

Dave Payerchin Shares How He & RJ Pepino Bring in 6 Figures ...

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SPEAKERS

Steve Trang, Dave Payerchin

S Steve Trang 00:10
Hey everybody. Thank you for joining us for today's episode of Real Estate Disruptors. Today we have Dave Payerchin with Sell House Columbus. He flew in from Columbus, Ohio to talk about how he and RJ, his company brings in six figures a month in rent. 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. One question I do get a lot is how do I become one of the hundred millionaires? So please allow me to answer it here. The information on this podcast alone is enough to help you become a millionaire in the next five to seven years, take consistent action, and you will become one. When you hear a nugget, please just type it into the comment section, and after the show, identify your single biggest takeaway, and just focus on that for the next seven days. If you get value today, please tag a friend below or share this episode right now, that way we can all grow together. And this is a live show. So please ask your questions for Dave to answer. You ready? [Let's go.] Alright, so first question is, [yeah,] what guides you into real estate?

D Dave Payerchin 01:11
What got me into real estate... So just a bit about my background. It's actually very nostalgic Steve to be out here. In fact, yesterday, my much better half and I were driving

all around Phoenix because I come from Cleveland. I was born and raised in Cleveland. But I actually right after high school, I packed up and moved out here to do construction. So I packed up a tool belt, a drill in a suitcase full of clothes, and I literally thought I was gonna do construction out here in Arizona. And...

S Steve Trang 01:39
What year was this?

D Dave Payerchin 01:40
2001.

S Steve Trang 01:42
Okay, all right. So that was well before the boom.

D Dave Payerchin 01:44
But it was just getting started. So being a kid from Cleveland, I'd never seen, you know, just a field of Del Webb communities being constructed. It was insane, right? So I had a little miracle in my life happened here in Arizona, and I don't share this very often, but I didn't have a car. So I was rollerblading everywhere. Had a pair of rollerblades and I went to 24th Street and Camelback, you know the Biltmore? How long have you been out here, Steve?

S Steve Trang 02:11
I grew up here. I came here when I was a baby.

D Dave Payerchin 02:12
Okay, so you remember, you know, the Biltmore? [Of course. Do you remember the old coffee plantation that used to be there? It's something else now. Anyway,

S Steve Trang 02:20
I remember Tower Plaza.

D

Dave Payerchin 02:21

I was rollerblading through here. And I hear someone yell, "Dave." So you know how it is. Every time you hear your name, boom, you know, who was that? And I'm like, Wait a second. I don't know anyone out here. I look behind me. It was a girl that I sat next to in a keyboarding class who was an exchange student from Arizona. Right? What are the odds in the first three months of me living here? And she's like, what are you doing here? And I'm like, I just moved here. I'm doing construction. And I'm looking for a second job. I want to make money. I've always been money motivated, right. I've always been a collector or portfolio builder, if you will. I got a big sports card collection from when I was a kid. But I said, Yeah, I'm looking to make extra money. And she said, Why don't you go to MCI WorldCom at 18 Street and Camelback, and they'll hire anyone. I was I was a phone telemarketer. And I started the telemarketing gig. This was back in 2001. And basically soon the telemarketing took over the revenue from telemarketing took over my construction revenue. So I went full time into sales in 2001. And I wasn't even old enough to drink, Steve. So I would literally just hang out at Borders bookstore right there at the Biltmore -- no longer in business -- but I would just literally, I had no friends, I wasn't old enough to drink. So I would go to bookstores and read books on sales. And if you've ever been to a bookstore, which I know you have, right next to every sales section is the real estate section. So being a kid from Cleveland with no money, you see a book How to retire young retire rich with real estate, I dove into the real estate. So I think like a lot of people I got into real estate for the freedom, for the money, lifestyle, right? Especially as a 19... Yeah, I started studying real estate. I was 19, 20 years old. But I think anyone who says the money's not some reason why they started real estate is, is pulling your leg.

S

Steve Trang 04:08

Oh, they're lying to themselves. [For sure.] Or to you. Who wrote that book?

D

Dave Payerchin 04:12

Kiosaki...can use it was a Kiyosaki one...

S

Steve Trang 04:14

that was a Kiyosaki book?

D

Dave Payerchin 04:14

It was, I think it was like from Sharon Lechter. Like one of his proteges or [CPA] the Power

Team people. Yeah, um, but that was really what got me started on the journey.



Steve Trang 04:23

Got it. Okay, so you're 19, it's early 2000s. [Yes.] So you get the book, then what?



04:29

I just dove into Tony Robbins, I dove into Kiyosaki books, and I just worked. So I just continued to work in telemarketing, because it's not like I just read a book and packed up and I'm full time into real estate. [Yeah.] So I was living there. I didn't start in real estate until 2005. So it was four years of telemarketing. [Wow, okay.] And four years of just studying; I bought Carlton Sheets course, but I witnessed something at a young age that totally changed my perspective. So, do you even remember the company MCI WorldCom?



Steve Trang 04:58

I remember they're one of those companies that the the accounting was highly suspect



Dave Payerchin 05:02

For sure. [Yeah.] The CEO Bernie Ebbers, he's probably... I think he passed away. In fact, I researched it recently.



Steve Trang 05:07

I think he went, they arrested him, [Yes.] and then he got super sick right after they arrested him.



Dave Payerchin 05:12

Now, isn't it funny how these energetic things work sometimes?



Steve Trang 05:15

Yeah, yeah.



Dave Payerchin 05:17

That was right around the Enron scandal, all sorts of people were cooking the books...

S Steve Trang 05:20
That was right after Enron.

D Dave Payerchin 05:20
I walked into work one day at MCI. And I had no financial literacy at this point in my life. So I walk in one day, you know, my little brown bag lunch and getting ready to make some sales. And they're like, "Oh, we're closing. We're out of business." So I witnessed people in tears, people who work there for 20 years, their 401(k) got obliterated...

S Steve Trang 05:39
Oh, it got decimated.

D Dave Payerchin 05:40
Decimated. So I... that just further reinforced? I'm like, Okay, look, I can not rely on a corporation to create freedom for myself. Everything I was reading in the books, it's like, now I'm witnessing in my in my own life.

S Steve Trang 05:54
Yeah, it's kind of interesting, because, um, I think for a lot of people, it's kind of hard to take the idea of a corporate world is actually not safe. It feels safe. But it's not safe at all. [Correct.] And I was lucky, working at Intel, [Sure.] to watch all these people get laid off all the time. [Yes.] So it was like, actually a blessing [Yeah.] to be hanging to be at a company where people are getting laid off, because then we can pierce that false sense of stability.

D Dave Payerchin 06:16
Yeah, man. So that's how I got started. I got to witness all this. And I was a kid from Cleveland. So I had a big ego, like, I had a lot to prove. I'm the baby of my family. I'm the youngest of four children. Having older brothers and sisters, moving out at such a young age, it's like, I'm going to show everybody. Not to mention in high school, I never got good grades. I was voted class clown for the high school graduating class. So...

S Steve Trang 06:37
Was that, was that like a good thing or a bad thing?

D Dave Payerchin 06:38
I mean, it is what it is right? Um, but I just never, no one ever really had high expectations for me. [Gor it.] I'll put it that way. And so I had a chip on my shoulder when I entered the business. And, you know, and in our business, you've been doing this a long time, you've also met and interviewed a tremendous amount of people, a lot of ego comes with this. It's like Finally I found something that I can create a small amount of success with. I'm going to prove to everybody... so I started off on the wrong foot. But I think a lot of people start in business or anything that way with that competitive attitude. But that's why I started and I did the telemarketing for four years here in Arizona. And then one day, it was May of 2005, I had \$14,000 saved up and I put it all into direct mail campaigns and I was full time into real estate so...

S Steve Trang 07:24
You bet it all?

D Dave Payerchin 07:25
Well I just went for it. Yeah, I mean, I was just...

S Steve Trang 07:27
You just bet it all on black.

D Dave Payerchin 07:28
I've... I, for sure. No, uh yeah, I was handwriting envelopes. And I bought a list. I think I got a list from a title company. Camelback Title. They're probably not even in business anymore.

S Steve Trang 07:38
I haven't heard of their name and a long time.

D Dave Payerchin 07:39
Doesn't matter. [Yeah.] But that's what I did. I got a list and I started stuffing envelopes and writing out handwritten envelopes. And I got my first two deals off of Fillmore, off of Van Buren. Are you familiar with that area?

S Steve Trang 07:50
Of course I'm familiar with Van Buren, I grew up here.

D Dave Payerchin 07:52
Well, that areas come up a lot. So the hookers actually have teeth now on on Van Buren. I've noticed since they put the light rail, in the bar has been raised. But I got I got my first two deals. I just remember being nervous as hell and then it was off to the races. But the year was 2005; what was going on in the real estate market in 2005?

S Steve Trang 08:10
It was a crazy run up.

D Dave Payerchin 08:11
Crazy run up, why?

S Steve Trang 08:13
I am convinced is because the Rich Dad, Poor Dad.

D Dave Payerchin 08:16
Well, no, a lot of, well that's probably, it has to do with a lot of it. In fact, my business partner RJ Pepino, that's how he got his start, was Kiyosaki. It's a lot to be said about that. The guy changed a lot of people's lives. But [Yeah.] it was because they were giving money away so loosely. That was really the catalyst that drove...

S Steve Trang 08:31
Ninja loans.

