

100% **FINANCING** 100%

**7 Steps to the
No-Money Down Deal
100% Financing Even
in Today's Market**

THE
Lee Arnold
SYSTEM OF REAL ESTATE INVESTING

MONEY

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7 Steps to the No-Money Down Deal: 100% Financing Even in Today's Market

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> Introduction: A Word About 100% Financing

In this book, and video training, I'm going to cover how to find the "No-Money Down Deal" and then show you how to use 1 of 7 techniques to ensure that you achieve 100 percent financing. Why is this so important? Well, I'm sure you've been to the same real estate seminars that I've been to. You've probably even been to some that I've taught, so you already know that if you want to

maximize yield on **any** transaction then you need to limit your own personal outlay of capital from your own pocket. Easiest way to maximize yield is to limit your own personal exposure and the use of your own funds. Unfortunately, many people have a hard time wrapping their heads around how best to do this.

"When one door closes, another opens; but often we look so long at the closed door we do not see the one which has been opened for us."

– Helen Keller

But before we get too far into the topic, I want you to be thinking about this quote by Helen Keller. She said, "When one door closes, another door opens; but often we look so long at the closed door that we do not see the one which has been opened for us."

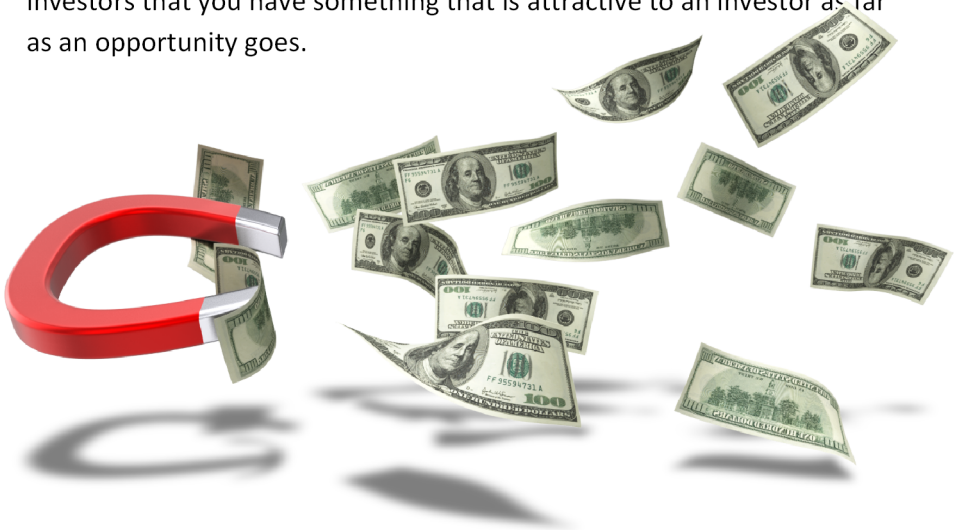
My number one hope here in this book and accompanying video is to help many of you get past that, "Where am I going to get the money?" excuse. That is the main objection that I hear from real estate investors nationwide as to why they haven't started making the kind of money

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that they want to be making. They are so stuck on this, "Where am I going to get the money?" that they never actually even write the offer. It's the wrong way to look at real estate investment. So, before I proceed throughout this training, just know that if you have a good deal, money will find you.

In every real estate transaction, money is not attracted to you. Money is attracted to opportunity. Oftentimes the reason you might be struggling to get the funding for deals, is not necessarily because of you, it's because you didn't do a good job of presenting the opportunity. You need to really make sure that as you're putting these deals under contract and you're putting together your portfolio of presentation to your investors that you have something that is attractive to an investor as far as an opportunity goes.



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> Finding the No-Money Down Deal Starts with Marketing

Finding the no-money-down deal is absolutely worth your time and effort.

The first thing we start with to get 100% financing, believe it or not, is not looking for 100% financing. The way that we begin is we start by finding a good deal because remember money is attracted to opportunity. To do that, we're going to need to create a consistent and steady flow of predictable leads. Now you need to underline and understand the word predictable.

Before I go any further, I want you to realize that you're getting a great deal today. Because when I go out and do a private one-on-one consulting, I charge \$50,000 a day with a 3 day minimum -- that's \$150,000 for three days. In this book and video training, and because you're a valued subscriber and client of Secured Investment Corp and Private Money Exchange, you're going to be getting a lot of that same information that others pay me to learn.

When I go out and do consulting work, the first thing I start with is a diagnostic of my client. I begin by asking a lot of questions related to how they acquire their business.

- Tell about your lead flow.
- How are deals coming to you?
- How are deals being brought into you?

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- From what marketing message are deals coming in?
- How many bird dogs do you have out in your local marketplace that are bringing deals to you and only you?
- How many wholesalers do you have feeding you good deals?
- How many Internet campaigns do you have running?
- How many Craigslist ads have you placed?
- How many publications are you running yourself in?

The biggest flaw in most businesses is not bad operators. The biggest flaw in those businesses is bad marketing. My bother-in-law was a home builder and you know what happened to a lot of home builders between 2008 and 2012. When he came to me in late 2007, early 2008, the market was not nearly at the place it was after August with Leiman Brothers coming down.

He came to me and he said, "Hey Lee, what's going on in my business? I need some help."

I said, "Tell me where you're marketing."

He's said, "Everything I do is word of mouth."

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Here's the problem. Word of mouth is not **predictable** because you have no idea when somebody is going to talk about you, your business, or the value that you add to the marketplace. As the investor and business owner, you need to make sure that you've got good marketing in the right places and that you are indeed tracking it.

