Voice Over: Welcome to the REI Diamonds Show with Dan Breslin, your source for real estate investment, jewels of wisdom.

Dan Breslin: Welcome to the REI Diamond Show. I'm your host Dan Breslin and this is episode 188 on how to buy a house with no money down presented by Tim Padavic.

If you're into building wealth through real estate investing, you are in the right place. My goal is to identify high-caliber real estate investors and other industry service providers, invite them on the show, and then draw out the jewels of wisdom—those tactics mindsets, and methods used to create millions of dollars and more in the business of real estate. To real estate agents, real estate investors, or anyone trying to buy a house in which to live, listen up.

This episode was created for you. Agents and buyers obviously benefit by knowing how to buy a house with no money down and fix-and-flip investors also benefit because they can offer the buyers of their projects—the houses they've fixed to flip—the option of no money down or certainly very low money down financing. That's the topic today.

And if you're flipping houses and you use a real estate agent to sell those flips, I suggest that you share this episode and Tim Padavic's contact info at the end as a resource that they might use in selling your house at a higher price. Think about it. If a buyer doesn't need any money down or any seller credits to cover closing costs or down payment assistance, the money stays in your pocket. I'm not getting paid for this. Tim's not kicking me anything back. I just know Tim from my network. He's a valuable resource for me on my flips and he is licensed in all 50 states so I invited him to come on the show as a value-add to you, the valued member of my network.

Worth noting here before we get into the interview, this no money down strategy is only applicable on owner-occupied residential property. So, this is for owner-occupied properties. Tim, this episode, we do not discuss investor financing on this episode. Tim does not even get into investor financing. He specializes in homeowners looking to buy houses in which to live and that's where the no money down financing mechanism that we're going to discuss here today works. Ready to get started? Tim Padavic, welcome to the REI Diamond Show. How are you doing today?

Tim Padavic: I'm doing well, Dan. Thank you for having me.

Dan: Yeah, for sure. Unfortunately, we failed at our attempt to present a zoom video as the infrastructure crumbled beneath our are high-powered call here today. So the listeners won't get the imagery that I had here a few minutes ago. But do you want to share where you're recording from and then also maybe your origination, real estate business?

Tim: Right, absolutely. Well, right now I'm down to sunny Florida and it's very warm and due to the pandemic, my bank infrastructure, and nobody really going into the office, there really was no reason for me to be in Chicago for the cold winter but it looks like the weather is breaking, so they will be going back shortly. I guess 40 degrees or 45 is a good day in Chicago [crosstalk] 45 snowy[?] down in Florida, very chilly.

But in regards to how I get started, in '98, I got started brokering loans. We actually did most of our business in the refinance and remodel business. We helped rehabbers remodel homes for the homebuyer or the homeowner and we would lower their payment and get them their home improvement, all the way until about 2008 when the collapse happened and then I've been doing purchases ever since.

And most of my purchases, if not all of them, my specialty is people getting into their home either for the first time or maybe a move. They don't really work with investors or second homes or anything like that. It's not that I wouldn't it, it's just not my specialty. My specialty's getting people into homes. People who are looking for a possibly a rehabbed home or upgrading to a rehabbed home. Something that is real nice for them to move into and the south side of Chicago has been a key focus of those rehabbed homes and the price points are right and some of the programs that we have available tie in really nicely.

I went to the Federal Savings Bank in 2014, and the concept was to utilize the bank infrastructure, which is borrowing money directly from the government and being able to lend in all 50 states and utilize the grants that we offer at my bank. We have probably more than any other bank or institution that I've seen, out there, that offers the first-time homebuyer grants and not just first-time homebuyers, but if they're moving to their next home, it's really owner-occupied grants that are available and there's probably one per state that is available on top of the 6 to 10 that we have that are for multi-state.

So, really helping people get into homes that probably have pretty good job, pretty good credit, just don't have enough money to put down on the down payment or possibly even closing costs so that they can get into the home. They keep on saving and saving, they just can't get ahead. So utilizing these grants to help people get into with very little money to probably anywhere from 1,800 bucks to $5,000 out of pocket to get into a 200, $250,000 home—not a bad deal.

That's kind of how we got started and how I matured through the purchase process and I don't see it stopping. As of the beginning of 2021, I just don't see it stopping. I do believe there's an inventory shortage right now, but I just don't see the need or demand slowing down for rehabbed homes or any home that is a nice place for a new homebuyer to purchase.

