EPISODE 105

Kevin Amolsch (00:00:00) - There's so many different ways you can do this business. When I was getting started I was highly focused on owner financing type of transaction. So, the lease options and the subject-tos, those are my bread and butter. So I think now is going to be a fantastic time to be going into that type of strategy.

Tejas Gosai (00:00:19) - Ladies and gentlemen, welcome to Real Estate Investor MBA. My name is Tejas Gosai, and I've had the honor of helping hundreds of investors achieve the American Dream by creating generational wealth through real estate. I've spent the past few years interviewing the most knowledgeable experts I could find in the business to cut your learning time and conquer the hardest subjects in the game. Check out rei.mba, which my team and I have packed with over 75 interviews and free access to our real estate roadmap, webinars and publications. If you're listening, I am rooting for you. And you're already on your way to financial freedom. Cheers and happy hunting!

[INTRODUCTION]

Tejas Gosai (00:01:15) - Right now, with the way interest rates are, there is a ton of quote-unquote slowdown in many different sectors. The Fed just released a few statements that basically downgraded Office as an asset class, stating that they're nervous about what will happen in that sector because of all the employment changes that we're seeing. Google just fired 12,000 employees. We're seeing a bunch of cuts all over the place and we all see it. People are working from home. People are leaving their jobs. When one sector is affected, it absolutely will affect other places. What they also said was multifamily is the way to go and they're actually telling banks to lend more on that side than some of the other places. They even said that multifamily is one of the safer places to rely on in what will happen in the economy. So my whole program is about that, how multifamily is a safe asset to invest in. My commercial real estate business has bought and sold a quarter billion in just multifamily in a two-hour radius, maybe an hour and a half. And my private equity fund is solely dedicated to multifamily. A lot of people are looking at this as the safe haven to be able to make it through the next few years.

Tejas Gosai (00:02:23) - And it's nice to have experts like Kevin Amolsch on our program to share his expertise on how him and his team are handling this market and hedging themselves and hedging bets to make sure that he can do the right thing for his investors as a fiduciary for the future. I always ask folks to give me their crystal ball view of what's going to happen, and most people do share it. Kevin definitely shares a lot that you're going to want to hear about. Let me tell you about him. Kevin formed Pine Financial Group in 2008 after leaving a small mortgage company as the senior loan officer for residential lending. Kevin has a degree in finance, which he obtained after serving four years in the US Army. Thank you for your service. Kevin started out in banking working at First Bank in the lending department while in school. From there, he started his first real estate investment company, which is still active today. After college, Kevin spent two years working with Wall Street as a mortgage bond analyst before leaving to work as a loan officer with real estate investors full-time.

Tejas Gosai (00:03:25) - He and his companies have closed on over 2200 transactions. As a buyer, seller or private money lender Kevin and Pine Financial Group have access to over 130 million in private equity, and the business continues to see strong growth. He has spent more than 20 years as a real estate investor and 16 years in real estate lending. He is the author of 45 Day Investor and frequent speaker. As has been quoted in the Las Vegas Review-Journal, The Denver Post, the Denver Business Journal, Forbes and Yahoo! Real Estate. Awesome guy. Hope you enjoy the interview. We're on iTunes, Spotify, Stitcher, Google Play, iHeartRadio. Our website is rei.mba I have a roadmap on there to help you with your journey and some financial analysis tools. Enjoy the interview. Cheers.

[INTERVIEW]

TEJAS GOSAI - We have Kevin with us today. Kevin, thanks for making the show today.

Kevin Amolsch (00:04:19) - Tejas, thank you so much for having me. I'm super excited to be here.

Tejas Gosai (00:04:22) - Definitely. You have a great resume. I just told everyone a little bit about your background. How about you give us the high level who you are today and how many people you've helped?

