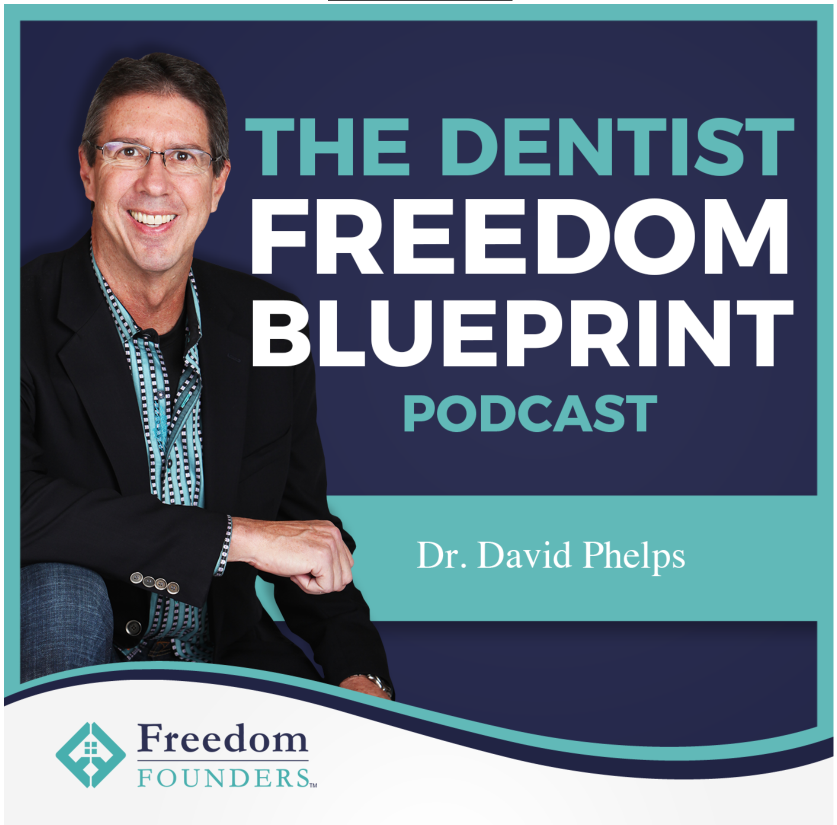
Ep #192: Wendy Sweet - Making Lemonade from Lemons



Full Episode Transcript

With Your Host

Dr. David Phelps

Dentist Freedom Blueprint with Dr. David Phelps and Evan Harris

Ep #192: Wendy Sweet - Making Lemonade from Lemons

Wendy Sweet: Well, you know, even as an experienced lender and an experienced investor, you can lose money. You can do all the right things and you can lose money. And that's one of the things that I preach to people is that at some point you will lose money in real estate. It's just gonna happen.

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David Phelps: Good day everyone, this is Dr. David Phelps of The Freedom Founders Mastermind Community and Dentist Freedom Blueprint Podcast. It's gonna be a really interesting interview/discussion I get to have today with really one of my good friends that I've had the opportunity, the privilege I think, to be friends with, colleagues with in different respects. Her name is Wendy Sweet. And yes, that's spelled just like sounds, S-W-E-E-T. And by the way, she is also very sweet. I'll say that even though I'm talking to her, she is very sweet.

Wendy, how are you doing today?

Wendy Sweet: I'm doing great, David Phelps. Thank you so much.

David Phelps: Wendy, you and I first met…

Wendy Sweet: This week, you know?

David Phelps: Well, you are, you are. But you also have a business side which is very important. And I want to talk about that today. Yet you're sweet, you're a person of integrity, you care about people, first and foremost. I know your background, I know your faith, I know about your family. And those are some of the key things I try to teach other people that ... You know, the dentists and doctors in Freedom Founders that ... Everybody gets excited about things you can invest in and how you can make all this money whether you're in the stock market or you're in real estate.

All fine and good, but unless you are directly involved with the actual investment, like rehabbing house or you're directly involved in a company ... Which most of us have our own businesses, but we invest in or through other people. And if you don't know something about the people or the culture of the company that you're investing in, you really don't know much and you're just playing games with numbers. Numbers tell a story to a point. But they don't tell everything, do they?

