

The Market at a Turning Point - What You Don't Know
Could Hurt You



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Jeff Watson: The government is supposed to work for us, but if we're silent, they don't know what we want. And if they don't know what they want, they're going to listen to who isn't silent.

And right now, there's a lot of people who are whining and moaning and saying, "Give me, give me, give me, give me."

Welcome to the Dentist Freedom Blueprint, a podcast about freedom—freedom from expectations of society and the traditional path to success that has been ingrained in us from our early years, I'm joined by mavericks, renegades, and non-conformers to discuss an anti-traditional path to financial freedom, freedom of time, relationships, health, and ultimately freedom of purpose. My name is Dr. David Phelps. Let's get started.

David Phelps: Good day everyone, this is Dr. David Phelps of the Freedom Founders Mastermind community and the Dentist Freedom Blueprint Podcast. Today, we're going to have a great conversation with one of my longtime friends in real estate, Mr. Jeffrey Watson.

Jeff, great to have you on.

Jeff Watson: It's good to be with you, man, it's always fun.

David Phelps: Well, Jeff and I have known each other for a long time, and I want to give a little bit of color to his background because he is, I would say, very much an advocate for those of us — and there's many of us across the nation or across the world, but across the nation who really enjoy being involved in some aspect of real estate investment.

I'd call us, you know, we're the on the ground entrepreneurs, whether we're active or we're semi-active, or some of those that

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like to be passive, but whatever that is, there needs to be a real advocate.

And Jeff has done that, and I'll give you some of what he's done over the last decade plus in regards to just that aspect. Jeff is an Ohio attorney who's had an active trial and hearing practice for over 30 years.

As a trial lawyer, he has a unique perspective on real estate investing, wealth building, and asset protection. As a real estate investor himself, since 1994, investing in both residential and commercial properties, Jeff has been through multiple market cycles. That's a key that we're going to talk about today, that's really, really important.

He currently represents established real estate investors in commercial and residential matters. You've done work for me and some of my gang — when the transactions involve self-directed retirement accounts.

So, that's a special niche. Probably have you back on to talk about that separately. But for those people who don't realize it and a lot of people don't, Jeff and you know that — they don't realize that they can actually have control over what they invest in through their individual self-directed traditional Roth, health savings account.

So, many people, it blows me away, they don't know that. And they're locked into the financial markets, I'll just bring that out. But we'll come back and touch on that because that's a whole subject into itself.

That's a subspecialty of yours that you do a lot of work on and help keep people straight and there's guidelines and rules to follow. You got to do it right, but if you do it right, it's an immense opportunity.

Jeff is also a recognized thought leader and innovator in the field of real estate and note investing, wealth building, subject to

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transactions. Another area that we probably have to do a whole separate discussion on, these are all deep dives.

And also, self-directed retirement account transactions, tens of thousands of investors have used it. Documents created by Jeff to invest in notes of properties and that's so important in this day and age. You've got to have the right documents, don't do it yourself. Very dangerous out there in those waters.

Jeff's also a nationally recognized authority regarding regulatory concerns with creative financing, seller financing and wholesaling. These are topics that some of you listening today may not be aware of. But this is, again, boots on the ground real estate investing and there's changes happening across the board as there is in everything in government today.

The government wants to take over everything, all aspects of our life. And Jeff is a fighter for keeping some levels of freedom of operation. In his home state of Ohio, he's worked with the Ohio Division of Real Estate and nationally, with Aurelio regarding the legality of wholesaling.

In 2018, Jeff became a member of the Board of Directors of Quest Trust Company. That's a group that a custodian that most of my members know very well, and Jeff's on the board. They're a nationally recognized leader in a self-directed IRA service.

Jeff is the general counsel to the National Real Estate Investors Association. Jeff's also general counsel to and co-founder of Realeflow LLC, which made the INC 500 list in 2011. Another of his clients made the INC 500 list in 2018, currently advises five different national training or educational organizations where they combine membership of over 200,000 investors.

Jeff authors an email newsletter twice a week, Watson Invested, maintains a blog at watsoninvested.com on investing business and entrepreneurship, which are read by over 10,000 successful investors.

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The lobbying efforts that you have been such an inanimate part of since 2010 with Dodd-Frank and what that changed there. You're there on a regular basis on Capitol Hill dealing with regulation on policy, on distressed property purchases and resales.

