Ep #34: Interview with Caeli Ridge of Ridge Lending Group

Full Episode Transcript

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Dr. David Phelps and Evan Harris

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You are listening to the *Dentist Freedom Blueprint* podcast, with David Phelps and Evan Harris. Navigating you through the uncharted waters of a turbulent economy with straight-forward advice to, transform your practice into a self-sufficient cash machine, compound your net worth assets, and multiply, multiply, multiply your passive cash flow streams.

David: Hello everyone, this is Dr. David Phelps, of the Freedom Founders Mastermind community. I'm very excited to have on our expert interview call today someone who is a person of high integrity and brings a great service of high value to many investors across the nation. In fact, she and her company, which I'll introduce in just a moment, have provided superior service in the mortgage lending arena to many Freedom Founders members already. In real estate investing, whether you're an active investor or a passive investor, it requires teamwork, it requires a team and a better integrated, and more professional team one has, the better the investing model works. Caeli Ridge, of Ridge Lending Group, thank you so much for being with me today, and to give some of our listeners some great information and insights.

Caeli: It's my pleasure, Dr. Phelps. Thank you so much for having me, it's absolutely my honor, sir.

David: Caeli, you and I have become acquainted, and our relationship's growing because of another mutual relationship we have, and that's through the collective genius mastermind group, which is really, I think, the format that I try to teach our doctors about, about network. Doctors typically, Caeli, they're educated, they're hard workers, but their whole life has been about them. I don't mean it in an ego way, it's just about, you're the doctor, you learned these clinical skills in whatever your area of expertise is. It's all about you, you have to do everything, and doctors, from that standpoint, never learned, I think, about how to collaborate and to delegate, outsource, create a team around them. In the investing world, whether they're into stocks, bonds, annuities or in the platform that you and I love, real estate, I think for many who try to do it on their own it becomes a very frustrating thing to occur. Have you found that in your years both as a personal investor, and also as a professional in the mortgage arena?

Caeli: Absolutely, in fact I've got a funny acronym to describe it. It can actually feel like turning a battleship in a creek, specifically to how the lending side of this big orchestra works, I couldn't agree more. It can be very cumbersome if you haven't had the time or the education to surround yourself with the appropriate support systems, it can be near impossible. I really agree with that.

David: When a doctor tries to do, and again, I'm speaking from experience here, so I'm not putting everybody down. We find a new arena, so let's just again talk about real estate. A doctor finds real estate through some form or fashion, takes a course, reads a book, hears about the success of somebody else he or she might know. All of a sudden, the doctor says "Okay, great. I'm going to learn everything I can about this subject, and then I'll dip my toe in the water." The problem is, you never get there, we're always learning and evolving. Again, not to over-push this concept, but having great people around us is the way we move things forward much faster. Caeli, talk a little bit about yourself. Take us back, I know you've been in the finance lending world for some number of years, you also have your own investment portfolio, and then we'll bring you up to date with Ridge Lending

Group, and really what the activities are that you're involved with today in that arena.

Caeli: Yes, sir, happy to. I won't bore you guys with my resume here, but 30,000 foot view. Ridge Lending is a second generation company that focuses almost exclusively on the non-owner occupied side of lending. Though we're capable of doing everything, it's really that investor platform that we find our skillsets the strongest. I've been in this particular space for about 17 years. I come with a unique perspective, and you touched on this. Dr. Phelps. I'm an investor myself. At the height of the last real estate cycle I held 42 properties. I hope I've been able to use some of those experiences and knowledge, leverage it, and turn it into some meaningful education tools for my investor clients, whereby helping them optimize the returns on their investment through the financing piece, and offering for maybe an alternative perspective the pros and cons, playing devil's advocate about how they're going to qualify today versus in a year, or 2 years from now, how can that be impactful to optimizing the financing part of realizing the best and most substantial bottom line?

David: Excellent, excellent. Let's talk a little bit about your business model itself. You said you focus most on investors, that's the non-owner-occupied. That's the bulk of your business today. Your company, ridge lending group, you underwrite and help source lending for investors across the nation. You're in all states, you provide lending for properties in all states?

Caeli: Yes sir, I should have mentioned that. We are nation-wide, with a few minor exceptions. We're not in New York, we're not in Hawaii, we're not in Alaska. There might be 3 or 4 others, but we're going to be licensed to secure financing in all the states that our clients are looking to purchase and/or refinanced in. If we're not in a particular state as of now, it's only because there's not been the demand for, or the need, the market's not producing the appropriate return. We should be everywhere that your investors are looking to get into.