So that's what I'm seeing for the next five,10 years. I don't even know what that looks like. It could be endless, I mean, that it appears that the population keeps on growing and we need more and more room for people to stay. So I think that the constant rehabbing a property is a really never-ending story. So that's my take on it.

Dan: Yeah, for sure and I do want to kind of put a nice bow on everything that you shared. In case anyone is listening and they didn't figure it out already, the reason that I'm so excited to have you on the show, Tim, is we're talking about nearly no money down retail loans, and for those of us who are flipping houses and those of us who might be real estate agents who are representing retail buyers, how much better is it to broaden the market so that it's not everyone who has saved 20, 25, $30,000 can buy a home.

But you can expand it now, to a point where, like you just said, someone has 2, 3, 4, $5,000 in cash in the bank, reserves and I [inaudible] kind of goes without saying some kind of way to qualify and has job, but a much broader market, and correct me if I'm wrong, Tim, but if we're using grant money to assist with the down payment and maybe the closing costs and this buyers bring in 2, 3, $4,000 to the table, I didn't necessarily have to give them a seller concession in that example, right?

Tim: That is absolutely correct. And that is one of the nice things about utilizing the grants, is that we could—we're getting the deals right now with most of the buyers that I'm working with that are utilizing our grants that probably ask offering full ask price with no seller concessions because in Chicago right now, a lot of these markets very similar to Chicago, they're getting multiple offers.

So to win those offers, we don't want to run the risk of the seller losing out on that shell or concession appraisal issue, right? We know that if the appraisal was off a thousand bucks, we could maybe reduce the price to make it work without losing any of that concession money. So, when we make our offers, we're always going a little bit higher with no seller concessions and we're winning about 70% of those offers to help the seller, too.

It's a win-win for everybody because the people want the house and the sellers want the top doubt[?] and if we could find a way for the buyer to get in without disturbing that profit margin and the customer pays an extra $20, $30 a month to get in and win that bid. Everybody wins with that. Nobody's losing on that and if somebody says, "Well, I don't want to pay that extra 20 bucks." Well, they're going to lose out on that deal, anyway.

If that $20 is a deal killer, you're going to lose out on a lot of deals and we talked with customers all the time that are like, "Hey listen, I want to shoot low and ask for big seller credits," and I say, "Right now, it's not going to happen. You can do whatever you want." But we're having multiple offers, nine offers highest and best and in some cases, we're dealing with some cash but not like what I'm hearing in some of the other markets in America.

We are dealing probably with a very low number of cash offers, probably in the 10% range in the Chicago [inaudible] and I'm just making an assumption on this and it's probably more of your FHA, people that maybe live in a neighborhood, people that maybe didn't think they could buy and we're doing a great for the community because we're not just selling it to somebody out of the neighborhood. We're selling to people in the neighborhood and they really reap the benefits of these programs. I mean, where can you buy a rehab property?

I'll use an example in South Side Chicago. Rehab property 225, 250 on the high side and all in their payments 1297—taxes, insurance, everything. Where else you going to do that? Quarter million dollar house, right? With very little money down. So, I feel that everybody's winning on these new programs. The sellers are not losing and the buyers are winning on these products.

Dan: And to add context because we have a lot of agents and flippers listening in Philadelphia, Atlanta, and Chicago, Chicago is a unique market and that the entry-level housing that you're describing on the South Side—South Side is big and there is kind of a lot of renovated opportunity. So, like when we're investing in whatever neighborhood, there's kind of a lot of product still that needs to be fixed up and flipped and there's a few renovated properties to select from when you're out and about on the market and I would say that's very similar to the way that, compared to like two or three years ago, there would be 20 or 30 houses that needed renovation that was sitting on the market waiting.

Now, you might find two or three in that same radius that is available and are usually selling quickly or they're overpriced or they're a short sale and they're going to take six to 12 months before you get an answer on whether or not it's going to fly. So dramatically less inventory, but there's more than there are in Atlanta. So Atlanta is a very constrained market and you mentioned the cash buyers who are in Atlanta specifically the cash buyers have[?] funds.

