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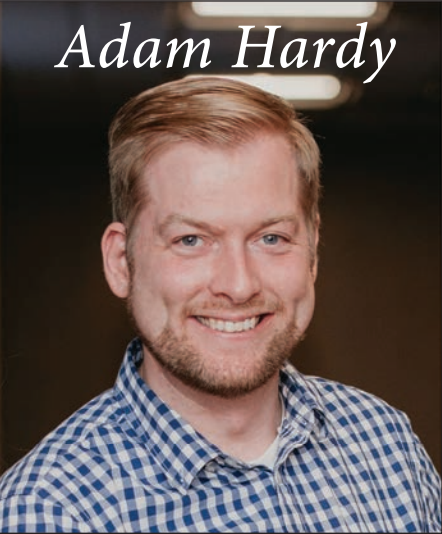
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RE Journal

Member Spotlight



Adam Hardy owns and manages over 40 single family rental properties and is the owner of Hardy Capital & Consulting, a real estate and tax consulting business in Brooklyn Park, Minnesota. He is a member of the Minnesota Real Estate Investors Association (MnREIA) in suburban Minneapolis, and has been investing since 2006.

*Please tell us a little about who you are and what you did before getting into real estate investing.*

I grew up in Iowa and graduated from Iowa State University with a degree in accounting and finance in 2004 and was hired by the Department of the Treasury as a National Bank Examiner. I learned all about the banking industry, but most importantly, how a banker analyzes financial statements to approve or deny a loan. I worked as

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# Three Emerging Trends in the Housing Markets

By Chris Kuehl, Ph.D.

Should you want to spark a lively debate at your next cocktail party, try bringing up all the changes that have taken place in the housing sector in the last few years. What was once a fairly stable business with some measure of predictability has been shifting and changing as fast as any sector one could care to bring up.

Just consider some of the behavioral shifts that have taken place in the different demographics.

The boomer generation is seeking some combination of Club Med and ER as they abandon their traditional single-family homes in favor of some kind of assisted living.

Gen-Xers are not interested in their

parents' homes, and that is leaving a large stock of existing housing but often not in the areas that are preferred by the millennial buyer.

Speaking of millennial buyers, they are still vexing the home builders and others in the real estate arena. They have been slow to buy homes as they have been slow to start families. There has been some evidence that the older members of the cohort (those in their 30s) are starting to act more traditionally, but they are still likely to be engaged in buying at least one less home in the course of their lives and they are still expressing a preference for multi-family housing.

This year the housing sector started to lose momentum. Actually, this process started in 2018. The price of homes

started to rise far faster than inflation would suggest, and that indicates that there are other factors at work other than just hikes in prices. The bottom line is that new-home builders have been favoring the larger home over the so-called starter home. The market for the bigger house has been more or less solid while the headwinds have been affecting the traditional home.

There are perhaps three emerging trends that are rooted in economic shifts and changes.

1. The first is the move away from the traditional home to the larger home as the standard project for new home builders.

2. The second is the transition that millennials are expected to make

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# To Rent or Not To Rent... Know What the Risks Entail

By Mark A. Gannaway

With single-family housing rentals exploding in 2017 and 2018, it's obvious the investor industry believes rental income is the best return on investment in many parts of the country.

If our portfolio of insured properties across the country is any indication of the market, then owning properties for tenants in the single-family, strip-shopping centers and small multi-family spaces is where investments are being made. This is especially true in high-demand, low single-family inventory populations.

No doubt cash flow is extremely important, but the investor must understand his or her financial risk. The addition of the "tenant or prospective tenant" is a potential gamechanger to personal wealth. Short-term gain can be a long-term disaster! I can hear the "flippers" saying "Amen, brother!"



Let me say four words to get your attention: Pitbulls and tenant discrimination. I'm not even counting the other everyday issues, which include bedbug exposures, mold behind the dishwasher, tenants without insurance, a flood or a house fire destroying your tenant's contents, late payments, evictions and the question of who is

actually living in the house. That's a separate article and another world of risks unto themselves.

When I speak with both real estate investors and professional property management organizations and their members across the United States, one of the first arguments I hear from the

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# The 'New Economy' Itself is Changing

By **Rebecca McLean**  
Executive Director, National REIA

Since the inaugural issue of the *Real Estate Journal*, we have talked about the “new” economy and the way things have changed since 2008. It seems the first rule of the new economy is everything changes, so it should come as no surprise that in the course of the past few years, the “new economy” itself changed. We cannot seem to settle into a new normal.

As things continue to transform, grow, modify and move on it is creating different responses from individuals. Many are just happy to ride the growth train and aren't bothering to look past tomorrow. Full steam ahead, caution be damned! Others that have been down this road before are starting to get anxious. Can we really continue at this pace for more than a few short years? And if we can't, what is on the other side of this boom? Another bust? How big will that be? How will it affect real estate investors?

I have given a “State of the Industry” update at our annual education conference each year since 2009. Things were quite grim for a while in terms of financing and health of the economy but inventory – due to foreclosures, short sales and the like was great, pricing was good, and rentals became the business to be in. Now foreclosures and short sales have dried up, price appreciation has made some neighborhoods almost out of reach for any ROI, but financing has relaxed a bit and the economy – and therefore demand – has been strong.

In the beginning, these updates were very popular – uncertainty abounded.

Then we all settled in, and more of the same or very little movement became the message and interest trailed off. Now, especially those that have been through a few cycles, pile into the presentations. It is the most well-attended session of the whole conference. I have also been asked to give this same presentation many other places. People desperately want to know, “what will happen next?”

On our news site, Real Estate Investing Today ([www.RealEstateInvestingToday.com](http://www.RealEstateInvestingToday.com)), we capture and present the realities of the new economy every single day. We try to answer the question “What works in the new economy, and what's worrisome?” by tracking the most interesting and relevant news stories in our industry (and a few quirky ones). Our members now say that industry news may be the most valuable membership benefit that we offer.

We're all looking for a crystal ball! And although we can't quite provide that level of insight, we do our best to provide solid and up to date information on trends, legislation, and movement in the markets.

The *Real Estate Journal* helps with that as well. Our member spotlights introduce you to those who are in the trenches every day working to grow their business. Some of them are reinventing themselves as an old-economy-new-economy hybrid. Many embrace the traditional but others think out of the box and are blazing a new trail.

Our industry also has its share of dissenters. We are one of the few economy sectors that, although we took quite the fall, have continued with

strong growth since the crash. Housing is responsible for tens of trillions of dollars in the economy (yes, trillion with a T!) and housing and utilities made up \$2.4 trillion of the GDP in 2017. This means we are very much in the spotlight. Critics believe that the health of the real estate industry has been gained by overlooking the needs of communities like reducing housing affordability. State and local governments believe that since we seem to have such thriving businesses, they should be able to look to us to fix their treasury challenges. Some communities are decrying the amount of rental housing that has sprung up in their areas which has added to the notion of Real estate becoming the scapegoat.

As frustrating as some of these messages are, I try to keep in mind that taking the promise of the new economy seriously means taking its critics seriously — listening to their arguments, weighing their challenges, and, where warranted, working with them to provide solutions that make our communities better.

Brad and I just wrote an article for *USA Today* about affordable housing. We do have a challenge, and it isn't going away on its own. But far from being our fault, it is actually hurting us as investors in many ways as well.

My article last month focused on the law of supply and demand and how big a problem supply is right now. Part of that supply problem stems from governmental overreach and misguided policies that prevent more housing from being available. We are all in favor of a reasonable, logical dialog

to help ease the affordability problem and other housing-related challenges communities are facing.

This is why our legislative program is so important. Our voice as investors must be heard. In March we hosted our annual Capitol Conference where we took our concerns and solutions to Washington, D.C. There we ensured that we aren't seen as the problem but as the provider of the solutions to our nation's housing woes. After all, without housing, the U.S. economy would still be struggling to regain strength.

We will continue to bring you information about the economy, the industry, and those who are excelling within it. Our goal remains the same: to create communities where people matter, where ideas count, where creativity sparks new opportunities, where each of us can make a difference. As real estate investors, we are uniquely positioned to do all that and still make a great profit! Investors can be “doing well while doing good,” as Benjamin Franklin so wisely advised.

With the information we provide, we hope you will look at this new phase of the new economy with fresh insights, fresh energy, and a fresh commitment to reinventing the world of real estate investing and improving the communities where you invest as proud professional housing providers.

*Rebecca McLean is the Executive Director of the National Real Estate Investors Association.*





# NREIA Legislative Update

## Where’s Waldo? The U.S. Congress Edition

If you were ever are a fan of “Where’s Waldo?” you may just enjoy looking for the theme and legislation that Congress is working on developing. No I’m not referring to the the fringe bills introduced by one or two congressman. What’s not just hidden, and may be completely missing is the more broadly supported – dare I say it? Bipartisan bills.

Having recently spent a week in Washington DC visiting with members of Congress in both houses, on both sides of the aisle, it is pretty clear that the divide is becoming more pronounced and more partisan. Even the Problem Solver Caucus, which is an assembly of centrists from both parties, is having great difficulty building coalition support outside their numbers. With less than 50 members and a 2-to-1 ratio of Ds to Rs, the likelihood of success is dwindling. Even within the House majority party, the Democrats seem to be fighting a civil war over priorities ranging from progressive to outright socialism. This instability when combined with the star-power of some of the newest and most outspoken of the freshmen congressional leaders is creating an impact that will be felt for years to come.

### Infrastructure

Infrastructure is one of those items that usually has broad support. Presently it is supported across both the Legislative and Executive branches, however, what something might look like in language is anyone’s guess. For perspective, the vastly overblown “New Green Deal” is approximately 9 pages of ideas and suggestions. In contrast,

the complicated and final version of the Affordable Care Act, (ACA or Obamacare) was well over 800 pages with 20K pages of regulations to follow. That being said, there is not a consistent definition of “infrastructure.” This means municipalities will continue to shoulder more of the burden of road repairs and, to the extent they can, shift more cost to developers and re-developers, pushing up capital costs for redevelopment in local communities.

### Flood Insurance

Tink tink tink...that’s the sound of the can being kicked down the road. Even the re-authorization of the current flood insurance program has been pushed down the road. The fact that the program needs a major overhaul, not just for actuarial purposes but even in its management is recognized by almost everyone, but having the time to fix it or the willingness to develop a passable solution is unlikely.

### Seller Finance

The Seller Finance effort is working on a joint House and Senate bill to be dropped very soon after which time members will be encouraged to ask their Senators and Representative to sign on, if they haven’t already. The ground work laid over the past couple years is leading to this new two-pronged approach.

### Housing Affordability

“Housing as a Right” and the effort to nationalize housing, especially rental property, has a growing chorus in America. At a time when Venezuelans are starving in the streets, it is amazing

that the anti-capitalist movement is not only gaining traction but flies directly in the face of the present realities. Consider which government housing option would be preferred to the market rate options? And if that market rate housing were suddenly government-run, would it fare better than the current 1.2 Million public housing units managed by more than 3,300 housing authorities with an estimated \$26-30 Billion in deferred maintenance?

Housing affordability is a serious matter – often cured with a job, or a better job. For the disabled and seniors, a safety net is definitely needed. However, the US has taken a different approach to the mentally and physically capable – starting with Welfare Reform in the 1990’s. There are significant voices pushing for similar changes in housing as well. In the meantime, the House-them-at-all-cost advocates will continue to engage Rent Control efforts in states like Illinois and Oregon, ignoring the basics of Economics 101.

A sub-category of Affordable Housing is premised as child-stability. Evictions are disruptive and can cause children to be moved abruptly between schools. The results of these moves can slow the educational process for the child. While this has an element of public concern, the same care is not considered for the family in foreclosure. Instead eviction prevention laws are being pushed, often by legal groups with a requirement that an attorney be hired to represent the poor victims. While this representation approach is well received, in no small part due to the smooth-talking litigators pushing it, little is actually done for the resident other than delay the inevitable if they haven’t paid the rent. The result doesn’t change, but the lawyers get paid.

Some communities are focused on interventions prior to evictions, especially for families with children facing financial hardships. Typically, the hardship is automotive, health or job disruption related. Unlike the poor choice / addiction issues detailed in the book Evicted, Social Workers are able to determine who is a viable candidate for support. The long-term tracking suggests that this type of support is having an appreciable difference in those families’ outcomes.

### Opportunity Zones

The “final regs” are scheduled to be published in early Spring and will

no doubt require yet another round of clarifications, such is the nature of the regulatory beast. However, the clarifications for the most part are nuanced issues that should not cause the average investor heartburn. The real key on all of this is to remember the hard dates in place for funding your Qualified Opportunity Fund (QOF) and preparing to meet those deadlines with the purchase, and then having the rehab or construction plan in place for the next 30 or 31 months, respectively. Two key requests that have been made are extending the compliance time from 30 and 31 months (which are not long enough for some communities) and a request to move beyond the hard calendar dates to more workable project deadlines. Hopefully those will be modified or at least waivers will be available. Having said that, the message has been consistently shared from Treasury that Opportunity Zone participants that are keeping the spirit of the law, will be allowed to come into compliance with the regulations, once they are developed. Don’t wait, get involved!

### Emotional Support Animals (ESAs)

This is issue is one more thing that HUD is “working on”. Please forgive my air quotes, but we’ve been hearing this response for over a year now with no sign of relief. The recent story of the alligator as a comfort animal (check out [www.realestateinvestingtoday.com](http://www.realestateinvestingtoday.com) for details.) further proves the point of the growing ridiculousness of this regulatory albatross.