David: Perfect, perfect. Let's talk about what a lot of financial pundits often talk into the mass media about, and that is, it's best to pay off debt, go get that free as fast as possible. You and I, and the people within our mix, we understand that there's different kinds of debt. When we're talking about leveraging into good cash flow producing real estate, let's just talk about that a little bit for a minute. Particularly today, but in general, why is it a good time with the appropriate investing strategy, to be utilizing a certain amount of leverage in one's portfolio?

Caeli: Good question. I think that's a few-pronged answer. First of all, most investors, in doing their research, they're going to find at some point in time one of the matrix that shows them the difference in ROI, rate of return, on an investment property that's been leveraged versus one that might be free and clear. In looking at that potential formula, they'll see clearly that a leverage property is going to produce exponentially higher returns than a free and clear property. That's number 1. In terms of this particular market cycle, I don't think anybody can dispute the fact that interest rates are incredibly low. In fact, the lowest that they've been in 20, 30, 40 years. We also have the opportunity in this country to tie up a 30-year fixed for an investment property, which is quite rare, actually. For those reasons, 30 year fixed money at 4.7, 4.8%, is profound.

David: Why is that that we can tame financing that's 30 year fixed? To me, let me put back to you, Caeli, would you loan money to even a good risk, borrow on 30 year fixed rate terms? Would you do that today?

Caeli: No, sir, that's a good old ... US of A, the good old US of A.

David: Who is the US of A? What I'm getting at, what I tell our doctors is, "Look, this long-term, fixed-rate money that's out there today, it's all subsidized by the US of A. That's us, we're the taxpayers." I say to them, doctors always complain, "I'm just paying so much in tax, so much out of tax." I say "This is your way to come back and take some of that tax money back, it really is."

Caeli: That's a good point, absolutely, it is.

David: It doesn't make sense, but that's what our government does. It's redistribution of wealth in many cases, of course our government wants to keep interests low because our government has so much debt. They're the Goliath debtor out there, so do they want to pay higher rates? Eventually they're going to have to. They're not going to have any choice in the matter. Your point's so well taken, that we have this opportune window. I say to doctors this is a window of opportunity. That doesn't mean you can't make money when rates are higher, you and I've been through many cycles. In fact, I started investing back in 80 with Jimmy Carter. The first property I had, my dad helped me with. Our rate was 13 and a half, but we made money. Everything has a way of working itself out, but as you said, if you walked in this low, fixed interest rate and you're doing it with good properties that you hopefully intend to hold for, I'd say a minimum of 5 years, but 10 years, you're going to look so smart down the road because of what you've really done is you've shortened the dollar. Great opportunity.

Caeli: Absolutely. I don't want to come off and be another sound bite to real estate, but it really is the perfect storm. You've got the algorithms all working together, you've got the price points, you've got the interest rates that are on 30-year fixed amortizations, rents are good. You've got a whole generation of Americans that are looking at renting a home is even more powerful than owning a home for the first time in, I think, our country's history. Those, and a variety of other variables, really make this particular real estate market cycle incredible.

David: You hit all the major points. The other thing I tell investors ... We have investors all across the board, I tell the younger docs, who don't have a ton of capital to invest, but I explain to them, just have you have expressed already, no, the return on investment with the leverage opportunity multiplies what dollars you do have several times over. There are investors who maybe, in my arena, who have enough capital that they're pretty content and they don't really need the growth. I tell them "Look, even if that's down point, because I believe we're going to have a much higher level of inflation in coming years, then having a certain portion of one's portfolio leveraged ..." A certain portion, I think still makes a lot of sense, just from an inflation index standpoint.

Caeli: Bit picture, yep, absolutely. You've got to be able to forecast where you're going to be sitting in 5, and 10, and 20 years from now, I think that's very smart thinking.

David: Okay, let's talk about the current status of lending. We went from the early 2000's up to 2006, and 2007. Sub-prime debacle, everything turned 180 degrees in just a matter of months, bam. I haven't been borrowing money during that period of time at all, except from private investors. Obviously everything I hear from other people on the street that are like you, they're in the market, how much have things opened up today, what's different, what's the same, or close to the same as what we had back then? Another loaded question is, where do you think it's going, with your magic crystal ball, of course things could change on a dime, but how much have things eased up over the last 3 years or so?

