

REI NETWORK RK

How to Deal with a Hedge Fund

Hosted by: Gavin Timms

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Now, what I want to talk about today is hedge funds OK? I have made a lot of money with hedge funds and I have lost a lot of money. When I say lost, I didn't really lose anything because everything was predictions. Right? So when I say I lost money, that was me thinking that these things are actually going to close because everything was set, contracts were in, we're in closing and then it can all go. All right. So I want to talk about the benefits of working with them and what to watch out for if you do. All right. So why hedge funds? Good. They're going to pay you more money than anyone else, any local people? For the most part, they've got tons of money to close. OK, so they're all good. They'll buy as many as you have. So you haven't got to worry about that. And all of the negatives.

Well, the negatives are the criteria, OK? They will only buy in that criteria with no bending at all. So if it is a for instance, it might be it needs to be over a thousand square foot, it's got to be nineteen fifty and it's got to be a three one or more and it's got to rent four thousand a month or more. So if it rent for nine fifty a month then it's a no. If it's a nine hundred and fifty square foot home, it's a no. If it is nineteen forty-nine, it's a no. So there is no like well we're nearly there. We could add a bath to get it there. It needs to be in that condition for the most part. Then they will do some improvements as a buy and hold and what they do with it, but they are really, really strict. So if you start working with a hedge fund, make sure the first thing you need to do is get there criteria and ask them, say, hey, what is your buying criteria, OK?

And you can say, is there any movement? And I'm pretty sure they're going to say, no, this is the criteria and it won't make sense to you. So don't try and make sense of it. I'm what I'm saying is that is that you might be in, let's say, Ohio and you're in a really nice neighborhood and they won't buy there, but they'll buy in

the zip code across this. Not a nice house. This is not as good a condition for the same price because, again, they buy in certain zip codes. So it doesn't matter your knowledge, it's what their criteria is because of their funders have come together. That's what it is. And that's what they need to stay into. OK, so how do we find the hedge funds while networking, calling around?

So once you see on Zillow and places like that where a house is not so good area sold for two point one million, it was part of a package deal where they bought one hundred of them. Right. So you need to find out who that is and then you need to start networking to see if you can find someone like that. Boots on the ground there, acquisition guy and get with him because he's the one that's going to be seeing the houses. Then it will go up the channel actually to the decision makers. Obviously, the higher up that you can get a network that the better it is because you have more people. You can get things done a lot faster.

And that's kind of what we did. I mean, we've made a lot of money. I don't want to I can't throw out numbers. I haven't got it in front of hundreds of thousands of dollars with hedge funds. OK, but now let's talk about the hedge fund as well on the not so good. Right. I mean, in the I'll tell you a little story back in I think it was October two thousand and eighteen. We were working with a hedge fund. We worked with a few different ones and I won't name them because they're still around. But most hedge funds get funded every quarter. So they might have the same investors. They might have different. But every quarter that's where the money kind of comes in and they're all set up different. But on this on this one I'm talking about, that's how it works. So they are in court. So we're up to the final court. Right. And these are deals currently in Birmingham, Alabama, and we are two hundred and seven thousand inclosing with them. Two hundred and seven thousand and closing.

And I think a few of them were in Mississippi. I think there's probably about twelve total. Twelve, thirteen properties total is about two hundred and seven thousand in the assignment fees or double closes we were doing closing with them, but that's kind of what we were, we were looking at. So we were saying, I mean, it was sweet, right? I mean we're going to probably at the time we're going have the biggest month that we've ever had. We had all the contracts for the sellers. We were out and we were double close and bring in transactional funding and which I'll get to in a minute. And we had everything in closing. This was then in October trying to close in November. And guess what? That funding pool to their fourth quarter funding partner. Which was, I guess, one guy that was doing a majority of it, pulled his funds and didn't do it.

Which meant then that we had zero money in the pot, well very little money in the pot to be able to close. I think we actually forced about fifty-five thousand closing at the time and we had it like signed ready to close. This isn't like, oh,

well, they're not doing this, but I'm talking like they're all signed, ready, closing dates and then they're like we've run out of money we can't close. What do you mean you can't close? You have to close like we've now signed with the sellers, like we're all in. And they said we're not closing. So you can sue us, you can do whatever. I'm sorry, but there's no money. So we managed to work with them from the same lot. You've just got to close a few of them like these ones. You must close because we've been having the runaround and blah, blah, blah.