### Tax Extenders

Mortgage Debt Relief Forgiveness is one of the numerous existing temporary tax policies that expired in 2017. Over 60 various trade associations (including National REIA) are working in a coalition to move these critical niche policies through both the House Ways and Means Committee and hopefully matching up with the Senate bill 617, sponsored by Senators Grassely (R-IA) and Wyden (D-OR.). With numerous new members of the Ways and Means Committee, and the House in general, there will be a learning curve that will likely require substantial grassroots support – more to come on that front!

## Did you know?

Real Estate Investing Today is the online news site for National REIA featuring daily updates with news and information that affects your bottom-line. It's updated daily, never boring and always informative.



Visit  
[www.realestateinvestingtoday.com](http://www.realestateinvestingtoday.com)

# Oregon Governor Signs Landmark Rent Control Bill

By John Triplett

In Late February, Oregon Governor Kate Brown signed a landmark first-in-the-nation rent-control bill, SB 608, which she said provides protections for renters related to no-cause evictions and rent increases.

“This legislation will provide some immediate relief to Oregonians struggling to keep up with rising rents and a tight rental market,” the governor said in a release.

“But it does not work alone. It will take much more to ensure that every Oregonian, in communities large and small, has access to housing choices that allow them and their families to thrive,” Brown said in the release.

The Governor’s 2019-21 budget includes \$400 million in new investments aimed at ending homelessness for Oregon’s children, providing permanent supportive housing for the chronically homeless, housing Oregon’s veterans, and accelerating the growth of housing supply by tripling the existing pipeline of affordable housing by 2023, according to the release.

## 'A Lot of Headaches' Ahead?

Brown has made affordable housing a priority, but cautioned the bill could lead to “a lot of headaches” if not paired with a \$20 million funding package, according to reports.

The funding package included in Brown’s proposed budget, for instance, would pay for technical assistance in the form of a help line and legal aid for landlords and renters, according to the Statesman-Journal.

Oregon Democrats released a statement saying the legislation will “protect renters from rent-gouging and no-cause evictions.

State Senate Bill 608 “creates a fairer system that will provide predictability and stability to renters throughout the state, while not discouraging new construction,” the statement reads.

## Legislation Carried on Floor by Realtor & Property Manager

Rep. Mark Meek (D-Oregon City), a Realtor and property manager, carried the legislation on the floor.

He told the story of his own experiences as a child dealing with housing instability.

“I have lived both sides of this issue,” Meek said in the release. “I’ve experienced homelessness and extreme hunger. I remember couch-surfing throughout the Los Angeles area with my mother after being evicted from our apartment. We’d sleep in a motel when we could afford them, and when we couldn’t, we’d sleep in our car.

“My story is one example of what displacement looks like. Displacement is devastating. It stifles a child’s ability to be successful. It is no small miracle that I am standing here before this esteemed body today,” Meek said in the release.

The new law establishes a statewide limit on rent increases, keeping



Oregon Governor Kate Brown says the landmark rent-control bill provides protections for renters related to no-cause evictions and rent increases.

them to no more than 7 percent plus the consumer price index during a 12-month period.

It would also ban no-cause evictions following the first 12 months of occupancy.

## Erodes private property rights and fixes nothing

Oregon’s House Republicans released a statement saying, “It is evident supply is necessary to alleviate the affordable housing shortage.

“Passage of this bill also raises a more serious question: If a property owner can’t decide who lives in their apartments and houses, who really owns the property? Certainly, it is no longer the one who pays the property taxes.

“Moreover, the bill doesn’t address the real problem, the supply of affordable housing. The super-majority party contends the legislation will rein in rising rents caused by a housing crisis.

“But over and over, rent control in cities across the country has demonstrated otherwise. The answer to the housing crisis is not rent control, the answer is increasing the available number of houses and apartments. SB 608 neither encourages the building of new housing supply, nor does it provide real incentives to maintain existing rental property.

“Investment dollars that would have provided more housing will now go elsewhere. The Democrats’ unwillingness to seriously consider common-sense amendments will damage the mom-and-pop property owners, many of whom have invested their retirement dollars into the rental market.

“The consequences of this legislation will ripple far beyond the urban areas to Oregon’s small communities, where the housing shortage is just as real as in urban areas. It is also an assault on private property rights, effectively removing property owners’ ability to do what they wish with their own assets.

“This bill is just one of many aimed to further regulate Oregonians, while doing little to solve the problems it purports to fix. The virtual elimination of single-family zoning ensconced in HB 2001 and the explicit promise in HB 2020 of a new “economic system” for households, businesses and workers demonstrate the true intentions of Oregon’s ruling party,” the Republicans’ statement said.

## Warnings of Negative Consequences of SB 608

“There is no doubt that housing affordability is a crisis in Oregon. However, SB 608 will worsen the imbalance between housing supply and demand by allowing for rent control across the state,” said Doug Bibby, President of the National Multifamily Housing Council, in a release.

“While the intent of rent-control laws is to assist lower-income populations, history has shown that rent control exacerbates shortages, makes it harder for apartment owners to make upgrades and disproportionately benefits higher-income households.

“That is why Oregon and a majority of other states have laws in place that explicitly prohibit local municipalities from implementing rent-control laws. Reversing course is counterproductive and will not solve the crisis.

“Oregon lawmakers should focus on holistic solutions that encourage more housing supply, facilitate public-private partnerships to tackle many of the existing barriers, and increase direct assistance to renters,” Bibby said in the release.

“Today’s regrettable action by the Oregon State House of Representatives on SB 608 will lead to unintended, but pre-eminently predictable negative consequences for housing affordability in the state,” said Robert Pinnegar, CAE, President and CEO of the National Apartment Association, in a release.

“Rather than focusing on the onerous regulatory environment that constricts the diversity of housing needed to meet the surging demand for rental housing, Oregon’s public officials chose to slide backward by enacting a failed policy that has historically proven to hurt residents and housing supply alike.

“The National Apartment Association and the National Multifamily Housing Council will continue to promote sustainable, responsible solutions that lead to more apartment construction, and oppose reckless and ill-advised policy approaches like rent control,” Pinnegar said in the release.



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Editor

Brad Beckett  
brad@nationalreia.org

For inquiries regarding Membership, Legislative, REIA organization information or to become a industry partner, call National REIA toll free at

888-762-7342

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Publisher

John Triplett

john@rentalhousingjournal.com

Editor

Linda Wienandt

linda@rentalhousingjournal.com

Advertising Manager

Terry Hokenson

terry@rentalhousingjournal.com

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# Seven Things You Need to Know Before You Buy Rental Property

## Thing Four – Your Tenants

*Editor's note: Mr. Dornish resides in Pennsylvania and, as such, occasionally makes references to Pennsylvania law. Please check with your local laws and ordinances as they differ from state to state.*

By Bradley S. Dornish, Esq.

Most of the time, we do not buy rental property which is vacant. We buy with at least some existing tenants, so we can enjoy immediate cash flow from the property. Banks generally prefer to loan against existing cash flow, instead of taking your projection as to the rent you think you can get, and assuming you will rent immediately in February.

But the Seller of the property who was thinking about selling last March, who listed in July and sold to you in October reasonably anticipated that he would not be the landlord for too much longer when he rented units in April, June and September. He knew that full occupancy meant top dollar and did not want to hold out for the ideal tenant and risk losing a sale.

So who are those tenants who moved in over the last few months? What are their incomes, credit scores and criminal records? Would you have rented to these folks if you had already owned the building when they applied? Are they paying their rent on time every month?

### When did the tenants turn 'bad'?

Over the past few years, I have noticed that a disproportionate number of the evictions I handle for my clients come from tenants who were there when they bought the building, and rapidly became very bad tenants. Did those tenants turn bad when a new landlord took over? I doubt that a good tenant for the Seller would become a bad tenant for the Buyer overnight. But that is the story I hear fairly often from sellers who are shocked that their perfect tenants haven't paid the buyers or worse.

But don't think that I have a crystal ball, either. I started paying attention to this phenomenon because I almost lost my shirt when I bought 60 units in Pitcairn with seller financing a few years ago. The seller was a friend and client, who assured me that there were only nine vacancies, and everyone else paid the rent on time. The rent rolls I received reflected that, and why would someone sell to a friend and a lawyer, take back 100% financing and misrepresent the cash flow which was necessary to pay the mortgages on the buildings?

Besides that, I had all of the leases and tenant files for every tenant. The credit checks weren't in my files, but if the tenants paid their rent, how bad could they be? I found out the very first month when I was waiting for rent checks to come in. I received 30 out of 60, and that was renting three of the nine vacancies with the Seller's help



within days of taking over. Maybe they hadn't gotten my letter with the self addressed envelopes to send their rent checks to the right address. Maybe they hadn't seen the signs I posted in every building with the new address and contact phone numbers.

I opened the tenant files and started to call the tenants who hadn't paid. Some numbers were bad, some didn't answer and a few who did told me they had moved out. The Seller blamed my letters and rules for scaring some of the good tenants away. He also suggested that I'd get more rent if I visited the units in the first few days of the month and knocked on doors. Many of the tenants, he said, liked to pay cash at their own front doors, and if you didn't get it within a few days, they would spend the cash on other necessities like food, utilities and drugs (hopefully meaning prescriptions). I started to visit the units the next weekend, and confirmed ten more vacant units. Since it was the second week of October, I knew I was in for a long and expensive winter. Some of the tenants I did meet complained that they weren't paying until their heat, plumbing or other problems were fixed, and others told me Section 8 paid their rent in full, though I had received a Section 8 check for those buildings already, and the additional tenants who claimed to be on Section 8 were not listed on the check.

### Lots spent on repairs, but little coming in

I spent five grueling months paying for a lot of repairs to satisfy Section 8 and individual tenants. I had a full-time handyman and another part-timer making repairs to other units, and showed and rented them on weekends. Despite all that work, I never received more than 40 rents in any one month, and depleted my reserve money from my other units just to pay for repairs

and the mortgages. I never did have the cash flow to keep up with the taxes on those units, and went into my pocket to keep the gas and electricity on. I was glad I didn't lose more when I gave the properties back to the Seller. He still owns them, but I think issues with management of those tenants in those units were a major contributing cause to his bankruptcy. At least I wasn't the one forced into bankruptcy by having the wrong tenants.

### Never again!

I vowed never to let that experience happen to me again, and I am much more careful now to know my tenants when I buy property already rented. First, I get the leases before I make an offer. For free and in minutes, I check each tenant's name for certain civil and criminal records and under Megan's Law to make sure there are no sex offenders living in the building. For these searches, you don't need the landlord's or the tenant's permission, and nobody even has to know you looked at the public records. Of course, you can do the same search on prospective tenants who submit a rental application to you, prospective contractors and, with certain limitations, on prospective employees.

Start with criminal records. Here in Pennsylvania, for every County Court of Common Pleas and every Magisterial District, the records are online. Start by going to Pennsylvania's Unified Judicial System Web Portal (<http://ujportal.pacourts.us>). The fourth menu from the left at the top of the page is docket sheets, and gives you a choice of Magisterial District Courts, Philadelphia Municipal Court, Common Pleas Courts and Appellate Courts. Start with Common Pleas Courts, and go to the Search Type Box about half way down the page. For search type, enter "Participant Name" and put in the first and last names

of the tenant as written on the lease. Choose the docket type Criminal, and leave the other boxes blank, then click "Search." Hopefully, the box under the search tab will show "No Results Found," but if it shows results, move your mouse over the symbol to the left of each item listed and click "Docket Sheet" to read the available story of what happened to your possible tenant. Repeat the process for "Miscellaneous" and "Summary Appeal" docket types, and you will learn about everything from traffic tickets to criminal citations which made it to the Common Pleas court level.

But after those searches, you are only part way there. You need to go back to the gold "Docket Sheets" tab at the top of the page and select Magisterial District Courts, or if you are in Philadelphia County, Philadelphia Municipal Court. Use the same search typing "Participant Name," and go through the docket types for criminal, civil, landlord-tenant, miscellaneous, non-traffic and traffic. After these searches, you will have a pretty good idea whether your prospective tenant has a court record. Not all counties are fully online for civil and landlord tenant dockets, so you can't use these searches exclusively, and for someone coming in from out of state, only a 50 state criminal record search, for which you have to pay, will get you to a reasonable level of comfort. The PA search is a good start, and may be enough to decide you don't want to inherit a tenant now in the property, but instead require Seller to relocate them before you buy.

Don't forget the Megan's Law searches. Here in Pennsylvania they are available for free at [www.pameganslaw.state.pa.us](http://www.pameganslaw.state.pa.us), however be sure to check the applicable laws in your state for more information. After you accept the site's rules, search each tenant by name, and just to be sure, cross reference by running a search under the zip code of the property. That search will list all registered sex offenders in the zip code, and you should check each to make sure they aren't registered as living in the property you are buying, or even nearby. You get pictures, arrest information and even the vehicle reported as driven by each offender.

Many counties also have free or inexpensive civil docket information available online, and you should check your county to find out what is available to you. Civil dockets can give you information on litigious tenants who may be inclined to sue you as well, and information on other types of legal matters like divorce, custody and child support, in which they may be involved. Check with your county Prothonotary's office to see what information they have available online.

The final records available cheaply online are Federal Court and Bankruptcy Court records found at [www.pacer.gov](http://www.pacer.gov). Go to the register for PACER button to get started. Once you

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# Five Fresh Paint Tips and Trends to Try This Spring

By *Jud Walford*  
*Pro Paint Merchant, The Home Depot*

Spring is the perfect time to refresh yourself on the latest tips and trends in the world of paint. From large interior-room remodels to small touch-up work, paint has an impact on a wide variety of projects. Regardless of whether the job is small or large, staying up-to-date on the latest trends, tools and technologies will help ensure your team is painting efficiently.