You have Wall Street money, you have Silicon Valley money there with Divi Homes and they're coming in and paying full price cash. In the Divi Homes' example, they're running like a rent-to-own program where they're buying for full retail and they're locking in a spread two years out, a year and a half out, three years out where they make a profit margin, but rent that property to their rent-to-own tenant-buyer instead.

So in Atlanta, you have a retail buyer who's not just competing with all the other retail buyers like you described in Chicago or even Philadelphia works that way. But in Atlanta, the retail buyer is forced to compete against these funds who are paying cash and it's a real uphill battle for anyone in any of these three markets, probably, any market around the country as we speak right now in March 2021 to get into a property and the demand like you said is so strong.

So, Tim, all that is leading up to my next question, which is what is your conversation looking like, specifically when you have an agent and the client that are working—the three of you together—to help craft a strong offer? Maybe it's you and the buyer but I guess, essentially what can a buyer looking in agent do right now in this market to strengthen their offer and make sure they have a high chance of actually getting the home?

Tim: Sure, it's a good question. I definitely talk with the buyer's agent and the buyer themselves. I make it very clear along with the agent that it is a seller's market, that there's no low-balling, and that there is either a full ask or above ask opportunity to purchase the home. That's step one. Once they understand that they're going to ask full price because most of the people that buy a home in the time homebuyer market are interested in two items—what's my monthly payment and how much do I need to bring to close?

So, as long as they don't necessarily care if they're paying 250 or 270 for a home, they care about the monthly payment. If that payment is within their tolerance, they have no problem with that and if they're coming to the table with little to no money, they're winning in that regard.

Those are the two factors that they're worried about. In most cases, they're not really worried about—when we have that conversation, we say, "You must ask full, you must offer full or better," and it is important that you utilize the grants or your own cash, which most people don't have, to go in with no seller concessions. And that means that the grant will cover the down payment and it will cover your closing cost or the majority of those two items.

If you can handle the payment, you can handle the downstroke because we're covering most of it. My only topic right now is can you handle the monthly payment? If you are paying 1495 in rent right now and the new mortgage payment all in taxes insurance is 1695, that's probably within a tolerance that most people could live with.

If they were paying 695 in rent, it could be a challenge to get up there into today's market. So, I would say that you're really working with a strong, probably in educated buyers that are aware of what type of market is available, so you're not making any crazy offers that might not even have any impact because I think that for the most part, most of the houses, like you said, that are overpriced—they're not getting multiple offers.

But things that are getting priced properly are getting multiple offers in the first day. A lot of people, even making offers without even seeing if they're allowed to make that offer. So, the goal is always to school the educate the first-time homebuyer or the buyer who is in this type of market and let them be aware that the goal is to get the property. It is not to beat the owner or beat the seller or say, "Hey, they're making too much," because you're pretty still protected with an appraisal.

The appraisal in most cases, protect the actual buyer on that product because if it did get cut for some reason, which today I don't think the price are really getting cut that bad like in the Chicagoland area or Philadelphia area, and it sounds like in Atlanta it doesn't matter about an appraisal.

But in terms of the two markets that we were talking about, the sellers are going maybe a little high on the amount, but I think that it's kind of working its way through, and the sellers are made happy and the buyers are made pretty darn happy, knowing going into the offer session, that they're going to pay full or higher. So, we're not working with people that are—and most people aren't working buyers that are saying, "I'm waiting for a deal." Nobody's working with those type of customers today. It's just too complicated. There's just not enough inventory and it's probably across the board from Florida to Seattle. It's just probably a number that is challenging for in terms of inventory.

How many are available in each market that meet criteria and I think that in most of these markets, with the inventory so low, you can almost be selective with your buyers. But I would say that you would still maintain a database of your buyers and for some of your sellers or your rehab and your investors. You just don't know where markets will go and it wouldn't be bad to have a database of people that are ready to buy, or maybe they're not ready to buy right now, maybe in six months, 12 months, but it's really nice to have a pipeline of people that continually be interested in your product and continue and constantly be thinking about what's next because even like Atlanta, which is a unique market, that wasn't how it always was.

And we don't know how long that will be that could last 10 years, it could last five, it could be two years. I'm not that familiar with how that's working or that could change the way it goes everywhere. I don't know but eventually, there's going to have to enough homes for everybody. Eventually [crosstalk] they're not going to be able to buy up everyone, right?

