



THE LAND GEEK

The Art of Passive Income Podcast With Mark Podolsky and Scott Todd

Today's Guest: [Chris Prefontaine](#)

Transcript

Mark: Hey, it's Mark Podolsky, the Land Geek, with your favorite nichey real estate website, www.TheLandGeek.com. And today's guest—I'm going to put on my anchorman's voice—is a big deal. But before we talk to our guest, I would be remiss if I didn't properly introduce my co-host—you know him, you love him—Six Sigma, Scott Todd from ScottTodd.net, LandModo.com. And most importantly, if you are not automating your Craigslist and your Facebook postings, PostingDomination.com/TheLandGeek. Scott Todd, are you ready for this?

Scott: Mark, I cannot wait for this one.

Mark: I'm really excited for today's guest. Before we talk to our guest though, I just want to remind everybody that today's podcast is sponsored by GeekPay.io, the only set it and forget it system to manage all your notes, private notes, private lending, whatever it is; it's amazing and your first note is free to play with it, GeekPay.io. Today's guest is smart because he is a real estate coach at SmartRealEstate.com, Chris Prefontaine. If you don't know Chris, he is Amazon's bestselling author of *Real Estate On Your Terms: Create Continuous Cash Flow Now, Without Using Your Cash Or Credit*. He is also Founder of SmartrRealEstateCoach.com and SmartRealEstateCoachPodcast.com. Chris has been real estate for 25 plus years. His experience includes the construction of over 100 plus single family

and duplex homes. He's owned a realty executive franchise. He has done like million-dollar deals. He's into condo conversions. I don't know, Chris, you are a big deal. What's going on, Chris Prefontaine?

Chris: Hey, thanks for having me, Mark. It's a pleasure to be on and that was quite an intro.

Mark: Well, thank you, thank you. So Chris, let's just rewind the tape and how did you even get into real estate in the first place?

Chris: You know obviously with what I'm dating myself here, but I go back to the early 90s started building some single-family homes what I called spot building—just infill lots, onesies, twosies, ended up buying a realty executive franchise in the mid-90s sold that in 2000-ish to Coldwell Banker back then and then started really playing on my own. I coached realtors at that time around the country, not investors then and started doing those condo conversions you alluded to. Really that morphed into doing our own deals and then people asking us to show them how to do their own deals. That's the 10,000-foot view.

Mark: Okay, so what are you doing today? What's your focus today? Of all the different types of real estate you have done, what are you doing?

Chris: You mentioned the book, I mean the *Real Estate On Your Terms*, we have a small family company in Newport, Rhode Island; we buy anywhere from three to six homes per month ourselves and then we have partners around the country, students around the country that also do the exact same thing in their area with our help most of them as literally partners on the deal on them. So, on your terms mean what? Buying all those homes without using your cash, without applying for a loan and also without signing your name personally. I learned that the hard way so that's what we teach and that what we practice every single day in the trenches still on our own.

Mark: Well, I would like to do that, Chris Prefontaine. Scott, would like to do that, right, Scott?

Scott: Yeah. How do I do it?

Mark: How do we do it? Do you mind spilling out the secrets right now?

Chris: Well, the secret is easy then. It's the how-to, right?

Mark: Right, right.

Chris: So, we buy them all guys on lease purchase or owner financing and neither of those having a loan go in their name, neither one of those putting a deposit. I say no deposit, maybe there will be \$100 deposit. We have tied up literally millions of dollars within the real estate for maybe a couple of thousand dollars over the last four or five years. So, they are all done on terms, thus the name on your terms.

Mark: Okay. Just for the listeners, what is a lease purchase?