Kevin Amolsch (00:04:31) - Fantastic. I started investing in real estate super young right out of the army about my very first house. I was just turning 21 at the time, lived in it for a few years, had some roommates, helped me pay the bills, that kind of thing. Moved out, kept it as a rental. There I was, 23, my first real estate investment, and I. I decided from that point that I was going to use real estate to create my wealth because I saw the values going up. I was getting the tax benefits, the cash flow, all the stuff we know about. And so I saw it and I really focused on that. And I fell in love with the financing side of real estate as I was buying 1 or 2 houses a month while in college, I learned that it's really the negotiation and the deal structure all has to do with the financing. So I started focusing on the financing side of it and started Pine Financial in 2008. So we're in our 15th year and we've done well over 2400 deals. Quite a bit of experience.

Tejas Gosai (00:05:23) - Great time to start your company in 2008. Let's talk about that for a second. You've had a lot of success. That's an interesting date.

Kevin Amolsch (00:05:30) - Well, you know, a lot of businesses came out of that credit crash. A lot of successful companies were created during that. So I was no exception. But I started loaning private money in 2006 with a partner. She was basically my mentor. She took me under her wing. And in 2008, when everything was crashing in around us, she decided she much preferred teaching people how to do real estate than actually doing real estate. I'm a trenches guy. I'm a deals guy. So we decided a different directions and I started paying financial. But yeah, that's right. When all the big banks were collapsing around us so fantastic time to. Be getting going. Really was.

Tejas Gosai (00:06:07) - Yeah. Before we get into recent stuff. So just that beginning stages of starting up a business the first year or two.

Tejas Gosai (00:06:15) - How'd you guys make your claim? What area, what territory? Can you share some of that?

Kevin Amolsch (00:06:20) - Yeah. So I'm out in Denver, Colorado, and we were only in Denver at that time. I've already been doing it for two years prior to starting. So Susan was her name. She really did help me out and oh, an awful lot to her. But I was able to take some private investors from that experience when I started Pine Financial. So we were lucky enough to be profitable from day one, and then we just expanded big time once. Once we got going.

Tejas Gosai (00:06:44) - We got a few years to catch up on and then 2020 happened and you still, you know, hammered through all of that. Can you talk about some of that before we get to today?

Kevin Amolsch (00:06:54) - Yeah, 2020 was actually fairly easy if you were in real estate. I mean, there's a blip there for sure when everything shut down. But how do you not have success when the government is just pouring that kind of resources into the economy? I don't know anybody that did poorly in housing and real estate during that period.

Kevin Amolsch (00:07:13) - We're paying for it now with inflation and rising rates. So I think that's where you want to go, go here. But yeah, 2020, that was just a very small blip in business for us.

Tejas Gosai (00:07:23) - And hedging yourself the right way, keeping up with market trends, making it through cycles like that, you know, you've been able to stay competitive. People are really fearful. I try to make my program more about motivation and real estate, and it's a weird time right now. So what are you seeing with all these transactions and everything you've been working on?

Kevin Amolsch (00:07:45) - Yeah, I think it's a fantastic time. So I don't know when this is going to actually air. So it's a little tough because things are changing so quickly right now. But rising interest rates typically creates opportunities, I think, especially in rate-sensitive investments like commercial real estate, for example, or maybe the entry-level housing, something that people need loans to acquire, you're going to see some softening there. And I think there's going to be a fantastic opportunity.

Kevin Amolsch (00:08:09) - So I would never sell fear. I would not be nervous at all. I'd be cautious. But I think that there's going to be some opportunities that come out of this as well.

Tejas Gosai (00:08:16) - So how do you structure a deal right now with where the rates are? Can you talk about some of those specifics?

Kevin Amolsch (00:08:22) - Wow, There's so many different ways you could do this business. When I was getting started, I was highly focused on owner-financing type of transactions. So the lease options and the subject twos, those are my bread and butter. So I think now is going to be a fantastic time to be going into that type of strategy. And the reason I say that is because a lot of interest rates are between 3 and 4%. You know, the big majority of the interest rates are between 3 and 4 right now that are active, that are out there. But new rates, you know, in the sixes and investor loans are in the sevens today. So there's a big gap there. So if you could get to take over someone's loan at 3%, when anybody coming in to borrow money to buy the house would be at 7%, that's a tremendous advantage for you.

Kevin Amolsch (00:09:08) - And you could pay more for a house. So cash flows better, all of that. So I think that's going to be a good strategy.

