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Hosted by: Doug & Andrea Van Soest

Episode 25 – Interview With Mike Cantu – Part 1

Doug: Welcome back to the Spouses Flipping Houses podcast. This is the third intro we've done today, and that's kind of how it goes sometimes. Episode 25, we're glad to be back. We had a couple of weeks off here.

Andrea: Yeah, we took the last two weeks off because our kids had two weeks off for Spring Break, and so we wanted to hang out with them.

Doug: Did you ever get two weeks off for Spring Break growing up?

Andrea: No way!

Doug: Come on! And our kids get three and a half weeks for Christmas. What's up with that?

Andrea: Well they love it.

Doug: I mean, they love it. I would have loved it yeah, as a kid.

Andrea: And I like it, but it's a little long.

Doug: Do they ever go to school though? Come on.

Andrea: Sometimes it feels like they don't go to school very much

Doug: Of course their summer is a lot shorter than ours used to be.

Andrea: Yeah only eight weeks. That's really short.

Doug: Eight weeks here, so it's pretty short, but anyway we digress. Glad to be back on the podcast. We've got a great interview for you today. We have a guest that we've quoted so many times, probably the most-quoted person that we have mentioned on this podcast. Mike Cantu will be joining us today, so he's got a wealth of wisdom.

Andrea: Yes I think how much we quote him just goes to show how much we respect him and how much he has impacted us and our business.

Doug: Mike is a local investor in Southern California and if any of you who are in Southern California have been around for any period of time, you've probably heard that name. He's a well-respected guy here, does the business right, so we're really excited to have him.

Andrea: Yeah, he's basically a legend. I think the thing I like most about Mike Cantu is that he keeps this business very simple, and some people tend to overcomplicate it, and he just boils it down to the basics. And I love that.

Doug: He does, and I think he even says that he keeps it on an eighth grade level or something like that.

Andrea: But really the human mind craves organization and simplicity.

Doug: Simplicity.

Andrea: And so I love his method.

Doug: Yeah, so anyways we've been able to do some travelling this past couple of weeks. We got to go to some places we've never been before. We got to go to Nashville and a little bit of North Carolina, little bit of South Carolina, Atlanta, beautiful to see that area of the country.

Andrea: Yes it was so fun to drive around some of the neighborhoods in these other states where the architecture and the design style is so different from California.

Doug: Not everything is a stucco box with a tile roof.

Andrea: Yes! So much character, I loved it; it was so fun.

Doug: It was great. And then our legs are still tired from this past weekend when we got to run a relay race called

the Ragnar Relay, if any of you have ever heard of that. It's a, what 200 miles?

Andrea: They say 200-ish, so I think it was actually 196.

Doug: Eh, we ran all of that. It sounds better.

Andrea: 200-ish miles.

Doug: But you have a team of six to twelve people, and you run different legs of the race, and it goes about 36 hours or so. This was the second time we've done that, and what a blessing for you to be able to run with knee surgery just what, six, eight months ago?

Andrea: Six months ago, yeah. Super exciting.

Doug: Yeah, so pretty good stuff. But we're back here glad to be back doing the podcast. If it's your first time listening or you've never visited our website, you should go check it out: SpousesFlippingHouses.com. We've got a free gift for you there.

Andrea: Also, the last couple of weeks we have had a few different people share success stories with us since they've been listening to our podcast, some cool things that have been happening in their business. And so we want to give a huge shoutout to Phillip and his wife.

Doug: Yeah Phillip!

Andrea: They just closed a flip deal for a \$50,000 profit. They have another one in escrow for a similar profit.

We're so proud of you and so excited for you! Thank you for sharing it with us.

Doug: You're killing it over there. It's great.

Andrea: Yeah, so awesome. And a couple of others too, so it's really fun to share in other people's journeys as they have success. It's really exciting, so thanks for sharing that with us.

Doug: Yeah if anybody else out there is doing some stuff and has been inspired at all by things that we've talked about, let us know. We'd love to hear that. It keeps us motivated and keeps us excited to keep sharing more good info, so keep it coming!