Dan: Yeah, that's the nature. Real estate is kind of a boom and bust thing has been for very long time. We happen to be in a boom moment right no. To echo your points about educating the buyer and educating the agent, like when I asked the question, I had a specific agent in mind. I don't know their name; the agents on my team, some are like licensed with brokerages we own, some are very tightly knit—agents who are pretty much on our team.

We kind of get to hear them interacting with the other agents and I had in mind, Tim, probably a newer agent, maybe a lower volume agent who kind of is just getting started first couple of years. You know how hard it is for a real estate agent to really cut their way without much momentum already and it was a question and it was their kind of pre-negotiation. It felt like they're trying to get a deal whatever they were doing was the wrong activities, actions, they were asking the wrong questions.

It was a total turnoff to our agent and all of us who are dealing with whatever piece of inventory this buyer had some interest in. And the comment that our agent made to me was, "Wow, I feel sorry for that buyer who has that agent because they're never going to get a house," and the agent is probably thinking they're trying to do right by the client and get them a good deal, but they're blissfully unaware of the level of demand and how that affects the actual marketplace right now and you don't get a house today.

I mean, there's a good chance it's going to be more expensive tomorrow, right? You didn't get a house six, eight months ago, a year ago, were you thinking it was the top of the market and now these prices are 5, 10% higher and you're describing a lot of the situations, Tim, in Chicago and I'm over here laughing to myself because Chicago is the land of 38 days on market, 45, 60, 90 days on market for some of these neighborhoods that are now six, seven days multiple-offer situation and are gone.

So it's amazing that some of the slower markets in Chicago and there still is some slow pockets that exist still today, but there's a lot of rapidly changing markets that have quickly advanced and that's taking example of challenging markets that were slower. So, like any marketing, if it was even reasonably normal, to begin with, is beyond description with how hot it is and the agents who aren't doing a volume. I mean like you said, educating the agent and the buyer as to what type of market it is for someone like yourself who sees a large number of deals over a large number of years, can be a valuable member of The Power Team, right?

Tim: Absolutely, that's exactly. And you have to be prepared for what it looks like in the next six months, the next nine months, next 12 months, the next two years, and yes, like you were saying, even a boom in the Chicago area, like for example Englewood, which is a relatively next area, is moving quickly. It's moving very quickly in the Chicagoland area. I can't believe it. I've been doing this for 20 years and it's moving.

I don't know each market in each area, but it's preparation, it's getting ready for what's going to be next. Like Atlanta, it could be a hot market, like you say, for six more months or twelve or two years or five years. But there will always be that extra group of people that need to be educated, that will need to buy a home and they're not going to be able to buy them on the rent-to-own product.

They're going to maybe be in a position where have good credit or good income still keep those people. That's what I would say. Building a database, building a pipeline of potential buyers can also turn into potential sellers, that's just so many options. When you do have this inventory—what a way to build a database just by having all of the inventory. That's just a remarkable thing that you can look at today.

You may be able to sell quickly to some people, cash buyers. But in terms of a long-term play, if you do sell to a customer, like you we do in Chicago or in Philadelphia, you're generating simple many referrals through those people. You're generating so many more people into your database and you're able to network with so many people that maybe you want to sell. I love the idea of cash, right? I mean who wouldn't want to take cash full ask[?], right? That's just an absolutely gold mine right now.

But in the long term, to have the homes that sell to your direct to the retail consumer, you also will have a long play down the road and these grants and some of the database management that we work through can assist with that.

Dan: Yeah, and what you're describing reminds me of something that one of my mentors has always preached for years and he'd say, "Most people are concerned with eating today. They're concerned with today's money. That's it." They're just looking for money today and that's where their focus is and it's to the exclusion of everything else. And he said, "But to take a longer-term view and build a more successful business long-term, you have to be thinking about your equity, right?"

Tomorrow's money and you can be doing activity smart while you're getting today's money in the door. You're getting the harvest in, but you're also cognizant of them that's coming down the pike in the future. So building that pipeline, building that database set yourself up for the future and I've noticed something, too. I remember when the market crashed in 2008, 2009, 2010, and some people were crushed. They are in a real estate business, they lost all the rentals, they lost their own house. The Mercedes was dragged up the street and then you contrast that with other people who—they may not have been just like booming expansion that occurred right in the moment.