Tejas Gosai (00:09:14) - Let's build that out more. So if I'm a I don't know, I want to buy four-unit multifamily. It's my second or third one and I've never done a subject. Two. How do I do that?

Kevin Amolsch (00:09:24) - Yeah. So first quickly, a subject to is taking title to a house, taking ownership of the house without paying off the existing loan. Nor are you formally assuming the loan like an informal assumption. You're taking ownership, but you're going to make payments on somebody else's loan for them. So how do you do it? Whether it's first of all, you got to find sellers that are willing to consider this type of transaction. It takes a highly motivated seller to just deed you their house and keep them on the hook for the loan. Right? So we see a lot of people chase subject to transactions in the foreclosure world or something that's going to create they need some payment relief.

Kevin Amolsch (00:10:03) - That's what you as an investor are looking to solve that problem. So foreclosures is the obvious one. But divorce is probate. Sometimes you'd see it in probate, sometimes you'll see them in, you know, terrible tenants like tired landlords, that kind of thing.

Tejas Gosai (00:10:15) - Yeah, that's cool. Thanks for sharing it. I spent a lot of my time barking about off-market deals and I have a commercial real estate team and you know, we're trying to figure out the best ways to get a deal. It's real. You have to be really creative right now and rely on historical information, which is why I lean on mentors. You were mentioning that help you get from A to B, Can you tell me about your book and what you know, it's neat. 45 I can't remember the exact title, but it's 45 days to buy an investment property with zero down.

Kevin Amolsch (00:10:45) - Yeah, exactly. 45 day investors. So how to buy your first or next property in 45 days or less with no money? Down In that book we talk a lot about the lease option strategy.

Kevin Amolsch (00:10:56) - I think that's the easiest way to start getting into real estate if you're looking at owner finance techniques because it's the one that is so easy to understand and explain. The subject too is great, but it's a little bit tougher for a seller to understand that and it feels riskier. The lease option is very simple. You lease the property and you lock in a price. You have the right to buy it at a set price and you just extend it out. So let's say it's 5 or 10 years as the value of that home goes up over time, that contract becomes extremely valuable because you have a locked-in price, lower price. So in the book we talk how to find the properties, how to sit down in front of the seller at their dining room table and negotiate that, how to put the paperwork together. And I think I just really love that strategy. So I decided to write that book about that.

Tejas Gosai (00:11:40) - It's amazing. And these tactics are really important because of how bizarre things are. Do you think rates are ever going to stop, you know, open question about how things have been rising and inflation.

Tejas Gosai (00:11:52) - If you want to talk about some of the economy.

Kevin Amolsch (00:11:54) - Yeah, we can talk a lot about the economy. I spent a lot of time there because obviously I want to protect my company and my clients interest rates. You know, they've come down. They were a little over 7% and they're down, you know, mid-sixties. They were even lower than that prior. I think they're going to bounce around the 6% range through 2023. And the reason I say that is because now the inflation numbers are coming back down into line. They're still about two times higher than what the Fed wants to see. But I don't know if we're ever, ever hit the target of 2%. So but we're seeing it trend down and they're already indicating they're going to slow the mortgage rate rising. The accelerated rising of rates, I guess, is the best way to describe that. But what's interesting about the rates that the Fed adjusts is the overnight rate doesn't have an impact on mortgage rates necessarily. So as you see the rates go up and up and up on the short term, we actually saw mortgage rates come down.

Kevin Amolsch (00:12:48) - And that's because of two things the long term, the ten year and quantitative tightening. So the government is taking money out of the economy. When that starts to slow, then you'll see rates come down.

Tejas Gosai (00:13:00) - Yeah, supply and demand, it's actually simple, but there's a lot of moving parts. What are you noticing? Are you seeing things in other markets that maybe other folks aren't seeing? You're pretty niche, you know? And how's your market been? A little bit different.

Kevin Amolsch (00:13:16) - So Colorado is interesting because this is the first time we're experiencing a negative migration. So don't want to necessarily get too specific on Colorado. But I could tell you that Colorado has seen some softening in real estate values, which is pretty rare for here, although we are the most inflated, comes to property values, non coastal cities. So it's the highest values, non coastal that you'll see. So there's room for it to soften some you know, job market is still strong across the entire country. We have to see unemployment go up to get inflation down in line with where the Fed wants to see it.

