REI NETWORK

Episode: 057

How To Do The BRRRR Method The Right Way

Hosted by: Gavin Timms

Guest: David Dodge

Gavin: Hey, guys, welcome to the REI Network Podcast with me, Gavin Timms. Hey, guys, welcome back to the REI Network podcast with me, Gavin Timms, I have an awesome guest. I'm just going to bring on here shortly, just before I do, if you are interested in a lot of you are reaching out as well. I appreciate it. But if you are interested in working with me, I need to go out and fill out your application, go to REInetwork.com/join. Fill that out. We'll get on the phone for a good fit. We can move forward and if not, no problem. OK, so let me bring in a good friend of mine. Here is Mr. David Dodge.

David: I am doing good, Gavin. Thanks for having me, man.

Gavin: Now, I appreciate you coming on. I got a few things that we want to talk about today. Right. I always call you. I just refer to you now as the BRRRR guy. Right. We're going to talk a lot about that. But before we do, I just want to share with you what we're actually doing. Something pretty cool. May you and Don Costa, we should probably all got on the podcast together, actually, with Coffee with Closers every Wednesday at 12:00 Eastern, 11:00 Central, 9:00 Pacific, depending on where you'll listen from. Make sure you go over, head over to what we can give you two things. Head over to the Facebook group. If you if you type in, look for a Facebook group, Coffee with Closers Live, go and get in that Facebook group again. Me, Dave and Don go live every single Wednesday. We've been doing now for about eight, nine, ten weeks. We also bring on some guests some times and also we have some free giveaways. Dave, what's that link? You know?

David: CoffeeWithClosersLive.com.

Gavin: Well, yeah. So it's been pretty awesome, isn't it? We've been doing it now eight, nine, ten weeks. I guess we've been getting a lot of traction with it. A lot of people just come on, have a drink of coffee with us and ask questions, right.

David: Yeah, it's a lot of fun. Guys, come join us.

Gavin: Yeah, absolutely. So make sure you do that. But anyway, now we've covered that. Let's talk about Dave. Dave, tell us a little bit about you, kind of your back story, where you're at, where you live and what are you doing. And then I'm going to pepper you some questions regarding this.

David: Yeah, you got it, man. So cut me off any time. I can talk for four hours. So for the most part, Kevin, you had mentioned, you know, I'm like kind of like the BRRRR guy. That's really what my my passion is, is really what I've been specializing in for the last, oh, I don't know, maybe going on for years at this point. So take a take a big leap back as I've been investing in real estate since I was twenty. I'm thirty six years old today, so I've been in the game for 16 years. But but the first 10 years, given that I was investing, I did it the wrong way. And the reason that I that I say or think I did it the wrong way was because it was slow. So what did I do? For the first ten years, I got loans and bought rental properties. So obviously it was still good that I was investing, but it was very slow. So over the 10 year period from the age of 20 to basically the age of 30, I acquired 10 rental properties. You know, like that's great. By all means, not trying to discount that. But now I bought 10 rental properties in the last forty five days. Right. So I look at it like I've done it wrong or did it wrong, because a couple of reasons. One, I was buying off the MLS. When you're buying off the MLS, you're going through an agent and you're typically paying retail. Right. And when you do that, when you pay retail and you go through an agent and you buy off the MLS, it's very difficult to get a deal. And in fact, I didn't even know that there was like deals like that. I didn't even know that they existed for these first ten years. And the reason that it was so slow given was because if I'm going to go out and buy one hundred and fifty thousand dollars property to rent out the banks, can you give me 80 percent loan? But that means that I need to have thirty thousand dollars of my own money to put up, to get in, to get in. And that's why I was only able to basically buy one a year, give or take, for that first ten years, because saving thirty thousand dollars is difficult. I mean, unless unless you're making three or four hundred thousand dollars a year, which I wasn't in my twenties, it's difficult to save that kind of money. So skip forward the last the last six years, give or take. I learned all about deals and deal finding and motivated sellers and that people would trade their property for convenience and not necessarily trade it, but they would trade it at a discount. Yeah, for convenience. And long story short, Gavyn over the last six, seven years that I've been full time in this business, my business is. Averaged about one hundred house purchases a year, and now we're essentially buying eight to 10 houses a month on average. So if you're watching or you're listening, don't do what I did for 10 years. You can bypass that entire process, learn and know that there are people out there called motivated sellers and they have different reasons to be motivated. But you can find these people and you can work with them and you can create win win scenarios. And those win win scenarios are helping them solve a problem in exchange for you offering them convenience and being there to help them solve problems there. They're willing to give you a big discount on the property. So why would that matter? Right. Why would somebody want a big discount? And the reason is if you're using a strategy like the BRRR strategy, which you had mentioned that I love doing, you don't have to put down thirty thousand dollars on one hundred and fifty thousand dollars property if you don't pay one hundred and fifty for it, if you pay one hundred and ten for one hundred and fifty thousand dollar property and you fix it up a little bit and then you go to the bank and they give you the same 80 percent loan, but all of a sudden you didn't pay what it's going to appraise for. You paid thirty or forty thousand dollars less. Now what happens is you're able to get positioned into that asset via a refinance and you don't have to have any of your own money invested.