Andrea: Okay, so let's get into this interview. We don't want to keep you waiting any longer. If you are near a pen and piece of paper, I would say grab it because Mike is full of these killer one-liners, and he rattles them off one after another, and you won't want to forget. It's good, good stuff.

Doug: Good stuff, so grab your pen and paper. We're going to get right to this interview, so hope you enjoy it.

Doug: Alright, well you have time to do this?

Mike: Absolutely Doug. I am ready to go sitting at my kitchen table with some notes in front of me that you sent

over that I just read through, and I think I have some answers for everything on here.

Doug: Oh good. I'm going to turn your volume up a little bit here so I can hear you better.

Mike: Okay.

Doug: Okay, there you are. I think that's better. All right, well I'm by no means a professional interviewer, so grace is appreciated.

Mike: I am looking forward to it Doug. I haven't done an interview in a while, and I thought I'm happy to do this one.

Doug: Well great, great. Andrea couldn't be here. She would love to, but we got a nice call yesterday afternoon that a drunk driver drove a car through a fence of a house that we are flipping in San Diego, so she's dealing with that right now.

Mike: Now did he actually drive into the house or just into the yard?

Doug: Well that was our fear that it actually went into the house. We just got a call from our contractor who asked what was going on over at [...]. There are police cars; there's a fence down; there's a car that looks like drove through the backyard, and so she's going to go assess it and find out really what happened. But I think it may have missed the house. I think it's just the fence and some landscaping torn up.

Mike: Good, good, good. That reminded me of a story. A good friend of mine growing up, when he was 14 him and his dad bought an old Chevy Love truck, and they restored it for two years, and the day Kermit got his driver's license, he went to take it for a spin around the corner, and it had a benched seat in it with no seatbelt.

And as he was going around the corner, he realized you're not supposed to Armor All your seats, and he slid over into the passenger side up against the door panel and went up the curb and through the bushes into the neighbor's living room.

Doug: Oh man. That's a...

Mike: So yeah, the moral of the story there is don't Armor All your seat and your steering wheel.

Doug: Yeah, maybe buckle in too when you're driving.

Mike: But anyways, I was going to say that you never know what's going to happen in the world of real estate Doug, and that's not the first time I've heard of that, but I haven't heard that one in a while.

Doug: Yeah, well I know we were just talking about this business is if anything, never boring. It's always changing, something new everyday.

Mike: Yeah, and I'm sure you've heard Mick Blackwell say you can't pay for this kind of entertainment.

Doug: It's so true. And that house was in escrow supposed to close this week, so who knows what's going to happen there, but fun stuff.

Mike: It's not over until the check clears.

Doug: Yeah. Well Mike, thanks for joining us. This is Mike Cantu. A lot of people might not know who Mike Cantu is, but you are one of our mentors and one of the people we really respect and listen to in this business, so Mike if you wouldn't mind, just give us a little brief history about who you are and how you got started in real estate.

Mike: Okay. So Doug, I turned 55 this past January, so I'm officially 55. I have been in real estate later this month will be the 34th year anniversary full-time real estate. That's all I do. From 16 to 21 I was a professional skateboarder on the Pepsi Skateboard Team and in the summer of 1978 when I was 18 years old, I got exposed to real estate. That's when California passed Proposition 13.

Most people know it as property taxes, but I know it as they cut out summer school, and that's what we did for the Pepsi game was assemblies at elementary and junior high schools. And I went to work for Mick Blackwell that summer, and he was building spec houses and as I got to know him, I realized that he had just created a money machine.

He had rental properties; he had apartments; he was a spec homebuilder, and he was also a licensed general contractor and a plumbing contractor. And that summer

working with Mick was such an eye opener, and he shared several of his philosophies with me.

One that has stuck with me forever was when he shared his concept of complete strangers waking up in the morning while it's still dark and five days a week getting in their car, getting in traffic, working eight hours to earn a living, and then at the end of the month bringing one third of that over to his house and dropping it off for him. And I thought how many of those people can I get into my world and duplicate Mick's program.