Kevin Amolsch (00:13:50) - So I'll go on record saying this. You're going to see high unemployment, higher unemployment that you're seeing now. You're going to start seeing layoffs. You're going to start seeing these things and it's going to have an impact. But after that, we'll see rates come down because.

Tejas Gosai (00:14:02) - It is you know, it's real estate investor, MBA. Let's stick on that for a second. Why do people have to lose jobs to have a good economy? It's totally counterintuitive, right?

Kevin Amolsch (00:14:12) - Yeah. I'm not saying I never used the word good economy. We're trying to have a stable economy. So what they need to do is lower inflation because inflation hurts everybody. It hurts the masses. Right. You see it at the eggs right now. You see it with at the gas pump. This is what we're trying to control and get that down so that we could thrive as families. But in order to get there, you have to have pain. We have to stop spending money. It's amazing, like in December, I know the retail numbers were down, but if you go in, if you look at the symptom, you go to the mall before Christmas, it was freaking packed.

Kevin Amolsch (00:14:45) - There were people everywhere buying like crazy. And we're supposed to be going into a recession like so is there a recession? Is there a recession coming? As long as people keep spending money, we're not going to see that. So what we need to get is people to stop spending money. Lower jobs would do that.

Tejas Gosai (00:15:00) - It's uncomfortable a little bit, but like it's also nature. This is like 100 years of this happening over and over. Nobody likes some of these things. But like stagflation, too, is another big problem because if we just sit at the same place, things are going to go down. And, you know, I don't think people talk about this, but other countries, they have had inflation just rip apart their whole system. Right. And that's why the Fed is taking this as seriously as it is. This is literally life or death and entire economy. How do you stay motivated in in a lot of this? What drives you? You probably work a lot of hours.

Kevin Amolsch (00:15:33) - I'm trying really hard to not work as much.

Kevin Amolsch (00:15:36) - Look, I love it. I love what I do. I love helping my clients. You know, we have clients that invest passively with us and we use that money to loan out to real estate investors to do fix and flips and new construction projects. So I get to help people make money on both sides of the transaction, and I really enjoy that. But look, it's if you're asking why we do what we do, we all have our whys. I always tell people that are asking me how I'm successful is because my why is strong enough to be successful. This thing gets me up in the morning. This thing makes me work late at night. I have goals that I want to accomplish and I'm not going to stop and. I do. It's. Why are you doing what you do?

Tejas Gosai (00:16:08) - Yeah. Family. Kids.

Kevin Amolsch (00:16:10) - Yeah. So I'm divorced with two daughters, and I have a girlfriend. We live together, so it's a blended family. And she has three. So we have.

Kevin Amolsch (00:16:18) - We have The Brady Bunch. We have. We have five kids.

Tejas Gosai (00:16:20) - I have children. I think definitely drives you a little bit more when you have to put children to bed and wake them up in the morning for school and things like that. Just going back to the passive investor side of it. Also, when when you say passive investors that you work with, what does that mean? Like, you know, people all over the country, people, specific areas, certain types of folks, accredited investors.

Kevin Amolsch (00:16:41) - Yeah. So I'll go back in time here. In 2008, when I started paying Financial, we would bring in one private investor to one individual real estate investor. We'd bring them together. We charge a fee to do that. But as values went up and we started getting more and more people interested in investing passively with us, what the feedback was is there's not enough diversification. It's too large of an investment in number because it was a 1 to 1 and there's no liquidity. Private notes are not liquid despite what people tell you.

Kevin Amolsch (00:17:11) - You will have to discount them to get them sold. So we solved for that by creating our first mortgage fund, and that was in 2009. So it was a $25,000 minimum investment spread across lots of different properties. And because there's enough volume, we were able to create some liquidity. Now today we've continued to expand and grow and get better and now we have a public fund, so it's fully approved to offer publicly advertise. And the cool thing about the public fund is we don't have accredited versus non-accredited guidelines. So I could take an unlimited number of non accredited investors. So that really helps. You know, the average person, for lack of a better term, get in the game and start earning, you know, higher passive returns that's secured by real estate.