Gavin: Zero because you're gaining the equity. Right. You're in the equity. So let's break it down then. So let's say I think one thing that we I mean, we agree on a lot of things, right?

David: Sure we do.

Gavin: But we do have different visions. We joke all the time on coffee with Closers. Allow that right. Like you're trying to do one hundred and fifty houses. I couldn't think of anything worse. And we have this kind of joke with what you want and what I want and what Don wants and whatever. And I think that's unique because everyone's got their own path. Right. But one thing we all are agreeing on is that they all find in this kind of properties. Right. That's having direct access to sellers. And we teach we teach you about that. But let's say then with the method, someone's listen to this. And I've heard all about this method. So what is it? Has it worked? So we're having conversations. We obviously need equity. So all we borrow in private money to take them down to do the refind six.

David: So let's just I'm going to get to that in just a second. So what is the BRRRR method, guys? Let's just start with with the basics. Like the most basic, the BRRRR method is really just a strategy. All right. It's a strategy to put a couple key things in place to get to an outcome. And that outcome is really to refinance. OK, so what is the BRRRR method? Of course it's a strategy, but really, BRRRR with four Rs behind it is really it's an acronym. So not only is it a strategy, but it's an acronym to describe or define the strategy. So the BRRRR or br again, it's B with four Rs behind it and it stands for this, B stands for Buy. The first R stands for renovate or rehab. And I like to lean more towards renovate because typically when we're doing these, we're not going in and gotten stuff out. It's mostly cosmetic type fixes. It's going to depend of course, but mostly cosmetic. So I like to use the word renovate. That's the first are the second R stands for rent and that means just rent it out and get the property. Performing a vacant property doesn't make you any money. You have to get it rented. So this is really a landlord business. This is not really a flipping business. This isn't a wholesaling business. It's a landlording business. The first R is for renovate. The second R is for rent, the third R is for refinance. And again, that's really where we're trying to get when we're using this, the strategy in the fourth R is just kind of funny, but it just stands for repeat, right? It just stands for

Hey, you did it do it again. Right. So really, in theory, it's just three Rs. It's renovate it's rent and it's refinance. Now us. How are you going about buying these? And that is a fabulous question because really, my partner, Mike and I, we like to look at the strategy more as instead of calling it BRRRR, we like to call it PBRRRR, which sounds so stupid. But the reason is, is because if you're not pre qualified to get the refinance, you can get into a bind. Right. So really, the first thing you should do if you're looking to do the BRRRR method or use the BRRRR method as a strategy in your business and basically have that tool in your belt, guys. And anybody can do this. But the first thing you should do is you should go to the bank and you should ask them if you are qualified to buy a property and if so, what? What will they give you? Basically figure out if you're even eligible to go do a reify if you're not. This entire strategy won't work. It'll kind of fall apart. And that's OK. When I first started doing this, guys, the banks basically would say, hey, Dave, we'll give you a reify, but we need to see the property rented for six months. And that's called seasoning. So there's there's going to be some obstacles or some hurdles if you're brand new.