Chris: Okay. So, let's pretend you have a home. Let's not address if you have any debt on it. But let's just pretend you have a home and instead of buying that from you right now with a bank loan like most people do conventionally and instead of buying it even on owner financing, I structure a lease purchase with you which is nothing more than a monthly lease payment with me taking over for you, Mark, all the repairs, all the maintenance taxes, just like I owned it. Only it's a payment going to you every single month and I take care of all the expenses. Then at some point agreed upon in the future or before then, it's cashed out. Meaning somebody is getting financing. In our case it's an end buyer, it's a rent to own buyer but that's what a lease purchase is. It's an end purchase, it's some date in the future with a lease as the vehicle to get you there.

Mark: And you are buying it with a lease purchase, correct? Or you are selling on lease purchase?

Chris: Yes and yes. In that example, we would buy your home on a lease purchase and then we would turn around and sell it on a rent to own, same thing lease purchase but buyers know the term rent to own. So, we put a buyer in that home that has been pre-qualified to be mortgage ready at some date we can live with within our terms and a game plan to get them to that mortgage ready day and then that's the person that's eventually cashing that home out, cashing that seller out. So, we are in the middle. You call that a sandwich lease the way I just described that. I've got the seller, I've got me in the middle and I've got my end buyer, my rent to own buyer.

Mark: Okay. So, a sandwich lease I thought would trigger some issues with the bank, does it not do that anymore?

Chris: As far as the seller side?

Mark: Yeah.

Chris: No, unless there is a restriction. There are some loans as you are probably aware that are owner-occupied only not all loans but some

government loans, some VA, some are short-lived but no that doesn't trigger anything. A subject to sale you sell me your home with a loan in place that can trigger a due-on-sale clause.

Mark: Okay, a due-on-sale clause that's what I thought.

Chris: Yeah, not on the loan.

Mark: Scott Todd, I kind of love this strategy. What do you think?

Scott: You know, Chris, I remember back to like 17 years ago, around 17 years ago back when Mark was looking at raw land and I was like messing around with mobile homes and stuff like that. I remember like looking at a strategy very similar to this, right? At the time the concept was you would go and you find a house kind of a blue-collar market, "Hey, I will give you \$3000. I will lease option your house for three years and I will pay you X amount." And then you find somebody willing to give you \$3000-\$5000 down so you are making money on the down payment if you will and then you are finding somebody that will make money on the spread maybe \$100 or \$200 a month. The one thing and I will admit it was a self-limiting belief but like I just had a hard time believing that somebody would do that and give me control of their house. Why wouldn't they go do it themselves? Now I say that and I know from where I am 17 years later that it was a self-limiting belief. But I know someone in this audience is going to be like, "That makes sense. Why would anybody do that?" Why do people do it?

Chris: Yeah, biggest question we get very good question because they go what, "Well, why wouldn't they just sell it all right if they can get to do all these purchases themselves, why don't they just sell it?" So, a number of different reason in no particular order as I think of them one is sometimes they are on the market for a long time, for a short time, whatever, with a realtor or on their own. And for functional reasons, it's not selling or they are overpriced because they feel in their own head they have to get X amount or frankly there is a loan that's too high and the market still hasn't come back for them so they can't sell. All of these reasons, all of these scenarios that I'm giving you we can structure these purchase that it gets them to the end zone; it's just a matter of how long it's going to be for a term.

As for as them doing it on their own in the lease purchase world, there is being so many people that try that as homeowners and come back to me and say, "Oh yeah, that didn't work," and so my first question is, "Well, did you get a non-refundable down payment that was sizeable, right?" "Well, no." "Okay, well you got them pre-qualified, so you know they are going to have a mortgage end date right? You just don't have a renter in there with

an option of buying?" "Well, no." So, they just misunderstand, misperceived how this is properly done. The proper way to do it is going back to your example we put a buyer in there that they have three to five grand? No, it's not enough, that's a renter. We put a buyer in there that is going to put three to ten percent down of the purchase price so now they are truly a buyer and then they are three paydays. You alluded to two of them. One payday deposit upfront nonrefundable, two paydays spread every month we have adjourned \$380 right now in 60 somewhat properties. Then the back end, the cash-out period is the third payday and that has also got built into it the principle pay down throughout the course of the term of the lease purchase because that benefits us the investor, not the homeowner.