Wendy Sweet: That's exactly right. Especially from our end, you know, being underwriters. Doing due diligence on people and property. It's easy to just go by the numbers when you're doing the due diligence on a property and checking somebody's credit score and seeing how much money they have in the bank. That's based on numbers, too. But really, what is the character? Not only of the person but, what's the character of the property? Things change when you drive by it and you see that there's a pig parlor nearby or a train track in the backyard and things like that. What is the character of not only the property but of the person as well? Or are they going to pay you back? And when things hit the fan, how do they react?

David Phelps: Exactly. So, we're jumping ahead a little bit, but that's good. Because it's gonna ... We'll bring it back so people can understand where we're coming from. So obviously, you're getting the idea that Wendy has something to do with real estate. And yes, she definitely does. She and her brother, Bill Fairman have been working together and put together a company or a fund ... That's fund like F-U-N-D, fund, that-

Wendy Sweet: It is fun.

David Phelps: Invests other people's money like ... It is fun and it's a fun. Well, it's not always fun, because you guys actually do a lot of heavy lifting. That's the point I'm gonna make today-

Wendy Sweet: That's exactly right.

David Phelps: A lot of people think it's easy to do. "Oh, yeah, in an up market, in a bull market where everybody's making money and you got ... I got Uber drivers that on the weekend they're flipping houses and I'm going, "Yeah, that's real good. That's real good." It's all good until it's not. And what you and Bill bring ... Well, first of all, you have in fact 35 years as a licensed real estate broker in North and South Carolina-

Wendy Sweet: That's correct.

David Phelps: And you were a conventional mortgage lender ... Conventional meaning people would go and get a Fannie or Freddie Mac loan to purchase property or the home. So you ... We talked about underwriting, that's what you just mentioned, underwriting, which is-

Wendy Sweet: Exactly.

David Phelps: Is the due diligence of a borrower. So you got years of experience doing that. But 2008, which turned everything upside down-

Wendy Sweet: Absolutely.

David Phelps: For just about everybody, no matter what business sector, stock market, real estate, got turned upside down. You decided, "Eh, I'm done with that conventional side because, well, it's changed a lot." That environment's changed tremendously. And you decided with your experience and your connections ... Particularly in your area on the East Coast, North and South Carolinas ... That you had an ability and you took an opportunity. I always say problems create opportunity.

And you took an opportunity to say, "Hey, when the market turned and very few people could get institutional money for anything back in 2008, '09, '10, '11 ... '12 started to open up a little bit. You decided, "Well, hey, there's all this private capital" ... Meaning people who have money in cash accounts or life insurance or in self-directed retirement accounts where they ... Self-directed meaning they can actually decide where to direct it. That's a story for another day.

But they have access to put it where they want to. A lot of people have capital that they'd like to get invested. And not everybody wants to have it in the stock market. You may or may not, but a lot of people like to say, "I'd like to have some money in tangible assets." Which real estate would be one of those. The problem is for most people that are busy in professional practice or have busy businesses and home lives is that the due diligence, the connection, finding the right people to invest with or through, that takes a lot of work. It takes experience.

And once you were willing to go through the school of hard knocks ... Which I have, I know you have ... It's not fun. You learn a lot, but there's an easier way. And that is to piggyback on with other that have already done it, that you've checked out their culture and their core values. And so that's really what you and your brother Bill Fairman do today with Carolina Capital Management. You focus on lending money, private capital ... It's not banks' money ... You aggregate money from individual investors like myself or other people that want to put money into a fund, F-U-N-D, and then you decide, you and Bill with your other team members, decide what the underwriting is for each individual borrowers. And these borrowers are not homeowner occupants are they, Wendy?

Wendy Sweet: No, right.

David Phelps: The people you lend to are not buying their own home, you stay away from that. And for specific reasons, because there's a whole set of different guidelines, underwriting regulations for that ... But for you to make the kind of loans you make, we call those commercial loans. It's business-to-business. These are people that have a business of buying undervalued property that usually needs work and that's why they're undervalued. And they have the ability and experience to go fix the houses up and then put them on the market and resell them for a profit. It's kind of simple and people see the HGTV and flip this house, flip that flop, whatever they are, you know? They're all over and it looks sexy and fun. Well, maybe not always so much fun.