But some people had that mindset, where all the way along, they weren't disregarding the tomorrow money and I imagine this, I don't know if this is someone actually doing it, there's so much activity, you're getting so many phone calls on a listing that you are not concerned. This person doesn't have the 680+ credit score now like we're hanging the phone up and that's it. That's the end of the story. We're not paying more attention and it's cold and it's turning people off and you're dodging what are the potential quote-unquote time-wasters right now so that you can get the today money in a door.

But to your point, Tim, the long-term building and sorting and serving of those longer-term clients, as well as the today. If the market shifts and the demand delevels off or the demand goes down because the rates were low and everyone moved up their home-buying plans as quick as they could, who were going to get in the hopper. And who knows 6, 8, 9, 10, 12 months from now, the demand could look drastically different and those who decided to build the pipeline and nurture the pipeline will be in a better spot because I remember, specifically, the deals that I remember getting closed in 2009, 2010, 2011, they were the deals where it was credit repair and it was just specialized hand-holding.

And those buyers were committed and they were buying the houses that we put in front of them that we renovated and we were face-to-face selling our retail houses versus throw it on the market and let the MLS do its trick.

Tim: Absolutely, that's exactly correct. The thing about 2008, '09, '10, I went through that also, and it was a rough time. There's no question, that was a definitely a challenging time. But I think what I've learned is that during that time, it was a boom right before, you didn't think it was going to end and it was nothing but pressing on the gas.

And looking back, I look at a lot of the things that we did in lending and I just realized that there were so many things that we could have done that would have prepared us for that time frame, and not only would we have done better in 2008, 2009, 2010. We would have been in a position to really reap the huge benefits of this low in the industry itself.

And I think that when it comes to the rehab investment type property, it's good right now and it will always be good just like lending and banking and real estate will always be good. You just have to go with what is working at that time. But prepare for what's next, especially when you guys are getting so much traffic of people that are potential buyers. I understand when there's tire kickers or there are people that are like, "Hey, listen, I don't have a job. I haven't paid my bills and over a couple of years and I don't plan on paying bills."

Those are the people that maybe you'd kick to the curb, right? We might say, "Hey, listen, start with going to get a job." "No, not going to—" "Well, then you're not going to buy a home." That's something that we'll never be there. But somebody who says, "Hey, Dan, I really would like to buy a home. Tell me how to do this. This important to me and if you guide me, I'm going to go that route." "Well, first of all, you're going to need at least a 640 credit score. We'd like to see people succeed and we do have grant money that's available tons of grant money to get people into homes. You've got to be working where the income would qualify you to make your mortgage payment so you don't go into default."

That's really what it comes down to. "Well, I'm dedicated, Dan, and to doing that and it may take me a little bit of time." I generally work with people up to two years. So I'll guide someone all the way for two years if it's beyond two, it generally falls off. If I can't get them done into—they lose interest because if somebody has a 500 credit score and I talked to them in a year and they're at 510, they're not getting up to this credit score we needed.

Then they're always going to be at those levels no matter how hard I try. So, I use two years as my number and I keep my database, and 2008, 2009, 2010—it taught me that that database is crucial. And I don't work it as much as I should either. But that is really my focal point since 2008, 2009, and 2010, where those customers that I still stay in touch with and open to giving them guidance, whether it's a text, a phone call, or email, it works because they give me referrals, they give me connections, and the next thing for you guys could even be, "Hey, my grandma wants to sell her house."

That's an opportunity that you never thought would come, never thought would actually be there. So I think the connections, utilizing information about how people can get into those homes, and building that database of buyers will always keep you in business. Even if there's a low inventory [inaudible] you can't get inventory and you have to sell homes, right? You might have to, for two or three months, work with buyers and you make a few bucks. Is that a possibility, Dan?

Dan: Yeah, I mean for the right person, that's where you got to go, right? The cheese moves, you got to find it.

Tim: Yeah, exactly. That's why I think it's so important to know about these programs. Not only because you may use them but you want to know when the buyers are using the programs that you feel comfortable that they're going to work. The good news is if I'm getting somebody a grant we know we don't have to source funds, we don't have to get them any money. You know that's not the big issue.

If they've got credit and they've got a job, we pretty much have a deal. A lot of times when you're getting people to purchase homes without these grants—"Well, I'm getting a gift from my grandma," and then the grandma doesn't want to give the information on the money, and then you're stuck. We see that a lot in Chicago and I'm sure in Philadelphia. You, guys, probably aren't seeing it in Atlanta because they don't even care about the funds right now because it's always there.