So that was kind of the beginning, my first exposure to real estate. When I actually did work for Mick, a typical day would be to go do a copper re-pipe somewhere. He always had those lined up, and we'd usually finish about one, two o'clock. We never went back a second day, and I know Mick made at least a thousand bucks off each of those jobs.

And from there, we'd go to the spec homes that he was building at two or three in the afternoon. Most of the workers were having it up for the day, and they're rolling up their cords, and I'm unrolling ours, and we'd usually do plumbing on his spec homes until dark.

Then we'd wrap it up, and we'd get in his truck and go over to his apartments, and we would do plumbing repairs until they were all done. Quite often that was until ten o'clock at night, so I was living the life of a plumber/real estate entrepreneur or witnessing the life of it in Mick Blackwell, and I thought the guy just makes money everyday all day, and then he goes home and sleeps, and the money still keeps coming in.

So it was a big influence on me. I had been planning my retirement since I was in fourth grade Doug. I would just sit in school and visualize all of the wonderful things I wanted to do in this world, and not a single one of those visions involved work.

Doug: It didn't involve getting in your car everyday and driving 45 minutes to...

Mike: Oh no, no, no. And to this day, I mean that's why I've been an entrepreneur all of my life is because I do not want to go to work everyday and be told what to do. In fact, the term that I still use to this day is, "I don't want to work. I want to do real estate."

It's always been a big game for me to where most of the time it does not seem like work. It's something that I thoroughly enjoy doing, putting deals together, and I realized it's the thrill of the score that still does it for me. Every time I put together a good deal it's just a feeling that I absolutely love.

Doug: Well and how old were you when you met Mick and started working for him?

Mike: I was 17 years old when I met Mick.

Doug: Seventeen, seventeen, wow.

Mike: Yep, it was the summer when I was 18 that I got this great vision, and from that point on I continued to be a skateboarder, but I started going to community college at

night, and I did that for eight years. I was taking real estate and business classes, and I was actually learning at night and applying during the daytime what I had learned the night before.

Doug: Now if I remember right, maybe you can tell this story and correct me, there was a seminar you wanted to go to, and you didn't have the money so you somehow worked out a deal with you and a friend. Can you tell me about that?

Mike: Oh sure. The actual class was April 17th and 18th of 1982.

Doug: Okay, that's amazing right there that you remember.

Mike: Yeah it was the turning point. April 19th I was on my own. I quit my job, and I thought here we go. It's sink or swim. And I saw a freebie, it was a late night infomercial, and I was channel surfing so I stopped and watched it. And I could totally relate to the guy that they were interviewing.

He was sitting on a surfboard, and in the background was Mission Beach in San Diego where a very good friend of mine lived, and I recognized that, and the guy said, "Last year I didn't have any money. I was a broke loser, and this year I'm worth over a million dollars."

Well of course I believed all of that Doug, and then I went to the freebie seminar. It was a three-hour freebie, and I went with my roommate Chuck. We drove all the way to

Long Beach; he drove. And it was \$500 for the weekend class, neither of us had any money, but we had to go to this class.

So we waited until everyone had signed up or left, and we approached the people, and we gave them our pitch. We told them that for starters, we were going to do a two-for-one discount because we would only use one manual; we would sit in the back of the room and only use one chair. We were going to timeshare it.

We would stand behind it and read over the shoulder, and we talked them into the two-for-one. Now we needed to come up with \$500. Then we asked for a good student discount. We were both going to community college, neither one of us were good students. I think we're about a C-average, but they knocked off \$50 for a good student discount.

Then Chuck asked for a AAA discount, neither one of us had a AAA card, but they immediately granted us that one, and we managed to get one more discount. We got it down to \$350, and we sat in the class for two days Doug and learned 101 ways to buy real estate with no money down.

But I remember on the way home, I looked at Chuck real seriously, and I said, "Chuck. Do you have any idea what that mortgage thing they talked about all weekend was?" And Chuck said, "Nope. Nope. I was hoping you knew." So that was the beginning.

Doug: Yeah it's funny. In my freshman year of college I got a part-time job as a telemarketer, you know the guy who

interrupts you during dinner on the phone. And my whole goal was to get these people to refinance their mortgage and set up an appointment with my boss.