Gavin: Let me just ask you a question on this. And I like this PBRRRR. I think this could be this is going to be the thumbnail for you like it because people talk about the like everyone can do it in which they can. But, you're saying. But can you can you be more prepared? Because what you don't want to do is you don't want to go and buy this thing and then just going to refinance and then you can't get the financing. Right, and then that's exactly right. So when you do the precall. Right, of what will they lend on a portfolio, is that your first time or your first one or two training or less, then is that going to get your personal name or can you still get that on the loan of the LLC? How does that work?

David: That's a fabulous question. So it doesn't really matter if you're if if you're trying to get a loan in your personal name, which I think you can do like 10 or 15, I don't even know the right laws. You can do some in your personal name or you can do it in an LLC name. Now, the kicker here, guys, it doesn't really matter which which direction you go. However, however, you want toavoid working on working with banks or lenders or getting loans, that balloon, that's kind of the trend of trying to think of the right verbiage. That's kind of like the dagger in the heart of the BRRRR investor. Right. Because the whole point of the BRRRR method is, well, there's two things. One, it's to get yourself positioned into assets with little to no money. That's the cool part. That's the shiny part. Right. But the back end of this is to get yourself into those those particular assets with little to no money, but then get the tenants to pay them off. OK, that's really the second part of the game. So, you know, whenever I'm able to go use this strategy, Gavyn and I'm able to go out and find myself a rental property that I can buy at a discount, first thing I do is I go to the bank and say, hey, do you guys have capacity to lend to me? And nine times out of ten it's yes, but occasionally it's no. You know, the board of directors is is telling us to pull back on this type of loan right now, David. And that's fine. No problem. We're going to go to the next thing. We as a local bank, these are all local. Absolutely all local. And we work with about five or six banks at any given time, because occasionally the banks, even though we have a great reputation, great experience, great relationships, sometimes banks will have a different appetite to lend. And that appetite may not be to lend on what we're wanting to get a loan on. So we're constantly working with four or five different banks, keeping those relationships solid. That way, if we go to one bank and they say, hey, can't lend to you right now, no problem, nothing comes to a screeching halt. We just go to the next bank. Now, you hit. That's a great question. Yeah. Local banks are the way to go. Reason is, is we like to get loans that that we refer to and the most people refer to them as portfolio loans. And if you're not aware of what a portfolio loan is, a portfolio loan is really just a loan that a bank makes to to somebody that they don't plan on selling off on the secondary markets. It's essentially a loan that they're going to keep in house and they're going to keep servicing that loan. And they essentially don't have any desire or intention of selling it off somewhere. So in order to get a loan, that's that's a portfolio loan that's most likely not going to get sold off. You have to go to your local banks. And I'm talking like banks that have maybe anywhere between two and three branches, typically on the low side to maybe as many as 15 or 20. On the high side, the sweet spots really like between five and 10. Right. So they're essentially local banks or their small regional banks. But for the most part, we avoid Bank of America, US Bank, PNC Chase, because these are big national, essentially global banks. And once they underwrite a loan and process it and give it to an individual, they don't even care anymore. And at that point they're like, hey, can we sell this loan and make three or four thousand bucks? Let's do it. They have no intention of holding the loan. So what we do is we look for the small banks that have the intention of holding those loans. And again, those are called. A portfolio loans right now, the cool thing about the portfolio loans is they still have a term essentially. Right. So there's there's two things that you want to be aware of when you're working with a local bank getting a portfolio loan. One is the amortization term. And all of the loans that we get at this point given are commercial loans, their 20 year loans. Right. And they have a on year amortization table. How does that would mean? What does that mean? That's a great question. So amortization