Dan: Yes, it's tough for FHA offers to be competitive when there's conventional in the table and obviously, conventional FHA, it's tough to be competitive when there's cash. What is the balance that you end up seeing of loans that you've closed, let's say in the last 90 days? Are you talking like 50/50 FHA conventional or does it wait to one or the other?

Tim: 75 to 80% FHA. The govvies[?] are working because of the debt to income and the programs that would allow you to utilize the grants and the higher debt to income. So what it does is FHA program gives a customer an opportunity that has a slightly higher debt, meaning that they may have a car, they have the new mortgage payments, they have a couple of credit cards, where a conventional buyer may not have all of that debt. They may have one credit card, a small car payment, and new mortgage.

So their debt to income is really smaller where it makes the conventional buyer look a little bit more likely to get accepted, little bit more hoops to jump through for FHA. But if the debt to income is still within tolerance, I think that FHA is still a great program. One of the challenges sometimes are the flip rule, right, FHA. I don't know how many of yours damn that fall into that 90-day flip rule where they own the home less than 90 days and have to flip it and sell it. That is a challenge because you won't be able to buy FHA within a 90-day window and you won't be able to buy FHA without a double appraisal. Not that I'm worried about those but two appraisals within that six-month window so that's were FHA.

If I'm selling as an investor a rehabbed home, I'm really going to look for a conventional buyer. They'll be a little bit less meticulous on the appraisal and the time frame. Is holding a home, Dan, more—during the rehab process usually a six-month plus window or are there other properties that are moving faster than six months?

Dan: Yeah, oftentimes that seasoning thing is going to be an issue for us and many, not just Chicago. Fix-and-flip is an $85,000 ordeal to a 120 for certain properties. You could get them down a little lower depending on the property but in Atlanta, the flippers are turning them around in 60 days and they're sold in that first 30-day window and they're probably having...

Tim: Cash or conventional, for your Atlanta market, right? It's just simple which is plain and simple. There's no reason in today's market, even take an FHA offer in that time frame, right? Because once it's 90 days—again, the second approach is not a big deal, it's really not. Usually, [inaudible] everything is selling pretty close to the number, so once you get past that 90 days you're good, but overall you would probably be looking to take a conventional offer if you can. I would agree with you right now. If you could take conventional offers, you still get the grants with conventional just so you know.

Dan: So, Tim, if we had an agent who was listening in right now or even a seller, a rehabber who is selling a property direct and they had someone who was going conventional because a little bit lower interest rate, they qualify, they even have cash in the bank enough for the down payment. Would they still qualify for some grant money? Is there still something they could come to the table and it's still life worth having a conversation with you because they can keep the cash in the bank or what's the deal with that?

Tim: Absolutely, yes. A conventional buyer maybe has less debt and slightly higher credit scores, maybe a 680. That's really the only difference and they might have a few bucks more in the bank. And let's say they do have 10,000 and we don't want to deplete all of their cash if I could get them to grant. Like I said, the FHA is a good program but conventional utilizes every one of the same grant. So you can utilize every one of these grants.

Conventionally, awesome. Your first-time homebuyers just because they have better credit and lower debt to income doesn't mean that they might not have enough cash laying around to make this work. Ultimately, you want that person to survive when they buy that house. You don't want them to be [inaudible], you don't want them going in with as little money as possible. Now, when people go in and pay zero to a couple of thousand bucks, our goal is for them to have some money sitting around in reserves. That's the real goal of utilizing the grant.

It is that they do keep as much of their cash because there's no benefit to putting the money down. If you had to put 10,000 out of 25 down, it would be better off to have that 25,000 in your bank account in case you needed to survive a 2008, 2009 then putting the $10,000 down and that would only impact you slightly. So, the grant really help, keep the people into their homes and especially with a reserves, it really keeps their reserves at a higher level. We use as much of the grant money as you can to help people keep their cash in their bank account as much as possible.

Dan: And so the point is, is that even if someone does have the cash on hand, this is still a really valuable resource, which is the reason I wanted to get you on the show in the first place, Tim.