And I can totally relate to that because I really had no idea what a mortgage was, but I was setting up appointments left and right, and that was fun.

Mike: No, and looking back, it was the bubbling optimism that got me into that. I've always been a very optimistic person but between witnessing Mick and having somebody lay out a plan of how to actually accomplish that and a bunch of different variations of it, early on I realized that it's a long road of education and the more you educate yourself, the more you separate yourself from everybody else because most people are lazy.

I remember I read more than once that less than one out of a hundred people read a nonfiction book from cover to cover after graduating from high school, and I thought that was absolutely amazing because personally, I have a huge library. Ninety-nine percent of it is nonfiction, and I have learned so much, and my life has changed so much because of the education part of that.

And I tell people that there's just absolutely amazing things hidden between the front and back covers of some of the books out there.

Doug: Hmm, yeah I know you're an avid reader, and you probably have more experience than just about any investor I know arguably. But you mentioned to me on the

phone the other day that you learn something new on just about every deal. So can you kind of address that?

We have a lot of people who might listen to the show who have not done a deal or maybe they've done one deal, but they really want to ramp it up and go full-time, but maybe they're afraid of what they don't know. Can you address education and learning, and at what point do you know enough to really get into this business?

Mike: Well first of all, the education I've always thought gives you an unfair advantage over your competition, and the goal that I tell real estate entrepreneurs is to earn the title of a real estate technician. And to earn that title, you need to have a toolbox of techniques, approaches, and methods for buying real estate that any time an equity situation presents itself in front of you, you need to open the toolbox and find the tools that are best suited for that.

It's like comparing a professional mechanic that has a big toolbox on wheels to the typical homeowner that's got a little plastic box hidden somewhere in the corner of the garage. When it comes to fixing something, obviously the person with the better toolbox and the knowledge of how to use those tools is going to do a better job and go a lot farther.

I like the golf analogy, and I tell people that I've never met somebody that pulled over at a yard sale, bought a set of used clubs, drove the golf course, and shot par golf. That's just not how that works. First of all, you've got to really want it. You've got to stick with it. You've got to pay your

dues, and over, and over, and over, you go through the motions and eventually, you will get it right.

I don't say that to discourage people, but I am past the 1,400 house purchase mark, and I've realized looking back that it was an education from the first house to the last house that I did. There's always something to be learned. I say that everyday is a school day in this business.

And I got sent to school recently on a probate deal. I thought I knew what joint tenancy was, the right of survivorship, and what I didn't know was that joint tenancy has to be in equal proportions. We had a situation where it was the 75:25 ownership situation as joint tenants, and that joint tenant label meant nothing because they needed to be 50:50 or one-third, one-third, one-third.

It's got to be an equal distribution, and I thought I've been in this business 34 years and did not know that. So everyday I learn something that I go and do real estate. I almost said that I go to work. I don't go to work; I do real estate.

Doug: And I think you said and it's important to realize that you're never going to know everything about it. There's always going to be learning.

Mike: Oh no. Yes, I make the claim that about the time I finally get all of the details, the last of the last stuff figured out in this business, that's the day that they'll be wheeling me into the convalescent's hall, and I'll be kicking and screaming saying, "No. I finally figured it out!"

Doug: I know how to do everything now.

Mike: Yes. [...] from a convalescent hall.

Doug: Do you remember your first deal at all?

Mike: Oh absolutely, absolutely. I remember my first deal, my second deal, and my third deal. Now the interesting thing Doug is that I still own my fifth deal that I ever did. I got lucky and bought a good 3/2 in [...], took an old FHA loan subject-to, and I learned a lot of lessons from that house.

I've owned it over 30 years. I learned the power of amortization, and I remember at that class that I went to, they talked about single-digit interest rates being a thing of the past and that we will never see that again in our lifetime. Everything was double-digit, and this was 1982.

And I remember when I took that loan subject-to, it was a nine and seven-eighths fixed rate FHA loan, and I remember calling up my friend just ecstatic saying, "I got one. I got one. I got one of those single-digit interest rates."