2014, 2015, your efforts helped bring about changes in the U.S. tax code and helped reinstate the Mortgage Debt Forgiveness Act. You also met with FHFA regarding a disposition of defaulted notes and mortgages in bulk format.

In 2016, Jeff met with the Consumer Financial Protection Bureau regarding regulating land installment contracts. Another really big, big effort, so important.

He's currently working to secure passage of the Affordable Home Access Act during the past three months sessions in Congress. 2021, this was a big one that came up with Build Back Better, which thankfully didn't go through, but boy, it was on risk, so many teeth in that one.

You led the fight to protect self-directed IRA accounts from very, very harsh restrictions, they were getting ready to lay on there. I mean, very, very bad.

Jeff Watson: It would've devastated the industry.

David Phelps: It would've been a game over. And then in your own state of Ohio the Civil Rights Act to protect landlords from frivolous claims as to comfort animals. You're also the co-creator of the option contract method that revolutionized the short self-flipping process back in 2008. Gosh, who would've thought? And here we are in 2023, kind of some similarities, not all the same coming back there.

Well, Jeff, that's all the time we have today, we'll be back next week for our session. Just get your intro out.

I laugh, but Jeff, I know personally what an advocate you are and I want to be serious about that because I know you spend

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more time in the air or in locales outside of Ohio than you do inside, because you are on the road, in the air going to different places, whether you're training, teaching, helping clients Capitol Hill, you're a guy that's out there making it happen.

And I'm blessed to call you a friend, I can say proud as well, but just blessed. Because when there's something I need to know within any of these realms, it's like you're the go-to guy. It's like I call Jeff, I text Jeff and say, "Jeff, hey, give me some insights here and the answers there in a heartbeat."

And you can't buy that kind of expertise and that kind of access, because there's a few people that do what you do. I mean, you're a very unique one.

So, what I wanted to talk about today was talking about the cycles. You and I and other people that run in our generation have been through multiple cycles, and a lot of people haven't.

A lot of people kind of grew up in this last 12, 14 years after the great financial crisis where we've had zero interest rate loan policy, where mortgage interest rates, all interest rates have been artificially kept very, very low super low, like federal funds rate next to zero.

And that meant every, every other rate's been low. So, cheap cost of capital, which over a period of time of doing that brings on a lot of speculation. And it seems like people that jump on the bandwagon in the last 4 or 5, 6, 7 years, everything turns to gold, and everybody thinks it's all about them.

And not to take away from people's efforts, because you do have to put effort in anything you do. But there's a lot of people don't understand, there's another side of the cycle. And I think you and I would both agree, we've been talking about it for quite some time way before though, what's happened the last couple weeks.

Jeff Watson: Yeah.

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David Phelps: But it's coming. We didn't know exactly when something triggers it, but I think we're seeing the underlying of the beast of what all this policy dealing with the pandemic and the trillions of dollars of helicopter money and now inflation and fighting inflation and trying to get a soft landing and all the BS that's out there.

Jeff, let's just talk real time to people who, like you and I and our friends who love real estate. We know the benefits it does bring to us but we still have to be prudent about how we go about it.

In your estimation, what's changing in terms of the way investors in general, single-family commercial, we can dive into either one of those — but what's changing in the overall 30,000-foot elevation? What do we need to be aware of right now that people in the recently past have not had to look at?

Jeff Watson: Oh, David, first of all, that's a fantastic question, I'm going to answer it with something that is new for me. But I'm going to go back and say this.

You, Eddie Speed, myself and a handful of other people, we saw this change coming back in 2019. And we tried pre-pandemic to get this message out, and hundreds of buy-quickly and resell-quickly guys heard it, but it didn't resonate with, they just didn't get it. And now they are, and for some of them, it's too late.

But I'm going to tell you what I'm seeing today and what I'm thinking about today that I've never thought about before because of what we're seeing in the market right now. I'm talking right now, David, end part of March of '23, so I'm dating this.

I'm now looking at the dominoes behind the counterparty that I'm doing a transaction with.

David Phelps: So, explain that a little bit. You and I know what ... explain to people that don't understand what you mean by counterparty risk.

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Jeff Watson: You and I understand counterparty risk all day long because you and I are either going to buy a house from each other, sell a house to each other, lend money to each other, whatever. So, we're counterparties to each other, one opposite sides of a transaction.

But we both know that we want to look behind the other guy or the other girl or the other company, and go, "What are they doing with that money? What's going on behind it?"

