

## 7: Real Estate

Discussing the pathway to purchase our first appreciating asset in an appreciating market, even though we did not qualify for conventional financing after my release from prison.

Serving time in prison doesn't mean that society has completely abandoned us. While serving my sentence, I would not allow the walls or boundaries to serve as an excuse for my responsibility to understand what's happening in the world. Like almost everyone in prison, I expected to return to society. With that expectation, I always felt an urgency to expand my awareness of the broader community. That understanding would lead to better planning for ways that I could add value or triumph over obstacles.

During my final years inside, I read articles describing the economic recession. In 2008 the stock market and the real estate market began to implode. Credit dried up. Housing prices in many parts of the country dropped by more than 40 percent. Talk radio stations discussed high unemployment rates that led millions of families into hard times. Foreclosures on personal residences and bankruptcies rose to unprecedented heights.

After more than four years of lean times, the economy looked poised to rebound in 2012—the same time I transitioned to the halfway house.

With expectations that the country would pull out of a recession, Carole and I looked for opportunities to participate in the potential upside. We believed that if we could acquire a house at recession-level prices, our equity would grow as prices appreciated.

Since I hadn't finished my obligation to the Bureau of Prisons, rules would preclude me from applying for a traditional mortgage. Further, with a 0-0-0 credit score, I wouldn't qualify. Without access to conventional financing, purchasing a property would require a creative finance strategy. Fortunately, the seeds Carole and I began sowing before my release could help.

What were those seeds?

I can name many, stretching back to the time that authorities locked me in the Pierce County Jail while I awaited sentencing. Throughout the entire journey, I worked to build a record that would show I knew how to:

- Define success at different stages,
- Create plans that would lead to incremental steps of success,
- Put priorities in place,
- Build tools, tactics, and resources that would advance me along the plan,
- Develop accountability metrics to measure progress, and
- Execute the plan daily.

Before my release from prison, Carole and I agreed on a solid plan for how we would build our future together as a team. Since we knew that I'd be starting my career, we intended to count on Carole's earnings as a registered nurse to provide the initial stability for our family. I anticipated that I would need about five years to build a business model that would ultimately sustain us, understanding that I would have to work on many projects without compensation.

I expected to work at least 60 hours each week during my first five years of liberty. If the market required me to travel, I would drive or board a flight and pay for a hotel to seize an opportunity. To earn a living, I would ghostwrite books for others, create products we could sell, or offer mitigation services that our small consulting business could provide to law firms or individual defendants that faced challenges with the criminal justice system.

As Carole and I sat in the prison's visiting room before I transitioned to the halfway house, we discussed my anticipated heavy work schedule. We agreed that it would make sense for her to advance her nursing credentials while I worked to build my career. Carole's research led her to The University of San Francisco's nursing school, where she could earn a master's in nursing while simultaneously earning an income from her work as a registered nurse. As a team, we would both focus on our mutual goals.

Although we anticipated that we'd both earn an income, we knew we would need an investment plan. We were both approaching 50 years old. My lengthy imprisonment meant I hadn't been saving systematically toward retirement. Similarly, Carole's commitment to supporting me throughout the journey meant that she had sacrificed a career that would allow her to save for retirement.

We had to think creatively.

To solve the problem of retirement preparation, I wanted to buy a house when prices were relatively low in 2012. As the economy improved, we believed the housing market would improve. Owning real estate that appreciated over time could contribute to our preparations for retirement, especially if we could find tenants that would pay rent to live in the property. We anticipated that we could build upon our security by owning assets in appreciating markets.

To buy our first house, we considered our strengths and weaknesses. We didn't have a strong financial statement or credit score, but we had a plan and a history of executing our projects.

Since I had documented my adjustment for decades, I could show a track record. Although I made terrible decisions that sent me to prison, masterminds encouraged me to think about avatars and contemplate what those avatars would expect of me. Those thoughts led to my systematic planning:

- I created a plan to educate myself, contribute to society, and build a support network.
- After earning university degrees, I began publishing. Those publishing efforts generated an income that trickled in over the years.
- Rather than wasting those resources, Carole and I used them judiciously. We invested in her nursing education, and we saved.
- Those decisions led to approximately \$100,000 in savings when I returned to society.