Mark: Chris, this is a really interesting strategy which would beg the question why doesn't everyone do this? Why would people just go the traditional route of trying to get hard money or private money or FHA loan? Why wouldn't we all just focus on these types of lease purchases?

Chris: You know I think probably is what Scott alluded to earlier with the limiting belief because students are doing them and going back to his comment if they are having challenges, it's usually in their heads. It's usually in their squish. It's usually between their ears because nothing in the market that limits them. You know one thing is you are going to say I'm crazy Mark, but one thing is just the ability to not worry about talking to people. Some people they are not comfortable talking to people, right? So, one of the limits they put on themselves is not learning how to do that properly, not having the confidence to do that because if you don't like talking to people, this is probably not the right path for you.

Mark: Right, right, absolutely. That's where you go into land investing. So, Chris, what sucks about your business?

Chris: Okay, so this is interesting because in my book unlike you know this from being in the education world, a lot of people won't talk about stuff that can go wrong. I got a whole chapter in it called "What Can Go Wrong". I want them to know what can go wrong. So, what can go wrong? Well, life events happen out of 50 or 60 deals a year, we will have inevitably one to two. I don't think we have had one in three in any county where something happens. I had a couple that was disabled. We had someone that got a nasty job accident and got pinned between a car and a wall. You know things that are live events they not predictable events. So, what happens?

Well, they usually either call us and work out terms that they can live with now because things change or quite frankly they call upset and hand us the keys. That happened this year and hopefully, that's the last one this year. "I

got to leave. It just doesn't work for us anymore." So, that does happen one to three times a year. The way I structure my deals with the seller it's not their problem. I have to refill that home and I got to still get it cashed out. So, that's a headache but when you build up... You know, in that case, we are always counting 60 to 65 of these so to have two to three headaches, it's okay. When you are brand new, I tell the students that I'm partnering with, don't do the deal where you are committing to a payment; just don't do it. Make everything contingent upon your buyer and that's how I started doing it.

Mark: Scott Todd? Not a lot of holes to poke.

Scott: There are not a lot of holes to poke especially when you are deploying a lot of capital. That's the thing. Now, two questions. One, how do I find these deals? And then two, I'm I doing anything like repairs to the house to like get them ready to sell or anything?

Chris: Okay, great. Two great questions, so let's do the find deals first. I do get a lot of emails on that question. I get a lot of emails saying, "My challenge is..." and it's usually something to do with lead flow and I don't care if they are wholesaling or whatever they are doing. So, in our world get all of our leads and I will give you some expectations from the expired listing market, those are more immediate and then the for sale by owner market. Now before people panic that are listening, we have virtual assistants that call those so that you are not calling people that don't want to talk to you, right? That's miserable. So, that's finding deals, expired and FSBOs always. We do mailings and other things that are less predictable and costly. I don't suggest people do them when they are new. We still get 95% of our leads from those two sources, finding deals. I'm sorry, Scott, what was the second one? It was a good one.

Scott: It was, am I putting any capital into these houses when I'm selling them?

Chris: No. So, we do \$10 deposits on these purchases. If I use my IRA, it might be \$500 just for lack of a better word legitimize that. But no we don't put money down on the deposit. Then on the repairs we make an inspection contingency. If our walkthrough is not a new construction or something we can see by the eye and it's an older home or we really like the numbers, we will do a home inspection not on all of them and then we will go back if they are items to fix and we will have the seller do that or we won't go forward. Just like any other property if you are going to buy a house tomorrow for your family, you make that decision, "Do I want to deal this or I'm going to have the seller do it?"

Mark: All right, Chris, walk us through a case study, last sale you did. How did it work? What was the whole deal and structure?