Because yeah, I'll lend money to a guy who's buying a house at a good price and he's going to run it as a rental? But wait a second, I want to now know more about your tenant screening process. I want to know more about where's that property located. I want to know more about what the market is, what the political attitude is in that area. For example, David, I'll give you an example.

I will be much more hesitant to lend money to a landlord in Cleveland, Ohio because of the politics of Cleveland than I would be to lend money to somebody in say, Dallas, Texas, outside of Dallas, Texas, because of the politics there.

And so, it has nothing to do with the quality of the landlord. It has nothing to do with their ability to repay, it has nothing to do with the house. Where is the house located? Because now, I'm looking at it going, "Ooh, that landlord can do everything right. But factors beyond his or her control can influence their ability to pay."

David Phelps: Well, we saw that very directly during the pandemic.

Jeff Watson: We did, I'm going to take it one step further. Apartment people pay close attention here. I'm going to say, okay, you're coming into a syndication, pay close attention to who is the commercial bank or banks involved, because David, I think we need to have a conversation about loan covenants.

David Phelps: We are before we finish, we are going to do this.

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Jeff Watson: Good, because pay close attention to that. Who are they? What's going on? What's their history? What's their track record? Because we need to be careful because some of the best deals I've ever been involved in was when a client of mine had the opportunity to step in and buy assets when a bank was being hammered by federal regulators having to unload stuff.

And folks, I'm talking, in the last 12 years we've done this, we've cleaned up very nicely.

David Phelps: Yeah, and banks are under heavier pressure today just because of what's happened the last couple weeks.

Jeff Watson: Ever before.

David Phelps: Yeah, everybody's ... even notwithstanding the Feds, who depending on the size of the bank have to keep an audit presence there, but customers are asking right questions, money's coming out of the local community banks and regionals and going to the big banks just because people have a fear factor.

So, that's leaving potentially some of these other banks more vulnerable than they were two weeks ago.

Jeff Watson: And let me talk about that. If you have more than a quarter of a million dollars in a bank, okay, I can understand you doing something prudent. But if you got a quarter of a million dollars or less in your local community banks, leave it there. Don't hurt those local community banks because we need them.

I really enjoy going to a church and looking across to the other side of the auditorium and seeing the president or vice president of one of the local community banks, because I know I can have a human being conversation with them. You think I can do that with JPMorgan Chase? You think I can do that with Wells Fargo, Bank of America? No way.

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David Phelps: Not a chance. You're 100% right, there's been too much consolidation already. The government wants consolidation.

Jeff Watson: Way too much. But that's the idea behind Dodd-Frank, that's really the sinister idea behind Dodd-Frank. And I'm going to go ahead and make one other really outrageous statement. And I said this in a mixed audience room on Saturday where I had some of the legends that you and I respect in the room, taking notes.

Dodd-Frank has done more to discriminate and redline against disadvantaged minorities and females than the most ardent, misogynistic, racist segregationist could have ever done. It's a shame but that's what it's done.

David Phelps: Because of the restrictions.

Jeff Watson: Because of the restrictions.

David Phelps: Well, we know the government ...

Jeff Watson: Now, that statement may get me some hate mail, but I don't care because I know I'm right.

David Phelps: No, no, you're right. Well, look, let's face it, the government never fixes anything, they just create bigger problems. And then they have to come in and say, "Well, we'll fix that one," and then it steams rolls on.

Jeff Watson: And I'm going to talk about that for just a second because in my current major advocacy component, and I'm giving you a sneak peek on this, David. The Renters Bill of Rights as announced by the administration and our president is my number one political objective this year.

David Phelps: Alright, well, tell me about that. So, this is federal.

Jeff Watson: This is federal, this is my home, this is my stuff. I have already been advocating heavily against anything that looks like, smells like, feels like, or glimmers like federal rent control.

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And I've been advocating on both sides of the party, both party lines, and been hearing it. My message is being received very well, we've got to continue to do something on that. And I'm building it out and when I have it built and debuted, you're going to know about it.

David Phelps: Good.

Jeff Watson: I'm building a site, it's a little wobbly, still called rentalfreedom.org. We're going to make it much more robust over the next couple weeks. But here's where we're going, and I've got calls with regulators and attorneys and compliance people next week in D.C. on what I'm doing with this.