If you don't have money to invest in marketing, which is a big problem for a lot of startups and new entrepreneurs, then actually go out and find these leads

The trick to finding a good lead is to be the first one there!

yourself. Now I would encourage that you do not go to free Internet lead providers. The leads that you get off of free websites are usually so combed over and everyone has seen them six ways to Sunday. They're no longer good leads by the time they are free. The trick to finding a good lead, please write this down, is to **be the first one there.**

Probate

If you know that somebody has had a family member that's passing away and they want to unload the property, you can be their first point of contact. How can you predictably make that happen? You could start by contacting all of the attorneys in your local market who deal with probates and set up estates and/or trusts, whether they be living trusts or family trusts. Trusts are typically set up as people get up in years, and begin to concern themselves with the taxation on their estate as it

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transfers to their heirs. Tax attorneys are great people for you to solicit your investing business to. Send a letter a month to every probate and estate planning attorney in town and represent yourself as a real estate investor who has cash and can close very quickly.

The letter might read,

"Dear Mr. Probate attorney, my name is Lee Arnold. My office is located in the beautiful part of Coeur d'Alene, ID. We are looking for more real estate investment opportunities. We have cash and can typically close within 3-5 days. If you have any clients that are looking to liquidate either properties owned or properties inherited, please contact us immediately."

Something as simple as that is better than what probably a lot of you are currently doing.

Tax Auctions

Tax auctions are tough simply because if you go to an auction environment, you will find yourself competitively bidding against everybody else who sat on a webinar or attended a seminar who heard the word tax auction.

The upside of the tax auction is not actually going to the tax auction. The upside is pulling the list from the county assessor's office, finding

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out which homeowners have not yet paid their taxes for the year, and pulling out the cream of the crop. If the property is owned free and clear, and the owner is absent from the property or perhaps they have moved multiple times so the tax assessor can't actually nail down where they currently live. You can track them down through Google or social media and offer to pay the taxes in exchange for the property. If they don't do this deal with you, in 2 weeks, the property is going to go to tax auction anyway. Wouldn't they rather do a deal now, where they at least can control the outcome as opposed to letting it go to tax auction and not having any control over the outcome?

Again, in a tax auction, as well as any foreclosure auction, you need to understand that the value of those leads is not the day of the sale. It's the weeks leading up to the day of the sale that are the sweet spot. If you're waiting to buy at the foreclosure or assessor's steps, you're now competitively bidding against everybody else. You want to rise above by getting there first.

Out of State Free and Clear Owners

This is one of my personal favorites. If the property is vacant, abandoned, and in disrepair, and it's owned free and clear, and the owner lives out of state, they do not love this property and it is blatantly obvious from the condition. If there is an underlying mortgage against the property that is current, obviously they see enough value in the proper-

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ty that they continue to pay the debt service monthly. If the property is in disrepair, they continue to pay the mortgage because they don't want to lose the property to foreclosure, but they probably lack the monies necessary to go in and fix it up and retail it for maximum profit.

What if you were to identify these people in that situation and you said, "Hey you know what? Rather than you selling me the property, I've got \$15,000 or \$20,000 over here in a self-directed IRA, why don't you quit claim deed the property to a co-owned LLC between you and I. I will invest the \$15,000 or \$20,000 into fixing and cleaning it up and then when we sell it, I get my \$20,000 or \$25,000 back first and then we split the overage or the upside." This is just another way that you can get into these types of transactions without having to come out of pocket with a significant amount of money.

I can tell you that in a situation like that, where you've found an owner, you've worked out a partnership agreement, money is available for those types of deals all the time. There is no shortage of ways that you can structure these deals to get yourself into a really good equitable situation without having to come out of pocket with a lot of money.

Some people will hear these strategies and go, "Man Lee, that sounds like a lot of work."

To which I reply, "Of course it is."

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Name one position or career where a person makes a lot of money and doesn't do a lot of work. That's my whole problem with all of these Internet websites out there that try to make everything seem so easy. It's not easy. If it were easy, everybody would be doing it. You might argue, "Well Lee, everybody is doing it."

No, I would tell you that a lot of people are attending webinars and seminars but very few people on a webinar or a seminar are actually out there doing it. It is a lot of work. However, I will tell you this, if you will invest the time, energy, and effort the right way, meaning go after the leads that I tell you to go after, write offers in the fashion that I tell you to write them, not only are you going to do a lot more deals, but you're going to make a lot more money.

Let me just ask this question for two reasons, one to see if you're awake, and two just to get a sense of who you all are. If I were to call you right now and offer you a job to come work for me at my company, but I told you that you're going to need to work 6 days a week, put in 10 hours a day, and I will pay you \$250,000 a year, how many of you would accept the position?

My whole point for asking the question is if you all would commit that much time, energy, and effort to your own business you would be making a minimum of \$250,000 a year. Think about it, \$250,000 a year, if you divide that by 12 is \$20,000. I don't encourage that you invest in a

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deal or go after pieces of property where you're not going to average at least \$20,000 per transaction, which basically means that to make a quarter million dollars a year, you only have to do one buy, fix, and flip per month.

How many of you think you could at least buy, fix, and flip one property per month?

Some of you are going to respond, "No, I don't think I could do that."