Try the following five tips and trends to ensure your team is following the best paint practices.

## 1. Stay on Trend

Paint is a great opportunity for pros to use their imagination and serve as trusted, creative resources for clients who are unsure of their optimal look. During the consultation process, ask your clients what feeling and energy they would like for each renovated room or component.

Brands like BEHR have made it easy, with their interactive guide of trendy shades for the year, helping you start the conversation and provide valuable creative insight. The annual Color Currents collection features 20 limited-edition colors that are interchangeable for every space, and offer “composed,” “comfortable” and “confident” color buckets to match a variety of room styles. For example, the comfortable palette features muted pastels like “Peek a Blue” and “Life is a Peach” for a sophisticated, feminine feel, while the confident palette features adventurous, bold colors like “Jade Dragon” and “Fired Up” for accent walls and other dramatic points.

## 2. Set the Stage

Primer is a vital component of a brilliant, uniform,



and durable paint job. Without the correct primer as a base, you risk a paint application that either does not adhere to surfaces or lacks the proper sheen. Several brands have also introduced primers featuring integrated odor- and mold-killing agents. When applied, these reinforced primers offset smells from pets, smokers, mildew or other unpleasant scents that may have seeped into the wood over time, which is particularly useful for older properties.

## 3. Prep with Tech

Planning and preparing for your next paint-related project can be as simple as the push of a button with the latest technology. The Home Depot’s Project Color app allows you to take a picture of a room and virtually review different looks with your client, making the consultation process simple. If he or she has a specific shade in mind, the app also allows you to extract colors from a saved photo and identify a corresponding paint product to ensure it matches your client’s vision. Coming out of your consultation, bring your “sample room” into any Home Depot store and the paint team will prepare every needed color.

In addition, The Home Depot now offers in-store digital matching technology that can duplicate any color – no matter the brand. This is a great resource for touch-up projects that require exact color matching. Also, PRO Xtra members can receive up to 20% off paints, stains and primers, making shopping

convenient and affordable when replenishing supplies for the current job or revisiting older jobs at any location.

## 4. Apply Safely

Be mindful of the visibility of the project location when choosing the best type of paint. For a full-scale remodeling job in a prominent area of the home, choose a top-quality option like BEHR’s Marquee brand. This versatile paint requires one coat and provides advanced dirt and fade protection, preventing the need for follow-up applications and return trips to the job site. It’s also ideal when working in occupied spaces to minimize the job time and hassle for clients. For smaller jobs and touch-up work, choose a more budget-friendly option like BEHR Premium Plus, which seals both uncoated and previously painted surfaces to create a finish that resists mildew, stains and moisture.

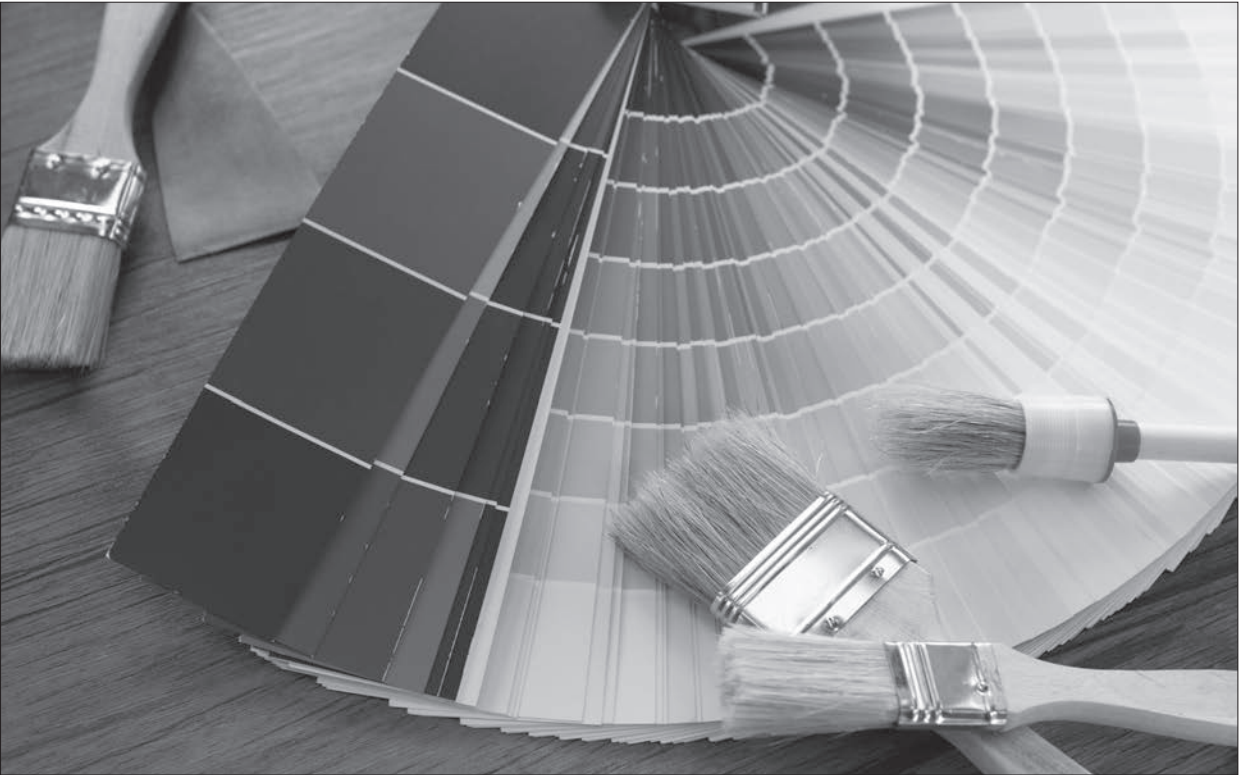
Beyond improved color and performance, paint also has become significantly safer in recent years. Clients, especially those with children, may have questions about the environmental safety of paint, such as Volatile Organic Compound (VOC) levels. According to the EPA, VOCs include chemicals that may have adverse health effects. The good news is that all of The Home Depot’s latex-based paints are low- or zero-VOC, and ensure healthy indoor air quality for homeowners and their families.

## 5. One-Stop Shop

Whatever your project, time is of the essence. That’s why The Home Depot has upgraded its paint offerings and services to make the evaluation and purchasing process more convenient. More than 200 Home Depot stores now include a BEHR Pro Paint Specialist dedicated to answering your questions and ensuring you receive the right products and guidance for your needs. For orders over 24 gallons, The Home Depot will deliver directly to the job site, easing transportation and logistics concerns while improving order accuracy. Plus, you can purchase all your supplies in one place, choosing from a variety of top brands in everything from paint supplies to hardware to tools.

Knowing the trends and having the right tools will ensure your client’s visions and desires are met. Keeping up with the latest trends and having the right tools in your toolbox, both mentally and physically, will help guide your crew and make a lasting impression for your client.

*Jud Walford has more than 34 years of experience in the home improvement industry, including more than two decades with The Home Depot. He held various roles, including store manager, district manager and regional merchandising manager, before assuming his current duties as the company’s Pro Paint Merchant – a position he has held for several years.*



# Real Estate Closings: Begin with the End in Mind

By Jeffery S. Watson

In the summer of 1961, legendary football coach Vince Lombardi arrived at training camp for the Green Bay Packers, who just months before had lost the NFL championship. Coach Lombardi surprised everyone by holding a football in the air and saying, “Gentlemen, this is a football.” With that statement, he let it be known that he was taking nothing for granted when it came to their knowledge of the game. They were going to be focusing on the fundamentals to improve their performance.

The things I see real estate investors doing are telling me we need a review of the fundamentals, and we need to begin with the end in mind – the real estate closing.

To begin with the end in mind, lay out how you want the closing to finally and completely occur. You can then work backward in a step-by-step sequence of what the title company or closing attorney must do to bring your transaction to a close in which a good, marketable title changes hands.

When a property is placed under contract, and there is a mirror-image offer and acceptance between a ready, willing and able buyer and a ready, willing and able seller, then one of three things will occur with that contract:

1. At some time during the due diligence period, it will fall out of contract, either because additional information becomes known to the buyer relative to the subject property, causing them to decline to go forward pursuant to the terms of the contract, or information about the buyer’s inability to perform becomes known to the seller.

2. The buyer chooses to assign the contract to another buyer who is even more ready, willing and able to proceed to closing than the original buyer.

3. The buyer actually closes on the contract, and the seller transfers good, marketable, insurable title from the seller to the buyer.

Those three choices cover 99.9% of all outcomes in real estate transactions.

So, how does the title company or closing attorney know what to do? The



most immediate answer is by looking at the Purchase and Sale Agreement (or Purchase Contract, whatever you call it in your location). That document, whether one page or 15 pages long, should clearly explain who is buying, who is selling, the pre-conditions that must be met, when the transaction is anticipated to close, and how it will be paid for.

Regrettably, I have seen Purchase and Sale Agreements that have been shot out on a near mass-marketing basis in an effort to spray as many as possible across the real estate landscape. In these agreements, the potential buyer has omitted a lot of the important information that should be included in the contract. This may be based upon the assumption (and you know what happens when we make assumptions) that the seller will not accept the contract as offered but will counter back. While that may be in some instances, you need to make sure your offers, if they are accepted as presented, are full, complete, valid contracts with all the necessary information in them so the title company can handle the closing.

An offer needs to be well-written so

that the title company and anyone else involved with facilitating the deal know what is happening and what needs to be done. Clear communication in your documents is crucial to a successful closing. If you are a seller, ask for documentation to prove the buyer is legitimate. If you are the buyer, put some extra effort into your offers and attach supplemental documentation showing you have the ability to perform according to the terms of your offer. This is something that may distinguish you from the rest of the crowd. Standing out is a good thing, because there is always room at the top.

The first important paper in a real estate closing is the Settlement Statement. For decades, it was referred to as the HUD-1. After the Dodd-Frank reforms came into place, the HUD-1 went away, and the Settlement Statement took its place. There are some who believe, as I do, that the HUD-1 conveyed valuable information in a way that was easier to read than the Settlement Statement. This makes clear communication about what’s taking place in your transaction even more important.

The second and most misunderstood

document in a real estate closing is something called a Closing Protection Letter. This letter is essentially an agreement from a title-insurance company to a lender or other party putting money into escrow indemnifying that lender or party against any issues arising from the closing agent’s errors, fraud or negligence. The big legal word for this is “defalcation,” when a closing agent misappropriates funds, conceals the fraud, and skips town. If the closing agent would misappropriate the funds, the title insurance company has agreed in writing to make the necessary financial remediation and reimbursement. If you are putting money into escrow as a private lender or as a cash buyer, it is absolutely essential that you obtain a closing protection letter so you have a layer of insurance to protect you in the event the closing agent or one of their employees steals the money and disappears.

At the end of 2018, I was reflecting on a couple of real estate closings in which I was involved for my own investments. In my mind, these closings should have been simple, but they were filled with all sorts of complications. After analyzing why, I realized it was due to my failure to clearly communicate how I envisioned the closing to look. I understood the necessary steps of the transaction, but I failed to clearly explain those steps in a cover letter or in the Purchase and Sale Agreement. I presumed the closing agent would understand.

When putting together a transaction, begin with the end in mind, and make sure every step is clearly disclosed to all parties involved. This will make for a successful closing with no unexpected complications.

*Jeffery S. Watson is an attorney who has had an active trial and hearing practice for more than 25 years. As a contingent-fee trial lawyer, he has a unique perspective on investing and wealth protection. He has tried over 20 civil jury trials and has handled thousands of contested hearings. Jeff has changed the law in Ohio 4 times via litigation. Read more of his viewpoints at [WatsonInvested.com](http://WatsonInvested.com).*



## Seven Things You Need to Know ... continued from Page 5

have your account, you are charged eight cents per page, but all your searches are free if you don’t spend at least \$10.00 in a year (as of this writing). Once your account is active, go to the PACER Web links and find the court you are looking for in the index. Click the court and enter your login, then, go to the top of the page and click “Query.” This will bring up a screen where you can type the tenant’s name and search. Hopefully, no information comes up. However, if it does, you can search the dockets and pull the information much as you did with the web docket sheets.

Public records are a good way to know what the public can learn about your prospective tenants, but confidential

credit reports, containing all kinds of financial information, and available only with prior written authorization from the tenant, are needed to close the loop. Hopefully, your seller keeps a file on each current tenant which includes the credit authorization signed by the tenant and a report obtained thereafter by the landlord. If your seller doesn’t have a credit report on each tenant, be concerned. Tenants with bad credit histories flock to landlords who don’t check credit, and you are likely to have more than your fair share of evictions if the tenants in the building you buy weren’t properly screened. You can wait until you sign an agreement of sale to get the tenant files, but make sure you get and review them before you close.

Make sure information in the files for long time tenants is updated, and that credit information on the tenants is at least fair, if not good. I like a tenant with at least a 600 credit score, but depending on the unit, time of year and demand, occasionally go lower. I would never again take a building full of tenants who have not been screened, or who have scores substantially below 600.

Finally, blame your accountant or lawyer for this last question: Insist on seeing seller’s records of income and expenses for the property for at least the last six months or longer, tied into the seller’s bank statements for his or her business bank account. Sellers can

lie about receiving rent, Tenants can lie about paying rent, but the bank statement will show what the landlord deposited and when. It will also show real expenses in the month, but that is a point for a different article in this series.