Doug: Wow. Nine and seven-eighths. We would freak out if we saw that.

Mike: Right, but [...] nothing to celebrate over. I still have that house, and it's been one my best performers. I learned a lot about that, about school districts, about cul-de-sacs, just the construction of it. It's a very desirable house, and I actually lived there for about a year.

That didn't work out. In order to live in that cul-de-sac you needed two and a half kids, a PTA membership, and a station wagon, and at that time I was single and had a skateboard ramp. So I didn't fit in that neighborhood, but it's a great house.

Doug: Well you've been in the business over 30 years. You've obviously done a lot of different types of deals, but what are you doing today. Are you retailing, flipping houses, or are you buying them as rentals? What are you doing today?

Mike: The answer to that is yes. I hadn't planned on keeping anything this year, but in early February I put together a fantastic deal in the city of Laverne. I've never done a deal in Laverne; Claremont and Laverne are the two toughest cities in my marketplace to deal in, and I've done three Claremont deals in all of these years.

I still have them as rentals, and they are just golden rental properties, but right now I'm always looking for wholesale deals. That's been my [...] for eternity, so I've got most of my houses paid off from wholesaling stuff. But I've got a wholesale deal in escrow; I've got to take it through to the short probate process. I've got two retail deals going, one that's in escrow that's finished and the other one is oh, maybe at the halfway point.

And I just closed a couple of weeks ago on the new rental house. I am going to keep the rental house, but I haven't decided if I'm going to treat it as an upgrade by getting rid of something else. Most likely I'll just add it to the pile and keep going. So the answer to that Doug is I'm doing all

three: retails, wholesale, and keeping. And that's what I've done as long as I've been in this business.

Doug: Okay yeah, you have a reputation as one of the better buyers and wholesalers in Southern California. I mean you just talk to anyone, you go to different real estate clubs, and everybody knows about Mike Cantu, and he's the godfather of wholesaling I guess.

Mike: And the reason behind that Doug is I mentioned Mick Blackwell. He was a plumber; he had a source of income. He was a skilled tradesman, and he was in-demand and hanging around Mick, I went to watch a lot of times with him and his buddies. We'd go to breakfast, and they were all real estate entrepreneurs, but every one of them had a source of income.

If it wasn't positive rental income, it was from another occupation, and I looked at a lot of people in the real estate world, and I realized that to be an investor, you need an income. To be an entrepreneur, you need some drive, initiative and ideas, and I chose to be a real estate entrepreneur to generate the money so that I could be a real estate investor.

All I really wanted was those people getting off while it's still dark, going to earn a living, and bringing me a third of it at the end of the year or at the end of the month. That plan has never changed but I thought that in order to get those houses, I've got to have some money.

And I did retail and wholesale, and wholesales most of the stuff over the years, the bulk of it has been wholesales, but

it's been a constant source of income over the years. I've never had to go get a regular-type job.

Doug: And I knew that, and that's why I knew you were going to say something about that because I know that rental properties and cash flow is kind of your true passion.

Mike: Yes.

Doug: And so why, can you talk a little bit about rental real estate versus the stock market or you know, mutual funds, or any other typical vehicle for investing? Why rental real estate?

Mike: First of all Doug, if you become a good buyer, going into it you can capture a lot of equity. The Laverne house that I mentioned— that's a 450, 475 house, and I paid 250 for it. Now it does need a boatload of work, but when all of the dust has settled, there is going to be a six-figure equity cushion sitting there, and nowhere in the stock market or anywhere else that I know of can you buy-in at a huge, huge discount.

And there's always the upside potential. I know people that are in the lending business and into mortgages, but they lose the upside of appreciation. See, I got into real estate for the cash flow, 100 percent for the monthly cash flow. My vision was to not have to get up in the morning, and go to work, and answer to somebody else.

The original goal was \$100 per property times 30 properties, so I would have a \$3,000 a month income and

at that point, I thought I was home free. When I set that goal, I had a \$700 a month monthly rent that I needed to cover, so it was the vision of the rental real estate coming in and through good times and bad Doug, the rentals have kept me going.