But you lend to people that have a track record. They're in your area, which is key. So you get ... You got a pulse on the market. You've got a pulse on who these people are because you get repeat borrowers. So you get to know who they are. You set the requirements. You set the stage, the criteria. You follow through. You do the inspections. You do the paperwork. You set the timelines for repayment. And you make all that easy for us on the backend as a fund investor by just ACH-ing our check, our profit and it'll work out. And we just get to snooze it. And I go on thinking, "Well, it's all good on the East Coast." Until it isn't.

Wendy Sweet: That's true.

David Phelps: So what I want to talk about today ... Once I add one more thing to the question, I want you to tell about this ... So I'm investigating your fund and so, am I a shareholder in the fund? Or am I a member in the fund with my money? What am I as an investor in the fund, Wendy?

Wendy Sweet: You are actually a member of the LLC. So you are the bank. You have a piece of the pie.

David Phelps: I've got a piece of the pie. So I'm a member, but as a member I don't get to have any management or operation oversight, do I? I mean, I don't get to vote on where you lend the money or what you're charging or this or that? That's not part of my opportunity, is it?

Wendy Sweet: That is correct. And trust me, you don't want it. And that's why we are-

David Phelps: I was gonna say-

Wendy Sweet: Here is ... You know, we take the experience that we have and we put your money to work. We're really here ... We're here to protect you. That's really our role. And you know, I do have the experience as a commercial or a conventional lender, and that all was with investing. All investing was ... That was our niche for the investor. Not your normal owner-occupied loans. So bringing that to the table is helpful as well because when investors come to us for loans, they come to us for those rehab loans, I always look at what their end buyer is going to face as well. How easy are they going to be able to sell this home? Are there gonna be title issues connected? Easement issues connected? Is it a paved road? Is it a dirt road? These are all things that conventional lenders care about.

And our goal is, too, to make sure that we're training that rehab investor to understand that it's not just, "Is this house a good deal and what can I sell it for?" It's, "Can my end buyer get a loan for this house?" 'Cause there are reasons why mortgage companies would not loan on certain houses. So we try to really hit every wall that someone could run into. My goal is to keep them from running into that wall and being able to hop over it with no problem.

David Phelps: Yeah. And the only way to know all that is just because you have those years of experience, that you've looked at this. And-

Wendy Sweet: I've run into all those walls.

David Phelps: Yeah, you've run into 'em. So once … you have, then, your radar, your antenna's up on every deal you look at. And you can quickly go through that checklist ... I'm sure

... I know you've got written checklists, but even in your own mind you've got a checklist. You're going, "Bam! Bam! Bam!" You're looking at all these things. A lot of things that, again, a novice lender would miss. Would totally miss 'cause they just don't know what to ask, what to look for. They might go look at the property and shake hands with the investor and go, "Well, sounds good to me." You know? And that's about it. And now it's just a hope and a prayer.

And as long as the market stays strong, most of the time ... Not always ... But most of the time things work out. But there's ... Gosh, there's so many ways you can lose your shirt as that novice lender. And that's why working with someone like you guys is such a huge benefit.

Wendy Sweet: Well, you know, even as an experienced lender and an experienced investor, you can lose money. You can do all the right things and you can lose money. And that's one of the things that I preach to people is that at some point you will lose money in real estate. It's just gonna happen.

David Phelps: By being a member in a fund, though, the nice thing is even if the fund were to lose some money on a few deals, you've got so many deals in the fund that any little smaller losses ... Which can happen ... Are gonna be mitigated by the overall fund. And so as an overall, members in the fund just aren't going to lose money, you know? It's-

Wendy Sweet: It's the safest place to be. It really is.

David Phelps: It must be ... Yeah. And-

Wendy Sweet: And on the loan loss reserve, there's all kinds of things that will alleviate any possible dangers that are out there.

David Phelps: And just so people understand from your standpoint, from the fund's standpoint, Wendy, when you make a loan to a borrower ... This case, the investor who's gonna buy the property and do the rehab and then eventually sell it ... You get security just like someone who's buying their own home and went to the bank, you know? You're gonna sign what's called a promissory note. So your borrowers sign a promissory note. That's the contract that says it's a promise to pay back. And then there's also a security agreement ... Could be a mortgage in some states, a deed of trust in others ... That actually puts on notice in the public records ... Puts a lien on the property and says to the public records this property has money owed on it and therefore no one call sell that property to other people without making sure that your loan's paid off.