If you follow all of the recommendations in this article, you are far less likely to have to evict the tenants you inherit when you buy a building. It may take extra time up front, but an ounce of prevention is worth a pound of cure!

*Bradley S. Dornish is a licensed attorney, title insurance agent and real estate instructor in Pennsylvania. He can be reached at [bdornish@dornish.net](mailto:bdornish@dornish.net).*



# Top 10 Most Expensive Real Estate Markets for Self-Directed Investors

By Kent Kinzer

The state where self-directed investors at Equity Trust have paid the most for real estate investments might surprise you. According to newly released data, the state with the highest median purchase price for Equity Trust clients’ real estate purchases in 2018: Idaho.

The adjacent charts show the 10 states with the highest real estate purchase price for our clients’ self-directed investments as well as, on the other end of the spectrum, the 10 states where the median real estate investment price was the lowest of our clients’ investments.

While some investors might be surprised by some of the states that made each list, others might be surprised at the median price of the real estate investments that are being made in some states.

In general, the Southern United States area is where most Equity Trust clients have been investing in properties: 50 percent of clients’ real estate investments were made in that region from 2008 to 2018. The other 50 percent of clients’ purchases were divided as such: 27 percent in the Midwest, followed by the West with 14 percent and the Northeast with 9 percent.

Another notable statistic illustrates Equity Trust clients investing in properties in states other than where they live. These are the top states where out-of-state investors bought their properties with their Equity Trust accounts from 2008-2018:

- North Dakota
- Nebraska
- Connecticut
- Arkansas
- Vermont
- Nevada
- Delaware

## Equity Trust Clients Real Estate Purchase Price Per State

TOP 10	
State	Median Purchase Price in 2018
Idaho	\$163,000
Oregon	\$136,000
Utah	\$118,000
Colorado	\$113,000
Hawaii	\$112,000
Rhode Island	\$111,000
Vermont	\$109,000
Montana	\$105,000
Nevada	\$104,000
New Jersey	\$102,000

Data was aggregated from information provided by Equity Trust clients as of 12/31/2018. Information is for educational purposes.

- Maine
- New Mexico
- Alabama

The common factor in these stats is that each of these real estate investors took advantage of self-directed accounts to make these purchases. Through a tax-advantaged account such as an IRA, they were able to fund their purchase, and any profits flow back into their account, tax-free or tax-deferred.

Allowable investments with a self-directed account include real estate, tax liens, promissory notes, private entities, and more.

As with any investment, your due diligence is key. Before making an investment decision consult with a tax, legal or financial professional.

There are a few rules to be aware of

when using a self-directed account to invest. In addition to the list of investments not permitted in an IRA, the IRS provides information in IRS Publication 590 regarding:

- Disqualified individuals
- Indirect benefits
- Unqualified Business Income Tax (UBIT)

Only certain custodians offer self-directed accounts because the required reporting and recordkeeping is unique. Equity Trust Company is one such custodian. Through its predecessor company, Equity Trust began offering self-directed accounts in 1983.

*Kent Kinzer is the National Business Development Manager at Equity Trust Company.*

*About Equity Trust: Equity Trust is a fi-*

## Equity Trust Clients Real Estate Purchase Price Per State

BOTTOM 10	
State	Median Purchase Price in 2018
Kansas	\$19,000
Illinois	\$27,000
Missouri	\$31,000
West Virgina	\$31,000
Kentucky	\$32,000
Arkansas	\$32,000
Mississippi	\$35,000
Louisiana	\$36,000
Nebraska	\$37,000
Ohio	\$38,000

Data was aggregated from information provided by Equity Trust clients as of 12/31/2018. Information is for educational purposes.

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# 5 Obstacles That Derail New Real Estate Investors (& How to Overcome Them)

By Chad Carson

Being a new real estate investor is uncomfortable and challenging. You know real estate has many benefits, otherwise, you would have never started in the first place. But the reality of getting your investment property empire off the ground may not be as easy as the stories you hear from others.

Unlike hearing popular success stories second hand, you get to experience all of the internal and external obstacles first hand. The anxiety, self-doubt, and confusion of doing something new are hard to translate (or even remember) for more experienced investors.

So, in this article, I’ve reached back into my own experiences as a new investor. And I’ve also thought about the experiences of new investors I’ve

coached. Then I identified 5 stubborn obstacles that can derail new investors from their real estate goals.

But the point of what you’re about to read isn’t all doom and gloom. Instead, my goal is to help you become more aware of the obstacles so that you can prepare yourself mentally and emotionally to overcome them.

Now let’s get into the 5 obstacles!

## Obstacle #1 – A Confidence Deficit

Michael Jordan was arguably the best basketball player ever. When the game was on the line, he wanted to ball because he knew he could win the game for his team. You could see the confidence in his face.

But how did he become confident? Was he born with it?

I don’t think so.

Jordan did have talent. But his confidence to hit the game-winning shot came from thousands and thousands of practice shots. He knew he could hit the shot because had prepared ahead of time.

As a new real estate investor, you can do the same thing.

I’ve found that your preparation as a new investor should focus on three primary areas:

1. Knowledge: Entrepreneurship is essentially a game of ideas. So, educating yourself is always a primary, necessary step to build confidence.

First of all, you should educate yourself about your local real estate market. You can begin with my Guide to Pick the Ideal Location For Investment Properties.

Second, learn about strategies and tactics that have worked for others. I’ve shared the 15 best real estate investing strategies. And I have many articles on real estate investing tactics, including analyzing your market, finding good deals, running the numbers, seller financing, negotiation techniques, and more.

2. Financing: Real estate is a capital-intensive business. This means you need money to buy or control it. But as I found out as a new investor with only \$1,000 in the bank, you don’t need YOUR money. You can leverage the money of others.

So, build confidence by learning how to use debt intelligently and safely. Study alternative financing techniques like seller financing, self-direct retirement

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# Wholesaling Contracts: Assignment Contract vs. Double Close

By Than Merrell

Today’s most prolific wholesalers already know it, and it’s about time you did, too: There are essentially two ways to profit from a wholesale real estate contract. More specifically, the two most common ways to close a wholesale deal are selling the contract, otherwise known as the assignment-of-contract method, and a double closing. While the two approaches share some similarities, their differences are worth noting, and could mean the difference between success and, well, failure. If you want to tip the wholesaling scale in your favor, I highly recommend you familiarizing yourself with the differences that exist between an assignment of contract and a double closing.

### What Is Assignment-of-Contract Real Estate?

An assignment of contract in real estate is initiated when the owner of a property agrees to sell their home to an investor, and actually signs a contract binding themselves to the impending deal. As a result, the investor holds the rights to buy the property, which they may then sell to another buyer. That’s an important distinction to make; they aren’t selling the home, but rather the

rights to buy the home. You see, when you sell a contract, you are not selling the property itself—you are actually selling the contract you have with the homeowner to buy the home to another buyer. As such, the assignment-of-contract approach should typically represent an investor’s first option.

According to the doctrine of equitable conversion, once a real-estate purchase agreement is signed by all parties and becomes effective, the buyer becomes the equitable owner and the seller retains bare legal title to the property under the previously agreed-upon terms. In other words, today’s wholesalers sign a contract that says

they have the rights to purchase the property in return for what is typically referred to as equitable interest in the home. That way, when they go to sell the contract they have with the current homeowner, they are simply selling their rights within the terms of the contract to a subsequent buyer.

It is worth noting that the assignment-of-contract method will never have investors take title to the property, nor will the assignment of contract show up in the title chain. In fact, wholesalers won’t even have to fund the deal. The individual buying the contract from the wholesaler will pay the wholesaler a profit for their rights to buy the

home, and proceed to pay the seller their asking price. In its simplest form, assignment of contract allows investors to match sellers with buyers.

I want to make it abundantly clear: the verbiage of the contract between the seller and the wholesaler is of the utmost importance. All purchase and sale agreements, by default, can be sold to another party unless specifically stated otherwise. This is why it’s very important to make sure the contract says exactly what you need it to in order to wholesale a property. To be safe, hire an attorney versed in these types of real-estate transactions.

*Continued on Page 20*

- When done correctly, wholesaling can serve as a great entryway into the world of real estate investing.
- There are two common wholesale exit strategies: assignment of contract and double closing.
- The assignment of contract should represent the first option for an investor considering wholesaling.
- Always consult your state & local laws as well as working with a knowledgeable real estate attorney.



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5 Obstacles That Derail Real Estate ... continued from Page 8

accounts, and lease options.

Then go out and ask your lenders, partners, or other sources of financing if they will put up the money. Knowing you have access to money is a critical source of real estate investing confidence.

3. Team and Community: It's possible to borrow confidence from others. After all, we humans are social creatures. It's how we've survived as a species for hundreds of thousands of years.

As a new real estate investor, be sure to focus on building a team of confident, experienced, and competent individuals. Their knowledge and skills can compensate for your own deficit of confidence.

**Obstacle #2 – Too Little Time**

If there was one excuse I hear from new investors more than any other, it would be lack of time. They know what to do but they just don't have the time to do it.

First of all, I certainly can empathize. We're all busy. In my own life, I struggle to balance the different priorities that all seem important to me.

But on the other hand, I also know that we're all given the same 24 hours in a day. Like investing money, we all choose to spend our time on certain things. So, wise use of time basically comes down to our daily choices.

To improve those daily choices, I'd started by learning to differentiate between the urgent and important things in your life. Too often people are busy, but they're not productive on what really matters.

Then work on batching the activities of your day into distinct 1-2 hour periods. The practice of batching takes advantage of the 80:20 principle and Parkinson's Law, which are foundational principles of personal productivity.

Little by little, you can regain control of your time. And then you can use that time and your energy on important goals like real estate investing.

**Obstacle #3 – Cookie Cutter Syndrome**

When I first began investing in real estate, I went to a LOT of seminars. As I talked about in Obstacle #1, I knew that education was a key tool to becoming more confident.

But one of the downsides of those seminars was an introduction to the Cookie Cutter Syndrome. This meant that many of the "educators" were guru-types who knew it all and tried to persuade me and everyone watching that their cookie cutter strategy or technique was the best.

For example, they may show how to use a lease option technique to buy properties with little money down and less risk.

And for just \$2,999 I could learn all their lease options secrets and become as amazing as they are!

Aside from my disgust at using intimidation as a persuasion tactic, these gurus also missed the point of cookie cutters. Cookie cutters aren't for everyone. And forcing people into rigid molds ends in frustration and painful lessons.

Instead, cookie cutter techniques are simply tools in a toolbox. You educate yourself how to use these tools, and then pull them out when you need them to build your real estate investing portfolio.

If you're a new investor struggling with overwhelm because there are so many interesting angles in real estate, I recommend going through the process in my article Real Estate Investing For Beginners – How to Find Your Focus.

**Obstacle #4 – The Gap Between Theory and Reality**

Theory is reading and understanding the concepts in a book (or a blog post!). But reality is applying what you learn in the real world.

This is a tough obstacle that we all face when we do something new. As hard we teachers try, we can't do it for you!

But I do have two tips that might help.

First, embrace the idea of imperfection. When you were a baby learning to walk, you fell hundreds of times. If you had been a perfectionist back then, you would have quit long before you took your first step!

As a new real estate investor, you're going to be imperfect. You're going to stumble through your first several dozen attempts to run the numbers of a deal. You're going to stutter and not know what to say when negotiating with a seller or real estate agent. And you might even do like me and purchase a loser rental property!

It's ok. We all make mistakes, and no one begins perfectly. Merging theory and reality is a process of continuous "failures" until you finally get it.

Second, just take baby steps. You can avoid fatal mistakes as a new investor if you don't try to do too much, too fast.

If you've never done a deal before, just do ONE deal. Then pause and learn from it.

If you've never made an offer on a property, just make ONE offer. Then pause and learn from it.

Toddlers walk painfully slow while learning. And new real estate investors move slowly too.

It's all part of the learning process. Just accept it and embrace it!



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**Obstacle #5 – A Persistence Problem**

"Nothing in this world can take the place of persistence. Talent will not: nothing is more common than unsuccessful men with talent. Genius will not; unrewarded genius is almost a proverb. Education will not: the world is full of educated derelicts. Persistence and determination alone are omnipotent. The slogan "Press On" has solved and will always solve the problems of the human race." – Calvin Coolidge

Sometimes we just quit too soon. Lack of persistence and determination can be your final obstacle as a new investor.

Rolando and Jenn from Cincinnati, Ohio bought their first property after viewing over 40 properties that did not work.

Bianca DiValerio from Chicago, Illinois lost everything financially and then bounced back again.

Anthony Petz in Bellingham,

*Continued on Page 21*

# To Rent or Not to Rent ... continued from Page 1

audience, I get is “...my lease excludes the tenant owning a dangerous dog.” Does your lease also exclude when your tenant has a party at your investment house, and they have breeds seen as dangerous running around in the backyard with the kids? Just asking.

It is a fact that most insurance companies, including us, exclude from liability coverage protection the most popular dangerous dogs. Why do you think almost all insurance companies do this?

Another insurance debate I have with investors and property managers over the tenant responsibilities is “... the tenant must have their own renter’s policy and include my company as an Additional Insured at closing.”

I’ve written about this before, but I can’t stress it enough; the main problem with this technique is that almost 70 percent of all renters’ policies cancel prior to renewal, mostly due to non-payment.

If the renter’s insurance is cancelled and he or she has a kitchen fire, or a third party files an injury claim; whose insurance coverage is going to respond to the loss? Any lawyer found on Google these days is going to come after the owner of the property for not making sure the tenant, who now is without personal possessions and a place to live, wasn’t keeping the tenant’s insurance in place during the term of the lease.