is really a fancy word for ratio of the amount of the payment that goes towards paying the loan down, which we refer to as principal, versus the interest that the bank gets to take and keep as their profit. Right. And all loans, no matter if it's a commercial loan or private loan or whatever, use what's called an amortization table. And banks get paid their interest the most in the beginning. So for just a super quick example, let's say that we go get a loan and it doesn't really matter the term of the loan. Let's say it's a 20 year term and, you know, month one, we have a thousand dollar payment. Well, maybe only like ten or fifteen dollars of that thousand is going to go to actually paying the loan down. It sounds kind of crazy, but nine hundred and ninety dollars is going to be interest month one and then another. And people that know people do not understand that. Most people don't in that personal house because you think it spread, you think it spread over a 30 year or 20 year term and it's even when it isn't. So it is payments or 30 year, but it's not even that's not even it will change accordingly. So, again, it's heavy, is front loaded on the interest and people. And there's a reason why they do this, guys. The reason is because the average person that gets a loan holds the loan for seven and a half years. This is a nationwide statistic. So no matter if you have a 10 year term or a 20 year term or a 30 year term, there's even such things as 40 year terms. Right. It doesn't really matter what term you have. The average person that goes out and gets a loan will either sell that property or refinance that term or that loan to a new loan on average in seven and a half years. So if you're the bank to switch shoes for a second here, right. If you're the bank and the average loan you give out is going to be paid back in seven and a half years, it doesn't make sense for you to say, OK, 50 percent of the payments interest, 50 percent of the payments principal. Instead, what you do is you say ninety nine percent of the payment is interest day one. But when you're going in, you're at the last day of the loan. So let's say you're doing a 30 year loan. That's three hundred and sixty payments. So payment one, it's essentially ninety nine percent interest. On the flip side, the very last payment, three, the three hundred and sixty of the month is going to be ninety nine percent principal. So it's basically starts very, very top heavy with interest. And as the time goes on it reduces and it's basically just like, like a rectangle. Think of a rectangle with a diagonal line going through it. Yeah. It's that simple in the first part is going to be interest in the second part is going to be principal. And every time a payments made, a little bit less interest will be owed and a little bit more principal will be will be paid or collected of that part. So that's kind of amortization in a nutshell, guys. But the amortization matters, right? We talked earlier. There's two things that we do with these with these using the method in these portfolio loans. Number one is we're able to get into them with little to no money. But number two is, is that we want our tenants to pay these off. So typically, when you're dealing with these portfolio loans, here's the coolest part, Gavin. Even though we we typically get a 20 year term on the amortization table, the loan will typically have either a three year or a five year rate lock. And I'm going to I'm going to try not to use the word term when I'm talking about the rate, because it's not really a term. It's more of just a time frame. Right. Hey, Dave. Hey, Gavin. We're going to give you this 20 year amortized loan. But for the first three years of this loan, you're going to have to pay four point to five percent. And you're like, OK, great. So here's the beautiful thing about most of these portfolio loans. At the end of that three year time frame that you end up paying four point two, five percent. What happens? This is the beautiful thing. The loan doesn't become due. It doesn't balloon. Instead, the bank says, hey, Dave, you're or hey, Gavin, your three year rate lock time frame is coming to an end. Would you like to renew and you, of course, say, yes, I do want to renew and they charge you a fifty to one hundred bucks to do basically a desk review of the property. And you and it doesn't take long, takes them a day or two and it's literally fifty to one hundred bucks. And then they say, OK, cool, we're going to give you a. The other three years, or if you want to buy yourself into five years, you're going to pay a little bit more in interest, but then you start basically with a new term for three more years. But the beautiful thing is you're not starting all over with that amortization.