D Dave Payerchin 08:31
Ninja loans. So everybody in their brother was buying houses. So therefore me as a wholesaler, I was driving for dollars. And I would track down the owner, and I was... I made \$180,000 in my first fiscal 12 months of doing real estate full time. [Wow.] And I was 23 at the time 23, 24?

S Steve Trang 08:50
Felt a little invincible?

D Dave Payerchin 08:51
Felt a LOT invincible, and you give, you know, that amount of money to somebody who has zero financial literacy. It's like pulling the pin out of a hand grenade and handing it to them. [Yeah.] So I bought a... no... What is it? A Mustang, I got an Audi. I drove by my old house. They level the old house actually, it was off Piccadilly Road and 49th Street. I could see Camelback Mountain. I had no business owning these homes. Countrywide Mortgages. I was walking into Washington Mutual pulling out third mortgages against houses. It was a nightmare. And the biggest lesson that came from that is debt is not income, right? These are loans that need to be paid back. So needless to say in 2007, I was completely belly up. I went bankrupt. And then I started waiting tables at 44th Street and Thomas, uh Applebee's.

S Steve Trang 09:37
So before we get into that, [Sure.] I think going back to what I was saying earlier about Rich Dad, Poor Dad. [Yeah.] He did push very much that there is good debt and bad debt. And, and [This is true.] and that's why I kind of said that people were over leveraged because that book taught them to be over leveraged. [Yeah.] But what I want to ask you is [Sure.] your eyes are open in 2001. And then you didn't really do anything until you got basically stomach punched, right, by MCI? [Yeah, yep.] So, and the reason why I bring this up because there's a lot of people, and you see this. [Sure.] Like they're watching YouTube, they're reading the books, they're listening to the podcast. And they just don't have that in them to just take that first step. [Yeah.] So do you want to talk about that at all?

D Dave Payerchin 10:23
Sure. Yeah. I mean, if I could do it all over again, I would have absolutely not tried to be a lone ranger. And just, that's that ego, right, in trying to do everything myself. So when I

first started out, I left MCI, and then I continued my telemarketing career at a different company, not even in business anymore. Okay, let's call it what it is boiler rooms, I was born in the boiler room.

S Steve Trang 10:46
I also cut my teeth in the boiler rooms.

D Dave Payerchin 10:48
Okay, well, we're of the same kin here. [Yeah.] But I continued my telemarketing and I tried to do everything myself. So I started going to REIA meetings, I would cut out of work early, just to go to a REIA meeting. And I thought everyone was my competition, right? And I... having a mentor, I don't want a mentor, I'm gonna figure it all out myself.

S Steve Trang 11:07
It's not worth paying them.

D Dave Payerchin 11:08
It's not worth paying. I'm not gonna, I'm gonna do this all myself. I'm not... I wouldn't share with anyone. I didn't play nice in the sandbox in the early years. And that is, that's actually the number one thing that inhibited my growth didn't contribute to a...

S Steve Trang 11:21
Yeah. So any words of advice as far as taking action? [Yeah.] To people listening,

D Dave Payerchin 11:27
Okay. Start where you're at. So you know, if you are just getting started, and you're on a shoestring budget, call it for what it is. Just be authentic about where you're at. Maximize the resources that are right under your nose, right? A lot of times people think they have to reach for something new in the next best course, and this and that. Most people watching this podcast, you probably could get enough value just from this podcast -- which is free -- to take some type of action, and even a small action is action and do something every day. I know it sounds so cliché, right?

D Dave Payerchin 12:00
It's very cliché, but it's not wrong.

D Dave Payerchin 12:02
I would tell you this. So if I was just getting started, and I can talk to my 21 year old self, or however old I was in... 23 is actually when I started. But I would say look, find a mentor, and add as much value to somebody who aligns in your core values, and has or is doing what you want to do. But the core values thing is big. Because if you don't see eye to eye and don't gravitate, and if you're not in the same frequency with somebody, it's not going to be a fit. But find somebody who does what you want, or has what you want, and figure out how you can add as much free value to that person as you possibly can. Work for free when you're first getting started.

S Steve Trang 12:38
Yep, absolutely. Okay, so you had this meteoric rise? Just destroyed it coming out of the gate. [Yeah.] And then you get humbled. [Oh, yeah.] Reality has a way of humbling you.

D Dave Payerchin 12:52
Brother. I'm the youngest person you've ever met. I guarantee I'm the youngest person you've ever had on the show, who had an IRS deposition, sitting there with a recorded to IRS agents. I didn't know you had to pay taxes. No one told me that, you make a bunch of money and you just... you're, I'm a businessman, right? I mean, I so, I had a lot of rude awakenings in my, in my short career.

S Steve Trang 13:12
What was the IRS deposition?

D Dave Payerchin 13:13
I didn't pay taxes for like three years, right? I had over I think \$70,000 in back taxes. And they interviewed me and they're like, what are you doing? And I think after I left the interview, both the people just felt bad for me. They're like, the guy has no clue what he's doing. He's not some guy, some crook who's trying to like, dodge the IRS. So I got on a payment plan and licked my wounds over the years, you know, and we all make mistakes...

S Steve Trang 13:38
But you're talking about losing everything? You lost everything and then you're serving tables?

D Dave Payerchin 13:42
Oh, yeah, absolutely. I want Chapter 7 BK with \$70,000 worth of tax liens on my back.

S Steve Trang 13:47
But where were you... I mean, cuz like, you hear these numbers, right? Like, you know, I was a millionaire, right? And then we lost everything. Like, what? How high did you go before you crash?

D Dave Payerchin 13:57
I had I think, not even I just, I didn't have a lot of houses. I was borrowing from private lenders. Okay, and buying houses and then refi-ing it out. I was but I was refi-ing... I was way over-leveraged. So I was basically, I think I only had like, it though, that I lost in foreclosure, about five homes. And that doesn't sound like a lot. But the amount of debt that I carried on these five homes was astronomical. And I will make this point. Yes, I went Chapter 7 BK. Yes, I did previously have a lot of tax liens and things of that nature. And yes, I borrowed a lot from private lenders. I've paid back every single dime of private money that I've ever raised. I've never not paid someone back and worked it all out with the IRS. So I'm okay there too.

S Steve Trang 14:39
Yeah, that's huge. Because there are people that don't understand [Yeah.] or I don't know, I think maybe they just sold us. Right. Like they'll take people's money for private money, [Yeah.] and like, then they're like, treat them like a like a corporate lender. Like no, like that's someone's family.

D Dave Payerchin 14:52
It's more important. It's the most important Yeah, they will the corporations can write it off and get bailed out. [Right.] Crony capitalism is gonna save them.

S Steve Trang 14:59
Uncle Sam will save the corporations.

D Dave Payerchin 15:01
Unfortunately, it's disgusting to me, but to the private people. And to this day, you know, we've raised over \$20 million in private capital. We have a lot of private capital working on the street. Every... our lenders will eat before we eat [Absolutely.], and that's the motto of the company.

S Steve Trang 15:16
That should be modeled for everybody [It should be.] in this business. All right. So you're serving tables? [Yes.] How did we go from serving tables to where we are today?

D Dave Payerchin 15:24
So serving tables, and then I wasn't sure what I wanted to do. So I wanted to get into philanthropy, and that's what I did. I moved to California for a little while and I was working with a nonprofit organization that built schools in Guatemala. So I was like, Okay, I get to travel a little bit. I don't have a pot to piss in. I don't know what the language thing is on your podcast here. So I'll keep it... but it's the truth. I had nothing to my name. And I decided I'm just going to travel the world and live on the beach and do San Diego and this and that. And then I got the opportunity to work for a real estate education company. And that real estate education company was RealEstateInvestor.com. And I'll give a big shout out to Collin Andrews Egbert and Matt Lights, they were the CO owners of RealEstateInvestor.com, and they gave me an opportunity to be there back of the room sales guy. And I thought it was a pretty cool opportunity because I have, I had the real estate experience. My heart was always in real estate of all the work that I'd put into myself. And then I also got to do sales. And it was a pretty loose schedule, and that worked for me being a young guy in California. I had a lot of fun out there. [Yeah.] And then I was working one of their seminars in San Diego, where I was living. And Preston Ely was having a Freedom Soft event there. And they brought this guy, this nervous Filipino guy, up to the front of the room to talk about his experience. And he was a... first words out of his mouth were you know, I live in Columbus, Ohio. So I was like, Hey, I'm an Ohio guy. I live out here now. But that person was RJ Pepino. And then we linked up later in the day, we're both of us were just hanging out drinking and smoking and being you know, people in our 20s

S Steve Trang 17:08
Being young kids.

D Dave Payerchin 17:08
Being young kids and, and we stayed friends. And then we stayed friends for years. So I met RJ through working for RealEstateInvestor.com, and we met at a seminar that he was a testimonial for the product that we're selling. [Got it.] And we stayed friends for years, and we started buying. So I learned from my experience here in Arizona, I learned what speculation is. And I learned I didn't want to be a speculator. What a speculation for your viewers and listeners? Speculation is things will just keep going up.

S Steve Trang 17:37
Right, the party will never end.

D Dave Payerchin 17:38
"The party will never end." Well, the party ends bad, you know, and uh...

S Steve Trang 17:42
It always does. Always shows up with the cops.

D Dave Payerchin 17:45
So I learned I didn't want to be a speculator. Started buying cash flow properties with RJ in 2012. And that's where we're at.

S Steve Trang 17:50
So then, you were connected, what year was again?

S Steve Trang 17:54
We connected, I want to say probably in 2009.