Chris: Let me look at my board and give you one, I will just pick one out of the hat. How about I do a single family because there are fantastic owner franchise deals? I'm sticking with these lease projects for you. So, a gentleman calls and he's got two properties side by side. He's leaving to South Carolina which by the way leaving to South Carolina and New England and leaving to Florida are the two biggest things. We are crazy busy in the fall because of that. So, this guy says, "Look, I will do terms. I'm out of here. I don't want to know about it. I don't want to rent to anyone. I know you guy's reputation. I want this done." One is debt free restructure owner financing, we won't go there on this call. Second one has debt on it so we are not going to take it subject to and trigger any problems for the guy, so we say to him we will structure a lease purchase.

Rough numbers house is worth around we will call a buck eighty, 180,000, mortgage payments somewhere around 1100. I can get on the rent to own market somewhere around 1500. We did exactly that on a small 180 house. We got a \$9000 nonrefundable down payment. That's your payday number one I alluded to. We then got that monthly spread of at the account of foreign exchange almost \$500 and then the back end is interesting. So, the existing loan that's on there for a house that's worth 180 existing loan, I don't know at the time maybe 160 or so that loan in three years as you guys can imagine is no longer 160-ish, because of principle pay down. So, I get all that principle pay down and then we mark the house up 209,900. So, you've got the markup, the principle pay down so usually that pay date three I call that back end is pretty hefty payday. We can take a house like that, that small little 180 at the time value house and pull out of it \$300 or \$400 a month, nine grand upfront and then a nice back-end payday.

Mark: Then your IRR on this deal?

Chris: Say again?

Mark: Your internal rate of return.

Chris: Oh gosh. Well, it's infinite. I put \$10 down, you know? So, I have no money in that home. They take it as it is. They handle all repairs, etc. All I care is what? I care our model, this is important, our model unlike some investors, we do want our buyer to cash out the deal. We do send them to a pre-qualifier first. We do accept them only if we know they can be mortgage

ready inside of our terms that we structure with our seller which of course we give ourselves a buffer.

Mark: I love it. I love the model. Scott, do we have shiny object syndrome? Are we getting out of our land right now?

Scott: I'm like trying to stay focused here. But, Chris, I know you want the big payday at the back end but even if they don't qualify who cares? You have the cash flow in there. You've got a nice upfront deposit. Mark, I'm not...

Chris: We have a family right now calling us and saying they might go to Florida and will we let them out of lease. Well, they have already put down 12 grand or something and they are asking us will we let them out of the lease so that they can move to Florida if the opportunity arises for a better job and of course I said sure because then we will do what? Kind of what you just alluded to, we will refill it within another rent to own buyer and start from ground zero again.

Scott: Okay, okay. Listen, if they move to Florida, you've got to tell me where they are moving because I live in Florida and I'm going to do this right now. I'm going to be their connection down here.

Chris: You want to rent to own for them?

Scott: Yeah, yeah. You tell them to call Scott.

Chris: Will do.

Mark: Speaking of, are there better markets than others and can this scale? Can you do this nationally?

Chris: Good question. So, I will go back to what I kind of said lightly at the beginning. So, we do our own here. I have now removed myself so my kids are on it 100% and so that tells you can train someone, scale it and move yourself onward with managing it. But then we also have these partners around the country, 21 or so now 22 maybe different states that are doing this. Now are some easier or more plentiful than others? Yeah, I mean at the top of my head Pennsylvania right now is not a market that took off yet. It's not a hot market whereas California is a hot market and a lot of pockets. Even in the hot markets, Mark, there are properties that realtors are always seeing expire right? Everybody knows that. For whatever reasons there are expired listings in every market. So, in the hotter markets, they focus more on the expired listings or targeted niche mailings so they can find the deals.

Are there going to through more leads maybe then in California than they are in Pennsylvania they get to one deal? Sure, but there is always deals to be had just a matter of knowing your numbers.

Mark: What percentage of the deals are lease purchased versus FSBO or first sale by owner?

Chris: Okay. So, our deals right now are probably 50-50 expired for sale by owner as far as the source if I had to give you a rough number. As far as the different types of the way to buy two or three different, I call them buckets, we do about 25 or 30% owner financing and the rest lease purchase.