So even though as a member of the fund I don't personally hold a security agreement or a promissory note, you as the fund managers, you and Bill, hold all those. So we have tangible hard assets that are tied to specific collateral. All the properties, correct?

Wendy Sweet: That is correct. And actually, yes, the fund does hold that paper. We manage that fund, but the fund is actually what holds that paper, those promissory notes and the deed. Absolutely. The fund is the one in charge of that.

David Phelps: Yes. Yeah, yeah, you hold that. And again, by being an investor in a fund, we don't have to worry with all that. It's good to know about it, it's good to learn about real estate, what goes into it, but, man, the best way to get started is to, again, work with people who have already gone down that road. And then, gosh ... And then if you want to get out on your own and if you think you're ready to try a little on your own, yeah, I mean, have at it. But I still would have a good mentor, a good somebody to walk you through it. Because you can make a lot of money, but certainly one misstep ... One misstep out of one deal and you could lose a chunk.

So what I want to get to today is you and I were talking just the other day a little bit ... And just to give people context for today's interview with Wendy, we're at the last week of August of 2018, so it's important to have context. And I'd say where we are in the overall economy, certainly stock market, real estate market, we're still in a pretty much of a bull run economy. And the real estate market ... Stock market was up 200 points today. Real estate in most locales ... Some of the higher price point areas, Florida, California maybe seeing some sluggishness, but most locales in reasonable affordable price points still doing pretty darn well. I know out in the Carolinas, you guys are ... Your market's going very, very well.

So the market's doing well. And even though we are anticipating at some point in time there could be a reset, we're not seeing reset in most places right now. So the point I want to make to our listeners today is, "Well, gosh, what could possibly go wrong if we're in a strong economy and everything's running strong? What could possibly go wrong if there's not a market correction?" And you and I were talking the other day about the fact that ... And I don't know, how many different borrowers or loans do you have out on average in a given time? How many are you managing? I don't even know what the number is, Wendy.

Wendy Sweet: Well, between 160 and 180.

David Phelps: 160 and 180.

Wendy Sweet: At any given time. Correct.

David Phelps: So you deal with your team ... Yeah, you got oversight. You're managing. You've done your due diligence. You're walking these things through till they pay off and the money and profit, interest comes back to the fund. And you pay out your dividends to the members. So that's what you're doing at all times. You're just managing all these different moving parts of different borrowers. And so right now things are working well. And you've got good borrowers that pretty much ... I mean, sure, there's gonna be some issues and some delays and things like that and you've got ways to work with them. They pay extension fees and you make it work. Your goal is to have your borrowers be successful. That's what you want from the get-go.

So you recently were telling me that you had in the fund ... Had to deal with some problem, issues with some of the loans. Why don't you go into that a little bit? Because this is a great lesson. Even if you're not a real estate investor, even if you're not thinking about investing in real estate or into a fund, the point I want you to listen to today is even in your own business, the worst number in business is the number one. What I mean ... Well, having one of anything.

So let's say you have one key person in your business. This is gonna be a dental practice who knows everything and manages the front desk and the scheduling and the insurance and financials and all that. You've got one person who kind of manages and has all of the passwords and the codes and the keys to the software.

'Cause that person has been with you a long time and has been really loyal. One day something happens to that person. I mean, literally something could happen to that person physically, health-wise. They could just go bad. They could steal from you. I mean, things change in people's life. Let's say you have a primary source of new patients that comes from lead generation marketing firm and they do a pretty good job. But what happens if they go bad? Anytime you are dependent upon one thing for a main source.

And so within your fund, with all the different borrowers, there was a certain group of loans that kind of came through one person. So why don't you ... So with that preface, why don't you take us into kind of what you had to deal with starting last November?

Wendy Sweet: Sure. We had a borrower that had been actually in and out of 23 loans with us. So we had a relationship with this person. And his job, his daytime job is to be ... He is a trainer for the Online Trading Academy. They were a national company that, you know, just like you have real estate gurus, these are stock market gurus. And they teach people how to day trade and trade in the stock market. So his job is he actually travels by going all over the country teaching people how to invest. And part of what he teaches is investing in real estate. So he was able to pick up a lot of people who had money that were interested in learning about how to invest in real estate.