Now you're on year three of twenty. So then you go through those three years and you do another renewal and you get another rate. But now you're starting on year six of twenty. And essentially what's happening is you're not resetting that amortization because if you reset amortization every three years, you go back to paying essentially ninety nine percent interest every time. So in theory, if you get to year 10 of a 20 year loan, in theory, it doesn't work this way. Exactly, but it's really close. 50 percent of your payments interest 50 percent of your payments principal. So the goal is to use the amortization as your friend, know it, understand it, and not go out and constantly refinance these loans, because when you refinance a loan, you're essentially starting over and it's really hard, almost impossible unless you have one hundred and fifty years to pay a loan off when you're constantly starting over on that amortization table. And that's a great question.

Gavin: That's really good. Yes, really good. So when you do that so it does it resets not make sense every three years, but will obviously how real estate is, how mortgages are, how interest rates can change and fluctuate. Is anyone going to worry with all of a sudden you could be you know, the interest rate could be at seven percent now. It could go up massively because it is not a fixed rate for a long time. Like a personal loan would be a great question. Right. That's a is that a worry for you? If you have 50 dollars?

David: It's no, it's not. And here's why. We when we go out and we do a BRRRR method type of deal. All right. There's a couple of things that we're doing. So really, it's PBRRRR, right? Let's talk about that for just a second. It's preapprove. It's make sure that we can refinance. We don't want to buy something renovated and spend fifteen or twenty thousand dollars fixing it up and then go out and get it rented and then and then not be able to refinance. Reason is, is we're buying these in us. This question earlier on, I skipped over it. We're buying these with private funds that we're getting from a private lender or a hard money lender. So what does that mean? That means that whenever we go buy a property, we're essentially borrowing money not only to buy it, but to also fix it up. And we're paying anywhere from 10 to 14 percent on that money. That's expensive. But the goal is to only borrow that money for two or three months and in some cases for six months. If the bank that we're working with does require seasoning, which basically means that you've got to rent it out for a few months before you before they allow you to refinance. So we're borrowing this money at a 10 or 12 or a 14 percent rate. And when we do that, we've already got a bank essentially saying, hey, we're going to lend to you. They don't even typically know the property or the address any of that. It's more of just an email or call to just say, hey, what's your guy's his appetite for lending. I got a couple more rentals in my pipeline. I'd love to have you guys be the lender. And here's the thing. People don't really get this, but it's so simple. But like a bank doesn't make money when you deposit money into an account, they don't make money. In fact, that is a liability to them because they owe you money. Think of it that way. It's when you deposit money into a bank. It may be an asset on your balance sheet, but it's a liability on their balance sheet. So how does a bank turn deposits into checking accounts and savings accounts into assets? They do so by lending it out so banks love to lend money. In fact, it's the only way they make money is by lending it. So banks love to lend money. And it's very it's pretty rare that a bank says, hey, we don't have the appetite right now, but it happens. And that's why I say don't just go build a relationship with one bank, because maybe you get to 30 or 40 loans and they say, hey, we don't want to be too leveraged with you, happens all the time. So that's why it's always a really good idea to have a couple, two or three at a minimum that you're working with, because then if one of them says, hey, we've gotten too many loans with you, if your business falls apart, we're really going to have some risk there. You can spread that out over over a couple different loans. Great.

Gavin: So when because you said that if you borrow privately, borrow hard to buy these. Right. Because obviously you have to buy it. They have to do the rehab, then you're going to refinance now as a standard loan for most people, listening to this is six months right before you can refile. You have to own it for six months. Yeah, that's called seasoning. OK, so what? Because you have done so many or got so many built relationships with the bank, is there wiggle room to do it in three months?