But the key is, we as entrepreneurs, we as business owners, we as real estate investors, we as landlords, we as the silence of the sidelines for four or five decades. And we have been getting carved up because we don't have a seat at the table. And going back to Build Back Better that you talked about earlier which 18 months ago we went hard at.

Build Back Better came hard at the self-directed IRA industry. It didn't touch the areas that I'd already been lobbying and advocating on. Men like Eddie Speed and David Fenoglio and Mitch Stevenson, and Glen Lee and Paul O'Dwyer, you, Troy Fullwood and other men that we all know, like and respect — we've been working on seller financing for years in D.C., and Build Back Better didn't have an incoming at it because they already knew we had a state seat at the table on that.

But they were coming at something that we didn't have a seat at the table. So, we poured our way to get a little seat there. And it's a matter now of landlords have got to get their seat at the table because they are owed a big seat.

Because if you think about it, the average small-time mom and pop landlord, 1 to 20 doors, supplies a vast amount of housing in this country. And we are in the bullseye of the socialist progressive fascists that say, "Yes, you can own it but we're

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going to tell you how to manage it. We're going to tell you what you can do with it." And that is fascism to the core.

David Phelps: Which the idea is to create so much regulation and compliance that the small mom and pop can't do it, the cost is too high.

Jeff Watson: And so, what happens? They sell and those assets end up in a hedge fund, the same hedge funds that make nice, big, generous donations to the progressive candidates, to the liberal socialist candidates. You think that's accidental? It's not.

David Phelps: No, not at all. Well, very important point because every other major constituency in the U.S. has lobbyists, big money, and money's what buys you favor.

And so, what you're saying is, is the problem with grassroots, very divided around the country, you've been working really hard to build this coalition. I mean, you have built a coalition.

But the strength has got to be there because you're right, people are naive and complacent about what's happening. And if they don't understand what's happening, then the tsunami comes, and they look up and wonder what the heck happened? Where did that come from? Where was the warning signs?

Well, you're trying to turn those warning signs all the time. "Wake up, wake up we got to get together." And it takes a force because that's the only thing that legislators will listen to if no one's squawking, it's like, well, they're not going to waste their time.

Jeff Watson: I'm going to take you back to October of '21. I was in Washington, D.C. for a day specifically to target two nasty provisions in Build Back Better that were still pending in the house. Because it hadn't passed the house yet, it was in trouble in the Senate. And I won't get into why it wasn't trouble in the Senate, but it was trouble in the Senate because of what we're doing in the house.

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Our good friend John Hyre built this amazing website, handsoffmyira.com and people all over America were taking action. And one member of Congress looked at me and said to me, and I quote, "You mean if I agree to take these provisions out of this Bill (refer to the two provisions we were targeting) then all these phone calls and emails will stop?"

David Phelps: There you go.

Jeff Watson: And I said, "Yes." And he said, "Then it's out."

David Phelps: Nice.

Jeff Watson: And the next morning, the draft of the Bill had it gone. That's what it takes, David.

David Phelps: That's what it takes, yep.

Jeff Watson: It wasn't just Jeff Watson, it wasn't just John Hyre and Jeff Watson, it was thousands of people who, from their own home without having to leave their house, were able to send emails, make phone calls and you lay it out for them.

And so, you give them a script, they can copy, paste, personalize, bang, it goes. That's the advocacy that we've not been doing that we need to do and I'm going to make it available.

David Phelps: Alright, well, here's my promise to you because I know how hard you work on this. As this moves forward, you keep in contact with me. Not only will I put out the information obviously to the website and some blurbs about what you're doing, why it's so important.

I mean, we could always refer back to this podcast right here for people to gather. I've got entree into other forums as you do, and that's what we need. We need that full blast effect so people out there that particularly care about this will do something. Either hit the emails, do the phone calls, takes money to do this too, by the way, folks, and that's another aspect.

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Jeff Watson: Yes, but we found a way to keep it pretty cost-effective. And you know what David, I can't sleep at night if I know that I haven't put my best effort into it. And so, I'm digging into my own pocket to get this thing running. I'm not looking to get paid back on it, I'm just going to get this thing running and we're going to make it happen.

But here's the part I want everybody to understand. The government is supposed to work for us, but if we're silent, they don't know what we want. And if they don't know what they want, they're going to listen to who isn't silent. And right now, there's a lot of people who are whining and moaning and saying, "Give me, give me, give me, give me."