I think sometimes grant money, you need financial aid for school and things and you're thinking like, "Well, it's because I have no money," but here's a situation where you might actually have money and this is a way to get further assistance and keep that cash on hand for the rainy day as it were. It's kind of key. So, what about timelines for closing? Is this going to take six months to go through the whole process or is it an average closing time, Tim?

Tim: It's a slightly higher at time frame. So, if you can close a regular conventional loan in 30 days or even an FHA in 32 days, 33 days right now—and I think you're going to see that time frame, we've been going down—you might be about five days longer for a grant.

But going in that the people could get the grant at 35 days, I think that they're open to accepting that offer, especially in the Chicagoland Market, Philadelphia Market that, whether open to hearing these full offers, opportunities for the seller to reap all of their profit for an extra five days, right? That's really what it comes down to, is that they can get the deal done.

Mostly, people want to get their money right away, right? The realtors and the sellers they're like, "I need to close right away. I close in five days if I could," but the reality is that it probably takes about 30 days to close a deal and if it takes about five days longer to make sure that the seller gets every dime allotted, it's probably worth it in that regard.

Dan: Nice. Is there anything else that I didn't ask that you feel should be shared with our fix-and-flippers or agent audience?

Tim: Well, I would say this that these grants, and we when we talk about grants, that I think there is a misinterpretation that it is like financial aid or assistance and it's for poor people and stuff like that. No, it's really for every single person that needs to buy a home that is a first-time homebuyer or somebody who just is in the beginning stages [inaudible] of course you want to buy.

It makes no sense for you not to own a home unless you're moving every two years, place-to-place, that makes sense. But if you're going to live in Philadelphia and maybe you'll raise your family there, there's no reason you shouldn't be buying right now. Utilizing the free money that is available to get into your home and utilize that money so you could keep your own money, fixing things up for when the water heater breaks.

There are things that come up that people just don't realize even in a new home. Stuff breaks and people need to have as much cash as possible on hand at all times. The price points, which are interesting is that these grants go all the way up to the amount of an FHA or conventional loan in that area. For example in Maryland, you could get a grant on a $600,000 home. It's amazing that you could do this and in specific areas, like in Hawaii, I think it's up to 800,000 and you can get something like 22,000 grants. So you just have to be aware of what's available in your area and utilize that because if you were buying in Maryland per se and you actually got a grant of 17,500, I would take that.

Dan: Yeah, for sure.

Tim: I mean, I think rich people like 17,000.

Dan: You're right about that.

Tim: The number that most people could deal with, right?

Dan: Yeah, it's a start.

Tim: It is a start, right. Some of these markets that have this bigger grant availability, it starts at six grand. Six grand may be your closing costs, right? Boom, done. And that really makes the difference when people are buying these homes today. So I would say that to your retail or the retail buyers and the realtors that work with the retail buyers and maybe even some of the investors that [inaudible] retail buyers.

I would say, get in contact with Dan, in contact with myself, get in contact with me and see if there that we can hold them in a database. If that's something that you're open to. We would hold them in the database until they're ready to buy and get them prime to purchase those homes that you guys have available maybe in six months, maybe in nine months, maybe in 12, and it was really a great thing. If you had an inventory of people waiting for your inventory of product, that would be a great little pipeline.

Dan: Nice and as we get to the close here, Tim, just to confirm, if we had someone in any one of the 50 states who thought they should be reaching out to you, you'd be able to help them out, or are there any places that you are not capable of doing it

Tim: Noble[?] I every single state. That's one of the reasons I went to the Federal Savings Bank. They have a grant program in every state and a license in every state to do business and I can handle each one personally. I do not need to be licensed in each day. I handle Hawaii, Alaska, Texas, all states. I've done alone in probably almost every one of them.

Dan: Nice. So how can listeners get in touch, Tim?

Tim: Well, they can reach out to me. I can send out information to everybody through my website, so you can go to thefederalsavingsbank.com, thefederalsavingsbank.com, look up bankers, you can see I'm in that and that group, Tim Padavic, that's one way. You can call me directly or text me, that's the easiest way to do it. 773-744-7755, that is my number, my cellphone. If you want to give me a quick text. I'll reach back out to you and go over each one of the grants with you and your specific state to help you understand exactly how many different grants there are and different [inaudible] just to get people excited about homeownership.