So we had been in these loans in and out, 23 loans with him. And he started bringing these new borrowers to us that were depending on him to oversee the project. Whether it was through his construction company or just his contracting services to develop these properties. The majority of the properties, what's going on here in Charlotte right in the downtown area where people are scraping off the two-bedroom, one bath null homes and doubling and tripling those in size. He really had pretty much a machine going at the time. So we had several loans. 53 as a total, as a matter of fact.

Now, not all of those were in the fund. Some of them were set up with one-off borrowers as well. People who aren't accredited ambassadors and don't get into the fund. So we had them split up. Some of them we sold to outside lenders as well. But nevertheless, we had 53 of them that we were involved in. And he ... You know, every time that we would do a loan for one of his customers, not only would we get bank statements from the customers, but we got bank statements from him, too, because we want to show that he had the wherewithal, the bandwidth to be able to take care of these deals in case his investors didn't. So we re-underwrote it just like we always do. We get bank statements, the last three months' bank statements. We pull credit, we do background checks, do all of the due diligence that we normally do as well as the due diligence that we would do on the properties that we would normally do as well.

Fast forward to this past November 1st ... Actually I would say it was more like this past August. It's been about a year. I could tell that he had started going through a lot of different subcontractors or superintendents with his company. Just getting a little bit lackadaisical in what was going on. I was starting to get calls from some of his lenders saying that they had not been paid yet. When we release funds to an investor that is looking for a drawal, we do get lien waivers signed. But it doesn't mean that we're getting all of the subcontractor lien waivers. We're getting the ones who they're working for.

So some of those can slip through the cracks. Which I know now, one of the things that I've learned on this. It's not always the person that's on the permit. They have subcontractors that they work with. So in August I brought him and his top five team members that he had into the office and we actually ran through the EOS program with him. We did everything we could to help him get more organized and make sure that he had the butts in the right seats. 'Cause I know it worked so well with us when we went through it. It's a program I highly believe in. I really just wanted to let him know that we're there. We're there to help him. And it worked out great. He actually replaced a lot of people. He put a lot of different things in place. But it was too late.

So by November 1st he was at a point where all of his investors had exhausted their funds in making payments on the houses and he was out of funds. So here we are, November 1st, we got all of these houses and the only thing I could do was have him sign them all over back to us. So what do you do when you've got ... Oh my gosh, you know, one or two, that's not a big deal. But 53 all at the same time? We had ... During this time he had put a really good contractor in place that had taken the bull by the horns and taken all these properties ... They're all in various stages of rehab ... That was able to take over. I met with that contractor. We were able to get plans in place and all the repair lists in place. We knew what we had to do. Timelines, all of that was set up and ready to go.

Bad part ... Another bad part that came along with it is he had gone out and gotten seconds and thirds put in place. Not all of them were recorded, but some of them were. Recorded against these properties that these people had no idea what they were getting into. They put more money into the house than it was worth. Well, that didn't affect the fund, that affected me. Because I'm the one that had to call these folks. Tell them that, you know, you're not getting any money out of this. There were people that had borrowed money off of credit cards to lend him money. It's called seed money.

If anybody ever comes to you and says, "Hey, I can show you how to raise money, receive money", run like the wind. Literally what they're doing is they're getting these interest-free for a year credit cards and they're getting 10 and 12 of them and taking $10,000 off of each one. And they have no interest for a year, but at the end of that year, you've gotta start paying that. These people ended up with absolutely no money. So the other thing I'm thinking I is when you're taking back that many houses and they're in various stages of rehab, if you go through foreclosure in the State of North and South Carolina it's gonna take about a year and it's gonna cost about 4500 bucks.

So during that year when those houses are sitting still, you can't let them sit. Because two weeks, three weeks, a month, things start to deteriorate, you know? If it's not ... If the roof isn't on, if it's not boarded up, all of these things, everything starts to deteriorate. People will break into them. You've gotta be really careful with these things. So I'm thinking, "What are we gonna do with all of this? How are we gonna keep up with this?" So I couldn't let it stop. We had to keep everybody going. All the work that was being done on the houses we had to keep them going. So-

David Phelps: But one of the keys was you said that you got this one person ... I'll call him a conduit, he was kind of the conduit for some of the-

Wendy Sweet: I called him lots of things. Conduit wasn't one of them.