Another insurance coverage that is very inexpensive and a good coverage for both the tenant and investor is Additional Living Expense insurance. This endorsement reimburses the tenant for out-of-pocket expenses over and above their normal expenses due to the property being uninhabitable from an insured loss.

I also recommend consideration by the tenant to possibly purchase Damage to Property of Others (caused by an Insured) and Medical Payments in the event a third-party is injured on the premises. Other insurance options are flood coverage for their own contents and burglary property coverage. Neither flood nor property damage due to burglary are offered in a traditional renter’s policy.

Another professional liability exposure for owners who rent their investment properties, which is a very big issue today, is tenant discrimination. Again, I hear the argument from property managers and investors that their Business Owners or their Errors and Omissions policy covers them for such exposure.

Many of the policies I have reviewed have very narrow tenant and third-party definitions, along with limited insurance protections against discrimination or harassment claims. This is especially true against any alleged regulatory violation from the U.S. Department of Housing and Urban Development (HUD) or the Fair Credit Reporting Act.

The tenant definition is a huge issue; the broader the wording the better. For example; does the coverage apply to other family members of the tenant, whether they live with the tenant or not? How about a family member, visiting your tenant at your investment house, when one of your employees or vendors says something that could be

## Many of the policies I have reviewed have very narrow tenant and third-party definitions, along with limited insurance protections against discrimination or harassment claims

construed to be discriminatory? Does your policy extend coverage to the visiting family member? How about your employee reviewing a background check on a prospective tenant and your employee says something that could be considered discriminatory? Again, does your policy extend coverage to defend you and your employee against a prospective tenant?

Another example of exposure is; do you have insurance coverage for Wrongful Eviction, or Violations of the Fair Credit Reporting Act, personal injury due to false arrest, or harassment? Does your policy provide

expenses to defend, investigate, and pay court costs? Even if you are not guilty, defending yourself is expensive.

Before you go back to “flipping,” I suggest finding a good insurance agent who is familiar with your industry and the risks associated with rental homes. I also suggest that you always review your policies, especially for exclusions and limitations, and to get your insurance questions answered in writing from your insurance agent. If the insurance agent refuses to do so, then it’s time to find a new agent.

As I stated at the beginning of this article, renting has many benefits, the

first of which is that most important cash flow. But all good things come with risks and as I have stated above, they come in many forms and fashions in the renting environment.

*Mark A. Gannaway, CPCU, is the Chief Executive Officer and Founding Partner of Arcana Insurance Services, an all-lines property and casualty managing agency that’s been working with real estate investors since it was founded in 2005.*

*Arcana Insurance Services offers National REIA members multiple insurance products specifically designed for Investors and their tenants. Learn more by visiting [www.nreia.arcanainsurancehub.com](http://www.nreia.arcanainsurancehub.com).*





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# U.S. Needs More Babies — Workforce at Risk

By Kathy Fettke  
and Donna Behrens

Americans need to put their family plans into high gear. The CDC is reporting that the U.S. birthrate has fallen again and is now well below the level needed to replace our population. Having a low birthrate can cause major problems for an economy when there are too few workers to fill jobs. As real estate investors, we know that the housing market depends on a strong economy and job growth, and job growth depends, in part, on having an adequate workforce to fill all those positions.

The Centers for Disease Control birth rate report for 2017 shows it slipped another two percent. That brings it down to just 1.7, which represents the average number of births by each woman of childbearing age. A nation needs a birth rate of 2.1 to sustain itself, or 2.1 babies for each woman during their lifetimes.

### Biggest Drop in Recent Years

The U.S. population has been dwindling for decades, since 1971, but the 2017 number is the lowest since 1987. And the 2% drop is the biggest in recent years. The CDC didn't offer an explanation as to why we're seeing such a dramatic decline, but the dynamics of this change include many factors.

Experts cited by NBC News listed several reasons for the low birth rate, including the changing roles of women

and delayed timelines for family formation. Many women and men put off their family plans to pursue careers, educational opportunities, or travel plans. Some are forced into that decision, but many choose a more leisurely timeline. There's also a more widespread use of contraception and a decline in teen pregnancies.

Many women may still hope to have babies at a later age, but as Dr. Helen Kim told NBC News, they may run into a fertility wall. She says: "I think as women delay childbearing they may not realize that fertility declines with age and that there are limits to what fertility treatment can do for them."

### Labor Shortage Is Getting Worse

Let's take a look at the current job market. The Labor Department reported that the number of job openings, or unfilled positions, hit 7.3 million in December of last year. As CNN reports, that's the highest number since the government started recording that information in 2000. With our low unemployment rate of just 4%, we don't need all those jobs. We only have 6.5 million people who need them, so there's a surplus of about 800,000 positions.

The imbalance began last March, when the unemployment number dropped below the number of job openings, so companies are now competing for a smaller number of workers. That's great for the job

applicant negotiating for higher pay, but it's not great for the economy. So, yes, we are already experiencing a labor shortage, and, now, this population decline could make it much worse.

Another missing piece to this workforce puzzle is why the commander-in-chief would want to create even more jobs when we don't have enough workers. The Tax Cuts and Jobs Act of 2017 was designed to cut corporate taxes so companies could hire more people, but where are the people to hire? There's nothing wrong with job creation, but it needs to be addressed in context with an adequate number of talented workers to fill those jobs.

### Housing Industry Needs Workers

A year ago in December, The Washington Post published an article called "2018's challenge: Too Many Jobs, Not Enough Workers." It starts off: "Employers nationwide are grappling with a problem that threatens to stall economic growth: vacancies -- and lots of them." And what does that mean? Unless you boost productivity or employ the use of technology, like robots, to do some of the work of humans, the economic engine is going to falter.

We've already been witnessing what happens in the housing construction industry when there aren't enough workers. Labor expenses rise, and delays occur when builders can't find the help they need. Or when disaster strikes, victims have to put their rebuilding plans on hold while they wait their turns. Supply-side labor shortages, such as a lack of truckers to deliver goods, could also affect the construction industry. According to the Post article and the American Trucking Association, the industry needs another one million drivers in the next six years to replace those who are retiring.

### Japan's Birth Rate Gap

Take a look at what's happening in Japan. It is experiencing a birth-rate decline that's much worse than ours. Last year it dropped to its lowest level since 1899, with less than a million newborns. The fertility rate is only about 1.43 which is well below the 2.1 level needed to sustain a population.

And the situation is not getting any better. There are about 127 million people in Japan today. Researchers expect that number to drop to less than one million in another 30 years, by 2049. Japan is also expecting to lose a large chunk of its workforce to retirees. Researchers say by the year 2036, one in three Japanese citizens will be elderly.

The United States is about to experience a similar situation as the baby boomers continue to retire. There's also a growing gap between the number of U.S. seniors taking Social Security and the number of workers paying into the system, which threatens to bankrupt the system. The same goes for Medicare. About 10,000 baby boomers turn 65 each day.

A healthy workforce is needed to

balance this kind of shortfall -- so what is Japan doing to address its labor shortage? One official told NPR, "To help ensure Japan stays on a path of sustained economic growth, we know we must address the birthrate and aging population issues."

Last year, Japanese lawmakers issued a new economic policy package to help solve the problem. Changes include more support for working families who need daycare, and a better work environment for women with children.

The government is also promoting the use of robots to help fill jobs. The International Monetary Fund published an article last year called: "Land of the Rising Robots -- Japan's combination of artificial intelligence and robots may be the answer to its rapidly shrinking labor force."

Japanese lawmakers are also hoping to attract immigrants. They just approved legislation that creates a new visa category for foreign workers. Starting on April 1, it will allow an additional 345,000 foreign workers into the country for both highly-skilled and low-wage jobs.

### Are We Doing Enough to Fix This?

Are they doing enough to solve the problem? Even more important -- Are "we" doing enough to solve our own problem?

We may have an issue with illegal immigration, which needs to be addressed with or without a wall. But this isn't a commentary on immigration reform. It's an attempt to bring attention to the need for workers, now and in the future. People coming in from Latin America could help solve that problem. We only need to give them a legal means to do so. But that's just one piece to the labor shortage problem.

The birthrate gap is an important issue that is not getting enough attention. We need to have a public conversation that will help lead us to a solution before it snowballs into a major crisis, and makes whatever labor shortage we're having now, much worse.

*Kathy Fettke is the Co-Founder and Co-CEO of Real Wealth Network. She is passionate about researching and then sharing the most important information about real estate, market cycles and the economy. Author of the #1 best-seller, Retire Rich with Rentals, Kathy is a frequent guest expert on such media as CNN, CNBC, Fox News, NPR and CBS MarketWatch.*

*Donna Behrens has worked as a TV news writer and segment producer in the San Francisco Bay Area for more than 25 years. She is a podcast producer and writer for the Real Wealth Show and the Real Wealth News for Investors. Learn more at [www.RealWealthNetwork.com](http://www.RealWealthNetwork.com).*



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# Money Lists

By Alex Goldfayn

As the years go by, I become more convinced of this selling truth: Not enough of us salespeople keep lists of customers and prospects and quotes and proposals. I call them money lists.

Money lists include lists of quotes that are outstanding that require a follow-up.

At one of my distributor clients, one of their locations was averaging around a 20 percent close rate on quotes. Then, this one location (out of about 35) started keeping a simple list, in Microsoft Excel, of outstanding quotes.

The list included the quote number, the company name, the customer name, the contact information, product(s) purchased, and the dollar amount. Then, every ensuing column detailed the follow-ups; included were date of follow-up, the person who followed up (because anyone can do this, not just the original salesperson), and a note detailing what happened.

What did keeping such a list do to the close rate, you may ask?

It went up to over 80 percent from 20 percent. It quadrupled.

*Can I interest you in this?*

Money lists can also simply be a pile of outstanding quotes sitting on your passenger car seat, or at your desk, for you to call on.

One client’s salesperson said that as a part of my project with his firm, he started printing out his outstanding quotes before he gets in the car to go drive and see a customer. While he drives, he said, he calls to follow up on them.

“How many do you close?” I asked.  
“Pretty much all of them,” he said.  
“How many were you closing before?”  
“About 20 percent.”

*Can I interest you in that?*

Money lists can be thoughtful lists of whom to call proactively. They are created quickly as a part of my “Selling Boldly” consulting projects with clients.

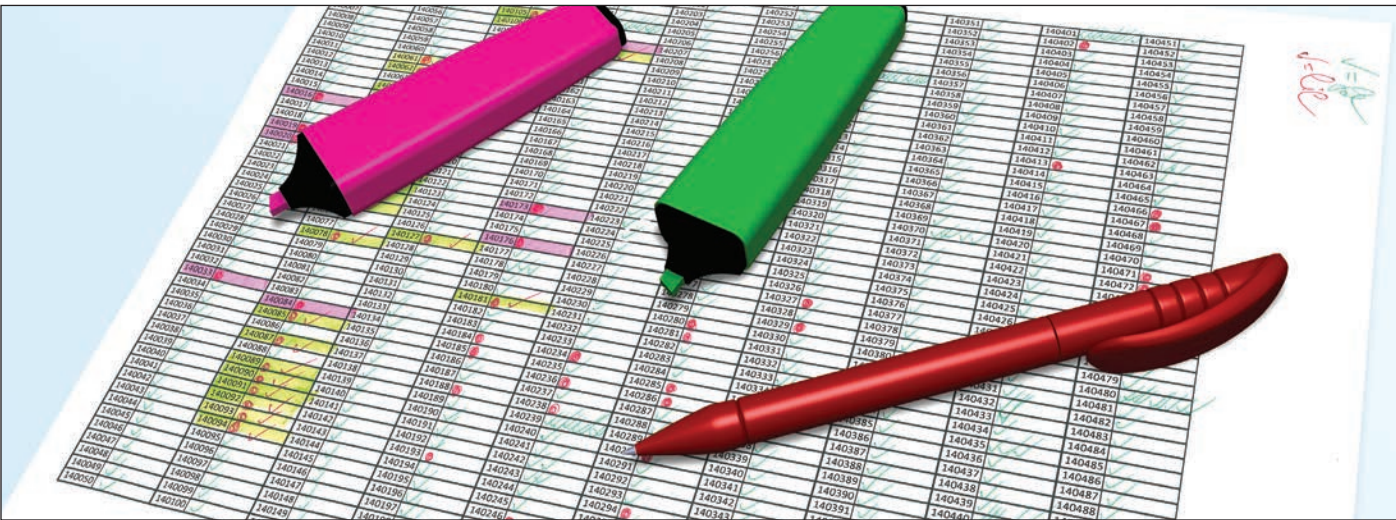
Salespeople write them out in 5 minutes or so, at the start of each week.

They include some of the following categories:

- Customers I haven’t talked to in six months or more. This is a genius category of people to call, because they’re buying, but they haven’t heard from you in a while. And odds are basically certain that they could benefit from more of your products and service.
- Customers who used to buy but stopped.
- Customers who just got an order delivered who you could check in with in a customer-service capacity, but then ask them what else they need.
- Prospects who you know are buying from competition.

Our address book, or CRM, keeps names and phone numbers, but it will not tell us who to call. That’s only something you can do with a bit of proactive planning. This is to be done in a matter of minutes, not hours or days.

What happens to my clients who



regularly call customers and prospects proactively?

The majority of those customers and prospects give them more business.

That’s right, the majority.

*Can I interest you in that?*

Why is it this way?

Why do these kinds of money lists make us so much, well, money?

Because we tend to work reactively.

We tend to answer the phone, and solve the problem that awaits us there.

That’s when people call, right? When something is wrong.