S Steve Trang 17:57

2009. Okay, so 2009 until now, you guys have just been steadily building your portfolio?

D

Dave Payerchin 18:01

Well, no, no, no. We, we started buying together in 2012. I met RJ and oh nine and we're just buddies. And I was still living out West. And then we started buying homes in Columbus in 2012. And then I made the plunge and moved back to Ohio, moved to Columbus in 2013. [Got it.] We already had about 12 rentals when I first came back.

S

Steve Trang 18:21

Okay, so something that I'm always harping on and I get flack for always harping on about it. But I always say you know, partnership is just one of those things that it's difficult, right? It can be good. [Sure.] It can be bad. [Yeah.] And you know, you're sharing with me that you guys have worked together for years. Okay, so it's official.

D

Dave Payerchin 18:40

We're not dating anymore.

S

Steve Trang 18:41

It's official. [Yeah.] So you want to talk about, because you made a comment to me about who knows how many companies have never had a chance because the partnership died before it started. [Mm hmm.] Can you elaborate on that?

D

Dave Payerchin 18:52

Without a doubt the reason RJ and I have... well core values are everything. Here's another cliché statement, we'll get this out of the way. It's the Absolute Truth, though. Core values like, you can't always change what happens in a real estate market. Let's just say stick to real estate, right? Interest rates can change, right? Loan products can change. Values and prices fluctuate. This is like a market. There's a lot you cannot control. But what you can control is like who you are. And RJ and I have the same core values. We're both hardworking guys, his parents immigrated from the Philippines. And RJ is just a no nonsense kind of guy. That's just how he is he wakes up and gets it done. He holds me accountable for a lot of things. I would never be on the level that I am without a great business partner. But like we were talking about earlier, many partnerships never make it off the ground. Why? Well, ego has a lot to do with that. You heard my story when I was first starting out I didn't want to partner with anyone. I was a lone wolf mentality.



Steve Trang 19:43

And you kind of knew everything, kind of want to protect your notes,



Dave Payerchin 19:45

Of course. Oh, yeah, this is all mine. I'm gonna be the best my foot you want to hear a funny statistic. My first LLC that ever set up Professional Homebuyers of America LLC. I'm taking over the country, Dude, I was a driven guy. But the reason... it's crazy, right? So when first starting out there is an element of ego. And I had to grow out of that and lick my wounds. I would not be a good business partner unless I had been through some trials and tribulations. Same with RJ, he'll tell you the same thing. He's been through previous partnerships as well, that didn't work. It's like a marriage, right? I mean, you got to sometimes go through some relationships that don't work. But RJ and I have the same core values; we're both hard working individuals, and every single role within our company, we've both done. And I'll tell you what partnerships... and tell me if you agree, or if you've seen this in your own experience, or the viewers at home, the partnerships that tend to not work out, Steve are the ones where one guy says, I'm gonna bring all the money. And the other guy says, I'm gonna be the boots on the ground. Because if that's the partnership, and we're gonna build this portfolio together, the guy who's the boots on the ground is always gonna feel shortchanged. Now, it is so much harder...



Steve Trang 20:52

It feels like he doesn't get access to the upside.



Dave Payerchin 20:54

Well, it's I mean, the guy who put up the money, why do I need to partner with you to build this portfolio? Why not just partner one off with private lenders, borrow debt, instead of giving equity of the entire thing that I'm doing all the work, all the hiring, all the marketing, all the sales negotiation, right, with the sellers? The guy with the money, you know, is just literally... Why not, instead of giving away half of your portfolio and equity to this person who's going to be your partner and fund you, make them a lender and stick to the route of debt rather than equity. [Right.] Does that makes sense? [Absolutely.] Yeah. So a lot of partnerships fail, I think, because of the ego, and, and just bad, bad terms, right on the whole money and boots on the ground thing. I just don't feel is a good arrangement.



Steve Trang 21:36

Yeah. So but is there any other things that you've seen, like, as I thought it was an interesting statement that you know, how many partnerships that we not, or how many business have we not seen, or partnerships died? Have you... are there things that you could tell the listeners like, Hey, don't do this in a partnership?

D

Dave Payerchin 21:51

There's always going to be... see, when it comes to a partnership, there are... RJ and I have a phrase, we say the hardest ship to sail is a partnership. Because you cannot control circumstances. And things are always moving. Sometimes one partner in this arrangement has breakthroughs faster than another partner. Sometimes one partner is... elevates on a different speed than the other partner. And you have to be able to live with that and then still have the trust of not being a thief and stealing. Right. But what sometimes, you know, through the years, sometimes I gotta pick RJ up a lot of times, he's got to pick me up. To have that grace with your partner, I feel is a very important thing. [Yeah.] So when the time comes, when maybe you have had a breakthrough, or you make a contact, like holy crap, this person, I just met this guy, I made the contact, you know. Look at the partnership, if you're really all in as one entity, we made this contact. Just because I met the guy in the hallway, who's now going to fund you know, \$10 million worth of our deals. We've always been very good about "we" not "me," but we've also both pulled our weight to the best of our ability and done every single role in the company. Neither one of us have ever been too good to do anything from collecting rent and knocking on a door. We've done it together, everything.

S

Steve Trang 23:15

And I think there's something there that's kind of under right that's implied with what you're talking about, is if you're both intentional. [Yes.] You're both intentional at making this partnership work. [Yeah.] Right? And it's just like a marriage. If only one side is trying. It's not gonna last very long.

D

Dave Payerchin 23:31

And you know what, when RJ is married, he's got a lovely bride, Lindy, and you know, Lindy has... RJ and I are... when we were starting... our thing was with Lindy dating before RJ and I even got together. [Yeah.] So she, I mean, was trying to build a relationship with this man. They're now married with a beautiful baby. That's why he can't be here right now. Baby Leoni is at home right now. But Lindy has put up with it, too. She's been trying to build a relationship with this guy, right, RJ, and RJ is trying to build a business but this guy. So we've all three of us have had this dynamic through the years, but we've all stuck it

out. And it pays off. And you got to stick it out a little bit too.

S Steve Trang 24:10

Yeah. [Right.] So at some point, you guys partnered up around 2012. [Yeah.] One of the things we talked about was you you guys have been involved in hundreds, I think I was looking at, over 1000 flips. [Sure.] And you guys also have this hundred plus property portfolio. Which one you want to talk... which one started first or the other?

D Dave Payerchin 24:28

You know what? So RJ and I collectively we have done over 1,000 flips. So if you're counting all the wholesales, all the turnkey, I mean, we've sold hundreds of turnkey properties. And this is going back to 2005 when I started, right? I mean, counting all that. But that's not what excites me, unfortunately. And you do a lot of these podcasts. The thing to talk about is flipping and wholesaling. Look at every single TV show out there is flip this house or, you know, House Hunters and the whole deal. You know what's exciting to me is the buy and hold, man. And I would really love the opportunity to have your listeners and viewers walk away after today's podcast, saying, "You know what? Buy and hold is kind of sexy." [Yeah.] Cuz it really is.

S Steve Trang 25:08

Well, that's a reason why we got into this.

D Dave Payerchin 25:10

Without a doubt.

S Steve Trang 25:10

Right, like we got into it for the money. [Yeah.] We already addressed that.

D Dave Payerchin 25:13

Keep it real.

S Steve Trang 25:14

Right. [Yeah.] But then also part of that financial freedom and time freedom is buy and

hold so that you can do whatever you want, whenever you want. [So important.] So let's talk about, you know, how did you get to 100 property portfolio?

D

Dave Payerchin 25:27

Sure, well, it goes back to the integrity piece and the core values piece of always paying your private lenders, right. And we started our portfolio with very expensive money, but you got to pay to play. And that's why when people are first starting out, you know, we were paying a double digit interest rate plus giving up 50% of the portfolio. When we were first starting. How do we think I know about the whole the giveaway half your portfolio? We worked for free a lot. But when we first started, we were borrowing from some private lenders, extremely expensive. [Yeah.] And we had to earn our stripes. And we were buying in the C class areas. Because if you're going to cash flow 12% money, which we needed to do, you better have a low cost basis, right? You're all in, meaning purchase and rehab better be pretty low, or you're not going to be able to cash flow houses. So we started in pretty much the roughest parts of the city of Columbus where you can, that you'll find, and we would be our program, when we were first getting started was we want to be all in meaning purchase and rehab for 25,000 or less. Can't even buy build a garage for that I understand. But that's what we would do. And we would borrow 12% money on a five year amortization. And I got those terms from Joe Lieber, who we call Uncle Joe up in Cleveland. Have you ever met Joe? [Nu-uh] He'd be a great guy to have on the show. [Yeah.] Shout out to him. But, so I can tell you right now what the payment is on \$25,000, 5 year 12% money? It's \$556 11.

S

Steve Trang 27:03

Yeah,

S

Steve Trang 27:03

Might be \$566 11. So punch it into your calculators here, but of your financial calculators \$556 11. But I know that, memorized it, because we've done so many of these deals. So early on, Steve, we're buying the houses in the worst part of town with the most expensive money, you can get your hands on, barely cashflowing, because we're only renting these things for \$700 or \$750. We still got to pay taxes and insurance. But what what were we doing is just hammering down the debt. We were just hammering down the debt because it's only a five year note. Right? So we're paying off so much principal. We still own some of these houses. We've refinanced them, you know, obviously, or their owned free and clear.

S Steve Trang 27:39
How did you hammer down the debt?