David Phelps: Yeah, I'm sure you did, definitely … But he agreed just to sign the houses over-

Wendy Sweet: He did.

David Phelps: Which is fortunate that he was ... You said he could have maybe not and just made you foreclose, which would have taken all the time and a lot more capital to do that. And if you don't actually own the property, you ... Can you as a lender still go in and do some mitigation to put roofs on and protect it, though?

Wendy Sweet: Absolutely. 'Cause we have the rehab money. So absolutely we could have done that. And that was our intention. And, you know, he did sign the properties over. We had a great relationship with him. And he knew that we had done everything that we could to reach out to help him as he was going along. And he didn't take out these loans with the intention of not paying us back. That wasn't what happened. But he just got behind the eight ball and everything he did to try to save himself, he was really just putting himself further down…

David Phelps: Further in. Yeah, so alright. We'll get some more details. But let's stop and take a breather for a second and just kind of go over kind of the big lessons here again. So here's a person who up until this last year was very viable as a contractor. He had a side business teaching people how to day trade, you know? He was making a lot of contacts. And he was doing well. And it sounds like ... Again, it sounds like there was no intent to defraud anybody here on his ... You would say that to this day. He didn't intend to defraud. There was no intention to do harm or to let things get out of hand. But sometimes they do.

And so, again, my lesson to people is even though you may be doing well in the current market ... Especially people that want to grow. They want to grow their business, grow it, expand it. Because gosh, it's a great time to expand and do more. Expansion can come with a cost. And it costs capital to expand and if you don't have the foundation ... You mentioned the EOS or Entrepreneurial Operating System, the Traction book, which a lot of people use. There are others as well.

But a basic core business model that allows you to keep things intact is when if you grow and you don't have some things in place, that growth can run through capital. It can ... Overnight, virtually overnight things can go downhill. And that's what sounds like happened to this person. He just lost control. You know, you tried to help him. He lost control. And because he had so much money that he had borrowed and you said seconds and thirds means he came and borrowed money after the money that you had loaned ... So you still had a first position.

So as you said, the people who are behind in a junior subordinate position, second or third lien position, they're out. They're out. And those are the calls you had to make. Say, "You know, I'm sorry, but you're not gonna get anything for your money you put in. And that's why having a first lien position is that safe position, or much safer position to be in that you hold with your fund.

Wendy Sweet: Absolutely.

David Phelps: Now, the other question I've got is just to clarify. So were his borrowers ... You said these were novice borrowers and part of the reason you were lending money to these borrowers is because they were under his tutelage, under his guidance. He was a contractor. He up to that point was running a good business. And things just got away. As you said, he just ... New people, there was turnover. He couldn't keep all the dials together 'cause he didn't have a good foundation. So did the borrowers end up not being able to make the payments because things just got behind and no construction was happening on a timely basis? 'Cause construction wasn't happening well, so they had to do redos? What caused the bog down? Just because he wasn't able to handle everything he said he could handle? Was that it?

Wendy Sweet: That is correct. And, you know, when ... It would take a long time for him ... It was taking him a longer time to get permits, to get the foundations started. So these borrowers were ending up paying more, making more payments. Taking a longer term in the loan than they had originally intended. And they basically all just started running out of money one by one. They started running out of money. And you can't get money from a turnip, you know? Once you get through your funds, you're through your funds. So it just had nowhere else to go. And when they start getting slow on payments or not making payments, we don't release money on rehab because we're not gonna release rehab money so they can use the rehab money to make our payments. They can't use that. They have to use that to pay the contractors.