Well, for every reduction in your willingness to do that volume, then you need to take \$20,000 a year out of your salary. Here's what I've discovered, when I first began real estate. I thought that doing one property a year was going to be a tough nut for me to crack. So when I accomplished it, I thought, "OK, maybe we'll do two properties per year." At one point, we were doing 5 to 10 properties per month and now we do 30-50 properties a month. The volume, your ability and confidence will increase. It used to be that I was excited if I could make \$20,000 in a month. Now if I don't make at least \$500,000 I'm concerned. Eighteen years ago I bought my first house for \$35,000. I put \$15,000 of somebody else's money into it. I sold it for \$79,000.

You all have to start somewhere and many of you have started, but at what point are you going to increase the volume? At what point are you going to increase your own personal commitment to your company by giving it the time, energy, and effort that it deserves? Ninety percent

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of you responded that if I were to commit to pay you \$250,000 at 60 hours a week you would do it. I'm here to tell you guys, if you will invest that kind of time, energy, and effort doing exactly what I'm going to be sharing with you here today, you absolutely will make a quarter million dollars a year minimum. That's a pretty bold claim, but I've been doing this for a long time and I can tell you that the people who invest the time, energy, and effort can produce those types of returns. Do you believe me?

Again, here you all are saying, "Absolutely, if I were to work that hard and commit that much time, energy, and effort, I absolutely would be making that kind of money."

Now, let me blow your mind. Many of you are already working 40, 50, or 60 hours a week at a job. I'm pretty confident that the bulk of you aren't making \$250,000 a year. So, at what point do you make the transition and go, "Wait a minute. If I were to just be my own boss, be an entrepreneur and go out and do this myself, I could be



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making \$250,000 a year but right now I'm trading hours for dollars and I'm lucky if I'm clearing \$30, 40, 50, 60, 70, 80,000. Here's the reason 90% of you are not actively making what you want in real estate.

Reason #1: You are concerned as to where you will get the money.

Reason #2: You believe that your current credit rating or your current financial portfolio is not going to allow you to get access to money.

Those are the top 2 reason that 90 percent of you who are on this call are still actively employed, working for somebody else, and trading dollars for hours. You must stop the madness.

For those of you that have done one deal, I want you to go do two. For those of you that have done two, I want you to go do four. For those that have done 4, I want you to go do 8. For those of you that are doing 8, I want you to go do 16. Continually be increasing the amount of deals that you're doing and the amount of money that you're making. If there's no increase, then you're going backwards, and I need you going forwards.

Now, why in the world would I invest a couple hours of my time to train you in this book and video if I can make \$150,000 in three days? Plain and simple, I want you to borrow money from us. Private Money Exchange is the largest and fastest growing private money lender in the nation, and I need you to borrow money, because I make my money by

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lending you money. That means I need you to actively find deals that we can lend you money on.

Just today I was in a meeting with an investor that wants to provide gap funding for all of our clients. Money down, fix up and repair costs, holding costs, and carrying costs -- there's some pretty exciting things going on here. We're doing this so you have greater access to capital so that you can be doing more deals in more places, more frequently, and more often. You can more readily give the time, energy, and effort that your business deserves so that you can be making \$250,000 a year. If you make \$250,000 a year, and you do that continuously for the next 10 years, you have \$2.5 million.

I have another vision and goal for you. I want to lend you as much money as you need to make as much money as you want so that you have more liquidity and surplus than you know what to do with so that you will come back and eventually lend through our system. If I can lend you money to make you rich and then you come back and lend money to new people and you help them become rich then everybody's getting paid all the time. Pretty exciting, don't you think? I think so, that's why I'm here.

Lead Flow

We're looking for predictable, steady lead flow. Here's what I love about probate and foreclosure. With probate, people are always dying.

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Tax auctions, people always have to pay taxes because those are the only two things that are guaranteed, death and taxes, right? Fifty percent of the population will continue to get divorced, and when people divorce, they split up the household income. They can no longer afford to make their payments, and the home typically goes into foreclosure. People move out of state. They lose their jobs. They don't have the ability to pay, so there will always be foreclosures. There will always be probate. There will always be tax auctions. To me, that's a pretty predictable, steady opportunity.

You've got to look at the macro economics of what's going on nationally. We're seeing a decline in REO properties because outside investors are coming into this country in droves. Since January of this year to the present, Wall Street has produced over \$15 trillion in profits to its private investors by chasing REO properties because they're listed by agents, they're very easy to access. All of the big money is flocking to the easiest places to find deals. Where is big money not flocking? Probate and tax auctions. Why? It's too much work.

Why in the world would you invest time, energy, and effort to create a steady, consistent supply of leads that may be drying up? You are better off producing steady, consistent flows of leads where they will never be a shortage of people dying, getting foreclosed on, or owing taxes on their property. I want to encourage you to go after these types of properties.

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In most counties where you see anywhere from 50,000 to 500,000 foreclosure properties a month, if all you did was work one of these lead verticals, you would have more leads than you could possibly ever work efficiently and effectively. You would have plenty of leads to at least do one deal a month, which gets you to \$250,000 a year, which is what you are shooting for.

Prioritizing the Lead by Equity

Once we have all these leads, we need to prioritize them. Now, you're not going to prioritize them by zip code or county. I want you to prioritize them by your target area, as well as by the properties that have 50 percent or more equity, based on current as-is value. As I do my private consulting, I prioritize their leads for them so that the top properties on the list are those where the owner owes less than 50% of the property's as-is value. If it's worth \$100,000 currently, I'm going to go after people who have a mortgage of \$50,000 or less. I'm not even going to pursue people who have a mortgage of \$50,000 or more, because there's not enough marginal spread in there to do 100% financing. If I have to come out of pocket to close on a piece of real estate, it reduces my cash on cash returns, which is something I'm trying to maximize. That's why I'm going to pursue those types of properties.