And housing is a fundamental human right. I mean, we had our president come out and say something like that and it's been obscured by China Balloon syndrome, train wreck season, bank collapse season, inflation.

But I'm like all that stuff's just taken trying to deflect my eye off the ball because I'm coming back to what is the backbone of America? The backbone of America is to be able to own real estate and do what you want to with it.

David Phelps: That's right, well, we know that we appreciate that. But the government, as you said the socialist progressives that want the counter, and they're really good at coming up with media spin names, the Inflation Reduction Act, ha-ha bad chance; Build Back Better. I mean, it sounds great on the surface.

So, the media's been out there in the media world, is that this is great because they're doing things for the country, but no one dives in except people like you. It's like, well, what's in this? Few people do that.

The Renters Bill of Rights, well, gosh, that sounds like that should be a given. But read what they're doing, read what that means to commerce, to free enterprise in this country, it just strips it away.

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Jeff Watson: And takes it all away. And the fundamental concept that really got me and this goes back to what you had said in the introduction. I remember the day, I was at CFPB talking about land installment contracts.

They had forgotten about this thing called the United States Constitution and particularly, the 10th Amendment. And I had to explain to them, I said, "land installment contracts, contracts for deeds, whatever you want to call them, they're regulated by every state. Every state has their own laws on the books regarding the real estate within the boundaries of that state."

And they finally looked at me and they go, "You know, you're right. And the same thing applies with this Renters Bill of Rights. We have laws in every state and then we have some progressive communities, we have some big communities; we've got laws on top of the state laws in cities like New York or Cleveland or Philadelphia or Chicago or wherever else." And hey, that's the power of local government.

David Phelps: That's exactly right.

Jeff Watson: Federal can stay away.

David Phelps: That's right, let each jurisdiction decide, the people there decide what they want, and that's why we have 50 states.

Jeff Watson: Also, now, why we've had decisions made in states like Washington and Oregon, and we see people leaving in droves. So, yeah, you've got the right to vote with your voice and your feet and your wallet, so we'll go from there anyhow.

David Phelps: Absolutely, alright.

Jeff Watson: I get wound up on this stuff David, I don't know if you can tell or not.

David Phelps: Well, I'm glad we got this out because I'm happy to pivot with you anywhere on these and I'll bring you back on a regular basis because we'll need updates on this. So, we'll just make this an ongoing thread every couple of months or whatever the

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pulse looks like, we'll come back and talk about whatever's topical.

Let's spend a few minutes on loan covenants because we kind of seeded that early and that comes up with what's going on with banking, but not just banking — with the overall market shift, the higher cost of capital creating headwinds now for a lot of the syndicators that were used to the low capital rates now they're dealing with bridge loans, they're going to reset.

So, talk about that environment, loan covenant. What are loan covenants, number one?

Jeff Watson: Fantastic, I was telling people for two to three years now that these low interest rates are teasers to tantalize you and lure you between the contractual sheets where you may get screwed and walk away with a permanent disease. And people wouldn't listen to me, "But Jeff the rates are so low."

And I go, "Yeah, but have you read the rest of the loan docs?" And I get this glazed overlook, like, "What do you mean, I just got to make my payments?" No, if you have a commercial loan, those loan covenants give them the right to know everything going on in your business and in all of your business, they get to be in your business.

They can look at your 941 payroll taxes, they can look at your financial statements, they can look at your income tax returns. They can look at your rentals not just on the property they've got a loan on, but everything else you've got. And I'm like, "People, do you really understand?"

A very smart litigation attorney one time said to me how he felt about banks (and I really respected this dude). He and I were working together on a case that was really an interesting case. He said, "Banks set the paperwork up so that the moment you lift your pen off the paper from signing it, you're borderline in default."

David Phelps: Right.

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Jeff Watson: They not only have you but you're borderline in default.

David Phelps: They want all the control, and as long as things are good overall, then they let things run. We think as borrowers, "Well, as long as I make my payments on time and maintain the basic essence of the property and pay the taxes what could go wrong?" But that's-

Jeff Watson: A lot can go wrong. What if they disagree with how you have reserves? What if they think you don't have enough in reserves? What if they don't think that you are managing it correctly? What if they don't like your vacancy rate? What if they think that you've got another deal that has nothing to do with them but could adversely affect your financial position, putting you at risk making payments to them?

Then they can say, whoa, they don't like it, and it gives them that right. And oh, by the way, the typical commercial note and mortgage or mort note and deed of trust, has a call provision in it that lets the bank in its discretion determine if they're going to call that note or not.