- We could show how Carole's earnings would increase after she earned her master's degree in nursing.

Our solid plans, backed up by our history of accomplishments, persuaded others to believe in us. Even though we didn't have the conventional track record to qualify for a mortgage, we could find a way to purchase our first property.

### **Creative Financing:**

I visited Chris and Seth, partners of Advanced Building Solutions, a premier real estate development company with more than \$100 million worth of properties under development. Although I'd never met Chris before my release from prison, my friend Lee could introduce me.

Without a doubt, Chris and Seth were the type of people I had in mind when I thought about avatars. Chris and Seth would want to see a record showing that I was different from the foolish young man who began selling drugs when he was 20. I always believed that my prison adjustment would directly influence my ability to overcome challenges upon release.

When I met with Chris and Seth, I showed them the record of accomplishments I'd worked hard to build. As a published author with academic credentials, and support from Lee, Chris and Seth found it easier to believe in me.

We spoke about a new real estate project they were developing in Petaluma, a quaint city about 40 miles north of San Francisco. Although Chris and Seth hadn't broken ground on the properties when I met with them, they told me that when they finished the development, each house in the development would list for about \$400,000.

I wanted to buy one of those houses for Carole and me. Yet we didn't have the financial wherewithal to close the transaction without external financing.

Although an initial assessment of our credit score indicated that we weren't credit-worthy to purchase a house using conventional financing, I asked Chris and Seth to consider the totality of our story. I wanted to persuade the developers why it made sense for them to finance our purchase of one of their properties.

To make my case, I encouraged them to consider what we had accomplished under challenging circumstances, showing them what we'd done in the past and our plans going forward. If they extended us financing for a few years, we would be stronger and likely capable of qualifying for conventional financing. By then, Carole would graduate and increase her earning power. I would finish with my obligation to the Bureau of Prisons and be able to apply for credit. Further, the business I intended to develop would provide me with more earnings.

Despite the perceived weakness of our credit score in the fall of 2012, I made a persuasive case that we would grow financially stronger in years to come.

The developers agreed to finance the purchase of our first house. Since they wouldn't have to pay a commission to a real estate agent, they agreed to give me credit on what the commission would be when I qualified for the mortgage. Further, they told me:

“If you could stay that motivated while going through 25 years in prison, we want you to motivate the other members of our team.”

They had five locations where they employed scores of people. They wanted me to speak with the team members at each location and agreed to apply what they deemed fair for a speaking fee toward the purchase price. Those resources would apply toward my down payment once I qualified for the mortgage.

We bought our property for \$390,000 in the fall of 2012. The developers agreed to accept a check for \$12,000 that they would apply toward my down payment.

Since the Bureau of Prisons wouldn't authorize me to purchase anything on credit, we initially put the house in Carole's name. We planted our stake in the ground, becoming homeowners.

Masterminds have frequently said, “The harder I work, the luckier I become.”

Without a doubt, Carole and I were fortunate. Support from people like Chris and Seth, or Lee, allowed us to close our first real estate transaction within days of my transition from prison to a halfway house. By signing that agreement, we controlled an appreciating asset in an appreciating market. As I'll describe in the following chapters, real estate values increased in the San Francisco Bay area in 2013, 2014, and 2015. When those values increased, our equity increased, bringing us more financial stability and opening more opportunities to build prosperity.

If we didn't have support, we would not have been able to purchase that first property. We began sowing seeds for that support decades before launching our plan to invest in real estate. Those earlier decisions gave us the track record we needed when the opportunity surfaced. With that track record, we could persuade others to see us for what we would become.

If you're inside a jail, a prison, or in some other type of struggle, I urge you to recognize the importance of each decision you make. Today's decisions influence opportunities that open later. Consider this lesson with every decision, including:

- The friends you choose,
- The activities you pursue, and
- The books you read.

Every decision comes with opportunity costs. Choose wisely.

Self-Directed Questions:

- What thoughts have you given to funding your transition back into society?

- In what ways have you planned to overcome challenges with your transition into society?
- How would you describe your preparations to fund your retirement?