They rarely call to tell you what a

great job you’re doing. That’s because that isn’t urgent.

So we spend 100 percent of our time taking orders, or dealing with problems that our customers bring us. This is reactive work. We are at the total mercy of what’s incoming.

If the right inquiries come in, we will grow. But if they don’t, we won’t. It’s totally out of our control.

But if we spend a few minutes each week proactively thinking through who to call and follow up with – and then actually make those multi-minute follow-ups – we are now in complete control of our growth.

We are being proactive. We are in front of our customers when the competition is not. We are showing them we care. We are present.

*We are interested.*

And that’s all they really want. And they will thank us with their money.

Make your money lists. And enjoy the sales growth.

Alex Goldfayn is the author of the 2018 Wall Street Journal Best Seller *Selling Boldly*. Learn more about his revenue growth consulting work – which always adds 10-20% sales growth annually for his clients – at [www.Goldfayn.com](http://www.Goldfayn.com).



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# Member Spotlight Adam Hardy ... continued from Page 1

a Bank Examiner for six years during which time I became a Certified Public Accountant (CPA). When I left, I started my own tax practice and after a year sold my business to a larger firm and worked for them for five years. A majority of my tax clients came from the investing world and many from our local MnREIA. I owned and rented about 10 properties, but in 2015, on my son’s first birthday, I decided to make the leap into full time investing and haven’t looked back.

*Where is your current market and what is your focus or area of expertise?*

My current market is in the northwest suburbs of Minneapolis. I specialize in buying distressed and foreclosed single family homes and townhouses. I find properties by searching foreclosure listings and wholesale lists. Rather than using a property management company, I like to rehab the properties and rent them myself. That way I can get a better sense of my tenants by meeting them in person.

*How did you get started?*

My dad owns property in Iowa and I always told him I would never own rentals as I seemed to be doing all the gross and dirty jobs when I worked for him during the summer (trash detail, cleanouts when tenants left). I realized later that when you actually own them, you pay other people to do the gross stuff! I ended up buying six houses before I got married, three in my hometown in Iowa and three in suburban Minneapolis. I started with just a simple excel spreadsheet to track them and that has now grown to 10 LLC holding companies, which I now track in Quickbooks with class codes.

*Describe a typical work week for you as a real estate investor.*

I usually do some bookkeeping items in the early morning, check on the jobsite, buy materials, swing a hammer if necessary, watch my kids in the afternoon. Hopefully I won’t get any emergency phone calls from tenants. I usually work 30-40 hours and if things are going smoothly, I might have time to review my foreclosure lists and make phone calls to find the next deal. Rental property allows a nice reoccurring income so finding a deal isn’t necessarily on the top of my list as opposed to a flip - in which case you have to find your next project or you might not have income for a few months.



Adam and his wife Adria at a Bears game in Chicago.



Adam (middle) receiving a certificate of recognition from Minnesota REIA’s Anna McKinnon (left) and Mike Jacka (right)

*How long have you been investing in real estate?*

I’ve been investing since 2006, however, the majority of my growth has been since 2013 after joining MnREI

*Tell us about your first deal.*

I purchased a foreclosed townhouse in 2006 to fix up and live in and then ended up finding another foreclosed townhouse within the same association. They wanted \$120k, I offered \$100k expecting to meet in the middle, but when they came back at \$104k, we had a deal. The only problem was the down payment. I called my dad and he offered a line of credit in my name but secured by one of his properties. I had a good job as a bank examiner so I paid down the line fairly quickly and used it to buy my next house in my hometown for \$15k. I repeated the process, but also had a very good community banker that would use “after completed” appraisals to get my purchase and rehab money up front.

*How do you fund your investments?*

I’ve lived in three of my rentals and took out home equity lines of credit on each one while living in them. I utilize lines of credit to pay cash for properties, rehab and rent them. Then I request a loan from my local community bank to get all my money back, payoff my lines and start the process again. It saves time when purchasing because you don’t have to wait for an appraisal and saves money as you don’t have two separate loan fees for the purchase and refinance.

*Do you have a real estate license?*

I do not. I don’t see the need for it as I haven’t purchased anything off the MLS in the last 5 years and I don’t plan to sell any properties in the near future.

*What projects are you currently working on?*

I recently met some business



Ice fishing on one of Minnesota’s famous 10,000 lakes.

owners that wanted ranch/rambler style homes for assisted living residents. I found a house that met their needs and probably paid too much for it, but I am finishing the basement and adding a fourth bedroom and second bathroom. The increased square footage should add enough value and allow me to get most of my money back after the refinance. I’m buying a similar style house in March for the same group for a much lower price. The two investments together will make a nice monthly return and I will have a great equity position.

*How much time do you put into your real estate education?*

I try to attend my monthly MnREIA meeting and usually one weekend seminar a year out of town by one of the gurus. Dyches Bottiford and John Hyre have been my current favorites as they focus on tax strategies and self-directed IRAs.

*Has coaching or mentoring played a part in your success?*

It’s been huge. My dad is a landlord in Iowa and has been in business for over 40 years. When I first

Continued on Page 15

# Member Spotlight Adam Hardy ... continued from Page 14



**Left:** A remodeled kitchen in a recent flip that is now a rental.

**Below, clockwise from far left:** A remodeled house that later became rental property; a home that Adam purchased and flipped after answering an ad on Facebook to buy a washing machine (the home was later sold on contract); and another flip – the stucco siding was removed and replaced with vinyl windows and new siding. It was later sold on contract and Adam continues to get residual income each month on the interest rate spread.



started, he helped guide me on what questions to ask prospective tenants and to always trust your “gut” when listening to their answers. As my business has grown, I’ve learned a lot from a private lender/foreclosure expert in our area. He taught me about the foreclosure laws and ways to get cheap properties before they hit the MLS.

**What are your current and future goals?**

Currently my goal is to spend more time with my kids. They are ages 4 and 2, and I want to spend time with them before they get into school full time. I quit my CPA job and grew my rental portfolio so I could work less and have more flexibility. For the future, I’m looking to grow my self-directed Roth IRA. I have to believe that our government will end up raising tax rates at some point to combat the national debt level and I want to be protected from that with a Roth IRA.

**What has been your top struggle in this business?**

It’s been shutting my phone off and focusing on my family. With email and text messaging, tenants can always get a hold of me and want an immediate response.

**What do you like most about what you do?**

Finding the next deal. Whether it’s my foreclosure lists or wholesale contacts, it’s always great to find a property that few others have access to.

**Do you have a tip or advice that you would pass along to other investors?**

Start small. Buy that first house in your own name. See if you like flipping or being a landlord. If you like it, then get a LLC or S-Corporation and grow. As a CPA, I saw so many people pay \$25k for a real estate class and pay to form a Nevada Corporation and then never actually buy a property. Figure out if you actually like real estate before you spend that kind of money.

**How important is joining a local REIA to a new investor?**

It’s been huge for me. I joined July 2012 and started asking if anyone was selling properties in the suburb I lived in. One guy gave me his card and I ended up buying four properties from him over the next 18 months. He’s been a huge part of my success. The people you network with at a REIA are awesome and I’ve learned so much. We all want a good deal, but also want to see others succeed, so it’s been a very positive experience to learn from some of the more seasoned investors.

**What is your favorite self-help or business book?**

I read *Rich Dad Poor Dad*, by Robert Kiyosaki in December, 2012 and ramped up my business in January, 2013. I think it really gave me some clarity in what direction I wanted to go with my investments and why I wanted to get into real estate. I also just read *Lifeonaire* by Steve Cook and Shaun McCloskey. It helped give me some perspective on how to spend less so I can work less.

**Do you have any interesting hobbies or something unique that you like to do?**

Cheering on the Iowa State Cyclones with my kids and the Chicago Bears with my wife. And I went ice fishing for the first time in January. It was a blast, although we didn’t catch any fish.... Can’t wait to go out again!

**What social media can others find you on?**

You can find me on LinkedIn at “adamhardycpa.”

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# 7 Resourceful Ways to Jump into Real Estate Investing

By Whitney Nicely

How many hours every week do you spend driving around for potential clients? Is this truly the life that you have been dreaming about? Here's the thing: For years I kept my real estate license alive and well; however, I no longer use it in order to bring in an income.

No, I have not given up on real estate entirely. I just learned how to make it work for me, instead of me for it. Now I teach other women how to build their income through real-estate investing so they, too, can live life their way. Ready to learn more? Great.

Let's dive in.

## 7 Resourceful Ways to Jump into Real Estate Investing

If there is one thing I love about real estate investing it is that there is something for everyone. What is a good fit for one person may not be right for someone else, so it is always a good thing to try out your options and see what works for you. Here is a list of seven resourceful ways to get started as a real estate investor.

### 1. Rehab & Flip

Rehab & Flip is likely the most well-known method for real estate investing. The shows on TV have certainly given voice to this common option for buying low and selling high. If you are someone who likes to get your hands dirty and break a sweat (or find people to do it for you), this might be a great option for you. If not, though, no sweat (pun intended). There are more options for you to consider.

### 2. Wholesale Finds

Another option you might consider is wholesaling. With this option you find and secure a deal for a property on the market (usually these are unofficial - i.e. not MLS), but you don't typically go through with the purchase yourself. Instead, you connect with an investor and sell the deal higher than the amount secured. This is the "wholesale fee."

Let's say you find a reasonable fixer upper for \$150k. You secure the deal, make the plan, and then set an asking price of \$160k from an investor. The investor knows that they can fix it up and flip it for at least \$210k (these numbers are just potentials - your area's market is what will determine them), so they are

happy to pay your price because they will eventually get it back in return. Two simple agreements on your end, and you make a cool \$10k. No rehabbing, sweat, labor, or stress.

Be mindful that you need to check the state and local laws in your area about this option. Some states require a slightly different setup to maneuver a deal like this, so do your due-diligence and research your requirements.

### 3. Single-Family Rentals (SFRs)

Now, there are various ways to work with single-family homes and rentals in general. My preferred method is with lease options and owner financing. This way I have no out-of-pocket expenses and I add cash flow quickly. Single-family rentals appeal to a wide array of people, so finding tenants is not usually too difficult. Some options you can consider in order to finance the property are a standard mortgage, owner financing, and private-money lending. Determine what plan of action you want to use, and then get started on the steps to carry it out.

### 4. Multi-Family Property Potential

I just explained a bit about single-family rentals, and the same is true with multi-family properties. The biggest difference, however, is the profit potential from multiple tenants at once. While I do not necessarily recommend this for a first property, it certainly is a possibility if you are ready for the responsibility required.

Remember, not all multi-family properties have a ton of units. Duplexes, triplexes, and fourplexes all fall under residential real estate, even though they are multi-family properties. If this is an option that interests you, start small and then grow larger as you feel more confident in the process.

### 5. Land, Land, Land

Land is an often-overlooked option for real-estate investing! I still own land that I bought years ago at an auction and make monthly profits off of renting it out. Land is an excellent option for investing, but make sure that you have an idea of what you could do with it to create monthly income.

One of the most common options for renting land is storage: commercial equipment, personal vehicle, RV, etc. Sometimes companies or individuals are happy to just simply have a place to put their stuff, and do not

have a problem paying a fee for such a convenience. Do your research and have a plan, but do not overlook the potential that land offers.

### 6. Short-Term Vacation Rentals

Now, this is a fun one. Just recently I launched my very first short-term vacation property and I have had so much fun with it. Short-term vacation rentals are booming right now. With AirBnB and high-stress living, the culture is ripe for a small slice of heaven where they can go for a break and some relaxation. If you are interested in providing a sanctuary of sorts to renters, but focused on short-term contracts, vacation rentals might be a great fit for you!

### 7. Hire Out

While I have already given you six different income-building options, this final one is more for practical sanity purposes. Far too many people are tempted to nickel and dime their investment property by doing all of the work themselves. I do not recommend this.

You have to think strategically here. The more you can outsource the work involved in cleaning up and preparing a house, or maintaining it once tenants are in, the more available you will be to find and invest in more houses. This is why I always work with a local handyman near the property location. Build relationships with these gems and use them as often as needed for work around the property.

Build Your Portfolio and Grow Your Income

You may never have given real estate investing a thought, but I hope I've given you some things to consider. Real estate is such a fun and fascinating way to grow your income, and I hope you will give it a shot! No matter which option you decide to follow, you now know there are creative ways to jump into real estate investing, no license necessary. Take a chance. Give it a shot, and see the benefits start rolling in.

*Whitney Nicely rejected the Southern-girl path of working at her family's trucking business and embraced the life of an investor. Her first nine months made her over \$140k, and set her on the path to empowering other women to break into the real estate "good 'ol boys club" and break down barriers while making some serious cash. She was the featured REIA member in the RE Journal's "Member Spotlight" in the Spring, 2016 issue. Learn more by visiting [www.WhitneyNicely.com](http://www.WhitneyNicely.com).*



## Three Emerging Trends in the Housing Markets ... continued from Page 1

as they age and pursue more traditional economic goals.

3. And the third is the transition from the baby boomers' housing preference to that of the Gen-Xer and the millennial.

The move towards the larger and larger home is not all that hard to figure out. This is the direction the market has been moving for several years now. The people that would likely be interested in that "starter home" will be the most sensitive to changes in the economic environment and they have been hit by everything from higher priced homes to demands for higher down payments to higher mortgage rates. Lately the mortgage rates have fallen a little but that has been a somewhat recent development. Fortunately, some of the other factors have been pointing in a more positive direction. The most important determinant as far as willingness to buy homes is job security. The low rate of joblessness has favored home buying but many of the

people that would ordinarily be in the market for a home are so saddled with debt they have been forced to put their home buying plans on hold.