David Phelps: So, let's be clear about that, and this is something that I have told to my colleagues with their dental commercial loans. I said, "Have you ever really read those?" Because I know cases back in 2008 ... many cases, I just hear them through the grapevine here and there where again, somebody who had a commercial practice building note, commercial note was paying it fine.

This is back in 2008 and the bank called the note. Well, it was a 25-year note. What do you mean call the note? There's no provision. Yes, there is. Basically, the provision was — I don't know which covenant they took him on, but the fact is, Jeff, is the banks will go after their best borrowers when they need to build back up their capital base.

Why? Because they know you as the best borrower are the one who will find the money somewhere to get the loan paid back when they call it. So, we think we're all good because we're like,

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"I'm a A-1 customer, I've got 800 credit score, they're not going to go after me." Oh yes, they will.

Jeff Watson: You're their first choice because you're the easiest money to shake out.

David Phelps: Exactly.

Jeff Watson: I mean, because guess what, not only do they think they got the best chance of you getting liquid, but they also think that if you can't get liquid, then that's an asset that they want to take and get to harvest the equity out of it, that was on your balance sheet is now over on the bank's balance sheet and you're no longer the owner, and you got a debt on your credit report.

You're going to fire sell the property to pay them off or they're going to foreclose on you.

David Phelps: So, we don't hear about this kind of thing when the market's overall are doing well. I mean, everything's good, everybody's happy, all the sins of their lack of operational skills for their properties are taken away because they can flip them off to some other greater pool because it's been easy.

But now that these headwinds are here, do you believe based on what we've seen so far in the last couple weeks with SVB and Signature Bank and what was the one before that? I can't think of the name, but ...

Jeff Watson: Silicon Valley.

David Phelps: Yeah, we've got banks under scrutiny, First Republic. I mean, I think this is the tip of the iceberg, I think there's going to be more of this. With that being the case, every bank, even the ones who are maybe in okay shape, they're going to be scrutinizing all their loan documents and borrowers. Are they not?

Jeff Watson: Yes, they are and I'm going to give you an inverse of this. Because while we've been talking, I got a text message from a real estate syndicator that I'm looking to start doing work with.

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This brilliant lady has sat on the sidelines the last two to three years because she saw what you and I saw. She saw what we talked about earlier, what Eddie saw, what other people saw back in 2019. She's like, "I'm paring down my operations, I'm waiting, there's going to be a buying opportunity."

And guess what, she's cranking stuff up now because she's like, "I know what to do in these situations. I wasn't buying when it was a frenzy, I'm going to buy when everybody's running out the exits, I'm going in." And that's a mindset that so few people lack.

And David, this is the skill that people that are experienced like you, like myself, like Quincy Long, that runs Quest Trust company, like Eddie Speed, guys you're going to hear the same names over and over and over because guess what, we've survived.

Some of my clients in their best deals, we bought them at the back end of the 8 to 12 crunch. And we've seen tremendous growth because we knew how to operate them.

David Phelps: Exactly.

Jeff Watson: And when everybody's running out the exits, we're going in, we're like cops at a shooting scene. We're running in while everybody's running away because we know what we're doing.

We've been waiting for these moments, we've trained, we've practiced, we've got some dry powder, we've got some education, we've got a network of relationships, of trusted, wise people.

David Phelps: That's what makes the world go around and it's difficult to go against the group think, the herd mentality. It's hard to do that and that's why I think the discipline of knowing people that have that wisdom, have that scar tissue that we carry, you've got to know those people because when you're tempted to go with the herd and like yeah, keep buying and take the variable low-rate, teaser rates just because you should because

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everything goes up forever, it never comes down. You need that wisdom around you.

We all do, we're all tempted to try to take a shortcut to something or we do something we know probably shouldn't do it but gosh, everybody else is doing it. You know, get on the bandwagon, come on. It's like you got to be around people that have been down that path before that can say, "Not so fast, sunny, not so fast."

Jeff Watson: Yep, I'm going to back up. So, 2019, Dallas, Texas, I think you were there, Eddie and I and you and some others were trying to get this into the mindset of a lot of people that sit in these big groups. You know who the groups are, you've probably been in parts of them at times, and a few of them, less than 10% caught it.

And they have come back to me in the last three, four years and they go, "Man, I remember what you told me back then, and if I hadn't been doing what you said, I wouldn't be in business anymore."