D Dave Payerchin 27:41
By just paying the payment. Because the, you know, a five year note, there's a lot of principle being paid with every one of those \$556 payments.

S Steve Trang 27:49
There was a five year am. Not a five year balloon, a five year am.

D Dave Payerchin 27:52
It was not interest only. [Yeah.] Five year am. We didn't understand things then and...

S Steve Trang 27:58
Man, a five year amortization is aggressive.

D Dave Payerchin 28:00
Aggressive. You know what, but we were broke. We were extremely broke. So we had to wholesale, going back, circling back around. Hey, wholesaling is not sexy. Well, it is sexy, right? It's essential when you're building a portfolio, you have to keep the lights on, we learned that and actually, it wasn't as easy to wholesale in 2012 and 2013 as it is right now. I mean, there's zero, you know, supply out there for the high demand. But what we were doing then is we would be hammering down this debt with a small portfolio we continue to build, and instead of wholesaling properties, we were selling turnkey property. So we built the whole turnkey business, Columbus Turnkey, have great people who have helped us along the way, but that's what we would do, we would borrow now private money, interest-only money, new money. And even that was 10 and 2, and we would fix up houses and then sell them to out of state investors and other places. And we did a ton of good business. I mean, we have serviced, you know, hundreds of investors and helped them build portfolios because they live in high dollar markets like Phoenix or California, but they want to start building a portfolio. So we were the supply and that was our flipping business while we built the portfolio.

- S** Steve Trang 29:06
So turnkey was how you were generating income [Correct.] while you're trying to acquire rental properties. [Correct.]
- S** Steve Trang 29:13
Got it. [Yep.] And in doing the turnkey... I mean, just for these people that are listening, what is an example of, you know, just doing one turnkey at that time? What was the cost? Would you walk away with?
- D** Dave Payerchin 29:26
Sure. Well, I can tell you all the reasons to not get in the turnkey business, and I'll touch on that, because it always feels like you know, you're doing deals and making money, but at the end of the day, you have no money. And an average deal would be, we were all in for \$60,000, meaning purchase and rehab. And then we would turn around and sell it, because it was all fixed up and rented out, to a conventional buyer. So they would come in with for like \$80,000 or \$85,000. And they would come in, you know, with their loan. And then essentially, you know, in theory gross we're making around \$20,000 or \$25,000 right? But the thing is with the turnkey business is you're dealing with conventional buyers who are gonna, you know, you gotta meet the appraisers needs, you're like you're dealing with these people who are using conventional money. It's but... there's so many more hoops to jump through is what I'm getting out. It's so much easier just to wholesale. If you were just starting out, I would say, don't even really get into the turnkey business. If you're buying a house and fixing it up and getting it rented. Keep it. I mean, so many of these houses, I wish we would have kept them all. It's just such such a better model to wholesale. If you're flipping properties than to do the rehab. Where's the risk come into play? So in any real estate...
- S** Steve Trang 30:33
Holding the property.
- D** Dave Payerchin 30:34
Well, yeah, I mean, you... you raise the private money, there's risk. You're fixing the property up -- risk. You're getting the property rented for somebody else -- risk. There's laws and whatnot. [Yeah.] So you're taking all this risk, and then maybe you grossed \$20,000, but that's highly taxed. That's earned income at the end of the day. That's, you know, short term capital gains, you're paying tax through the nose.

- S** Steve Trang 30:54
And there's also the time component like...
- D** Dave Payerchin 30:56
Time!
- S** Steve Trang 30:56
That's the reason why I like...
- D** Dave Payerchin 30:57
Opportunity cost brother
- S** Steve Trang 30:58
That's the reason I'd rather make \$10,000 in a wholesale, [Amen.] than \$20,000 on a flip.
- D** Dave Payerchin 30:59
And we didn't know that until, you know, until... we do now. We learned a lot of lessons. But that's what us good at buying properties, getting them fixed up, getting them rented out. So now we're at a place where we can just do it for ourselves.
- S** Steve Trang 31:13
Yeah. So it's funny. I... I know your name was brought up to me a long time ago when trying say, you know, who should we get on? But I didn't really know who you were until we joined CG because you're the one that's doing the... what was it, the charitable arm? What is it?
- D** Dave Payerchin 31:27
The Generous Genius

S Steve Trang 31:28
Generous Genius. [Absolutely.] So for those guys, listen, that is how we connected. [Yeah.] And so I heard you ranting on a Facebook Live...

D Dave Payerchin 31:39
Recently?

S Steve Trang 31:40
Yeah, about how single family is where it's at.

D Dave Payerchin 31:43
Okay, here we go. Here we go.

S Steve Trang 31:46
Talk about it. [Well...] Keep in mind that we've had Rod on the show.

D Dave Payerchin 31:49
Okay, Rod's great.

S Steve Trang 31:50
And Tim, and Tim's coming at some point. I think it may be in April. [Okay.] Just set the ground.

D Dave Payerchin 31:56
Okay. So what you're referring to is Mr. Alex Pardo's podcast. [Yeah.] Where he did a debate. We were just got out of a crazy political time. And so we thought...

S Steve Trang 32:07
Was it crazy?

D Dave Payerchin 32:07
No, not at all.

S Steve Trang 32:09
It seemed pretty mild.

D Dave Payerchin 32:09
Yeah, pretty mild, right? Still going on, unfortunately, it's so negative, [It is.] right? But Mr. Alex Pardo, who has another podcast, the Flip Empire podcast, and he said, "Hey, I really want to do this debate -- single family versus multifamily." In fact, I think I started it because I went on a Facebook rant all about [That's what I remember.] calling out Tim Bratz. Tim Bratz is my friend, let's start, let's start right here.

S Steve Trang 32:35
It's all good.

D Dave Payerchin 32:35
You know what, we were coming out of quarantine, Steve. We were coming out... it's time to ruffle some feathers and have a little fun, is what we were doing. But... [Right.] You know, I'm I'm a big advocate of single family. But let me start here that first off Tim and Rod are two phenomenal multifamily investors. In fact, if you're going to learn multifamily, you got to learn from people who do it right, because there's so many crappy syndicators and so many crappy people teaching this that I wouldn't touch with a 40 foot pole, Tim and Rob got their stuff together. Tim has had my back. He's a Cleveland guy. I'm a Cleveland guy. I've been to the Bratz Manor up in Cleveland, I've taken training from Tim. So he's somebody I highly respect and really like, is genuinely like as a person. So I was just having a little fun. And I was taking the position. I'm Rocky, he's the big Russian because he has a, quite a sizable portfolio. But I think I made a lot of valid points on why, you know, building a single family portfolio is actually much better than building a multifamily portfolio. We had a lot of fun with it, they made a lot of great points as well. And at the end of the day, what we all determined... Because look RJ and I, we're not opposed to multifamily. We're all in the cash flow business. And you can generate massive cash flow from commercial and we own apartments right now we have some apartments too. So I'm not fully opposed to it. But I think some pretty good points were made on the on the position of single family over multi.



Steve Trang 33:54

Sure. So what is your argument?



Steve Trang 33:56

Well, I mean, if we started with acquisitions, but let's start with the my opposition's argument first, which they will wipe the floor with us is scalability. Without a doubt, it is much, you know, more scalable to buy 100 unit apartment building than buying one house one off at a time. You... I will not argue that and that's where we started this thing and that's where we ended that. However, when you're first getting started, and you're building a single family portfolio, or even if you're not getting synched up, just getting started, there's so many more creative ways and so much better terms on money that you can do when acquiring a single family house. You can take it Subject To owner financing, you can create way better terms. And when you're buying an apartment building the investor, they're an investor, they're savvy, they're not going to give you the same terms as Joe, Lunchbox Joe homeowner who just wants done with this house. So you know, on a smaller level, they've got the scalability thing, that's, that's out the window now, okay? I gave that up. So now there's way better ways to acquire single family homes, than multifamily and your private lenders, if you're raising private capital, are in a much safer position. If there lending you money, and they get a first position note and mortgage or deed of trust against your asset, it's far safer than putting their money into syndication. What if things go array with the multifamily operator and have a hell of a time getting their money out. So it's much a safer play for your private lenders, you can easily diversify so much better, right? Oh, and here's the here's the icing on the cake, which, you know, we can just end it here. Think of the thing about the demand factor. In any business, Steve, right, there's a supply and demand. I don't care if it's a lemonade stand -- if you have the shiniest lemonade stand on the block, but no one has a demand for your product, you're not going to make any sales, right? Everybody wants to be in single family right now. Could you imagine being in a quarantine, you got to homeschool your kids and you're working from home, and you're living in a dingy apartment? The only reason that people want to live in an apartment is typically because, you know they have to. Now granted, there's great things where you don't have to deal with the maintenance and things like that. But we are seeing a massive demand from people fleeing apartments right now. [Right.] And they all want the space, right? They want the space. They want to be... the crime is higher in these apartment communities. Now I know, granted my opposition, Tim and Rod, they do a great job. I've seen Tim's properties. I've watched properties with him, okay. But not everybody operates it on a high level, right. And a lot of these guys are in the multifamily business and they shouldn't be and it's their tenants' desire to be there is a reflection of poor management and operations. And they all want to hightail out of there and move into single family. The demand for single family has never been higher. In fact, the big

money, Wall Street money, is fleeing in. Look at invitation homes, right? American Homes for Rent, they're building thousands of homes, right? Single family home.

S Steve Trang 36:48
Build to rent.

D Dave Payerchin 36:48
Build to rent is massive. [Yeah, that's interesting.] And it's not going anywhere.