So and then the other thing that really hurt is a lot of these contractors, when they start building houses, they get credit from builder supply companies to buy windows and doors and the roof and all the big ticket items that it cost to build a house. So they'll be in debt pretty deep with these building supply companies. Now, those are not the people that I can tell whether or not they've been paid. I don't know that they even have these accounts open. So when we're releasing funds, I can't get somebody like that to sign a lien waiver. And once we took all these houses back, now I'm getting bills ... A 70,000 dollar bill from a building supply company, you know, window companies. Bills coming left and right because he was not able to make those payments on those when that money was released to him/

So now, we're sitting here with unpaid invoices that we had already released for. So even when you're doing everything you're supposed to do, you can still get yourself in trouble by not having all the funds for the rehab that needs to be done. So we really had to do a lot of scrambling. We actually took money out of our own pockets to finish these houses. Because you have to get it from somewhere. So that's really what we did to get these houses finished. And we were able to sell off a lot. 'Cause you know in the market when you've got people that know about foreclosures, the investors are like a bunch of hornets swarming. So the phone was ringing off the hook from people wanting to buy this lot or that house in various stages. So anything that we could sell that would get all of the investors' money back, I was all for it. We had to get 'em off.

So we were able to disseminate at least half of what we had right off the bat and get those sold. We even were able to sell them in a pool if there were a couple of houses that were really hurting that weren't really gonna make it. And I had a couple that were really gonna make a lot of money, put them in a pool so they would be sold bringing each other up. The good ones bring the bad ones up and the ones in the middle would kind of hang in there. So that really helped being able to do that.

And then we actually have a couple of them that we're hanging onto because we know that there's a serious profit down the road. In fact, the City of Charlotte is working with us on a couple of these properties to do some affordable housing development on it. So there's ... Which would have never occurred if this hadn't happened. It's amazing how God can give you peace about something that makes you want to jump off a cliff and really keep you focused on, "What's the right thing?" And that's probably the question that I ask myself every day a million times, you know? I know what's good for business and I know what we should be doing. What's the right thing to be doing? And all of that has to equal. You have to ... It all has to equal. But number one is, you have to take care of your investors, your lenders.

David Phelps: That's right.

Wendy Sweet: That's the number one thing.

David Phelps: Yeah. So the process you went through to take these 53 loans ... Or in this case now 53 houses that now the fund took back and owns is you had to do what we call workout. Everything you did was a workout. And again, thankfully because of your knowledge and experience not only in the industry but also with the area and your connection to so many other investors who love to have the opportunity to take houses wherever they are in the process and take them over, you could quickly disseminate them.

You triaged and said, "Okay, these are the ones that we want to just sell off because we can at least get the capital back to our investors. Here's the ones that we'll pull together and make them work out for investors. Some good, some bad. And them here's the ones we'll keep because we can finish these off with our contractors and make a profit." Your ability to do that quickly and do the workout was because of experience and connections. Something, again, that most novice investors don't have very much of at all. And so they take one bad loan ... And, of course, if you have one bad loan and it's your only loan, it's not good at all. And then you try to do-

Wendy Sweet: That's right.

David Phelps: That workout ... You don't have the connections. So you were able to deal and work through this quickly. Another reason why, I'll just say it again, even though we always want to think about, "Well, gosh, if I just ... If I do the whole deal myself, if I go out and figure out how to loan money to people who are fixing and flipping, I can make all the profit." You forget that there's all these moving parts and these things called overhead and due diligence and workouts and inspections. And just so many pieces the novice is gonna overlook. And just kind of keep your fingers crossed that, "Yeah, it'll just work out."

Wendy Sweet: That's right.

David Phelps: And sometimes they will, but a lot of times they won't even in a strong market. And that was kind of my ... That was my big takeaway is that we're all waiting for this correction to come and that's gonna be a different ballgame. But here you are in a relatively very good market still and an issue came up. But with your experience and your eyes and your foresight, you were able to take care of it and your investors don't suffer any losses. They don't even have to know unless you communicate and say, "Here's what we do." But I mean, they don't have to know because you don't have to go to them and say, "Oh, by the way, you're not getting any money this month." Or, "Gosh, you just took a loss in the fund", because that didn't happen."

Wendy Sweet: Well, and that's the other thing, too, is no, they didn't have to know. But it was important for us to make sure that our investors did know what was going on. I ... It is so important for us to have the people that are in the fund, have a good idea about what it is that's going on and what we do. You know, you dentists are all alike anyway. You-

David Phelps: Aren't we.