Caeli: I think that the purse strings have definitely loosened significantly. That's to say it still remains 3 steps forward, 6 steps back. It continues, it's an ever-changing, moving target. What time is it? It's 2:35 my time on October 1st. By 4:15 today it could be a whole new playing field for us. In that regard it's a little bit volatile, just in terms of what new rules and regs. they may impose upon us. Overall, my consensus is that we have a lot more flexibility, there's a lot more money out there being lent, and if we're confined just to look at the Fanny Freddy stuff, the conventional type mortgages, even there there's been some significant improvements to underwriting criteria. I would say in terms of the baseline of what an underwriter goes through and qualifies an individual for, the qualification bar in many cases have been reduced as well. Past that, and maybe even more significant or impactful, we're starting to see the suits come out of the woodwork, meaning that Fanny, Freddy are not the only player in the marketplace anymore. Secondary markets are now including other private investors that want to get back into real estate.

We're starting to get some specialty products that we're very excited about, that will go past the conventional 10. We also use those products for those mostly self-employed people that perhaps are going to write off the majority of their taxable income, making them not viable candidates for conventional loans. They'd fall into that category too. These are very aggressive products that allow investors to keep going. I would say the profound difference between, if we could get into that for a second?

David: Sure.

Caeli: The profound difference between conventional and the specialty is 2 things. Interest rate, these are both 30 year fixed products, by the way, which makes the specialty, I think, highly sought after. More than anything it's the interest rate that you're going to be looking at difference-wise, between conventional and specialty, and the way the loans are underwritten. Just to give you an example, let's take, a conventional loan today might average about 4.75%. The specialty lone, also, again, 30 year fixed, is probably going to run closer to 6 and a quarter. If it's the difference between not being able to leverage versus having a 30 year fixed option available to you, trust me when I tell you, I run the numbers all day long, they still make sense, even at 6 and a quarter. There's that. The other primary difference is the underwrite, like I mentioned. Fanny Mae, you're submitting DNA samples to get a loan through, right? I make a joke about it, but it almost feels like that's really the extent of it. Versus the specialty product, is an asset-based underwrite. We're really primarily just looking at the asset as a means of qualifying for the loan.

Without getting into too much of the specific minutiae there, those are the primary differences between the 2. The 30 year fixed version, like specialty loans, is brand-new to the marketplace. I'd say as recent as February this year. We're hopeful that that's just a sign of the times, and it'll continue to grow and increase and give us even more aggressive and well-priced products out there.

David: There's no real difference between the conventional, and especially in down payment requirement?

Caeli: Good question, the leveraging is almost exactly the same. The max leverage on the specialty is 75%, Fanny will allow you to go to 80% under certain circumstances, but very, very similar.

David: That is interesting. When a potential client comes to you, an investor who is ready for help, one of the many things that you do is you help them determine which is the best way for them to go, and what their opportunity is that they have both, and you'll really let them know what the hardcore DNA aspects of conventional underwriting is, and if they want to go that route and you feel like they're capable, then great, you'll help them do that. If not, you can look at the specialty side and go that route.

Caeli: I'm glad you brought that up, actually, Dr. Phelps, because that's actually one of the things that I personally focus on. Give me a moment just to kind of lay out the platform here. When we get a new client in, we do take them through a fairly exhaustive pre-qualification process. There is a method to that madness, and we set the expectation upfront, we prepare them for what they're about to endure. After the pre-qualification process, I personally take anywhere from 30 to 60 minutes per client in going over all of that higher level data specific to them from an underwriting perspective, whether it's the Fanny Mae guidelines, or the specialty guidelines. We further can pinpoint specifically where they are today, where they want to be tomorrow, and then we can come up with a very unique strategy, a sequencing of sorts, that best supports the goal.

David: Is there a starter kit, a hit the gym early and stay on the treadmill an extra 15 minutes, that they should start doing before they hit the pre-qualification process, just to get them ready for that?

Caeli: I think that more often than not my recommendation ... I'm sure that there are exceptions to this rule, but more often than not my recommendation is for them to agree to go through the pre-qual. process, because there's so little that I can really advise accurately on until I see the bigger picture. From that point is when I can set them up. Even if they're early in their stages and maybe they're not ready to really take the plunge, they really should identify where they stand from a financial perspective, that underwriting perspective I keep mentioning, so that they know how to position themselves next month or next year to capitalize on what's available to them.

David: Once they've done that, they're set. You like to do, as any business, you like to have some long-term relationships. Certainly you'll do one-off transactions for anybody who's a good client who comes in, doctors who are coming in and want to have a plan to buy x number of properties over the next 12 months, for example. Once they've gone through the pre-qualification process and you've identified with them the right positioning as far as their underwriting and the type of loan they're going to be taking out, then you can move them very quickly, correct?