S Steve Trang 36:52
Yeah, it's an interesting shift the last couple of years, the build to rent model.

D Dave Payerchin 36:55
Rents are going up for single family; rents are not going up at the same rate in multifamily.

S Steve Trang 37:00
So I'm sure you guys addressed this, but enlighten me. Bonus depreciation? [Sure.] Isn't that better off in multifamily versus single family or...

S Steve Trang 37:09
Not better? It's the same, you can do the same stuff? You know, we do it as well, I mean, any operator in multifamily -- sure the depreciation's phenomenal. You can do the same stuff with, within a portfolio of single family homes as well. And one of the arguments that the opposition made was, Oh, well, what about the, you know, the financing, you know, it's not even gonna show up, the non-recourse financing? Well, you could get non-recourse financing on a portfolio of homes too. So pretty much... Oh, here's another big factor. The reason I feel that single family investing is really more desirable than a multifamily property is the exit strategies. I don't know if you own rentals, I know you've met a lot of people who own rentals, anyone building a portfolio will tell you that when building a portfolio, sometimes you got to pay off properties, you got to free up cash flow, man, this isn't, you know, just, you know, a walk in the park, right? How are you going to pair off an apartment? What are you going to do a converted? So having the separate parcels and multiple exit strategies is very favorable when building a single family portfolio. Think about the exit strategies: you can sell it on terms, like a land contract or owner financing;

you can do a rent to own; you can get an option to buy; defer maintenance to the tenant, right; you can sell it wholesale; you can sell it to a tenant; help them get an FHA loan, right. So when creating cash flow and building a portfolio, there is, you know, having single family houses and multiple exit strategies, second to none.

S

Steve Trang 38:34

So it's the flexibility. [Flexibility.] Yeah. And then you also made the comment, that leverage is a good thing. So we kind of talked about, you know, we kind of got back and forth. I was saying that Kiyosaki highly encouraged debt. [Sure.] Right. And then, you know, the banks [Yeah.] were allowing people to over-leverage. [Yes.] But you know, you're, one of the statements you made is that leverage is a good thing. You want to talk about that?

D

Dave Payerchin 38:57

I do. But I think safe leverage, man, I'm not gonna sit here and be an advocate of over leveraging, okay. I probably meant by that the leverage is better for a private lender on a single family home without a doubt, right? But ultimately, even syndications can be safe with the right operator. So that's the point I'll make, you know. But leverage is a good thing. I mean, you know, we're in the cash flow business, and you can't save your way to riches. Real estate's a phenomenal asset class, whether it be apartments or single family houses, because, especially right now, Steve, the interest rates are ridiculously artificially low. [Bonkers] Artificially low. I encourage investors to take advantage of the current leverage available to us without over levering. I'm not an advocate. You know, I've, I've had to lick my wounds. Man, I've been upside down. I don't encourage anyone over lever but I encourage everyone to get as much low interest long term debt secured against cash flowing assets as you possibly can. And the safest play, the kingsnake of real estate assets class right now -- and it's not even just my opinion, Wall Street Journal just posted on November 10 -- you know, rents are going up and single family houses. That's where the big money is going right now. [Yeah.] Single family starts, new construction starts are up from post-pandemic highs. There, it's up 7%. Right. multifamily starts is down over 50% over 40%. Don't quote me, I think it's 43%. Okay. But the builders and the big money behind the builders of multifamily, they're pulling out or they're hitting the brakes.

S

Steve Trang 40:28

They're seeing the response with COVID [without a doubt] how everyone responded when COVID occurred. Let's see. Tack really appreciate your comment about the, the hookers with teeth now. So thank you.

D Dave Payerchin 40:40
Thank you.

S Steve Trang 40:41
So our market is improving.

D Dave Payerchin 40:44
Hey, Phoenix is where it's at, man. I drive down the 202 right now, I can't even recognize it. When I used to live out here, I used to see the ASU stadium and whatnot. I see nothing now. It's just, no, I see buildings, you know.

S Steve Trang 40:57
So let's see. Guys, please ask your questions. Happy, happy to answer your guys' questions. So lots of great comments and see Pace is in the room. So that's

D Dave Payerchin 41:08
I texted him the other day.

S Steve Trang 41:09
Yeah. I think he was in Dallas. I'm not sure he's back yet. But definitely got to connect you guys. What's CREAM? That's an interesting.

D Dave Payerchin 41:18
The CREAM. [Yeah.] Well, so the CREAM started out, it's... we have a local community. And shout out to all of my CREAM members and friends. That's what we are. And the CREAM started out is the Columbus Real Estate And Money group. And really, it's just been a group that came together to share resources, specifically with construction. Really, that's what it's become, you know, and we've done a great job and within our local community to weed out the fake gurus and weed out... because no one has time for that. You can find that stuff anywhere you want. So our local community has developed really into sharing resources when it comes to construction. It's really what it's become. It's it's really an effective tool, we use it all the time for our local community. But then we made it we took a vote as a group, and we decided we're going to keep that group local. So the CREAM is

always going to be where it started the Columbus Real Estate And Money group. If you're not local, it's... don't even apply to get in because we really, really do a good job of weeding out people that just don't belong there. But a lot of people want to get involved with what RJ and I are putting out, we put out videos constantly about raising private capital and doing this stuff. So we've also have a national CREAM, which is just cash flow, real estate and money. And that's what we're all about. So we're all about helping people. Really who we speak to Steve, is somebody who maybe has a small portfolio, maybe they got a couple of rentals. And RJ and I through our experience and through the national CREAM, okay, cash flow, real estate money, we have a website RiseWithThreCream.com, it's under construction. But, you know, we want to help people take a small portfolio and scale it into a big portfolio we want to help someone take who has five rentals and scale it up to 50 rentals, if that's what they want, because that's what we've done. So the CREAM has two elements, the local element which will stay local, and then our national brand, if you will RiseWithThreCream.com is cashflow, real estate money.

S

Steve Trang 43:10

So you mentioned the private money component. Let's talk about the private money component. [For sure.] What do you guys do right now to raise private money?

D

Dave Payerchin 43:17

Oh, man. So with experience comes better terms on money. And that's why if you're just getting started, you got to pay to play. I have some advice for somebody who's just getting in the game? Well, you know, first off, you got to pay to play. So what if it's expensive, don't... pay 12 and 2, if it gets you in the game, because as you get a credibility behind you, as you get a credibility kit if you will, the terms of money will go down, [Right.] When you're borrowing money, you don't necessarily want to borrow money from money people, right? You know, you come to me for a loan or you come to you know, half the guys that we hang out with, the terms are going to very be... very much be lopsided into our favor, because we do this for a living, right? So

S

Steve Trang 43:58

And we have greater opportunity cost.

D

Dave Payerchin 43:59

Absolutely. Big, big time cost.

S Steve Trang 44:01
Yeah, right.

D Dave Payerchin 44:03
So you want to work with somebody who maybe has money, especially now with a 401(k) you can help people borrow against their 401(k) with the CARES Act, who doesn't really have the same deal flow or opportunities as the operator does. So you want to work with like corporate Joe or Dr. Susie or somebody who does well but really wants to be a passive investor. Sure they understand real estate is an opportunity to grow and it's a good opportunity to make money, but they don't want to be an active investor. And then, you know, really if somebody new can just explain -- and this goes back to why love single famil --, that their money is secured with a first position note and deed of trust, it's really a no brainer. It's much better than the stock market in the stock market is going bonkers right now, because the Fed is injecting so much trillions of dollars in backstopping the whole thing. That's not sustainable either. It's fun to watch.

S Steve Trang 44:55
It's not real.

D Dave Payerchin 44:56
It's not real, right. I mean, you could wake up one day and wear it or something like that, and your 401(k) turns into a 201(k). So I believe that, you know, if your listeners and viewers have the opportunity to just educate regular people, not money people, you know, that their money can be secured and much safer, backed by a real estate asset. That the demand for real estate's ridiculous right now. And if your viewers and listeners have the ability to find good deals and find off-market opportunities, where if they're listening to this podcast, I mean, 80% of the stuff that comes out -- probably going to talk about it today, finding deals -- if you have the ability to find deals, it's not that difficult to educate someone on why it's a much better play for their liquid capital to be a private lender. It's just about educating people who are not money people,

S Steve Trang 45:47
Right. And a lot of people want to invest in real estate. Most of them don't know how. [Correct.] So for them, they'd be happy to work with someone, an operator that knows how, as long as their money is secured. [Yeah.] Yeah. So what do you guys do right now to

find deals in Columbus?

- D** Dave Payerchin 46:04
Find deals? We have four cold callers banging the phones, four amazing, four cold callers. If they get the opportunity, if they're watching. We're averaging between 10 and 15 leads a day. And we're working three markets. We're working in Columbus, Cincinnati and Dayton. And you know what we're doing a lot, man? We're wholesaling a lot, just to the hedge funds. There's no no shame in our game. You know, we tell a lot of people are doing that, right? Because they pay a premium. Because Wall Street is gobbling up as much real estate. We're becoming a nation of investors.
- S** Steve Trang 46:35
Well exactly what you're talking about.
- D** Dave Payerchin 46:36
Absolutely. It's safe for them because they have free money, basically 1% money or something like that. They're not too concerned. So we're wholesaling quite a bit to the hedge funds, have relationships with them.
- S** Steve Trang 46:45
Wholesaling or or whole taling to them? [Whole, both.] Or double escrow?
- D** Dave Payerchin 46:49
Mostly wholesaling. [Yeah.] Yeah, they got it figured out.
- S** Steve Trang 46:52
Because over here, they don't want to pay our wholesale fees.
- D** Dave Payerchin 46:55
I don't... Well, there's ways around that, too. You got to figure it out. We're all smart people here. But...