Wendy Sweet: You want to know how everything works, so ... And that's a good thing. But you don't want to have to do it all, but you want to know how it works. And it's easier for us. It really is so much easier for us 'cause we're working with someone who wants to know and is interested in seeing, you know, what are some of those moving parts? Just are trying to get an idea of what's going on. Although we don't want you running it for us, but we certainly love to have your interest in it. It makes me feel a lot better than somebody that says, "Okay, here you go. Just let me know when it's over." I don't want that, either. That's an even greater responsibility. I want you to have a good idea of what's going on here.

And the other thing that you mentioned about having experience and being able to network, it isn't just one builder that we have that's taking care of all of these houses, I have four that I'm working with that I've known and have gotten an opportunity to get to know them better and give them different houses tow work with. And working with them has really educated me on how I can share that with our borrowers that are coming up on things that they need to know when they're working with another builder.

David Phelps: So, you know, it's like ... I say it's making lemonade out of lemons. So again, you took a problem ... Like, so many other ancillary benefits come out of this. And again, I would say as someone who knows you and Bill, but your other investors as well, the story to me says so much about you. And see, that's who you want to have an alliance with if you're investing with or you're doing business with or anything, you want people that have been in the trenches and they've come up against issues, problems. They've been there. And they know how to resolve them. It's tempting sometimes to go to work with somebody who says, "Hey, I've got this brand new opportunity" ... You know, you hear that ... "I've got this opportunity." Well, how many opportunities like this have you done before? "None, but this is a no-lose proposition." You hear it all the time.

No, no, no. I'd rather stay kind of more stable, more ... You don't want to call it boring, but boring is good. Because it ... There's a track record to it. There's stuff that you understand. And the new opportunity usually has stuff that nobody really understands but it's a good opportunity.

Wendy Sweet: That's exactly right. And you know what else has really been great about all of this is it's been so encouraging the feedback that I've been getting from the investors that are in our fund. They've been so encouraging and lifting us up and grateful to us. And we're grateful to them for the support that we've been getting and the confidence that people have in us. The last thing you want to do is let somebody down. And it's just been a great growing of our relationship with everyone we're working with, too. It's ... They always say the toughest things turn out to being the greatest things. And that really has been in this case.

David Phelps: Yeah, if you'll persevere and do the right thing. That's what you did and it's exactly what you said. Persevere and do the right thing. Don't shortcut. Don't try to run from something. Just stand up, communicate, deal with it, and man, you'll have people that'll be with you for a lifetime. It's connection and relationships are everything. We talked about it this last weekend. It's just that's everything in life it certainly plays a big part in business and in investments. When you're investing in alternative investments where you do have the ability to get to know people ... You don't have to just like go through ... Put your money in the stock market and just hope by looking at just the numbers.

In this case the fun part is we get to know the people. We get to know you, you know people. It's a people-to-people business and not just a numerical thing that you just, you know, again, you see it go up or you see it go down and you wonder why some days, right? Well, real estate's different. It can go up and go down, but gosh, you have a lot better opportunity to understand when, why, how, and take ... And be defensive and also proactive at the same time. A lot of the stuff we're gonna talk about.

Well, Wendy Sweet, it's been really ... This has been a great discussion. I think there's so many great lessons here. And again, as I said earlier, you don't even have to be a real estate investor to take some wisdom out of this. 'Cause there's a lot of great lessons here that you laid out. And I was so glad to be able to do this with you and for our listeners for their edification as well.

Carolina Capital Management, Wendy and Bill are trusted advisors with Freedom Founders. I love you guys. We met in one of our Masterminds, Collective Genius. That's where I ... Really, some of the top shelf people in the United States in real estate and I have the advantage, I get to cherry pick. And I quickly cherry picked you and Bill right out of that group. And thank you for being such staunch supporters and enabling our members to be able to invest their money wisely, safely, securely with people that they know I can trust.

Wendy Sweet: Well, thank you. You know we feel the same way about you. And we absolutely adore the people at Freedom Founders. It's just we built such incredible relationships and friendships with the members in Freedom Founders. It's just ... You know, they're forever friends. It's life changing, actually. It's awesome.

David Phelps: It is. It's really the way to do business, to know the people you're getting ... Doing business with and it's a pleasure.

So alright, Wendy. We'll wind this one up. But thank you so much for this session today. It's been a lot of fun and I will get the chance to see you again very soon.

Wendy Sweet: Thank you.

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