Caeli: Absolutely, and that's an excellent point. We really focused on the long-term relationship. Yes, you're right, we do the one-off transaction, but that's not really where our mindset is. The nice thing about taking them through the gauntlet of pre-qualification on the front end is that now we've got the bones to the file, right? We don't have to reinvent that wheel down the road, we simply have to insert the updated items that may have expired between then and now. It becomes a much easier process, the brain damage is all but complete on the front end. That's not to say ... I don't want to set the wrong expectation. Lending is an imperfect process, and anyone that's gone through a conventional mortgage or otherwise in the last couple of years can certainly relate to the fact that it comes with a certain amount of heartburn, let's just say. I can tell you specifically, for our physician clients, dentists and doctors and across the board, they tend to really hate the process, even more than the typical investor, because they're so busy. Most of these people are type A personalities anyway, right? They're high network individuals. They do not enjoy the process. Again, over 17 years' trial and error for myself, I know that pre-loading, front-loading this process with that pre-qual. is definitely worth the effort.

David: I totally agree, and I will tell our listeners, I won't mention this doctor's name of course to keep his personal information anonymous. One of our members who recently worked with you on multiple transactions sent back an email and just raved about the fact, Caeli, about the personal care, consideration, walking him through the process, answering his questions. I know this doctor very well, he's rock solid. He's like every doctor, number 1, we are pained by having to go through stuff. Not that we think we're above it, but yeah, if you're a doctor with good credit and high network, you feel like "Well I've paid my dues already." Unfortunately we all get thrown in the same basket, you've got to prove yourself up. You just have to suck up and do it, but here's the point. I'm speaking to our audience now, this is what Caeli does, and she works with our group of people. If you want to keep this process as streamlined and easy as possible, and then take advantage of this great opportunity right now that we have in the marketplace, to walk in and leverage with the best 30 year fixed financing possible, it's worth it to go through this.

There's really nobody better, because I'm in Collective Genius, I know a lot of people, and everybody keeps turning back and says "Call Caeli Ridge at Ridge Lending Group, because she knows how to make stuff happen." That's what you want, when you have a problem, when you have cancer, do you just want to go to the emergency clinic on a corner? No. You're going to do whatever it takes to get to the best person, and whatever hoops you've got to go through, you're going to do that because that's where you get the best service, and the best end result.

Caeli: Thank you, I don't even know how to respond to that. Yes, if you had cancer, do not go down to the local area emergency room. That's not who you want to have treating you. What an ultimate compliment, Dr. Phelps, thank you so much. I do agree, I know what I'm doing, without sounding arrogant, I've been at this a long time. That battleship in the creek, I know how to navigate it. Thank you.

David: You're welcome. It's heartfelt. My doctors know that I am an advocate for them, first and foremost. I want to engage them with good people, because I know they don't need more in their lives, they don't need more obstacles and barriers and things to trip them up, because they are all busy. My goal is to get them free, and not to get them more pummeled by more bureaucracy and things like that. I appreciate who you are Caeli, the service you're delivering for our members, because it's been top notch. I bragged about you to our mutual friend Ron Phillips, you guys worked together so well. Again, it's this team work that makes all this work. Could you go out and find separate deals and separate vendors, yeah, but how to orchestrate it where everybody's talking on the same platform, that doesn't happen by coincidence. It's got to be put together on purpose, that's really what the network allows us to do.

Caeli: Yes sir, I agree.

David: Listen, let's make sure that everybody understands the best way to connect with you. I don't expect you to give people your cell phone number, because I know you're super rocking busy, but you've got great assistants, got great people on your team who ... What's the best way just to find out more about how to get started with you, where would you like people to go?

Caeli: A few ways in which they can reach us most efficiently, our toll free, 85574 Ridge, is an easy way to remember. (855)747-4343. They can always send an email to info@ridgelendinggroup.com, I am on that distribution list, so I will see them come over. I may not be the one that answers first, but you get a very prompt response. They can look at our website, it's a little remedial. I will be the first to stand up and say that my social media outlook leaves me a little dry, it's not really my thing, but we'll see what happens in the future. Maybe I'll get a Twitter account or something, don't count on it, but ...

David: Don't do it, I haven't gone there and I've promised not to. I find very few docs that are out there tweeting, and not that many that are focused on Facebook, so at least from my group I don't think they expect to see you there, so they wouldn't know what a tweet is. Let's just leave that there. Listen, I think that's great, we've really covered the bases I wanted to, to really let people know what this process is about, what the opportunity is, and most importantly, who the go to person is to get this done. Caeli Ridge, I thank you very much.

Caeli: It's absolutely my pleasure, my distinct privilege, I appreciate being a part of this, Dr. Phelps, sincerely.

David: We look forward to doing a lot of business back and forth and helping more people, so, will do it. Thank you again.

Caeli: Thank you, sir.

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