S Steve Trang 47:00
Okay, well, I mean what do you, any advice?

D Dave Payerchin 47:02
You can double close it. Yeah, you know, there's always way in, it's Look, here's the thing, here's the beauty about what's going on. And in our markets, there's more than one, more than one guy at the show, there's more than one hedge fund buying. So if somebody doesn't want to, you know, pay wholesale fees, we do have a little bit of leverage now as the operators and I take the position of defending the operators until I'm blue in the face. I'm not on their side, I want us all making as much money as we possibly can. [Right.] So we'll pit them against each other and do what, you respectfully do that, but you know, if somebody's opposed to you making money, it's probably not the best person you should be doing with. I would find other outlets. Do what you got to do, you still got a sell to who is willing to buy. But yeah, explore creative options and doing the double closed or something of that nature. But yeah, so that's what we do. So we have four cold callers banging the phones, do a little direct mail, do some RVMs. I know everyone's afraid to do RVMs it's like, look, if the FCC is coming after Dave Payerchin, we're... the country's going to hell in a handbasket. If you're worried about me -- Who am I? I'm a nobody, right? Somebody wants to be removed from the list, remove them from the list. I mean, we we do whatever it takes, man, we bang the phones. We do our RVMs primarily those two, we do some direct mail and a little bit of texting.

S Steve Trang 48:20
So how many contracts you guys doing in a month?

D Dave Payerchin 48:25
We are doing? Probably 10 to 15 a month.

S Steve Trang 48:30
Okay. And of those 10 to 15? Let's just call it 10? Sure. Out of those 10. How many keeping? How many are you disposition in other ways?

D Dave Payerchin 48:39
Probably only keeping two.

S Steve Trang 48:41
Okay, so you're keeping two...

D Dave Payerchin 48:41
Yeah, it's very hard to hit our buy box, with the lack of inventory available.

S Steve Trang 48:46
So you keep the two, refi it whatever.

D Dave Payerchin 48:49
Sure. Just buy it with private money, we'll get it fixed up and then add it to the portfolio and take it in for a BRRRR. You know, the lenders on the BRRRR strategy are being more conservative, but we don't care about that. Because we're not trying to pull out all every dime of equity. That's what gets you in trouble anyway. [Yeah.] We just want the we want low interest, long term debt. So that's a very common play for us, is buying a property with private money, fixing it up, getting it rented and then adding it to a portfolio of other homes that we have private money on and doing a bulk refi.

S Steve Trang 49:20
All right. And then what's happened with the other eight?

D Dave Payerchin 49:25
Ah, well, we are looking at more creative opportunities, always, you know. But some contracts just go to the wayside. And that's unfortunate. We are exploring ways to turn deals from the trash into cash. We don't have a very good strong play at the moment. That's a, that's a hole.

S Steve Trang 49:42
But are some of these getting wholesaled, some of these getting wholetailed...

D Dave Payerchin 49:45
Yeah, for sure. So there's always a few contracts that go to the wayside if we can't get a

better deal. But out of the five, we'll call two keep, wholesale seven, and the rest just we can't do anything with [Got it.] Yeah.

S

Steve Trang 49:57

So you guys are still actively wholesaling.

D

Dave Payerchin 49:59

Absolutely, absolutely, it's a great time to wholesale, especially selling to the funds and whatnot. Because you know what, you look better in the eyes of the bank anyway, when you have a strong cash flow coming in every single month, six figures a month. You know, it looks really good for the bank. And if somebody doesn't have a huge portfolio of rentals, right now, you need to show that wholesale income or no bank is gonna want to talk to you, right? But the end play is to get as much low interest, long term capital working on the street, pay back our private lenders, and having a strong wholesale business and having tax returns and having a strong P&L from wholesaling, will allow you to get better terms on the buy and hold.

S

Steve Trang 50:22

Right. And that's kind of what we had talked about offline is that we all get in the wholesaling again for the money. But the long term play [Sure.] is the cash flow [Without a doubt.] And so, you know, the, the comment that was made before was that, you know, wholesaling is kind of like the hamster wheel, to which I would say, it's like a hamster wheel as a hamster wheel made in Dubai, where it's gold plated, and a gold hamster. And gold. [It's wonderful, isn't it?] is a glorious, yeah, hamster wheel. But at the end of the day, it's still a job.

D

Dave Payerchin 51:09

It's still a job because it's not a saleable business. We had talked about, what is a business? Business comes with a book of business, and it's a saleable business. If you own an auto mechanic shop, you have people who've been loyal to you. And they, you know, if you get ready to sell this business, you sell the book of business along with it. Yeah, in real estate, it's impossible to have a book of business because the people who are buyer, our clients, if you will, in a wholesaling business is the sellers. [Yeah.] The buyers are not loyal to us. They'll go to the next guy, of course, they will, right?

- S** Steve Trang 51:38
They're investors.
- D** Dave Payerchin 51:39
They're investors. So the sellers, though, it's pretty much a one trick pony. They're going to sell us one house, that's not a book of business. [Yeah.] We're always finding the next one.
- S** Steve Trang 51:47
Traditionally one off, very transactional.
- D** Dave Payerchin 51:49
Correct, but essential in building the portfolio. I really think that should be a strong focus to all the listeners, is use wholesaling as a tool to help you build something more long term.
- S** Steve Trang 52:00
Absolutely. So Tyler Smith wants to know right now in this market, is it better to pay down property with the cash flow, or save that money and buy more rentals?
- D** Dave Payerchin 52:08
Buy more rentals because the terms are so low right now. Why would, you know rates are only going up.
- S** Steve Trang 52:13
It's ridiculously low.
- D** Dave Payerchin 52:14
It's ridiculously low. So, you know, you don't... It's good debt. Okay. We've already talked about not getting over leveraged. But, you know, why are you going to pay off 3% money, not to mention the value of the US dollar inevitably is going to go down with all the money that they're printing. And if somebody, a bank, is willing to give you 30 year money, I mean, the dollars that you're paying back this loan, 30 years from now, 20 years from

now, the whole deal, are worth less in the future than they are now. Why would you use more valuable dollars now to get rid of the debt? Let it go around for as long as you possibly can.

S

Steve Trang 52:50

Yeah. Great, great point. Let's see what else was there. Dave? Phoenix Fish says "Dave I remember the blue convertible Audi" [Who's that?] Phoenix Fish is all says. [Phoenix Fish.] Davis is a Steve needs to do more TicToc ... Steve needs to do TicToc videos. Go to my TikTok channel as Steve Trang. I am on TikTok. I am posting videos. Not dancing though.

D

Dave Payerchin 53:17

Come on brother. You got to step your TikTok game up. The people, the people want it.

S

Steve Trang 53:21

I am, as I'm on TikTok and I'm watching these instructional videos, I might start pulling some of these dance moves because I'm learning how to dance on TikTok. Let's see what else is here. Orlando says prefers strategy... asks preferred marketing strategy. So you already mentioned banging the phones [Cold callers.] RVM.

D

Dave Payerchin 53:38

That's where it's at. And be, be relentless. Here's the thing, we can talk about this. I think your viewers and listeners will get a lot of value out of it. Don't expect too much out of your cold callers. Cast a wide net, meaning let your cold callers dial and anyone who doesn't say go screw off or [Go to hell.] go to hell, that's a potential lead. So now it's got to go over to a more qualified salesperson, like a good old fashioned American salesperson who knows how to run comps and whatnot. I think it trips up a lot of wholesalers and investors who they expect too much out of the cold caller. They want them to pull up Zillow comps and do all this, and it sounds good in theory, but just have the guy move on to the next call. Anyone who's not a "hell no." You have to send it over to somebody internal, either yourself or your qualified sales manager or sales rep. And let them work up from there instead of trying to have your cold caller do all this craziness.

S

Steve Trang 54:31

Daniel Nguyen wants to say if you can clarify what over leveraging is?

- D** Dave Payerchin 54:36
Over leveraging is the house is worth \$60,000 and you owe \$70,000 on it -- you borrow too much.
- S** Steve Trang 54:42
And then follow up is would you do a HELOC or a 30 year cash out refi.
- D** Dave Payerchin 54:46
Both are good and both serve its purpose but a lot of banks won't do HELOCs right now unless it's an owner-occupied property. So you know, what you got to watch out for, and I spent all morning negotiating with banks. I got meetings on Monday with different bankers I like the HELOC play, because I know somebody in our group. In fact, I think you were busting my chops online today, he...
- S** Steve Trang 55:07
Definitely was busting my chops.
- S** Steve Trang 55:09
You were definitely, Yeah.
- D** Dave Payerchin 55:11
But one of the guys in the group, he made a \$300,000 deposit to a local bank, and he got a \$2 million line of credit at four and a half percent. That is very serviceable, that's very good. Because you can replace your flip money. If you're paying 10 and 2 right now, and you have access to a HELOC, he, you know, it's basically also called a wholesale line of credit, that could really cut down your costs. So a HELOC, or a line of credit, if you use that money to and you only have to pay for what you are using, that's the benefit of the line of credit. But it's going to save you so much cost of private money. But the 30 year cash out refi is good, too because if you're reifying private debt on something you plan on keeping for a long time, and you're paying 10% to your private lender, and the bank's going to refi you out at 4% or whatever they give you, that's, that's where the refinance comes into play. So there are two tools in the tool basket, you know, or the toolbox, that both serve its purpose.