So we managed to force a few and then we have to figure out the rest. I'm not going to lie. It was pretty intense, you know, because you're now in a liability. We've got to get the hard money. We've got to close on these things. We've got to go back to the seller. We've got to make it right, whatever we got to do to get out of this situation, because it wasn't just like an assignment with an inspection period. I mean, we were down to closing deadlines when this happened. So we managed to get it. We managed to go back to every seller and work out and just be honest with the truth. And we kind of worked. And sometimes we had to, like, do flat fee listings on a few a few that we didn't lose on any of them. We just sold them and tried to just help the seller just to get out was all out of the situation to do the right thing.

Because here's the thing. Because they pay more money. Right. We couldn't wholesale them to another buyer. So it was also having to buy them. Worst case, we would take them down, but we couldn't. There was not enough room to wholesale because they're overpaying. So if someone in the market I mean, we're talking twenty five thousand thirty thousand more than local people in some instances, that is insane. But then other times it doesn't make sense.

You're going to have this rollercoaster when you're working with them. And then it's very hard to figure out because nothing makes sense. And what I learned from it was that I don't need it to make sense. I just need them to buy it. So here's the property. What are you going to buy it for? What's the offer? All right, then. Let's do it within the back of the mind. We know now that anything could happen any time with them funds. And you could say that about any deal. Right. You should always be prepared to close on deals. But I'm talking to hundreds and thousands that we were making. So it was well, well over a million dollars of real estate. So to come in and bring we're not just trying to fund one. I mean, there's a lot there that we have to kind of figure out and get through. And we were profitable. We like I said, we forced about fifty something thousand to close. But it just goes to show you that it's never done until it's done. And know some people are working with that. And they have the power and that's how they're going to treat you. Right.

I'm very big when we work with buys about controlling the situation. And sometimes when you're dealing with the funds, they don't care because they

have the power, they have the money, they both MLS, they'll buy from you. But you need to get in line and that criteria so straight that you can't do anything about it. So you do lose power. So you have to watch that. The other thing is as well, you need to tighten up your contracts. You need to have clauses in there where you can extend the closing date because it will get pushed because they're buying fifty properties a month or two hundred properties a month. Right. And they're not ready. They use one closing company. All right. Trying to close everything out and your properties will get pushed. So you need to make sure in your negotiation with the seller like, hey, we can get you more money than what we would like to offer because we are funding partners that will pay more, but they are sometimes a little slower to get things done.

So just be prepared, like if closing we will get it done, but it might get pushed and things like that. So we set that expectation of front for that to happen because that's the reality. Then the thing is as well that when they inspect it, then they make an offer. It just takes more time than the local buyer. So again, just having them contracts, if you normally close in thirty, just say, look, we can close in thirty or forty or sixty days, but we need to potentially have an extension if it's enclosed in for any reason that that we need to do OK. So yeah. The really good, you know, and you have to, you've got the winners and the losers. Right.

We've made a ton of money. We had two hundred thousand that kind of went south because of the funds and it's just understanding and being prepared and make sure that you can buy these things. You have other exit strategies for them because nothing is done until it's done, at least when you've got a local buyer that you can normally go, well, if he doesn't buy it, we'll sell it to someone else. We just did that. We had one guy that just pulled out and then we were OK with it. I mean, it was stressful. We had to call around and get all the people in, but we managed to move it. We actually made eight more thousand what the buyer was paying. So which was great. It doesn't always work out like that normally on the local ones. If it's a deal, it's a deal that can move. But these hedge fund deals, they'll pay and they're not deals towards like as wholesalers. They don't work.

But they do for them because they look at the cap rate, the buy and hold all thm things. So, hopefully this helps, you know, while dealing with hedge funds, if you have any questions, put them in the comments. I'm happy to help. There's going to be tons. They buy in multiple states which you get in with them. You just need to know how to operate, how they operate. And if you know that and you get the foundation right, then you can kind of pivot if you need to and change anything. All right. So appreciate you all. I'll see you on the next one. Like I said, I'm going to be having guests coming out if you want me to ask any questions for them, if you know anyone, that would be good to get on. Let me know. Drop them in the comments. Make sure you give us a like, subscribe as well while you're there, and I'll see you on the next one. All right. Thanks, guys.