And when things really started to change, I started paying them off. And I realized that one house will take better care of you than social security will for most people. And I thought if one will do it, what will ten do? What will twenty do? And what will thirty of these things do, and I just kept raising the bar as far as the income.

And once you get past the basics— food, shelter, clothing, a few upgrades— it's all scoreboard after that, and I just like playing the game and keeping score.

Doug: Yeah, and don't you say that sometimes you'll put a job to a property.

Mike: Oh yes. Every one of my keeper properties has a job description. In fact, everything that I ever buy gets a job description. Sometimes it's just a post-it note, but on the keeper properties, there's actually a written description of what that house is doing in my life and why it's part of my life.

Early on, I realized it was the 30-day cycle of life that keeps people in their job and having to keep going down that road.

Doug: Monthly bills, yeah.

Mike: Most people are too busy earning a living to make any real money, and that's a very true statement, that they're consumed with their 9 to 5. Doug, I got off track. What was my question again?

Doug: Oh uh, I forgot as well. I think it had to do with your job description for your properties. Yeah each one, you pick a property for a specific reason.

Mike: Yeah, part of the challenge today Doug is going to be keeping me on track here. The job description for the houses. Early on, I was a single parent, my daughter Jordan and myself, and I realized that the recurring expenses of life come around every 30 days.

And people get trapped in that 30-day cycle of life, so I started giving my houses job descriptions. The first one was obvious, the food house. We needed to make enough money to feed everyone, so 100 percent of the income from the first free and clear house was allocated towards food.

Then we had an insurance house that covered medical insurance, car insurance, all of the other insurances. Then I had a gas house that covered my gas and eventually when Jordan started driving, it covered her gas. But we set up a house for every single one of life's recurring expenses and once those were taken care of, I thought okay, now I am officially out of the rat race and can do whatever I want to do.

Well I kept adding houses to the pile, and we got to a point where Jordan had eleven houses at one point. She's

thinned that down, but we had a house dedicated solely to hay. We called it the hay house, and I thought this is odd. This is the American Dream. A free and clear house in a main neighborhood, probably worth \$400,000-\$500,000, and all it does is provide hay for some horses.

But that works out okay. I didn't have to go out and trade an hour of my life for a bale of hay. And I set up houses for everything including recreation and any unallocated houses— their income went to debt reduction. So I was constantly paying off stuff, and it got to a point somewhere back in 2004-2005 where there was no more doubt, and then the market came when everything crashed.

I took on a whole bunch more new properties, and the last few years I've been chipping away at that debt, and it's almost gone.

Doug: Man, that's amazing. Yeah one of the things Andrea and I both have always respected about you is that you have such a great perspective on real estate, and what your goal was with it in the first place, and what it can do for you. Not in terms of some kind of number in a bank account, but in terms of your life, lifestyle, and helping you to get out of the rat race as you put it.

Mike: Yes, and Doug I've never been afraid of hard work. I just don't want to do it for someone else. I want to do it my way. That was always my goal: to get up everyday and work until sundown, just don't tell me what to do and when to do it my way. I'm either going to make it or I'm going to go up in a flaming ball of smoke, but don't tell me what to do.

I grew up with military discipline in a very crowded house. There were seven kids and two adults in an 1100 square foot house, and I was next to the youngest in that mix, and I realized that's not how I want to spend the rest of my life. I wake up everyday and feel like it's the holy grail of entrepreneurship that I am able to spend my entire adult life everyday I wake up doing whatever the heck I want to do.

And I've got the day laid out up until about two o'clock. I have a lunch appointment with a very good friend of mine that we're trying to put a couple of deals together, but every day the freedom I've been able to create for myself Doug, I claim to be the most grateful man on this planet that I get up when I want and do whatever I want, and the money part of it is really not an issue.

Now I am not a high lifestyle person. I lead a pretty simple life but at the same time, that's all I've ever wanted is to do whatever I want to do every single day that I wake up.

Andrea: Okay, so this interview ran a little long, so we decided to split it into two because we don't want to edit out any of Mike's great content. So come back next week to hear more from Mike Cantu, and we'll talk to you later.