I can go through each one of those. Those are the two best ways to reach out to me, through the internet with the Federal Savings Bank and my cellphone, give me a quick text and I'll reach back out to you. I've actually worked with a couple of, Dan, your group. I've done some personal loans for people. So it's worked out pretty well. But you know, my specialty is your first-time homebuyer, but I'll help whoever needs to be helped out. But the first-time homebuyer is really what I've been doing for the past 13 years.

Dan: And there you have it. Tim is one of my MVCs, that's the most valuable contact who we've now shared with our whole network. So I do encourage you to reach out to Tim, touch base. Check out the website and hey, Tim, I really appreciate your blocking out this time coming on the show. I had a blast so from my heart. Thank you for coming on the show.

Tim: Thank you for inviting me, Dan. I appreciate it.

Dan: So are you interested in doing deals with no money down? Creative financing? Sounds like a good idea, right? Then you might consider diving deeper into the mortgage note business. The mortgage note business is the creative financing strategy in real estate. First, negotiate no money down deals with sellers then find a buyer willing and able to put some money down and continue making payments until the deal is paid off with the profit for you in between.

And one of the things with creative financing is that you can sell properties for much higher prices using creative financing. So here's an example: I bought a package deal a few years ago and as part of the package, I think there were five houses that I really wanted because they were in the right area and there was the sixth house for $20,000 not in the right area. That house that I had to buy for $20,000 part of the package, it was worth about $20,000 and I tried selling the house on the market for $20,000 plus or minus, leaving the room for the commission, but to no avail.

The house did not sell so I removed the listing and I wrote a Craigslist ad offering that same house for $45,000 and this time I added creative financing. So the deal sold for price of $45,000 with $8,500 down and $443 dollars per month for 10 years. So the deal was off my plate collecting payments. Now if the deal runs all the way through the 10 years, I'll end up with a total of $61,660 on a deal I couldn't sell that I had to buy for $20,000 which amounts to a profit of $41,660. Not a bad deal on a deal that I couldn't even sell to break even.

So what's the best way to learn about creative financing, no money down deals, and the mortgage note business? Well, you're in luck. My friend Brian Lauchner is hosting a full-day virtual workshop in a few weeks on exactly that topic and normally there's cost $97 to attend but as an REI Diamond Show listener, you can attend free when you register at reinoteschool.com.

This class is a full day of content, tons of examples of real deals, and of course, many of these deals are the crowd favorites: no money down and extracting a nice chunk of cash upfront, followed by years of additional payments. So, go check the schedule and sign up at reinoteschool.com, and thank you for tuning into the REI Diamond Show. Remember to review our show and subscribe if you have not already on your podcasting app. Just search REI Diamonds and click subscribe.

If you are interested in receiving my weekly big idea email, where I provide the most valuable jewel of wisdom that I personally discovered during the recording of the most recent episode, you can sign up at reidiamonds.com, and at that site, you can also access the 188 episode archive. Again, that's reidiamonds.com.

So far, this year in 2020, we have bought and sold 92 houses. Well mostly houses. A few were apartment buildings and we currently have 132 more in our inventory, either under construction or under agreement and waiting to close and I say that to say this here are three ways that you and I can do business.

Number one, are you interested in having access to the best real estate deals in your market? In other words, access to deals that you can buy at low enough prices to actually profit after renovating and reselling? If so, go now to access realestatedeals.com.

Number two, Accredited investors who are seeking double-digit returns can sign up for private mortgage investment opportunity emails at www.fundrehabdeals.com, that is where I send out deals in which I am buying and funding to my private lender network. So this is the way to invest in my deals that I run personally.

Number three: Finally, I am always buying houses that I can flip and I buy occupied apartment buildings with below-market rents. I got to have some upside in any of the deals that I'm going to buy. If you have a deal that fits that description in either Atlanta, Chicago, or the Philadelphia Region, anywhere in a two-hour drive radius from those downtowns, please send me an email with the details.

We are at the conclusion, my friend. Next up, we have Matthew Sullivan joining us on the show to discuss a new method of refinancing real estate which comes with zero down payment and no due date on the loan. So you get cash now. You make no payments until you sell, and this is not a reverse mortgage, so there is no interest accruing as time goes on. You can find out more by tuning in next time. I'll catch you then.

Voice Over: Thank you for listening to this episode of the REI Diamonds Show with Dan Breslin. To receive email notifications of new weekly episodes, sign up at www.reidiamonds.com.

[END]