Mark: Alright. So, Chris, I have to ask even though I do know the answer because I have abundance mentality but let's say that I didn't, let's say I have scarcity mentality. If you are doing so great Chris, why teach this stuff? Why do you use the SmartRealEstate.com? Why write a book?

Chris: I just told someone last month on a podcast I think it was *On The Shoulders of Titans* and he said the same thing and here is my answer. It was interesting because he actually made me think about it and you are giving the second time I laughed and said what the heck would I do. My son in law, my son and my daughter took over the buying and selling. They literally run it so I have like 5% responsibility and time invested out and so to go out and help partners go from literally an engineer, a nurse, people that never touched real estate, they didn't have their finger on it, to see them do deals and know by the way we partner with them that's fun and that keeps us doing deals and not having to run all over the country do so. Because they are doing them, we are coaching them and partnering with them. It's fun to see the progression from a student's standpoint, educator's standpoint and we can still buy and sell and not be intricately involved.

Mark: I love it. Scott Todd, are we going to adopt Chris Prefontaine?

Scott: Oh man, I'm like in shiny objects land over here, Mark. I can't even concentrate anymore.

Mark: All right, Chris, your mentorship has been great this podcast. Scott and I are both sort of drooling even though I still like our model better, Scott, but I like this one as well.

Scott: Okay. So, let's just like punch a little it right, Mark? Let's just jab. What I like about Chris' model is I like the big payouts later in time, right?

Mark: Yeah, I love that and I love the creativity of it. I love he's not putting any of his money out.

Scott: Right.

Mark: He's destroying all these single-family home guys.

Scott: Here is what I don't like and this is kind of maybe just me. I'm kind of spoiled in the fact that if I have to buy something I don't have to go out and look at it. The thought of okay I got to get in my car...

Chris: Get my car.

Scott: Yeah, see like I got to go get my car and I got to go look at the house and I don't know walk through it, I don't know that takes time, right?

Mark: Yeah but can't you just outsource that. Can't you do like a local Craigslist gig or WeGoLook and we take pictures.

Scott: WeGoLook, I can send WeGoLook out there, yeah. That's a good idea.

Chris: Yeah, you guys are right now. They actually do that now. The service needs to have some more, but they gave a service that does that and they do a whole property report. We have a student. His name is Brian, he actually does just that. He has zero, zero desire to go out. He told me, "Look, I've got tattoos all over my body. I got rings all over my face and I don't want to go meet people." So, he does it from his computer. Does he maybe let go of some deals that I might get that I can go see them face to face? Sure, but he doesn't care. I think he does like 30 deals a year, quite profitable. Our average three paydays is 65 to 85 so if we turn these things out they are quite profitable so he would care less if he does more than that.

Mark: Yeah, I love this strategy. Well, Chris, we are going to put you on the spot and ask you for your tip of the week—a website, a resource, a book—something actionable where the Art of Passive Income listeners can go right now to improve their businesses, improve their lives. What have you got?

Chris: Well, for my tip I would say this. I'm going to be general but you can get off this call and act on it and that is, reach high with a mentor. So, reach high I always say think huge but reach high and then find a mentor. I get that it might not be me and Mark gets it might not be him. There are people out there that have been where you want to be. Don't just talk to them. Don't just study their stuff. Like immerse yourself in their stuff and don't let

the shiny object, you guys brought that up, don't let the shiny object get in your way. So, that will be my tip. Reach high and get a mentor and just blinders on.

From a book standpoint, I literally just got done and you and I have may have chatted about it when you were on my show the P.T Barnum *There's a Customer Born Every Minute* but it's Joe Vitale's recount of P.T Barnum story. It's quite amazing because I don't care what business you are in forget real estate for a second, Joe is not real estate and we had a several hours brainstorm just on this book because it talks about what P.T Barnum was so great at, marketing really just marketing and promotion.