These are leads that we can aggregate at our leisure. They are public record and they're available to anyone at any time.

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> Finding the No-Money Down Deal Starts with Marketing

In addition to that, I also want to develop a consistent lead flow of motivated sellers so I'm going to run ads on Craigslist, Backpage, Facebook, LinkedIn, Opt-ins from Private Money Exchange, Private Money Pipeline, the PME Blackbook.

Offline, I'm going to be running direct mail, phone calls, newspaper ads, REI meetings, and networking meetings.

Success in business is not about having money, it's simply about having contacts. For those of you who are Private Money Exchange affiliates, we have literally laid in your lap one of the best possible tools out there that gives you affinity, credibility, and control. It gives you a systemized landing page and marketing platform and everything that you need to start attracting the very types of people that you want to have in your business, which is other active real estate investors and private money lenders.

You need to be more actively involved and engaged in the success of your business. And you need to get active **NOW**, not because the market is diminishing. I believe that there is always opportunity if you know what you're looking for. With what's going on in real estate, with the availability of capital and amazingly low priced deals, if you don't come out of this in the next 36 months as a very wealthy individual or a multimillionaire, it's not because there wasn't opportunity. It's because you're too lazy to take advantage of these opportunities.

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> Making Contact: Working the No-Money Down Deal

Once we have the consistent, predictable lead sources, the next thing we have to do is call our leads. Yes, I said it. We're actually going to work our leads.

A few months back I was out doing a consulting gig for a client, and I said, "Ok, show me your consistent leads." They took me to a website and they showed me some direct mail that they were doing. I said, "Ok, great. Show me where you've sorted your leads and you've prioritized which ones you're going to pursue first." They'd done everything perfectly up to that point, because I'd spent weeks on the phone with them prior to our visit. But the moment I said, "Show me your call logs," they were baffled.

They said, "What Call logs?"

I said, "Show me where you have actually invested time to sit down and call through these leads."

"Oh. I didn't know you wanted us to call them."

"What did you think they were going to do? Just track you down and throw \$100 bills in your lap?"



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> Making Contact: Working the No-Money Down Deal

I mean that stuff happens in some businesses, but not in the real estate business.

In this business, you need to be making active outbound calls. We've put together a little formula here, the 25, 25, 4, and 2 formula. The way this works is you're going to send out 25 mail pieces a week. Now, I already showed you where to get the leads, and I already gave you the mail piece that you actually can send out to probate attorneys. You can send letters out to people in foreclosure or who owe back taxes and their house is headed to a tax auction. These are all leads that you can be dialing through all day, every day.

25 Letters Mailed Each Week (1300 Per Year)
+ 25 Calls Made Each Week (1300 Per Year)
+ 4 Networking Meetings each month (48 REI Clubs
or Seminars)
+ 2 Offers Written Each Week (104 Per Year)

**= HUGE REAL ESTATE
SUCCESS**

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> Making Contact: Working the No-Money Down Deal

Here's what you're going to do. You're going to send 25 letters a week. You're going to make 25 outbound calls a week. If you just do this Monday through Friday, can you print, lick, label, and stamp 5 envelopes a day and can you pick up the phone and make 5 outbound calls a day? If you can do that, you are on your way. Also, I want you to attend 4 networking meetings each month. These can be REI clubs or seminars. This can be at the local title company putting on a training. I also recommend that you contact your local county recorder's office. Many of them will offer a free training seminar where you can learn how to extract title or lien priority from your county recorder's office. It's a great way to identify seconds, balloon seconds, thirds, or junior liens strategies. These deals have very low capital requirements with huge upsides where you control the property through a second or a junior lien position. It's one of my favorite strategies.

Then you're going to write 2 offers each and every week. If you will stick to this plan, at the end of one year, you will have sent 1300 pieces of mail and that's a lot of hooks out there. Years ago, I used to drop 25,000 pieces of mail each and every week asking people to buy a book and a DVD for \$15. Interestingly enough I haven't dropped that mail piece for over 5 years and I just had an order come in for \$14.95 from somebody who received that mail piece back in 2008.

My point in telling you that is, dropping mail, in my opinion, is one of the best forms of media and advertising that you can invest money into

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> Making Contact: Working the No-Money Down Deal

because it's very difficult to delete. Most people don't throw out their mail. They actually let it stack up and then they invest 2 or 3 hours on a Saturday at the kitchen table to go through it. Therein lies your advertisement, your marketing message. One of the best things you can do.

So we've dropped the mail, we're going to follow up with calls, network in our local community and get to know other investors, and we're going to write 2 offers a week.

Now, this is my 6 figure guarantee to you. As you know, we have a mentoring program where for \$25,000 or \$50,000 one of my consultants that I have personally trained will actually fly out and spend 3 days in the field with you. With that, we offer a double your money back guarantee. If you invest \$25,000 and one of my consultants comes out and spends 3 days with you, we will work with you until you have doubled your investment and you've made \$50,000.

How can we guarantee such a thing? Well, it's pretty easy because for our mentoring clients we hold them to this mandate and if they don't stick to the mandate, then we drop the guarantee. We are so confident in this 25/25/4/2 formula for success that we've literally guaranteed \$25,000 and \$50,000 annualized returns to people who invest in those programs. Did you have to invest in those programs to get access to it? No, I'm giving it to you right now!

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> Making Contact: Working the No-Money Down Deal

How many letters have you mailed this month? How many calls have you made this month? How many meetings have you frequented this month? How many offers have you written this month? All of these equate to how much money you've made.

