when he did your phone [overly, overly] I think he wanted you over when he did the laser tag.

Steve Trang 1:28:41

Overly enthusiastic. So Warner has a follow up question. Is this not kind of like a net listing?

Eric Brewer 1:28:48

Yeah, except net listings, I think are illegal and ...

Steve Trang 1:28:51

Net listings are illegal.

Eric Brewer 1:28:52

Yeah. So that's the cool part about this. it's legal. [Yeah] But it but it essentially is right, like a net listing would say you're cool with us listing and as long as you net 100,000 and the agent could charge a $40,000 commission. For obvious reasons, right, as an agency, it was hard for that to be justified as a reasonable commission. And people were like, Well, why are they... because I'm taking on... the important part is you're taking on all the risk of selling that FHA buyer. A disclosure, liabilities, finance contingencies. I mean, everything that you look at that comes along with an FHA transaction versus an As Is contract, all of those contingencies are your responsibility. So when you look at that, because I've been doing this for 10 years, I've had these Novation agreements reviewed, approved by hundreds of estate attorneys, real estate agents, you know, the local governing real estate body that that oversees all of our agents. And they literally can justify, you know, $30,000, $40,000, $50,000 worth of profit because of all the responsibility that we're taking. [Yeah] We're allowing them to enjoy the benefits iof an As Is transaction, right, with no contingencies. We're taking on all of this responsibility, which sometimes just means that, we talked about this, right? Like, why is it worth $40,000 more? Because it's not being marketed As Is and you're allowing an FHA buyer to buy it.

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Steve Trang 1:30:13

You're gonna be responsible making the repair.

E

Eric Brewer 1:30:14

Yeah. And there might not be any, but the uncertainty of that [Right] is worth peace of mind. And peace of mind has dollar value to it. And it's different for each person. But literally, by just being willing, like, we talked about that, right? Like the transactional side of our businesses, is painful -- mortgage commitments, right, like appraisals, home inspections, like we're willingly taking on that excruciating responsibility on behalf of the seller. And that is what affords us the opportunity to make that that net profit difference between what we paid and what we sell it for.

S

Steve Trang 1:30:49

It's better if it comes by, you make the repairs. [Yeah] And then the appraiser comes by, and have to make more repairs. [Yeah] It's just...

E

Eric Brewer 1:30:55

And then they come back to re-inspect the appraisal repairs that they gave you on Tuesday, and then they find three other ones. So I've had that happen a number of times.

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Steve Trang 1:31:02

Oh, yeah, aggravating. So guys, if you guys want to check out the Novation agreements, go to BrewerMethod.com, like I said, we're gonna do a monthly call, going over case studies, how to present it, and solving these problems for you guys. And then, just real quick, I want to just give... How did we meet?

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Eric Brewer 1:31:20

Collective Genius.

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Steve Trang 1:31:21

Yeah. So you know, just a couple months ago, just a shout out to Jason Medley, Leon, Frank, Bailey, Jessica, what they've done over there, it's been absolutely incredible. So, you know, I'm not necessarily plugging Collective Genius. (I am kind of) But you got to find people that you guys want to network and, and connect with, because what you guys can accomplish and do... It's very much related to who you know,

E

Eric Brewer 1:31:47

Like, literally as you go back, and I talk about like, the pivotal points in my business where like, so the biggest one of the last 24 months has been learning turnkey, implementing it. And continuing to this pursuit of becoming world class when it comes to everything that's, that's related to work. Because, you know, if you think about, it's kind of like a pretty well kept secret in the real estate investment business, right? Like there's a huge focus, and a ton of activity in wholesale. The fix and flip business is, is predictable. And as the market is heated up, there's tons of people, my buddy calls him Chuck in a Truck, right? Like a Chuck with a pickup truck and buy a house, use his HELOC, and make $30,000 a deal, right? Then do it twice a year. And it's just, he can either quit his job, or it's this great ancillary income. This whole turnkey segment I didn't even know existed until I was in Collective Genius. And I kept going back and I'm like, Man, I'm trying to work and hard to get these deals. And you know, I'm selling them at this, and I'm renovating it like this. And these guys kept seeing what they're doing 100, 200, 300... I don't know if you ever heard of Memphis Invest. [Oh yeah] They do like 1,500 turnkey transactions a year. So I started to look at it. And as our you know, direct the seller became more competitive as the market just heated up. It was not you know, it's great when it comes to selling but it becomes harder to buy. So that's what's cyclical about our markets, right? When it's when it's easy to buy, it's hard to sell. When it's hard to buy, it's easy to sell. Need, like both of those, like I wish they would happen at the same time. I'd be retired by now. But so like as the the market pivots are focused as well, like when the market is hot, we spend more time focusing on buying. When the market cools down, there's less competition. Deals are easier to come by. But now we shift and pivot all of our focus towards selling. [Yeah] I mean, literally anybody can sell a house today, right? Like you just if it's reasonably priced, and the door's unlocked. Like it'll sell

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Steve Trang 1:33:30

The, the term that my... someone I follow for the market data, she says it's Dump Your Junk season.

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Eric Brewer 1:33:40

Get rid of it. Yeah, if you ever wanted to sell something, and you owed a little too much, or it just wasn't in sellable condition, now is the time to get rid of it.

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Steve Trang 1:33:47

Now is the time.

E

Eric Brewer 1:33:48

It's pretty crazy.