David Phelps: So true.

Jeff Watson: And one guy loads up to me and he says, "All the deals I do now are because of what I learned back then." Because the market has shifted in his area faster than most anywhere else.

And he's like, "If I don't know how to buy creatively, if I don't know how to buy and leave the existing debt in place and structure it and have the conversations and create the documents, I couldn't do a thing."

David Phelps: That's right. Well, that's a whole discussion that we're going to do, probably I say probably next time unless something supersedes what we want to talk about. But I think that's the element.

So, I think we've laid out the context for where we are in the marketplace that you need to be doing things differently. You've

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got to be careful about assigning your commercial note with recourse. You've got to understand who you're doing business with. If you're not signing the note, who are you investing with? What do you know about their operational abilities?

I think then we'll look at what these opportunities are because as you said, when no one else can do transactions because the retail marketplace is no longer transacting, the credit market, liquidity tightens up, banks won't lend, there's opportunities to take.

If you don't know how to navigate those waters with the creativity that we had to learn over the market cycles, you're out. But that's where the huge opportunity comes in because you know how to do that.

So, we'll jump in on that on our next interview we do. But I think it was a great setup for that Jeff. And I want to thank you for your time today, we'll come back and do it again.

And as I said, I'm happy to continue to proliferate the work that you're doing because the work you do requires a massive people behind you to say, "Yeah, this is what we want," it's not just one person. You represent a lot of people and you do it well.

That's the other thing, is it takes an art form to navigate what you do in Washington. I don't think I'd have the patience and you have to be a diplomat at the same time. And be as ardent as you are about what you're convicted to take on.

Jeff Watson: Do we have time for me to tell a real quick story?

David Phelps: Yeah, go ahead.

Jeff Watson: Last time I was in D.C. last month, we targeted a bunch of meetings with members of congress from New York that served on the financial services committees. So, they're obviously Democrats.

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And we met with one of the senior staffers for one of the most influential members, and were talking about lifting a restriction on what people can do with their own capital. And were talking about taking this Dodd-Frank limitation of three seller finance deals in a 12-month period of time and moving it to 24.

And he looked at me and goes, "That's a huge task, why do you think you deserve that?" And I looked at him and I didn't say what was in my mind. I said, "Because we want to do with our own property because it's our own property."

David Phelps: That's right, it's our stuff.

Jeff Watson: And he didn't have an answer. He never thought of it from that perspective, that it's really their property.

David Phelps: They don't, the government thinks that they need to rule over everything, and we don't own any — well, I don't want to go there but it's like you own nothing, you're happy. I mean, we can go off the deep end with that, but I think that is the mindset of the bubble.

They get so in their bubble, and they hear so much of this that they just start ... even the ones that were maybe middle of the ground just start getting sucked over to the side and that's why it requires an ardent pushback all the time.

Jeff Watson: But I want to end this on a very positive note. I want to tell you that as of last week, I had bipartisan support from influential members on the appropriate committee in Congress (I'm not going to say what committee) to make sure that there was no progress being made on anything that looks like national or federal rent control.

Members of both sides that have influence and control about what happens there have agreed with me, we're not interested in that, we oppose it, it's not happening. Now, that's great for now, but that's now. I worry about next month and next year and the year after.

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Because this is a 6 to 10-year game. We've got to beat this stuff for the next 6 to 10 years to make it go away and not come back.

David Phelps: Exactly.

Jeff Watson: The opposition has been building this story since 2018, 2019, and we got to catch up and win it.

David Phelps: They're really good about using any "crisis" to their advantage and they bring that up and bring up their case stories about so-and-so and say, "This is why we need this."

Jeff Watson: And so, I've got to plan how to counter that because pictures are worth thousands of words. So, I'm already having landlords send to me pictures of their rental properties once they get them back from tenants.

And you see the absolute disgusting condition people were living. And I'm like, "These are the people you're trying to protect?" And they're either malicious, vicious, mentally ill or something.

But the poor landlord is bearing the cost of coming in and fixing tens of thousands of dollars of damage caused by somebody who wasn't paying, thought it was their right to do so.

David Phelps: Good work, Jeff. Well, appreciate you being here, thanks. We'll have you back again relatively soon and keep the conversation going.

Jeff Watson: Looking forward to it, see you soon, man.

David Phelps: Alright. Bye-bye.

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