The weakness in all this is that higher priced homes react to different inputs. The most important factor for that cohort is the stock market. As the market gains there are those that feel much wealthier and able to upgrade but when the stocks decline people feel far more vulnerable. There is also a long-time concern based on what happens as people seek to leave that bigger house behind in favor of that assisted living option. These are not going to be ideal for the market seeking cheaper housing and there is a risk these homes will be unsellable for years.

The second issue rooted in economic issues will be the response of the millennial. Will the cohort end up emulating Gen-X or Boomers as they age? Will they start families, albeit late? The evidence is mixed. Some have gone down the same road as their

predecessors but many have reached their 30s and are still living in lofts, eschewing children and favoring much smaller homes in urban areas. There are other factors at work which will impact decisions about homes. The average millennial stays in their job for less than three years as compared with 15 years for the Gen-Xer and 35 years for the Boomer. If one doesn't expect to be employed by a given employer for more than 3 years there will be natural reluctance to settle in a given home or even community. The millennial emphasizes experience buying over buying things and they value community more than those in the past.

This leads to the difference in what is expected in a home. Boomers value substantial kitchens, ample storage for large purchases and large yards. The millennial wants kitchen gadgets but don't cook much and need little space. Storage is not as critical as this generation is not the accumulating generation. They are substantially less interested

in lawns and all the maintenance that involves. The millennial does more small scale entertaining and when they have families, they are small. They are more mobile and want to either rent or buy something that can be sold quickly and easily.

Thus far economic issues have been relatively benign and the housing market thrived for many years. The question now is whether higher rates of inflation and perhaps a recession in 2020 will trigger a negative reaction in housing. These shifts have only started to manifest and the threats may stall but for now they are worth monitoring.

*Chris Kuehl, PhD., is an economist and Managing Director of Armada Corporate Intelligence. Visit [www.armada-intel.com](http://www.armada-intel.com) for more information.*



# What Financial Services Do You Need?

By Gita Faust

Small business owners are often told they should hire help for their finances, but how do you know what kind of help you need? The words accountant, bookkeeper, and bookkeeping service are thrown around quite often, but it can be difficult to determine who exactly you need to hire. One of the most important things to realize is that bookkeeping and accounting are not that same; while both help you with the financial side of your business, each job has its own unique distinctions that can help you decide who you need to recruit.

## What is the difference between a bookkeeper and an accountant?

Oftentimes the terms bookkeeper and accountant are used interchangeably, but while they share some overlapping tasks, each of these positions has its own duties that differentiate it from the other. Both your bookkeeper and accountant work to help you with your finances, but there are specific jobs you should entrust to a bookkeeper and others you should give to an accountant.

### Bookkeepers

In short, a bookkeeper generates your business data. What this means is that your bookkeeper is the person who handles the recording of financial transactions, such as purchases, receipts, sales, and anything else of the like. The job might sound simple, and sometimes it is just that easy, but it depends on the bookkeeper you hire and the scope of his or her work. There are a number of tasks that a bookkeeper could complete by property:

- Entering all hard-money and soft-money loans
- Recording invoices and payments received
- Maintaining your payroll system
- Preparing the initial financial statements
- Managing accounts receivable and accounts payable
- Calculating sales tax
- Managing your company's accounting systems

A bookkeeper will likely be the person who assists you with the ongoing financial recording and transactions that keep your business running smoothly. Many businesses (especially small businesses) use accounting software such as QuickBooks to take care of recording their financials; a lot of bookkeepers will be well-versed in using such software, and it is probably best to implement it into your company's financial routine.

### Accountants

On the other hand, an accountant analyzes your business data and turns it into comprehensive information. Because an accountant is the one who actually studies and reports on the data, he or she is probably the person most qualified to give you financial advice. As opposed to a bookkeeper, the role of



an accountant is more consultative and analytical. Apart from general financial analysis and advice, an accountant can offer other services:

- Recording purchase, refinancing and sale HUDs
- Internal or external audit
- Tax consulting and planning
- Corporate reporting
- Preparation of financial statements

Accountants who prepare income-tax returns should have a firm understanding of taxation requirements so they can assist you with taxes as well as advise you on tax strategy.

There is more, of course, but this gives you an idea. Whereas bookkeepers are responsible for recording the data, accountants are responsible for verifying and analyzing the data in order to create reports, do audits, and prepare records like income statements and balance sheets. Accountants are essential to your business because their insight can provide forecasts, predict trends, and identify the best opportunities to grow your company.

If your accountant is the one doing your bookkeeping, you should know that you might be paying more than you should. You will probably pay a higher hourly rate for accountants than for bookkeepers, so if this is the case for you, you should look into hiring a bookkeeper to work with your accountant.

Speaking of working together, it is critical that as a business owner, you understand that accountants and bookkeepers come hand-in-hand; when they are able to work in conjunction with one another, your financial requirements are typically not merely met but exceeded. It is nearly impossible to benefit from one service without the help of the other, so if you do not have a bookkeeper and/or an accountant on your team, start looking to hire.

## What is a bookkeeping service?

The term bookkeeping service is thrown around without any distinct meaning. While often attached to what a single bookkeeper offers (which is bookkeeping services), a bookkeeping service is actually quite distinct. Unlike a bookkeeper, a bookkeeping service is a team comprised of members that

each specialize in their own areas of expertise. Most bookkeeping services offer a three-tiered approach consisting of an accounting software specialist, a full-charge bookkeeper, and a controller. Each of these roles serves a specific function that adds value to your financial routine:

- Accounting software specialists construct a unique data file that suits the needs of you and your business. The specialist makes sure that you always have access to the software, data, and reports that you need.
- Full-charge bookkeepers track your company's payables and receivables all while recording all of your business' transactions. While it sounds simple, there are several responsibilities that a full-charge bookkeeper needs to handle.
- Controllers boost the financial accountability of a company. Controllers review the work of bookkeepers and also manage the security of a data file so that the data cannot be edited without approval. On top of all of this, controllers also issue monthly financial reports that let you know what you need to address. Controllers help you with processes, procedures and workflow to increase your cash flow.

So, in short, a bookkeeping service divides the job between three employees who work in their own areas of expertise. With this, you can get more in-depth and accurate service than ever before.

Understanding the differences between the three services is crucial to getting the financial help you need. Sometimes you will need more than one (as accountants and bookkeepers often work in conjunction with one another), so think about the individual aspects of each job before you begin hiring anybody. Knowing what each kind of worker does and how they do it is the key to knowing who can best help you complete the work you need to do.

*Gita Faust is the founder & CEO of HammerZen, which helps businesses save time & money by keeping track of The Home Depot purchases and efficiently importing receipts and statements into QuickBooks. National REIA members receive a free 30-day trial and a discount on their convenient monthly plans. Learn more by visiting [www.hammerzen.com](http://www.hammerzen.com).*



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# You Are Never Too Old to Learn

By M. Jane Garvey

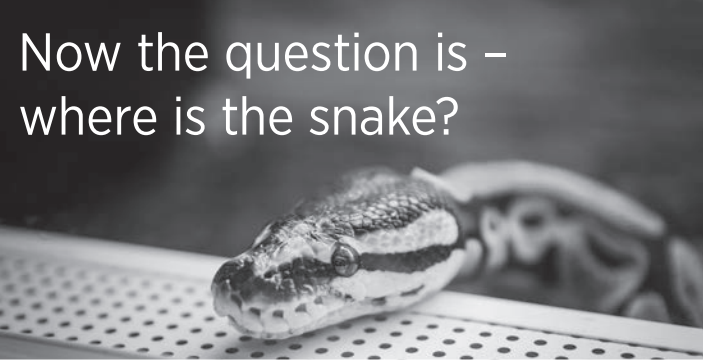
The past few months I’ve had some education from the school of hard knocks. I think anyone who is doing something is always learning, one way or another. I feel like sharing a few of these lessons in the hopes that it will save someone else the expense.

This is a story about the tenant who was never a tenant.

A former property manager took an application from a couple that wanted to rent one of my units. The husband made really good money and the wife was in school and also taking care of the kids. Their payments came in on time and about a year later the manager offered them a renewal, which they signed. The manager got out of the business, so I took over managing the property. I was soon asked to take the husband off the lease since he wasn’t living there and the wife claimed that she had been making the rent payments all along. They claimed to be divorced. I looked back at the applications and saw that she made no money, so I told them that she would need to apply and pass a screening on her own. That got a hostile response and of course no application.

It turns out, I was eventually informed, that the husband had never lived there. They had provided an application and signed a lease as if they would both be residents. Not true – fraud by any definition I can find.

Okay, so the tenant is now hostile. She informs me that the A/C is not working. I had someone there in about 2 hours, but she refuses to grant access. Even with continued requests she resists our attempts to access to repair and then allows her boyfriend to make a repair that destroys the HVAC unit. She withholds rent (illegal by state law) for the “repair.” Within 2 weeks I need to replace the system that he destroyed. I



bill her for the unpaid rent.

Needless to say, I did not renew the lease and I did not send her a non-renewal notice. I just let the lease lapse. (Lesson learned, if you want them out at the end of the lease, tell them in writing!)

The tenant deposited rent in the account we had set up for that, switching her to a month-to-month tenancy per the lease. I hadn’t wanted to let her stay – but learned that accepting rent in effect allowed that. Having an auto pay, or an account that a tenant can deposit rent in, allows them to pay without your needing to accept it.

For a few months, the tenant was a few days to a few weeks late with the rent. We went through a dance where I would send an email to the tenant and her ex demanding the rent. Her ex would ask why I was bothering him. I would inform him that I was about to file an eviction and that he would be named in it, so I thought he should know, purely out of courtesy. The rent would get paid. Eventually his response was, I guess you will have to evict her this time.

So, I filed an eviction against both of them. He forced it to go to trial. After 8 weeks of waiting for it to be heard, the judge declared that since the ex did not live there and was in effect a co-signor and did not sign a new lease, he was only responsible up to

the end of the lease that he did sign. The judge gave me a judgment against the wife for back rent and costs, and gave me a judgment for possession against both of them. I think the judge was wrong in letting the ex off the hook, especially given the fraudulent inducement that started this whole mess in the first place, but it was not worth challenging the decision and dragging it out.

In talking about this eviction with a local expert I found out that the eviction case would have been dismissed here in Illinois if the tenant had deposited any amount into the account during the course of the eviction – the same as if I had accepted partial rent. This is a danger of setting up a way to get payments that can’t be shut down if you no longer want the tenant to be able to use it.

Now, a few days later the tenant moves out – leaving the pet rattlesnake (surprise, surprise) behind. With some pushing, she comes back and gets her possessions out of the driveway and off of the patio and into a dumpster. The rattlesnake’s cage is in the dumpster too. Now the question is – where is the snake? This is the stuff that nightmares are made of.


Lesson from a friend on this point – there are some states where rattlesnakes cannot be legally kept as pets. Check on this, because you may be able to get it removed by the authorities.

All ends well in this case, except of course for the carpets full of dog poop, and other eviction aftermath. But, at least she and her snake, kids, dogs and cat are gone.

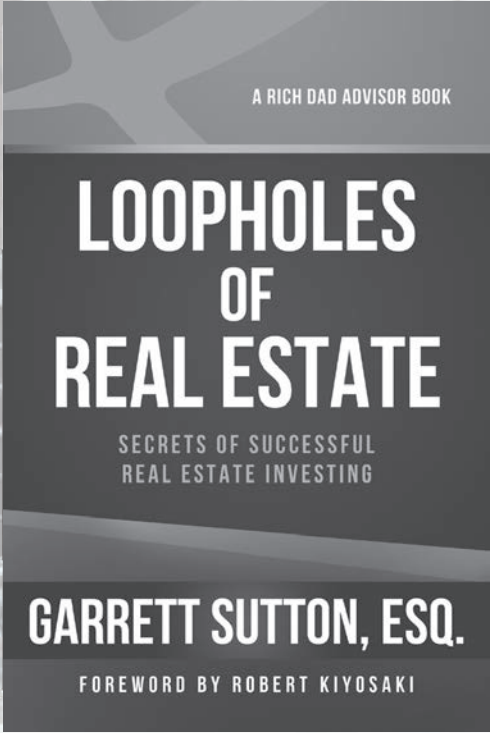
About 4 weeks later I get an email from the husband. His lease is up where he has been living, do I have any units available? I’m still laughing!

Jane Garvey is President of the Chicago Creative Investors Association.






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# Wholesaling Contracts ... continued from Page 9

## What is an Assignment Fee?

The assignment fee in an assignment-of-contract wholesale deal is the profit an investor stands to make by acting as the middleman. That said, the terms of how the investor will be paid are detailed in the Assignment of Real Estate Purchase and Sale Agreement, and can transpire in more ways than one. More specifically, everything is negotiable, even the assignment fee the investor stands to make.

More often than not, the investor will receive a deposit when the Assignment of Real Estate Purchase and Sale Agreement is signed. Not until the transaction is complete and the deal closes, however, will the investor receive the rest of what they are owed (whatever was negotiated beforehand).

## Common Wholesale Real-Estate Assignment Contract Misconceptions

Both assignment-of-contract and double-closing procedures have become the center of a huge debate. Perhaps even more specifically, there is a wild misconception that each of these strategies are illegal, or that the investor is an unlicensed individual acting as an agent. The said, each of these wholesale techniques have been grossly misrepresented by individuals that aren't familiar with the law. There is nothing illegal about selling a contact and the investor is not acting as an unlicensed agent—which is what we are doing here.