Mark: What was your big take away from that book because marketing is kind of endless and today is the best time ever to market because it's the only time... like P.T Barnum doesn't know what his customers are thinking but now we know. We can do keyword research. We know exactly the phrases that they are typing on a Google search. We know what they are thinking.

Chris: Yeah, his stuff on a nutshell without getting into the details would be, just do what everyone is not doing, just outrageous do what everyone else is not doing. Go against the grain, swim the opposite direction.

Mark: You know, Chris, I've got a great book for you to read; it's *The Blue Ocean Strategy*. Have you read that?

Chris: I believe I did and wasn't there an update on that one?

Mark: I think there was, yeah.

Chris: Redo or something. Yeah, I believe I did and it might have been a couple of years ago. Cool book.

Mark: Yeah, you would love that book. It's kind of similar. It's kind of similar. Okay, that's a great tip. Scott Todd, what's your tip of the week?

Scott: Mark, I really have kind of a pretty cool one. It's a service called Fresh Chat. Let me see how I can explain this. This is like a Slack if you will. It's a way of chatting but with your customers. It's like multi-platforms. So, it's not like one single platform. It can go across Messenger and Slack and websites and everything. If you are looking for a way that you can work to convert your leads into like sales, well then you need to look at FreshWorks.com. FreshWorks.com, it's a live chat software that kind of gets everywhere it needs to go, multiple channels, you can easily convert it over

to like a bot. Humans can jump in when the bot needs assistance. It really, really cool and it might be worth your time just to explore a little bit.

Mark: Yeah, I'm going to check that out. What was that, Chris?

Chris: I said I appreciate that share. That's a good one.

Mark: Yeah, there you go.

Scott: Chris could use it too.

Mark: Yeah Absolutely. My tip of the week is learn more about Chris and his amazing model. Wait a second, what's this video course *Profiting with Land Chris*'?

Chris: That's land 101. That's not even on the same playing field with your stuff. You would look at that and say, "Oh yeah, I learned that about that 18 years ago." It's some lingo. It's really getting to understand what land is.

Mark: All right, very cool. So, learn more about Chris at SmartRealEstateCoach.com, SmartRealEstateCoach.com. He's got video lessons. He's got a membership group. He's got resources, business tools, credit repair, mentor products, for sale by owner websites. He's got an event calendar and it's great. For sure check out the podcast as well, the Smart Real Estate Podcast, correct?

Chris: SmartRealEstateCoachPodcast.com.

Mark: SmartRealEstateCoachPodcast.com. Well, Chris Prefontaine, this has been really enlightening. Are we good? Are there any final words of advice? Is there a question we should have asked you that we didn't ask you? I mean I thought we were pretty tough on you, Chris.

Chris: No. You guys are fun to chat with and I enjoy the two-person interview. I don't care what people are coming from real estate, they have no real estate background they have never even met you or from around the world, I go back to sticking with a mentor that can get you from A to Z and put the blinders on. Don't look left, right or backward and just go for it you can do it for sure.

Mark: I love it. I love it. Scott Todd, are we good?

Scott: We are good, Mark.

Mark: Alright, well I want to thank all the listeners. Just remind everybody today's podcast is sponsored by GeekPay.io, set up your first note for free. Even you Chris Prefontaine could use GeekPay.io. You could just automate collecting your rents via ACH. Your renters can go on, there can view their balance. They can make a prepayment. No longer do you have to make a collection call, if their ACH fails charges their credit card on file as a backup. So, check out GeekPay.io.

Chris: I love it.

Mark: I also want to remind all the listeners the only way, the only way, we are going to get the quality of guests like a Chris Prefontaine from SmartRealEstateCoach.com is if you do us three tiny, teeny tiny favors: you've got to subscribe, you've got to rate and you've got to review the podcast. Send us a screenshot of the review to Support@TheLandGeek.com. We are going to send you for free the \$97 *Passive Income Launch Kit*. So, please do that it really helps and let freedom ring.

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