Knowing this simple formula, I still hear on a regular basis, "Well, you know Lee, it was a busy month. The kids are getting out of school and I had to go here and there so I haven't been able to drop any letters this month."

"Ok, that's understandable. How many calls have you made?"

"Well you know Lee, it's just been really busy. I haven't had any time."

Really? I typically find out that the average client watches 10 hours of television per week. That's 40 hours per month.

Even if you only watch 5 hours of TV a week, that's 5 hours that you could you be licking and stuffing envelopes or on your laptop Googling for people's phone numbers so you can call them? You need to be a little bit more resourceful and a lot better with your time. Where there's a will, there's a way.

One of my biggest pet peeves is when clients tell me about all these deals they've gone out and looked at, "Oh Lee, I drove by this great

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> Making Contact: Working the No-Money Down Deal

house. It looks amazing. I've made contact with the owners and we're in some pretty good talks and things are going well."

I say, "How did they respond to your offer?"

"Oh, well I haven't written the offer yet."

"Why? Why are you investing time in our conversation when you have not written an offer?" An offer **is** the talking point when talking to a lender. If you're not going to pull the trigger and write the offer, then don't even make the call and don't send the letter. The offer is what seals the deal.

Private Money Exchange will give you the proof of funds for free. We'll give that to you in hopes that you get the deal under contract so we can lend you the money.

And through your PME leads you can identify other people that can come up with the down. Or as I mentioned before, we're actually working on gap funding and other bridge lender loan opportunities for you so that you don't have to come up with any money down or any money for fix up and repair which does you no good if you don't have a deal that's under contract." That's why this is so incredibly important.

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> What is the Deal Worth? What Can You Get For It?

Remember that through our lead source, we know what they owe. That's public record. We know what they owe. We have the address, and now we're going to determine what is it worth.

Two questions I will always ask you if you call me up and say, "Lee I've got this amazing deal." I'm going to ask you two questions and there will only be two questions. If I don't like the answers to these two questions then I'm not going to ask you any more questions.

Question #1: What is the property worth? Don't call my office without knowing what the property's value is.

Question #2: What can you get it for?

Those are the only two questions that I'm ever going to ask you about a deal. What is it worth? What can I get it for?

"Lee, it's worth \$100,000."

"What can I get it for?"

"I can get it for \$50,000."

"Great. Write the offer."

"Wait, I need to know..."



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> What is the Deal Worth? What Can You Get For It?

"No, you don't. Write the offer."

"Lee, I've got a great deal."

"Great. What's it worth?"

"It's worth \$200,000."

"What can you get it for?"

"I can get it for \$160,000."

"Too high. Get it for \$140,000 or don't buy it. Go write the offer."

It really is that simple, guys. You don't have to over-think this stuff.
What is it worth, and what can you get it for?

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> Writing Your Own 100% Coupon

What can we get the property for brings us to negotiation. We want to be the last person to name the price because the first person always loses. Now if they've read the same books on negotiation as you have, eventually somebody has to name a price. Here's how I break the ice on the whole offer-pricing thing. If you're stuck in this back and forth with the owner:

"Well, what do you want to pay?"

"What are you willing to accept?"

"How much do you need?"

"How much do you want?"

"How much do you have to put down?"

"How much do you need?"

Here's what I tell owners, "You've got a really nice of property here, but as an investor I'd like to pay as little for it as I can and if I can get it for a dollar, that would be great. At the same time I know you think that you've got a castle here and you're probably looking for anything north of 1 million. I'm willing to negotiate from anywhere from \$1 to \$1,000,000, where do we need to be?"

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> Writing Your Own 100% Coupon

I know that sounds “cartoonish” but it really works. I actually just did that last week. We need to get them to give a price because that sets the tone, that sets the anchor from which point all negotiations begin. We’re going to be fact driven, we’re going to be highly qualified, and we **will** be able to walk away at any time. You cannot be a “motivated buyer.” I have met some of you and some of you are so desperate to find a deal that you become a motivated buyer. The problem with being a motivated buyer is you're going to pay more for the property than it's worth. It's going to need more repair and renovation. That's going to set you up to become a motivated seller. Motivated buyer equals a motivated seller which equals no money. We never need to buy anything that bad. Certainly if we can come to terms and everybody wins, I'm going to be interested, but we never need to buy anything. Be willing to walk away.

Treat the initial offer as an opportunity to gather information about the seller's motivation to sell. Let their price and their reaction to your counter set the tone. I prefer to negotiate in person, but if I have to do it over the phone or I have to do it through contract, I pay very close attention to the time it takes them to respond to the offer, the nature at which they respond, any addendum that they strike from the original offer price, the terms and conditions that they like or don't like, things that they are willing to accept, things that they will absolutely not budge on. All I'm interested in is the price, so if I can get my price, I'm

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going to give up concessions and I'm going to buy it as-is. I'm not going to buy it subject to anything, it will be cash. As-is without representations as to conditions or warranty and it makes the offer clean. For me, all I'm interested in is price.

Always be firm and realistic on your price.

Let me give you an example. We've got a house valued at \$100,000. The underlying mortgage however is \$25,000, which means we've got \$75,000 in equity between what it's worth and what they owe. These are the types of deals we have all sorts of wiggle room with. My first offer is going to be \$25,000 all cash. I will provide them a proof of funds letter from Private Money Exchange. They typically will counteroffer at \$75,000. Well, I'm going to split the middle, using Solomon's wisdom, and divide the baby. I'm going to counter offer \$50,000, giving them \$25,000 down to pay off the underlying first, with the seller carrying back the rest of the amount of \$25,000. You can come to Private Money Exchange and we'll give you \$25,000 down because it's secured against property worth \$100,000. which means it's a 25% loan-to-value to us. The seller can carry back a \$25,000 second and you can negotiate 0% interest, no payments for 12 months with a 60 month balloon.