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Steve Trang 1:33:49

So I'm gonna make a few quick announcements. And then I'll let you think about last thoughts you might leave listeners with. [Okay] All right. So guys, if you got value today, which I think Eric provide a ton, a ton of value. Please like this comment, subscribe, share -- all these things if you can do it helps us because that's what the algorithm requires. And again, you guys want to check out the Novation agreements, go to BrewerMethod.com. And then we got Dan Brault coming next week. And he's gonna talk about how he went from, in just a few short months, how he went from struggling in his wholesaling business, to quitting his job and now doing six figures monthly. Again, less than six months. If you guys want to find out about that, tune in next week. Last thoughts.

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Eric Brewer 1:34:33

Yeah, so I think, you know, if I were trying to summarize the last 15 years or so that I've been in business, if I could go back and do one thing differently, it would be to network and invest in the education portion of how I invest my time. And pull away even from a little bit of the execution part of the business. [Yeah. We've had you know, we were at 200 deals for 10 years... 10 years. We've been at 300 plus for two [years]. And the biggest difference has been, I made an investment in education and networking. Thinking and operating outside of my own little market, in my own little world. And again, that's how I learned about turnkey. That's how I learned about, you know, advanced methodologies of, well, it's not super advanced, but television and direct mail. But you can be you can do direct mail, be bad at it. You can do television and be bad at it. You can do acquisitions and not be a great salesperson. And literally, from this connection to Gary, to people that have help, modeled my acquisitions, marketing, portions of my business all came from this, this desire to go out and learn. Even if it meant pulling away from going out to look at homes, or going to appointments or, you know, cold calling, like... When I really started to gain traction, not the ploy, or the play on the words about the book in the trunk, which is still funny. But it was, it was when I started to leverage my time, invest in education, and I had to pull myself out of certain processes, and then plugged people in and found that even if they do it at 70%, of what you think you or I can do. If they like it, love it, and they're really good at it, and they do it more consistent than I do (and I'm now invested in, you know, developing new relationships or learning), the, the leverage of those two things combined was much better than me doing every single thing in the business that I thought I was great. And it turns out half of and I really stunk at [Yeah] So that would be, again, if I could go back, and... I would have invested more time in education and made it a religious part of that. Listening to things like this. [Yeah] Right? Just you know, the, to be able to have access to information like you share here, I think is extraordinary. Someone or a lot of people, I think are going to take what we talked about today, if they just did one thing, and implemented this Novation strategy, it can be the difference between a struggling wholesale business and a struggling investment business. And if you just did two more deals per month, right?

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Steve Trang 1:37:03

It's life changing.

E

Eric Brewer 1:37:04

It's half a million dollars in revenue if you're doing it correctly, which can be... And one thing it is, it gives you a competitive advantage, because literally no one's using it, right. So if you're the person in your market, or you're one of the few people in your market that understand it and commits to the discipline of implementing it, you have a competitive advantage, which you need right now, because it's Uber competitive. So if you don't have an advantage, you're just counting on luck, right? Like, I hope I'm the first person or the last person there. And they don't want to shop around at 10 different investors. But that's not the case in most situations. So that would be my final thoughts. If you could do anything, invest or at least allocate a consistent amount of your time to pull away from actually being in your business and work on your business. And I know it sounds cliche, but there's a reason why that's been around and it's still an effective suggestion is because it works.

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Steve Trang 1:37:52

Absolutely. And if someone wanted to get a hold of you, how would they do that?

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Eric Brewer 1:37:57

You can go we're on Facebook Integrity First Homebuyers. I mean, we can post on here my cell phone number, I mean, I've people that call and email me all the time and we'll be happy rather than it's, you know, I can post it on there for anybody that wants to get in touch with me [You can say it] 717-818-3694 is my cell phone number. Eric@Integrity FirstHomebuyers.com is my email. Again, we're on Facebook, you can go to CR Property Group or Integrity First Homebuyers, we're pretty active on Facebook. So I do a lot of... we talked about it, like morning, I share a lot of what we're talking about on morning drives about leadership and business and sales and marketing. So I think I'm a relatively fun follow. You know, so it's, it's entertaining. I you know, I do some quirky little funny stuff on there as well. So

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Steve Trang 1:38:47

Actually, is it too late for them to go vote for your son?

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Eric Brewer 1:38:50

Um, what time? I mean,

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Steve Trang 1:38:52

It's six o'clock.

E

Eric Brewer 1:38:53

It might be, I don't know, we'll post it on there. If it's too late, no big deal.

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Steve Trang 1:38:58

So go to Eric's Facebook page. [Yes] And go click the vote for his son.

E

Eric Brewer 1:39:03

Yeah, he's up for Player of the Week. In our local YAIAA. He had a big game. They knocked off an undefeated team he had 280... [Cool] Yeah. And knocked off and otherwise, which in this shortened season in Pennsylvania, we went from a 12 game schedule a six game schedule. If you're not undefeated, you won't make it to the playoffs. So by us knocking off that team, we, we snatch their soul, so to speak. And, you know, we drew... we were dream crushers for a night. So it was a big... we're a relatively young team. My son's a junior. He took over the second half of the season last year as the starter. So he's worked really, really hard in the offseason. And he had a good game he got nominated for Player of the Week. So, if you go to my Facebook page, you can click on the link and vote for it. Any support there would be appreciated. I'm pretty proud of him, and he he works his butt off, so...

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Steve Trang 1:39:52

Awesome. All right. Thank you guys for watching and thank you, this was [I appreaciate it] increadibly fun.

E

Eric Brewer 1:39:56

Appreciate it.