S Steve Trang 56:05
So I guess I need to stop busting your chops [Stop brother!] and really [I didn't do anything.] Really? Well, I mean, I think I have to, but [Yeah!] but I guess I need to go and figure out who commented about doing \$2 million line of credit with \$300,000.

D Dave Payerchin 56:19
I know who it was.

S Steve Trang 56:20
I can do that right now.

D Dave Payerchin 56:21
It's easy. Jeff S. [Alright.] Jeff should... Jeff Shadrick Yeah, buddy. [All right, well.] Out of Birmingham.

S Steve Trang 56:28
I'm going to talk to him. And then, do you self manage?

D Dave Payerchin 56:35
We do, but we actually work in tandem with property management companies. So when you are an operator, we've we've all got to play into our strengths as human beings, right. And we let the property management company, we still pay for their services, not a premium, but we use their entire internal staff for all the bookkeeping, and keeping everything good, because they have it all set up throughout Folio and whatnot, but we still get to dictate, and we're in charge of two things that are the most important two things when you're an operator: it's the construction, right because if you leave that to a third party property manager, they're gonna they're gonna bleed it, you know, they're gonna mark it up. And we feel that we can manage construction better than they can. So we take that off of their plate. And we also handle all the tenant placement, because one of the most important things when you are building a portfolio, and this is one of the first lessons that we've learned in real estate, is it's all about the setup, right? You've got to sit down with the resident of your property, you or a leasing agent, or somebody who has a vested interest in this asset. A third party property managers says sign here, press hard, the last copy is yours, get them out of the office, right? [Yeah.] Yeah, man, that doesn't

really fly as well as sitting down with the tenant laying down what the rules are going to be, having that conversation. Your success rate is drastically going to increase if you get to have that conversation, or have a system and process to set the tenant up for success and set this asset up.

S Steve Trang 58:04

Your, your love or hate of owning properties will be directly proportional to your relationship to how much you love the tenants, or how or how quality the tenant is.

D Dave Payerchin 58:15

Well, okay,

S Steve Trang 58:17

Go ahead.

D Dave Payerchin 58:18

No, just gonna say a quality tenant, man. I mean, sometimes, you know, big things come in small packages. What's the quality of 10? And sometimes the one that looks the best on paper is not the best, you know, and sometimes the person who doesn't look that great, but they want an opportunity to prove themselves and whatnot. So it's very difficult to judge a book by its cover in property management, for sure.

S Steve Trang 58:39

Yeah. Well, I got some lessons to learn.

D Dave Payerchin 58:41

So to answer the question, we still utilize third party property management, but we utilize their accounting systems, more than anything to produce quality reports. Because we that it saves us from paying a staff member to do it, because they got it down pat. But we still -- and the money collection, we have them because it's a professional office -- RJ and I took our business virtual, so we don't have a shiny office. But sometimes when somebody's dropping off several thousand dollars, they want to see a professional establishment. [Yeah] Right? So we we kind of maximize the third party for the money collection, and for the leasing paperwork, and for the like accounting piece, and we handle the tenant

placement and the construction.

- S** Steve Trang 59:22
Got it. And Joey Ward wants to know if he wants to send a deal to you guys, how would he do that?
- D** Dave Payerchin 59:27
Let's go! Send it to me. Send it to Walker@SellHouseColumbus.com. He's our acquisitions manager.
- S** Steve Trang 59:36
Perfect. And then TJ Lee wants to know, what do you think about using low or no interest credit cards for buying or rehab?
- D** Dave Payerchin 59:43
I mean, everything serves its purpose. It depends on the deal, right? You know, I'm talking to some guys who offer that kind of service. You pay a couple hundred or you pay \$1,000 up front or whatever, and they're gonna get to these lines of credit. I mean, money is a loaded weapon. It's always... debt's a loaded weapon, you know, so there's always a place for zero percent money or anything. It's, it's a deal by deal basis, just be smart. I mean, if you're getting in the game, and let's pretend that, you know, you've got to... your private lender will only give you a loan to cost money. So let's say they give you a 90% loan to cost. And what that means is, you know, let's say the ARV is \$100,000, and you are all in you're all in for is, you know, \$60,000, they're only gonna give you 90% of what you need, there's going to be skin in the game. And sometimes it's very difficult to scale a business if you have to put a down payment on every loan. So if you can get that down payment from a zero percent, zero percent interest source, you know, and that will allow you to scale to fulfill that void of like a down payment. But again, it's all a loaded weapon. At the end of the day, you just got to do good deals.
- S** Steve Trang 1:00:50
Absolutely. Steve Carlson says he loves your five year amort model. Are you shifting your business model at all in 2021? Or just staying the course?

D Dave Payerchin 1:00:59
We're not doing the five year business model anymore, everybody. We can't find something to be all in for \$25,000. Yeah, so that was a five year am model. And if you're in a lower dollar cost market, smaller city, I encourage you to explore that. But right now we're just borrow, when we're borrowing private money, we're borrowing interest only money. So that will allow us to cash flow before we could refi. Because an amortizing loan is going to be have a higher payment, because it's PITI, right -- principal and interest, plus the taxes and the insurance, and the interest only loan there's no principal being paid down. So it allows you to keep your payments low before you go and get the good money, which is a refi. So we don't do the five year am deal anymore. I wish we still found deals where we could be all in for \$25,000, though.

S Steve Trang 1:01:44
Yeah, but is anything changing at all in 2021?

D Dave Payerchin 1:01:48
Just lowered... we're getting as much low interest, long term debt on the street as we possibly can.

S Steve Trang 1:01:54
That seems to be everyone is a big operator, everyone is chasing them.

D Dave Payerchin 1:01:56
Absolutely. We all should. And their rates aren't going up anytime soon. [Right.] Lenders are still lending, and I encourage everyone to get this bank money on the street and get it working. It's gonna serve you for many years to come.

S Steve Trang 1:02:13
So Nelson Castillo wants to know, can you talk more about this HELOCK with a million dollar line of credit -- was the HELOCK attached to a property? It sounded like you said you put \$300,000 in the bank and you get proof of HELOCK.

D Dave Payerchin 1:02:21

Wasn't me it, was somebody else who is our friend. But I can tell you, I know enough to be dangerous. It wasn't me that got this money. However, I did put it out to a local group that I'm looking for this money now. [Yeah.] So the HELOC, I would assume, it is not collateralized. It's probably collateralized against the cash that they made a deposit. So this person put \$300,000 into a local bank, and then the bank allows them to have this \$2 million line of credit. And I would assume that this money, if used for purchasing a flip, the flip is probably going to be collateralized as well. So that's probably how it's set up.

S Steve Trang 1:02:57
As part of the qualification process.

D Dave Payerchin 1:02:58
And not to mention, you know, HELOCs are great and they can lower cost of capital, but remember, a HELOC can be taken away at any time. So going back to the question about...

S Steve Trang 1:03:06
I remember that.

D Dave Payerchin 1:03:07
You know, what, everyone went shit, do you remember? I remember too. [I mean, the, the] Washington Mutual, we're out of business now. It's like, What? I thought I could just keep getting \$30,000 checks from you guys.

S Steve Trang 1:03:19
Yeah, it was, because Doug Hopkins and I have talked about this in other meetings, is that we both suffer from PTSD, right? We still, we, we survived why the last one. And there are some things that you took for granted. Cheap money always being available, running your business on a credit. And that can [finger snap].

D Dave Payerchin 1:03:36
Gone in an instant, so they can take those HELOCs away from us. But that is where a 30 year, or 30 year refinance, you know, like a cash out refinance, excuse me, they can't really take that away from you.

S Steve Trang 1:03:47
No they can't, it's already tied to the asset.

D Dave Payerchin 1:03:48
It's already tied to the assets. So there's, there's room for both.

S Steve Trang 1:03:51
So before we started, when we were chit chatting, I made a comment that you're in a really good spot in your life, really good mental spot. [Yes.] What's that about? That's awesome.

D Dave Payerchin 1:04:01
I have love in my life, I have a beautiful, better half who's right in the other room, you know, and I'm just happy. I'm genuinely in a space where... I mean, RJ and I've struggled for so long, you know, and I see his growth and I see him growing. And he's got a beautiful little baby at home. And, you know, now I got an amazing relationship that I'm in and, it's just, we're growing up, man. So it's like, the the hustle and the grind is still there. We're still very driven individuals. But we're focused more on our happiness. And we're creating more opportunities where we can travel, come out and do stuff like this. Yeah. Just got done spending, you know, several days shooting guns with friends in the desert. And I love this stuff. And, you know, we missed out on a lot of this stuff, because we started in the business so early and just struggled for so long. And now you know, another thing that really delights me is empowering leaders within our team. Look, somebody said, I'm gonna send you a deal. It's not coming to me, you know, it's coming to someone else because we've built the model. We put the time in, but we also invest in our team, and watching their growth and development, it really makes me feel good. So that I think all contributes to this state of mind that I'm in.

S Steve Trang 1:05:12
So enjoying the fruits of your labor.