The thing I love about the lending and paper business is that you are literally writing and creating a coupon out of your own imagination. If you want to pay 0% interest on a loan, offer 0% interest. If you don't want

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to make any payments for 12 or 24 or 36 months, tell them you're not going to make any payments for 12 or 24 or 36 months. If you don't want to make a balloon payment, alright, 0% interest, no payments for 36 months with interest only payments starting on the 37th month with a balloon in 489,000 months.

Again, a cartoonish example but I'm simply illustrating a point that when you are writing and creating paper, there are no hard and fast rules. That's on non-owner occupied investment real estate. Seller financing on owner-occupied property can come with all kinds of disclosures and liabilities.



OPPORTUNITY

> Finish It Up

You submit the loan application, you get that deal under contract, you submit the loan application to Private Money Exchange. If you're an affiliate, you do it through your personal website because yes, as an affiliate, not only do we lend you the money to buy deals, but we also pay you the affiliate fee on deals that you are acquiring yourself. If you're lending on notes being offered by Secured Investment Corp or Private Money Exchange, then you also get paid as the affiliate when you're funding notes.

You'll fill out the loan application. The proof of funds, the pre-approval, the borrower agreement, the borrower authorization, the property affidavit, the proof of insurance, property counts and title insurance, and you'll work with your loan officer to order the appraisal and set up the closing. We'll do anywhere from 30 to 60 loan closings a month. We do a ton of volume, we sell millions of dollars in loans each and every month. We are very, very good at it. All you need to do is submit the application through your affiliate landing page and we will do the rest.

You will then renovate the house, put it on the market for \$125,000, find a buyer and your property will earn between \$25,000 and \$50,000, that's not a promise (but of course that's my lawyers opinion).

Then we're just going to rinse and repeat and do it all over again.

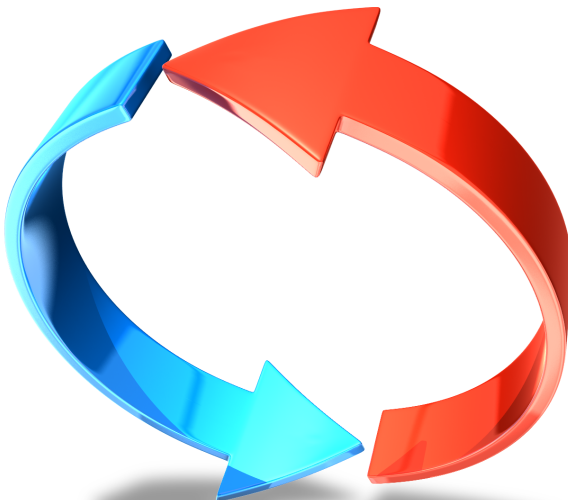
Some of you are saying, "It never happens that easily, it's not that easy."

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> Finish It Up

No guys, it actually really is. If you will begin where I told you, which is to find a steady, consistent, predictable flow of leads, the entire buying and selling of real estate is so incredibly easy. You've done the heavy lifting, which is doing the marketing and getting your phone to ring. Everything, if you buy a property the right way, and you get it for the right price, everything after that is easy. Even selling it is easy because you bought it at such a great price, you can put it on the market for 10% less than all of the competing properties on the market. And still you're going to sell it quicker and put more cash in your pocket faster.

Buying right is the key to selling right. If we are not a motivated buyer, then we don't necessarily have to be a motivated seller. The profit just goes up from there. In all things, always be creative with your offers.



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> The 7 Steps to 100% Financing

1) Secure Owner-Financing

Easiest way - secure owner financing either in the form of a first trust deed, second trust deed, or a third trust deed. If you can get the seller to participate with you in the financing, everything gets easier. This is the most common way of getting 100% financing, where the current owner agrees to finance all, or some of the purchase price. If just some, you can get the remaining amount from Private Money Exchange.

The four types of owner financing that are available are:

1. The principle to be paid at a later date, there's no monthly payments, no interest payments as we discussed earlier.
2. Principle will be divided into monthly payments.
3. Interest only payments with the principle being paid off in 5 years.
4. Interest and principle payments typically amortized over a 30 year term.

I have written notes where we did a 40 amortization, what's the purpose of that? If you're going to buy a property and hold it long term, you want to maximize your monthly cash flow. The way you maximize your monthly cash flow is you reduce your monthly debt service. One of the easiest ways to reduce your monthly debt service is to negotiate low, low interest with the seller who's carrying the financing, or negoti-

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ate it over a 40 year am or a 50 year am with a 5, 6, or 10 year balloon payment. Balloon payments are tricky because oftentimes based on the age of the seller, they're doing the math and thinking, "Well, if I do a 50 year am with a 20 year balloon, am I still going to be alive?" I don't want to transfer the liability of this coupon to my estate. My ticker feels pretty good, I'm pretty confident that I'm going to be around for 5 years so let's do a 60 month balloon. This is oftentimes how they determine the length of the balloon, or whether or not they want a balloon payment.

Important Negotiating Note: In a market where the federal reserve continues to pump \$80 billion a month into mortgage backed bonds and other types of investment vehicles, the return to investors in CD's, mutual funds, or exchange traded funds, is always going to be less than 2, and 2 is rich. I just talked to somebody today that cashed out their CD because they were getting a half of a point annually.