David: Oh man. That's the, that is that is the best question yet. And here's why, guys. This business is a relationship business, and you're dealing with a bank, it is a relationship business. Now your experience also matters. Let's be honest. If this is your first time, they're going to put seasoning into place to limit and mitigate their own risk. OK, now, I've been at this for, I don't know, four years. Let's just say give or take. And in fact, Gavin, we've done over a hundred per method transactions where we've essentially bought with harder private money. We've never we buy Gavin. We borrow usually an additional fifteen thousand or maybe even twenty thousand. So let's say that we find a property that is worth one hundred or one hundred and ten today. We're going to go pick that up at eight. All right. But we're actually going to borrow one hundred, right? Because we want to buy it at a discount, which is very important, but then we have to fix it up. So that's that's a really key part that I think we kind of skipped over is typically when you walk into a bank and you say, hey, Mr. Banker, I want to get a loan or I want to get a refinance, typically what they're going to do is they're going to say, OK, we're going to give you an 80 percent. It might not even be 80 percent. It could be 70. Could be seventy five bucks. For sake of simple conversation, we're going to go with 80. They're going to say we're going to give you an 80 percent loan based upon how much you're going to have in the deal. So think about my first 10 years. I wasn't renovating, I wasn't refinancing, I was buying and renting. So I was only doing part of the whole strategy here. Well, in that scenario, and let's say I wanted to go buy one hundred and fifty thousand dollar property, that was the purchase price. So a bank's going to say, hey, we're going to give you 80 percent period. There's no way around that. So if I want that asset, I had to put 20 percent in in this scenario. That's thirty thousand dollars. So the beautiful thing about the burn method A, I'm buying at a discount now. I wasn't doing that before. So not only am I am I building in equity and reducing, I look to look at it more like I'm reducing my risk when I had a discount from the get go. But I'm also now adding value by doing that renovation. And this is what's called as this is what most people don't talk about. And this is kind of the secret sauce, but it's actually referred to in the bankers eyes as what is what they call the entrepreneurial credit. And the entrepreneurial credit basically states that if you buy a property and you fix that property up and there are minimum thresholds, like most of our banks want to see at least 15 to 18 thousand dollars in repairs. Can you get away with doing less? Of course. But typically they want to see a substantial amount of rehab done. Now, if you do this substantial amount of rehab, this is the coolest part. Instead of the bank saying, hey, we're going to give you 80 percent of the purchase price, they instead say, hey, we're going to give you 80 percent of what it appraised is for. And that's we're buying at a discount really comes in handy. So let's run through a quick example. Before the burn method, I wanted to buy one hundred and fifty thousand dollar house and I paid one hundred and fifty thousand for essentially I didn't have all that money. The bank says, hey, we'll give you 80 percent loan. That's one hundred and twenty thousand. I had to come up with 30 grand. There's no way around it. It's just the way it works. Similar scenario. Now, let's say that I find a property with an RV of one fifty, but I'm not paying one fifty. I'm paying, let's say, one hundred for it, but it needs 20 grand worth of work. So I go to my lender, I borrow one hundred and the twenty, borrow one hundred and twenty. I then go to the, to the seller and I say, let's get this done, I'll pay for it. We're going to solve some problems. It's going to be a win when they know they're giving me a discount. But I know that I'm going to help them in return. So I purchased it for one hundred. I put that one twenty in. Right. I get it rented. And then now the bank and I go to the bank and say, hey, I need to get a refinance on this. It's not alone anymore. It's a refinance. It's so low. It's the wrong verbiage. But it's not me going in, applying new loan and filling out applications for a new loan. So that's another thing. The bank also looks at these products as will help somebody else already risk their money on this deal. We're not starting over at this point. We're just paying off somebody else that already took risk for whatever reason, if you own it now. And that's why the riff on loan, because you own the property. So the title doesn't qualify. It's just who's the lender. That's the only thing that changes. But this entrepreneurial credit is the key because instead of them saying, how much do you have invested, Dave? Which the answer would be one twenty, instead of them saying, OK, we're going to give you 80 percent of that one twenty. What they do, Gavin, is amazing. They say, let's send an appraiser over and that appraiser is going to most likely appraise that particular property at one fifty. Again, this is a scenario. And then they say, Dave, cool, we're going to give you an eighty. Alone on this one 50, not on this one 20 avenue, so now I'm into it for one 20, they're going to give me a loan for one hundred and fifty, but 80 percent of it. What does that equal? It equals one 20. So that 30 grand that I would have usually had to have brought to the table. The bank is going to allow me to use my existing equity, which I was able to build in two ways. One, buying at a discount, very, very, very important. And two, in order for them to even look at the appraisal and not the actual hard costs, you have to put in that minimum rehab amount. And every bank is going to be a little different. So don't run away saying, no, I got to put 15 to 18 grand first, find the bank, figure out what they need from you in terms of rehab to qualify for that entrepreneurial credit. And the entrepreneurial credit isn't like a box that's checked or anything like that. It's really just internal bank talk or verbiage that the bank uses to say, hey, we've we've mitigated our risk here. These guys have put a new roof on New Vaisse. They painted it. They cleaned it. So in the event that they stop paying us, it's going to be easy for us to get our money back. I mean, just put yourself in the bank's shoes.

Gavin: And I guess on this scenario, let me just compliment real quick, I guess what you could do as well is you could actually when you do the if you got it low enough, you actually make money. Right? So not only will you break even sometime, you're making 10 grand on the front of this building.