D Dave Payerchin 1:05:14

I'm enjoying the fruits of my labor, and I'm excited to like work with people. I'm excited that my own personal development has reached a whole new level, you know, and I've just lost a lot of the ego, you know, that is common. You know, quite honestly, I just, you know, basically, I'm totally free. You know, I'll tell you, I was taking medication for a long time. And in June, I decided, I'm like, you know, what, I don't need this anymore. And it would made me like a zombie. And it created massive mood swings for me. So one day I woke up, and that has to do with like, my relationship to is like, I woke up and I'm like, man, life needs to be better. And it's like, so I am completely free of anything. And I'm just like, feeling tapped into the source. If for whatever that means, and a lot of, you know, I'm no longer suppressing emotions, right? I'm no longer hiding behind a crutch or something like that. And it just leads to more happiness. You know? Yeah.

S

Steve Trang 1:06:12

Do you know what your Why is?

D

Dave Payerchin 1:06:15

Well, my Why has changed, you know, and I've always struggled with this. And as we get older, you know, my better half has an awesome six year old. I love being a dad, you know, and I love being a role model, role model to like the youth, you know, and like something that completely rips my heart to shreds, is hearing about anything with like, child abuse, or anything like that. Like, I'm blessed to have had a great childhood, my parents did their very best. You know, I've pretty much been on my own since I was nine, quite honestly, I just like figuring things out. But it was all out of love. You know, we always had food to eat. And, you know, I became an uncle when I was nine. So my 16 year old sister had a baby. And I was forced to grow up quick. And it is what it is. I had a great childhood, though I wouldn't change anything. Not every kid has that opportunity. And it just destroys me. Nothing hurts me worse than seeing a child just basically, children are innocent, man. [Yeah.] And there's a lot of crap out there. And so I think my why, and I just had this conversation with somebody before I came in here is like, man, I would like to give back and create more opportunities for people younger than me, if I can be a role model or a mentor to not only the six year old at home, but to any kid and give them a better opportunity. That's a life worth living.

S

Steve Trang 1:07:35

Obviously, you got the Generous Genius. [Yes.] If someone you know, wants to help support the cause, how could someone do that?



Dave Payerchin 1:07:42

I'm pretty sure GenerousGenius.com or just contact me direct on Facebook or anything like that. And, you know, we have raised hundreds of thousands of dollars. And a lot of that goes to Jason Medley. He's you know, the founder and creator of the Collective Genius mastermind. He deserves all the credit in the world since day one. We've been in CG for six years. But from day one, Generous Genius is his doing. It's not mine. All I did was, you know, there was another guy, Matt Andrews. You know, Matt Andrews? You should have him on the podcast, by the way. A great friend.



Steve Trang 1:08:11

I texted him this morning,



Dave Payerchin 1:08:12

Did he? [Yeah.] Yeah. Phenomenal guy. Him, myself and RJ and Matt. We've traveled to Haiti numerous times together. We've traveled to Nepal together and doing different things with orphanages. And I was in Guatemala last year, and just traveling the world and doing these great things. But Matt Andrews was kind of the, the muscle behind Generous Genius, indirectly. And then when he exited Collective Genius, I just stepped up and said, "Hey, Jason, can I help with anything?" That's all I do. It's truly his creation, though. I'm just grateful to be part of it.



Steve Trang 1:08:48

What is your superpower?



Dave Payerchin 1:08:50

My superpower is defusing tense situations. And that comes in the form of business negotiations. And even at home and personal things, especially with children, you know, tantrums and things like that. I could snap someone out of a state and calm them down. You know, the child's scrapes their arm and they're -- Do you have two kids? [Three] What are the age ranges there? [Nine, eight and three.] So you know a thing or two sometimes... Isn't it funny how a kid could be running, and they trip and fall smack on their face. If you act like you didn't even see it, they get right up and keep running. Right?



Steve Trang 1:09:29

That's how they are. They were always that way.

D

Dave Payerchin 1:09:30

They're all that way, if children are so funny. So I've gained the superpower of being able to defuse situations, but I do that in my business life too. You know, have you been in many negotiations and whatnot. It's always so tense, right? We all got our ties up so tight, that I have the ability to loosen everything and talk about serious things with a smile and just a mellow way of defusing situations.

S

Steve Trang 1:09:56

I got my my oldest when she was you know learning how to walk And we're at the mall and like wiped out at the mall, like banged your elbow, right? And like all the moms are like, freaking out, of course. And I'm like, get up. And she just gets up. [Yeah.] All right. It's magical. That works. [Yeah.] Um, so do you think you're being class clown has anything to do with the ability to defuse situation?

D

Dave Payerchin 1:10:20

Well, I will share this with you, the class clown stuff was -- and this is something that I'm still working on to this day, quite honestly -- I told you, I feel that I've pretty much been on my own, well not on my own, but figuring things out on my own since I was nine

S

Steve Trang 1:10:37

Maturing earlier than everyone else.

D

Dave Payerchin 1:10:38

Yeah, because I had to, you know, like, if I wasn't going to go and make new friends, like ... I, my parents didn't kind of put me force me in anything like, hey, maybe we should try him in karate, or I would have liked that. But it was just, it wasn't even on the table, I just kind of had to find my own way. And I truly believe the class clown energy that I was doing and that personality was because I wanted attention. I didn't get a lot of attention growing up, I just didn't, I remember just, you know, not getting a lot of attention. So and even to this day, I do a ton of videos and stuff. And this is what I work on with my better half. We all have things we're working on, by all means, right? [Yeah.] And sometimes I take it a little too far. You know, sometimes it's great and it's fun. But sometimes it's almost this external need for validation. This external need, I gotta like be seen, you know. So that's something

I'm working on. But I think that's where that came from. It was just needing that attention and reaching, just always reaching out, everyone looked at me, look at me, look at me, which led into the ego aspect of the whole real estate stuff. I'm gonna be a jerk to everybody and do this all on my own. So I'm still coming out of it. I'm 38 years old now. And we all got stuff we've got to work on. But I think the first step is just acknowledging it.

S Steve Trang 1:10:48
You're still young 38.

D Dave Payerchin 1:11:51
Thank you, brother.

S Steve Trang 1:11:52
One day, you're...

D Dave Payerchin 1:11:52
I'm getting grey, man, you see this coming in now?

S Steve Trang 1:11:54
I do see that. [Yes.] Is there a book you've gifted more than any other?

D Dave Payerchin 1:11:58
A book that I've gifted more than any other? I would have to say, Traction. I know, we're all Traction guys. [We're all nerds.] We're all nerds, you know. But I think and know moving forward, that's not going to be the continued book that I give, and I'm really more interested in getting in into more spiritual stuff, quite honestly, you know. And so I think, to answer your question, Traction is the most gifted book...

S Steve Trang 1:12:28
Do you know what's gonna be?

D

Dave Payerchin 1:12:29

The next book? I don't know yet. But I have a lot of good ones on the, on the palette, too, to start digesting more and more, and I just want to continue to work on myself. So [Awesome.] That book will change. It's not about the mechanics of running a business that's just not as exciting to me is what's possible for the future.

S

Steve Trang 1:12:46

No, that's not, that's, that's not what gets you out of bed. All right, so I'm gonna make a few quick announcements. Think about what you want to leave listeners with. Guys, if you got value today, please Like, Subscribe, Comment, Share -- helps us, helps us all. And don't do it for me, do it for the algorithm, because that's what they want. And then we got Ryan Roddy, Garci... Garcilazo, coming from Chicago next week to talk about how to scale the construction side of your business. The guy is the number one consultant for construction.

D

Dave Payerchin 1:13:16

We've worked with him. He's a good guy. [Yeah.] I vouch for him.

S

Steve Trang 1:13:19

Yeah. So he'll be here next week. Guys, check that out. What are your last thoughts?

D

Dave Payerchin 1:13:26

My last thoughts are, have grace to one another, especially when you're building your business, have grace to your vendors have grace to your partners. It's... you're not perfect. It's okay to make mistakes and you are forgiven. I've made a lot of mistakes financially. Also, personally, you know, and if you give you're... the most important person to have grace to is yourself, forgive yourself. We will make mistakes on this journey. There is plenty to go around. I know sometimes it doesn't always feel that way. Especially you know, you're in a competitive real estate market. But when you are feeling like you are all on your own. Try to remember that you're not and you will get bigger if that's what you want. The ultimate goal for all this, Steve, is freedom. I want all of us to be free and personally sovereign. I want you to hold on to more of your money than the US government. Either party, [Right.] they're all crooks. [Yeah.] So, we will be stronger together outside of the establishment, and forgive yourself, forgive each other. And you do have a voice; don't be afraid to use it. Especially if you're complimenting, inspiring or educating someone else.

S Steve Trang 1:14:38
Awesome, beautiful. Again, if someone wants to connect with you, how would they do that?

D Dave Payerchin 1:14:44
So Instagram handle is @TheRealDaveP, and RJ is actually probably better at Instagram than I am and he is @RJPepino. And our website which is under construction is RiseWithTheCream.com.

S Steve Trang 1:15:00
Who did I tag this morning on Instagram? It was CREAM something or it was... I don't know.

D Dave Payerchin 1:15:07
@TheRealDaveP, @RJPepino. That's our personal... it's probably somebody else... That's so good, you're busting chops out there and it's not even us. Thank you. Whoever's out there.

S Steve Trang 1:15:15
It wouldn't be the first time.

D Dave Payerchin 1:15:17
Yeah. You're in, you're in an Instagram with somebody that's not even me

S Steve Trang 1:15:22
Well then, that's good. [Yeah.] All right, thank you. [Yes sir.] Appreciate it, this was fun. [Yeah, man.] Thank you guys for watching. See y'all next week.