When you talk to sellers about carrying financing, some of the benefits of financing is if you're willing to pay 5. Ask the question, "If I were to pay you all cash for this property right now, what would you do with the money?"

"Well, you know, we'd probably just put it into a CD?"

"A CD earning what rate?"

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"You know, probably put it into a 5 year CD so we'd be looking for 2.75."

"How about I just give you 5 and I'll put it into a 5 year CD in the form of a note secured against the property in a first trust deed? That makes a lot more sense doesn't it?"

Many of us make the assumption that if you're selling a piece of real estate, it's because you are financially savvy. That's not an accurate statement. Most sellers of real estate, this is either one or two of properties they own, are not thinking about the upside benefits of carrying financing.

Seller finance transactions don't just land in your lap. They're something that has to be negotiated and it is something that has to be sold to the seller so that they better understand the benefits and the merits of carrying financing as the seller themselves.

2) Subject To Deals

The mortgage stays in the current owner's name but the deed is transferred to your name. This can either be done through an all-inclusive trust deed. You can also do a contract for deed where the deed wouldn't actually transfer but it would be held in trust. As long as you fulfill the payment obligations and the terms of the transaction which were set at the entry point of the deal, then the deed would be transferred into your name.

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There are some pros and cons of contracts for deeds. I personally prefer all inclusive trust deeds because I think they're the cleanest way to go. Also, you get all the upsides of depreciation. There's just a lot of tax benefits in doing it that way as well, but I'm not an accountant, or a CPA, or a lawyer. Therefore that's just my opinion.

Wholesaling Subject To: Instead of closing the deal yourself, and taking over the loan, you can wholesale the deal to another investor who will take over the loan. One of the best ways to wholesale a subject to deal is to retail buyers. Here's one of my favorite types of transactions. I go out and find a house that's worth \$125,000 and they owe \$100,000. Now, I know this goes against everything I said about value and equity but follow me. If I find somebody that owns a house that's worth \$125,000 and they owe \$100,000 and they're just looking to get out of it. They have an owner occupied loan from a bank that they got 5 years ago so there's still 25 years left on the coupon. They have a rate of 4.75%. I'll come in and say, "Look, I'll give you \$3000 for your transfer fees and I will take over the property." Now I've got a \$100,000 loan at 4.75%. I now market the property for \$125,000, I require \$25,000 down, and then I, as the seller, will carry financing on \$100,000 at 8%.

Let's just take the interest only math. If you've got a \$100,000 at 4.75% and what you will get is \$47,050 a year or \$395 per month. If I take the same \$100,000 at 8%, that's \$8000 per year or \$666 per month. I agreed to pay \$395 a month on that person's mortgage and I sold it and

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carried the financing and I'm now making \$271.66 a month in positive cash flow on a house that I do not own to a person who's going to live there, love the property, and I'm just sitting in the middle making the spread.

Some of you have heard of something I call the sandwich lease option. This is a sandwich, all-inclusive trust deed. I took over someone's loan and I resold the property and I carried financing, so I'm just in the middle. I'm collecting checks from the person I sold it to and I'm paying the person that I bought it from. Nothing illegal about it, it's fully disclosed and fully serviced.

Lease Option in a Subject To: The second way to make money is buying the house subject to, selling it on a lease option to a tenant or buyer. You might take over a loan for \$200,000 and give the tenant the option to buy it at \$240,000. That means you make a nice \$40,000 when the house sells. This is called lease option subject to, a sandwich lease option, or holding the subject deal as a rental property.

Holding on to the Property as a Long Term Rental: For example, once you take over a property subject to, you might tell the owner that you have the loan out of his name within 10 years. For 10 years you get the cash flow and an increase of equity while the loan is in someone else's name. For those of you who have been wondering, "Gee, how can I build up my portfolio when I've maxed out the number of

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Fannie/Freddie Mac loans. If you've maxed out on that kind of bank money, you've got two options. One, you can go out and raise private money through private individuals and offer them preferred rate of return or two, you can just go find properties where there's an underlying mortgage already in place and you can negotiate to just take over those payments. Now you don't have to qualify for a new loan, you just take over the payments. This is how you can build your rental portfolio long term without having to worry about bank financing or your credit score.

3) Equity Share With Another Investor

You will share equity with the investor who gave you cash to secure the deal. For example, an investor gives you 35% on a down payment, Private Money Exchange gives you 65%, and in exchange for the down, you agree to give the investor part of the monthly cash flow and/or profits from the deal.

4) Equity Share With an Owner

Owner transfers title to an entity in which you are both partners and the property is refinanced for the purchase price. In exchange you agree to give the investor part of the monthly cash flow and/or profits from the deal.

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5) Seller Carries Back a 2nd Mortgage

The seller owns their property free and clear, and can carry the note for a buyer. If the buyer wants to purchase a house but doesn't have the down to qualify, the seller may offer to hold a note in second position in the amount needed.

For instance, a house being sold worth \$100,000 and the buyer qualifies for \$65,000. The owner may carry back a \$35,000 mortgage. That's 100% financing. The buyers then make payments to the seller and the lender until they refinance or sell the property. What if you were to get the seller to carry back a \$65,000 second? So Private Money Exchange gives you \$65,000 for a first. The seller carries back a \$65,000 second. Guess what? That's \$130,000 in financing which means you leave closing with a check for \$30,000. (Of course that's using simple math without taking out any costs of closing or points or loan origination or any of those things.)