In reality, the investor is the principal buyer in a transaction, one that plans to sell their contract to another buyer. The investor is not listing the property for a commission, as an agent would. Of course, this will require the investor to divulge their strategy to both the seller and the end buyer, which will help make things more transparent for everyone involved.

Wholesaling can be extremely confusing to those who don't understand it. That's why I always recommend working with a knowledgeable real estate attorney. In fact, you need to consult a professional that is well-versed in wholesaling real estate before you decide to make some moves of your own. There are legal pitfalls in the

process, so do not move forward with a wholesale deal until a knowledgeable real estate attorney gives you the green light.

## What is Double-Close Real Estate?

A double closing, otherwise known as a back-to-back closing, is exactly what you'd expect: an investor will purchase a property, only to resell it relatively quickly without rehabbing it. To be clear, while a double closing could take just a few hours, it could also be as long as a few weeks. In fact, double closings aren't all that different from a traditional buy and sell; they just happen at a much faster pace.

Two transactions take place over the course of a double closing. The first transaction, not surprisingly, involves an investor and a seller. The second transaction will then have the investor sell the recently purchased property to a new buyer. Each transaction will have its own escrow and settlement statements; they are two independent transactions.

The settlement statement is essentially a summarization of all the fees and charges incurred by both the buyer and the seller over the course of the real-estate transaction. Otherwise known as the HUD-1 (under jurisdiction of the U.S. Department of Housing and Urban Development), the settlement statement will be an integral piece of each transaction; the one between the investor and the seller, and the one between the investor and the new buyer.

Unlike an assignment of contract, a double closing will actually witness the investor take legal possession of the property. As a result, the investor will show up on the chain of title and, of course, be required to pay the expenses that have become synonymous with buying and selling properties (escrow, closing costs, etc.).

## Wholesaling 101: How to Do a Double Closing

A double closing is typically the second option for today's investors, as it requires them to have more "skin in the game." Not only do they actually take legal possession of the property, but they lose a little bit on the bottom

line from the costs incurred from the closing process of two independent transactions. Nonetheless, it's a good option to have in your back pocket. If you are interested in double closing, here's a simple five-step process:

1. Find A Deal: Not surprisingly, your first step in a double closing is to find a property to purchase that has enough of a discount to warrant a double close. That means it should be able to be purchased at a price that enables the investor to flip it for a quick profit. Remember, the price needs to be attractive enough for a subsequent buyer.
  2. Run the Numbers: I recommend running the numbers for the next buyer you intend to sell to. That way, you can show them the potential profit opportunity and make the deal more appealing. This also helps when determining whether or not the home is a viable double-closing candidate.
  3. Find a Buyer: Before you even buy the deal, have another buyer lined up. That way you should be able to double close faster and have a better idea of what numbers to expect. At this point, make sure the buyer's loan will allow them to take part in a double closing (some banks don't allow it).
  4. Buy the House from the Seller: Buy the home from the original owner. Just like a regular transaction, you will go through the closing process and pay any closing costs. You will also receive the settlement statement I previously discussed and be placed on the chain of title.
  5. Sell the House to the New Buyer: Proceed to sell the house to the new buyer. Not unlike the first transaction, you will close on the property, just as you would with a traditional sale. As a result, you will receive another settlement statement and incur the usual costs.
- ### Double Closing Vs. Assignment Contract Summary
- I won't sit here and tell you that one exit strategy is better than the other, but rather suggest that the one you choose will be entirely dependent on your situation. At the very least, there are several factors that will play into whether you should pursue a double

closing or an assignment of contract. For starters, you must take into consideration the deal's profit potential. That said, I would recommend looking into a double closing if you find a buyer that is willing and able to pay you a lot more for the property. Of course, you will incur additional closing costs in the event you follow through with a double closing, but the added profit could easily make up for them. In addition to the profit potential, you will need to consider one other very important thing: how the end buyer plans to finance the deal.

If the end buyer plans on using a bank loan to buy the home and you intend to sell the contract, you must make absolutely certain to check with the buyer's lender—to make sure there is nothing that would prevent the transaction from taking place. While it's not all that common, some banks do have regulations and underwriting prohibiting them from lending money in an assignment-of-contract scenario.

Last, but certainly not least, you must consider how long your buyer will take to get their funding lined up. If their timetable takes you past the previously agreed-upon closing date, you may have to consider a double closing. That way, you'll be able to sell the property to the end buyer when they have the funds available.

Today's investors would prefer to use a wholesale-real-estate contract strategy, whether it's a double close or assignment of contract. Truth be told, each have their place in the real estate investor's toolbox. Those that know when and how to use each of them, however, stand to realize the most success.

*Than Merrill is Founder and CEO of FortuneBuilders, Inc. He has bought and sold hundreds of properties nationwide during his investing career and founded FortuneBuilders with the simple idea of sharing his knowledge and passion for real estate with aspiring investors. As a graduate of Yale University and a former NFL player, Than attributes his success in sports, business and investing to coaching, education and systems. Learn more at [www.fortunebuilders.com](http://www.fortunebuilders.com).*





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## 5 Obstacles That Derail Real Estate ... continued from Page 10

Washington almost gave up before finding real estate success and quitting his job.

I could go on and on with the stories of how new investors had to persist.

But the main question is will you persist when the inevitable obstacles come?

I'm not talking about unintelligent stubbornness. Persistence includes intelligently pivoting and changing

when you experience short-term failures.

But you just can't quit too early. It takes time to learn, build confidence, and gain enough momentum to succeed with real estate investing.

The slogan "Press On" will solve many of your problems as a new investor.

### Conclusion

You now know five of the primary

obstacles experienced by new real estate investors. I hope these ideas will help you prepare and overcome the obstacles you face in your own journey.

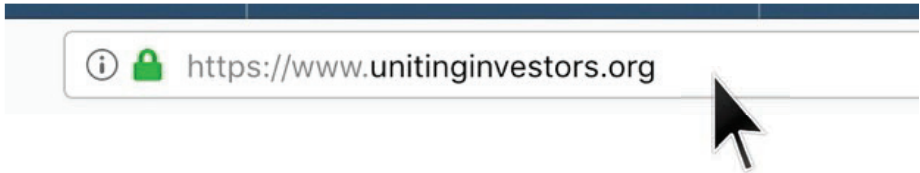
But as you know, you will likely face your own unique challenges – both inside your head and in your local market. How you respond and learn from these obstacles will become your own unique success story in the end!

To your real estate investing success!

*Chad Carson is a real estate investor, world traveler, father of two beautiful children, and husband to his wife & adventure partner. Learn more at [www.coachcarson.com](http://www.coachcarson.com) where he shares what he knows about real estate investing, money, and life.*



## UNITING INVESTORS



## What is Uniting Investors?

Uniting Investors is an online community brought together by the alliance of The National Real Estate Investors Association, American Rental Property Owners and Landlords Association, the Real Estate Investors Funding Association, and the National Note Buyers Association. Together, these associations have chosen to create an environment where their members can both connect with one another, as well as learn from those with more experience. Visit [www.UnitingInvestors.org](http://www.UnitingInvestors.org) to sign up today.

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- Backed by the leading associations in their respective divisions of the real estate industry.
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- Don't see the information you're looking for? Post it in the community and have it answered by your peers; answers will be rated for accuracy.
- New, valuable information released weekly to our members in our resource library. You can't get this anywhere else!
- Connecting to other real estate investors across the US gives you a unique perspective and advantage; you can share best practices with one another as easily as sharing a picture on social media, but nowhere else will you find this network.





Dear Landlord Hank is written by veteran landlord and property manager Hank Rossi to answer questions from other landlords & property managers from around the country about their rentals. Landlord Hank’s columns can be found online at Real Estate Investing Today and the website for Rent Resources by ARPOLA (the American Rental Property Owners & Landlord Association). You can submit a question to Landlord Hank through forms on both sites.

**Dear Landlord Hank:**  
We had a long-time tenant move out and in getting ready for next one, noticed the old hot water tank was leaking. We replaced it. Once it was installed the contractor said there was very little hot water pressure. It is an older house and he thinks the water line to the whole house may need replacing. I am skeptical. Previous tenant never reported an issue. Have you ever heard of such a thing? — **Landlord Sam**

**Dear Landlord Sam:**  
Anything can happen with old plumbing.  
The first thing to check is the cut off valve -sometimes this is not letting water flow properly and may need to be replaced. There could also have been problems with installation when the lines were connected to the tank-maybe too much flux or solder was used and is blocking the line.

Also, if all the pipes are old, maybe debris was dislodged and is now blocking the small filtering screens at the end of your faucets. I’d let a qualified plumber check the simple things before you go replacing pipes. Good luck!

\*\*\*

**Dear Landlord Hank:**  
When do you have maintenance replace tenant light bulbs vs asking tenants to replace bulbs themselves? Some light fixtures can be difficult to work with. And, are you replacing with LED bulbs when you do it? What are you putting in leases about this these days? — **Nancy**

\*\*\*

**Dear Landlady Nancy:**  
I make sure initial walk through states that all light bulbs are working for a new lease.  
I also write into the lease that tenant is responsible for burned out bulbs during the lease.

In areas that are difficult to access (high ceilings, etc.) I use long lasting bulbs, otherwise I use what is on sale.  
If a tenant can’t reach a light bulb or can’t replace a bulb in a fixture we can have maintenance do so with understanding, up front, that tenant pays for this service.

\*\*\*

I recently had an owner come to me for help leasing his condo.  
He said he could manage the tenant thereafter.  
To me, he seemed new to property management, so I asked him if he knew



how to handle his recently departed tenant’s hefty security deposit?  
He said he wasn’t sure, so I passed on a copy of the Florida statutes regarding this situation, an accounting sheet to make it easy, and an FAQ.

Then I told him that the issue was time-sensitive and that if this was not dealt with properly, the tenant could be entitled to a full refund of deposit.  
A week went by and I asked owner if the deposit had been dealt with? He said he was waiting on more receipts from work.

I again stressed that he only had so much time to deal with the situation.  
Well, you can guess what happened.  
Due to holidays, and other excuses, the owner didn’t have all the work completed with receipts until after the 30-day time limit had expired. In Florida, if you are going to make a claim against a tenant security deposit, you must do so within 30 days of the date the tenant vacated – no exceptions.

The owner received a letter from the tenant’s attorney demanding a full refund of the deposit due to non-compliance with the law. So the owner was forced to make a full refund.  
Instead of having the tenant funds to take care of tenant damage, the owner had to pay for all repairs himself.

Be smart and do the right thing and follow your state’s laws. If you don’t know for sure what the laws are in your area, find out today!

\*\*\*

**Dear Landlord Hank:**  
Hello Hank, I have a tenant couple that fight on a regular basis and call the police.  
I do not want the police in my park. I feel it makes for a bad reputation. Can I

evict them? And how?  
Thanks in advance. — **Debbie**

**Hi Landlady Debbie,**  
I’m not an attorney so I can’t give legal advice. I would look at your lease.  
In my lease, in the section “USE OF PREMISES: Tenant shall maintain the premises in a clean and sanitary condition and not disturb surrounding residents or the peaceful and quiet enjoyment of the premises or surrounding premises.”

I would warn these tenants in writing that this kind of behavior will not be tolerated and is in violation of the lease.  
Then I would talk to an attorney for advice.  
This kind of conduct in your establishment will definitely lead to a bad reputation and it may attract exactly the kind of tenants you don’t want.

Good luck, Debbie.\*\*\*  
**Dear Landlord Hank:**  
Who should pay for tenant screening, us or the tenants?

We use an independent third party service that gives us credit check, criminal check and everything in one spot but it costs \$30 for each tenant screen.  
Should the tenant pay this or should we reimburse the tenant if they sign a lease. What do you think? — **Tim**

**Dear Landlord Tim:**  
Tenants expect to fill out an application and pay an application fee for processing.  
So they should definitely pay for this service.  
Does your service also verify

residential history, employment history, etc.?  
These are very important too.  
\*\*\*

**Dear Landlord Hank:**  
I live in Massachusetts and my lease clearly states that the tenant is responsible to deposit their rent in cash each month into my rental property account. Additionally, my bills, (mortgage, insurance maintenance charge cards etc.) all related to this rental are scheduled as reoccurring payments processed “electronically” by the bank. The lease states that if their rent is not deposited on time, late, or insufficient, then, the tenant is liable for the undetermined cost of NSF (not sufficient funds) “bank” fees as the result until the rent is paid. The tenant gave a 30-day notice to vacate but used the rent due me to give to their new landlord as a deposit, thus, incurred 10 fees @ \$37 each. Would this be considered as a valid deduction from their security deposit? — **Ed**

**Dear Landlord Ed,**  
This question would be best addressed by an attorney.  
That being said, you are definitely due you last month’s rent and since the terms in the lease cover this situation.

I would think you’d be “reasonable” to think that you could deduct those charges from tenant’s deposit.  
I hope you have a large enough deposit to cover last month’s rent, late fees, and any damage you find.  
Good luck.

*About Landlord Hank:*  
“I started in real estate as a child watching my father take care of our family rentals- maintenance, tenant relations, etc. in small town Ohio. As I grew, I was occasionally Dad’s assistant. In the mid-90s I decided to get into the rental business on my own, as a sideline. In 2001, I retired from my profession and only managed my own investments, for the next 10 years. Six years ago, my sister, working as a rental agent/property manager in Sarasota, Florida convinced me to try the Florida lifestyle. I gave it a try and never looked back. A few years ago, we started our own real estate brokerage. We focus on property management and leasing. I continue to manage my real estate portfolio here in Florida and Atlanta. Visit Hank’s website: <https://rentsrq.com>





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