Tejas Gosai (00:17:57) - Bravo. A lot of work in what you just said.

Kevin Amolsch (00:18:01) - Yes, a lot of work is big lift, no question.

Tejas Gosai (00:18:03) - And the word nobody likes SEC regulation and form filings. Can you share specifically what that structure is?

Kevin Amolsch (00:18:12) - Yeah. So this is a Reg A+.

Kevin Amolsch (00:18:14) - So it came out of the Jobs Act and so it doesn't really mean anything. It's just that's the documents you have to get approved and then it allows you to raise money. Across the country, we have a $75 million cap. We're about getting close to 50 right now. It's a $10,000 minimum. Investment pays out every single month and there's no lock up. So that's pretty rare that no lock up. That's tough to find.

Tejas Gosai (00:18:35) - I've never heard of that, actually. And I manage a fund.

Kevin Amolsch (00:18:38) - Are you doing Redis, I assume?

Tejas Gosai (00:18:39) - Yep. So accredited investors advertising. The similarity though, is we have lending as well as real estate and there's a lot of funds that are just solely $20 million property. But let's talk about that with lending is difficult yet systematic. When you do it right in your companies. I mean, you have all the servicing like the whole kit and caboodle and you're making sure these returns flow back and forth. What's your longest investor? How long have they been in the fund? Are they local? You know, just want to hear something about some of the folks that have been with you for a while.

Kevin Amolsch (00:19:16) - Yeah. So I still work with some of the investors. My very first investor still works with me. So that was in 2006 before I even started paying financial. They're not in the public fund because that's fairly new. We were doing regs also. That's how you kind of get started because it's a little easier to get that through. We have four total funds. Three of them are Redis ones, the reggae.

Tejas Gosai (00:19:38) - That's incredible.

Kevin Amolsch (00:19:39) - And we're actually looking now, we're exploring REITs. You know, the cool thing about a REIT is there's some tax benefits involved with that, but you don't have to buy real estate. They allow lending and investing in debt on real estate to qualify for a REIT. So we're we're starting to explore that now.

Tejas Gosai (00:19:55) - I love this that you brought it up. People never talk about that one thing. It's kind of complicated. I did worked for the Pennsylvania Real Estate Investment Trust years ago, actually in 2007 and eight with the bankruptcy, we had a bunch of malls and it was just a wild time.

Tejas Gosai (00:20:12) - Totally didn't expect to talk about that. So REIT is really the next level up. You're going significant regulation. You know a lot of reporting auditing amazing first of all. And two, can you share a little bit more about why that is the best next step?

Kevin Amolsch (00:20:29) - Yeah, and I'm not convinced yet that it is. We're still exploring that If we're going to combine all of our funds into one, we can go the REIT route, which which would allow us to really expand and then you could lever it. It's much easier to get bank financing and lower your total cost of capital in a REIT than it is. Right. But the Rec, if we decide to wrap everybody up into a new ready, we probably want to bring in any new investors into that. It would just be existing investors that benefit from that. And then we would do another reg for the new newer folks. But I got to tell you, there's not that much different in compliance between a re and a reg. Reg. It is a public fund.

Kevin Amolsch (00:21:06) - It can be listed on a public exchange if we chose to do that. So there's quite a bit of when you call it regulation, I guess around a reg Also the resource has some tax benefits. Those expire in 2025. So don't know if it's worth it to go through all the effort for the a few years here.

Tejas Gosai (00:21:23) - Yeah, that's a lot. But what you're talking about is hedging and using historical data to predict what the best moves are for your investors. You're a fiduciary. I got to ask how and thank you for your service. How did being in the military help you in business and, you know, get through what you've gotten through? Tough times.

Kevin Amolsch (00:21:44) - Yeah. Interesting. I get asked that sometimes. And could you hear about the military and you think, gosh, you're so disciplined because you went to the military. But I was an 18 year old kid. I went there to play laser tag, literally sold me on joining the Army because they're going to teach me to play laser tag.