6) Line of Credit

You take out a line of credit for 35% of the down on the property secured by you on another property, or your business and you get the remaining amount from Private Money Exchange.

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> The 7 Steps to 100% Financing

7) Substitution of Collateral

If you're purchasing a property that has great equity and is priced below value and you own a property that is free and clear, you can use the second property as collateral for your down and you get the remaining amount from Private Money Exchange.

You guys might not have known this, but Private Money Exchange gives up to 50 percent of the appraised value on a free and clear property that you own in a cash out refinance. No banks are going to cash out refi's to investors, even on free and clear properties. We are, and we're doing them all day, every day. In fact, I think around 50 percent of our loans now are cash out refi's to investors who see all of the opportunity that exists in the marketplace and just want to have some cash so they can go to a tax or foreclosure auction and buy up more property. Right now we're working on a guy that has 26 free and clear properties and we're working to give him 50 percent cash out on all of them so he will have more to invest with.

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> What Do They All Have in Common?

This is where I go back to the importance of cultivating strong and strategic partnerships through your leads as a result of being a Private Money Exchange affiliate. If you are not a Private Money Exchange affiliate, you need to call my office in the morning and take care of that, 800-341-9918.

I want you to talk to one of my on-site consultants and say, "Hey, I need to become an affiliate." It's one of the easiest and fastest ways to get yourself a presence online and get some credibility. You can go out and talk to people and actually show proof of what we do. That's going to allow you to cultivate strong, strategic relationships.

What is a Partner?

Anyone who can provide needed insight, advice, wisdom, or any practical help for the effective achievement of a specific project, goal, or dream.

What is a partner? A partner is anyone who can provide needed insight, advice, wisdom, or any practical help for the effective achievement of a specific project, goal, or dream. I want you to seek effective partnerships. Through all these examples, strategic relationships were key to accessing 100% financing. Develop partnerships with other real estate investors, people with cash or collateral, conventional financial sources, the homeowner, and most importantly, with Private Money Exchange. We'll give you the leverage you need to achieve 100% financing.

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> What Do They All Have in Common?

We believe that every single one of you here on this call is either currently a strategic partner of ours because you're either borrowing or lending with us already, or maybe you're here, and this is your first exposure to Secured Investment Corp and Private Money Exchange. Guess what? If so, welcome! We want to create a relationship with you, too. We want to train and educate you so that you borrow money from us, or we want to train and educate you so that you lend your money through us. Why? Because we all make money as a result of the relationship. It's what we call the Circle of Wealth

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> Get Involved in the Circle of Wealth

After years of teaching and mentoring around the nation, I found that education doesn't mean a lick, if the person being taught doesn't have the capital to put their knowledge into genuine action.

So, I took the challenge and created a place, Private Money Exchange, where real estate investors could go for unlimited funds for their non-owner occupied investments.

While the progression seemed natural, we were missing one, very large and essential piece of the pie. The marketplace was teeming with people who had the funds, who aspired to make higher returns on their invested dollar, but lacked the desire to get involved in real estate at the ground level.

In light of this opportunity, we created Secured Investment Corp, which gave people a medium to lend on private money loans secured by real estate, and make higher returns than they were currently seeing in the stock market, bank CDs, or bond investments.



> Get Involved in the Circle of Wealth

As we combined all these facets—training, funding, and the means to lend on real property—we began to notice a progressing trend of growth and success with the clients involved.

Circle of Wealth Member

Through this model, what we call “*The Circle of Wealth*,” we also noticed that people who entered in at the training level and borrowed funds for their real estate investments, eventually became lenders in their own right. They then helped others obtain the capital needed to grow their real estate portfolios.

This allowed everyone, on every side, to win!

It is our goal that everyone can enjoy some level of success in ***The Circle of Wealth***, and inevitably lap it several times over! We hope you’re one of them!

“I chose to work with Private Money Exchange because I have watched Lee over the past few years. I have been impressed by his attitude, ethics, and humility. My experience has shown that the company performs excellent due diligence before agreeing to an investment.”

Becoming a lender was an easy business decision for me. But a thank you gift was icing on the cake. Where do I send my thank you note.

I have to believe this is a terrific place to work! Thanks for all your help.”

- Susan C.

> Who is Lee Arnold?

Like most self-made millionaires, I began at the bottom of the financial food-chain. My humble beginnings started as a bag boy at a local grocery chain in Spokane, Washington working for \$3.90 per hour. My first “aha moment” happened while I was aspiring to a management role at the store and was reading the life-changing book, “Rich Dad, Poor Dad” by Robert Kiyosaki. Suddenly my management aspirations looked very small, but my future possibilities became extremely big.

My second “aha moment” happened while I was sitting in a philosophy 101 course in college. My attention span was divided between the slow ticking of the clock and my professor’s long winded discussion on the economy. While the minutes ticked by, he let it slip that he was making only \$45k a year. That information and the knowledge I gained from Kiyosaki’s book, made me realize I was on the wrong path to success and needed to make some very important changes fast. So, from those experiences and an influential nudge from an incredibly persuasive late-night infomercial, I went into real estate.

I began the way many people do—in the educational and training space. Like many, I went to real estate seminar after seminar and bought course after course. Through long years of trial and error, I built up a very profitable, million-dollar real estate business from the ground up. I’m proof-positive that the training system can and does work! Because of this, I decided to help others by teaching them how to translate workbook education and real estate theory into the real world of real estate investment.

THE
Lee Arnold
SYSTEM OF REAL ESTATE INVESTING



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