David: So our goal isn't to walk with money, but it happens sometimes. Yeah. So I think the most we've walked with is maybe ten or twelve thousand on a property. But what we typically do in the banks really appreciate this to Gavin is let's say that we're going to use the BRRRR method, which we do weekly almost, and we have a property that's worth at appraises for one sixty. Similar scenario instead of one fifty. It appraises for one sixty and we're all into it for one twenty. They'll essentially say, well, we'll give you a loan for more than one fifty and we could essentially walk with money. So what we typically do is just say, no, we only need the money to pay back what we've borrowed. So just reduce our loan amount, which basically reduces the percentage that they're lending. And they love that because they're like, oh, my God, you know, we don't want to see you walk with money. The bank's goal isn't for you to make money. The bank's goal is to just move risk around. Yeah, somebody else already took some risk on this. Why wouldn't we? Let's pay off this other lender and let's get all that interest come into us versus some third party. So what we'll do in that scenario is we'll typically say, hey, we don't need a full 80 percent loan. We may only need seventy eight percent loan or whatever that may be in some scenarios. Like you said, you have in some scenarios we will actually walk away. Now, when we walk away, you have to think what we're actually doing. We've bought the property at a discount. We've borrowed additional money to fix it up. And the average rehab that we do, even though the minimum thresholds like 15 to 18, it's typically a little bit over 20, I'd say our average rehabs, probably twenty one to twenty two thousand. So we make sure that we're over that threshold. So we'll borrow the purchase, will borrow the rehab, we'll renovate that property and then we'll get at least and then because I have and I think I skipped over this question, but because I have such good relationships with my bankers as well as good experience, meaning that I do this all the time, they typically won't have a big issue lending. And as long as they can see that we put in that 15 to 18 grand, they give us that entrepreneurial credit and then they just send out an appraiser. They don't ever ask how much did I buy it for? They will ask how much we stuck into the rehab because that's very important. And what we bought it for is, is all of a sudden kind of irrelevant in the bank's eyes. They just want to see that again. If I quit paying, are they going to be able to sell this asset and get their money back, not even make a profit, but also not lose money? Are they going to be able to get their money back? And basically what we're doing, guys, is we're using the 20 percent equity that we are basically either earning by fixing the property up or by buying at a discount. And we're allowed legally, we're allowed to use that equity as part of the skin in the game or the down payment. Or if you don't renovate and rent and go through the process the proper way, the bank is going to say, how much is the purchase price? Here's 80 percent of that number. Good luck. So you're always, no matter what, you're going to have to have skin in the game. But if you have the burn method and you do it properly, you can acquire assets with little to no money. So in the beginning, in the beginning, we had season and again six months and it probably took us six months to a year to get them to reduce the seasoning. From six months to three months, yeah, and then it probably took us another year of doing deals and building that relationship with the bank to go from three months to one to two months. Now, if we send them a lease, they say, when do you want to close? So it's one of these things where the more you do it, the better you're going to get at it like this and like most things in life. But the more you do it, the more leeway the bank will give you because you've essentially built trust with their trust in relationships is really massive when it comes to using this strategy.

Gavin: Well, that's awesome. I appreciate you coming on. You know, I think we could talk a little down, but I think that what's been good about this episode is we broke it down so people can actually follow an action plan here to actually do this. Right. And on the other hand, we're going to buy money, hard money to take it down. They need it for six months. They've got to get pre qualified to be able to get in these loans, follow these steps to go and get your first rental property with no money out of pocket. You just have to get the right pieces in place. So, David Dodge, I appreciate you joining. How do people reach out to you? Will follow you. How do people do that? They want to reach out if they want to follow you on social.

David: Yeah, definitely. Gavin and I appreciate it, man. So Instagram is probably my favorite social media at this point. My handle is my full name. It's David Alan Dodge. So David Alan Dodge is my handle on my Instagram. And the only other thing, Gavin, is I wrote a book on this. It's literally called The BRRRR Method, and you guys can find that book on Amazon and Audible. So if you're interested in learning more about some of the fine details or basically how we were able to do a hundred of these, we've documented it in our book, my partner Mike and I, and explained it for anybody to be able to take that knowledge and go do this themselves.

Gavin: Awesome, cool deal. Well, I appreciate it, guys. Thank you for listening for your while watching us. Make sure you like and subscribe to the show and we will see you on the next one. Dave, appreciate you. Thanks.

David: But thanks for having me. Bye bye.