Kevin Amolsch (00:21:59) - I was a grunt. So we were we did mortars, you know, the hang them shoot. We're in the front line. It's not like I got huge knowledge from the military that I could use in business, maybe some discipline. But I was pretty disciplined even before I went in. You know, I was the kid that was selling candy at school, right? I was an entrepreneur my whole life and pushing the lawnmower through the neighborhood, knocking on doors. But one thing that the military did give me is it paid for my school. So I told you I bought that first house. I used an FHA loan. So it's a 3% down now. It's three and a half now. But back then it was 3%. And then I never put money down on another house again. So my second house, I used a student loan for the down payment. We didn't need the student loan because I had the military paid for my school, but I still qualified for it. So I took the money.

Kevin Amolsch (00:22:45) - Super low interest rate, use that as a down payment, and I bought my second house. So I owe a great deal to the army for getting me going in my career. But I don't know that I would say there's a correlation of what I learned there to what I'm doing now.

Tejas Gosai (00:22:57) - Well, we thank you and it does make you harder and it's crazy to see what you've done and what I think is a pretty short period of time. It's not like you know, 30 years or some of these other folks, but you're a transactions. The volume of what you're doing is incredible. Can you give me one last thing to tell someone who's just starting and trying to get into real estate and getting there first, maybe single-family or something?

Kevin Amolsch (00:23:20) - Yeah, if they're going to look at the equity side. So the debt side of the passive side is pretty safe, as you know, because you're the one that gets paid back first. But if you're interested in becoming a real estate investor and you want to own a property, first of all, I'd say there's a lot of advice I can give.

Kevin Amolsch (00:23:34) - But one thing I would say is definitely focus, because there's so many different options in real estate for you to go and they're all good. You can make money any direction you end up going, but I would stick with something for at least six months and stay very focused on that. You're either going to hit it and it's going to start working well, and then you could add to it, or you're going to learn that that's not the niche for you, and then you could try something new. So for me, I started chasing foreclosures and doing short sales. I was terrible at that. It was very, very challenging. And then I just shifted into to the lease option strategy and that's where I hit. But I stayed very, very focused and then I expanded from there. If you got that squirrel syndrome that so many entrepreneurs get, you're never going to be successful. So maybe that's the best advice I can give, is just stay highly focused.

Tejas Gosai (00:24:20) - Yeah, Practice makes permanent.

Kevin Amolsch (00:24:23) - That's perfect.

Kevin Amolsch (00:24:23) - I love that. Haven't heard that one. I appreciate that.

Tejas Gosai (00:24:24) - Kevin, awesome. How does somebody get a hold of you to invest or maybe ask for advice?

Kevin Amolsch (00:24:31) - Yeah, so it's very interesting. I wrote a couple of reports, one for private investors that are looking to loan money. Here's what I saw. People were going into a junior positions because some of the national gurus teach you that let's just lend it. They call it gap funding. Let's lend the gap between the hard money and what you actually need. And they go into a junior position and then there's no collateral at all because we don't have enough money to pay off. The first you don't have you don't have any collateral. So we were seeing I've seen people lose money. One lady lost her entire retirement, her entire IRA. It was 80 grand. She lost it all. And so I wrote a little report to help people that want to go out and do it on their own. And so I put that report on this website.

Kevin Amolsch (00:25:08) - And the other one is comparing the 90s crash to today because we hear a lot about 2008 and everyone freaks out about what's going on right now and how it compares to 2008. Well, there's not very good comparison. It's totally different, but it does compare more highly with 1990 after the savings and loan crash, the high inflation and the high-interest rates, that's kind of more similar to what we're going through now. So I wrote a report comparing those two. You can get both reports totally free at the Pine Report.

Tejas Gosai (00:25:35) - Love it. Super wealth of knowledge. We need that especially for the first time, folks. Even if you're seasoned and everything's in the show notes so you can get a hold of Kevin anytime. Kevin, thank you for being here.

Kevin Amolsch (00:25:46) - So awesome. Had a great time. Thank you.

Tejas Gosai (00:25:48) - Same thing here. Tejas Gosai, Real Estate Investor MBA, rei.mba, iTunes, Spotify, Stitcher, all that stuff. We love you guys. Cheers. Thanks again, Kevin.

[END OF INTERVIEW]

