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Craig and Julie Campbell own a real estate company based in Bondurant, Iowa (northeast of Des Moines). Their company purchases houses that need work and then rehabs them. They are also real estate agents with Iowa Realty with Julie primarily listing and selling houses. They are active members of the Iowa Real Estate Investors Association (IAREIA), which asked the couple the following questions.

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

They have been married for over 27 years and have two children. Their oldest child is Emily, and she is a senior at University of Iowa, and their youngest

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# End of Days, or Happy Days are Here Again?

By Chris Kuehl, Ph.D.

Are you among the millions that are confused as to what to believe about the state of the economy? You have tried to listen to the experts and are now more convinced than ever that an expert is a former drip under pressure. How can you get five economists in a room and get five different opinions (six if one is from Harvard)? There are reasons for this confusion.

To begin with it is important to note that at its heart economics is a philosophy and it is social science. This has two major implications. As a philosophy there will be differences of opinion among economists over what is a good thing and what is a bad thing. A more liberal leaning economist will observe the fact that 10% of the population controls around 80% of the nation's wealth while the bottom 50% controls about 1.0% and conclude



this is a state of affairs that must be changed through some form of income redistribution. The more conservative economist will look at the same numbers and conclude that those that start and run businesses and engage in investment are the ones that drive the economy and therefore get a bigger

share. They observe that the upper 1.0% pay 40% of all the income tax collected by the government. The numbers are the numbers but what they mean is open to interpretation.

Beyond the philosophical differences there is the fact that economics is a social

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# National REIA Members Save Big and Get More with Home Depot

You have undoubtedly seen or heard their commercials. They usually end with "More Saving... More Doing." It is a powerful phrase that succinctly sums up the relationship that members of National REIA have with The Home Depot. For many years, NREIA members have been able to take advantage of incredible savings and deals achieved through an exclusive partnership with Home Depot's ProXtra Loyalty Program. That arrangement allows members to receive a 2% rebate on all their purchases, on top of their already low prices. However, that deal is just one of



many benefits NREIA members receive through their exclusive arrangement with The Home Depot.

The Home Depot is giant retailer with more than 2,200 stores nationwide and inventory in almost every home-related category; from exterior siding, decking, lighting and paint & stains to a similar array of goods for the interior; such as appliances, flooring, plumbing, cabinets, hardware and fixtures. Home Depot's stores stay open seven days a week, and all maintain a Pro Desk staffed by employees trained to offer technical expertise.

Whether it's paint, appliances, cabinets or even new drywall for that flip, NREIA members continue to save thousands of dollars every year on

their real estate investments. This is real savings that not only impacts an investor's bottom-line, but puts them in a better market position for that next deal. So how do they do it?

**Paint Program**

There is nothing more essential to rehabbing an old property or maintaining an existing one than quality paints and stains. Members of National REIA receive a 20% discount on Interior and Exterior Paints, Stains & Primers including all of the Home Depot quality paints (Behr, Kilz and Zinsser). Do you need help choosing a paint or primer? There are Pro Paint Specialists in every store to assist with

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# Where Will the Economy Push Associations Next?

## National REIA Ready to Help Members Weather Uncertainty

*By Rebecca McLean, Executive Director, National REIA*

Part of the unique nature of associations is that they often feel secondary effects of economic trends. When the “housing bubble” burst in 2008 REIA groups, apartment associations and others felt the air deflate from their membership as well. Many members were lost when they just couldn’t make it in the industry and those that were left needed serious support – legislatively, with better benefits and services to save time and money, and in the sharing of information each of us learned as we navigated the uncertain waters, post-crash. The time of rebuilding became almost a boom with issues of its own.

Today, in all industries, the economy is holding relatively strong but uncertainty still abounds. Everything seems to move so much faster than in the past. The need to stay ahead and well informed seems to be more vital than ever. As GDP jumps around and other indicators seem to be harder to read, American companies have little room for error, and their associations have a prime opportunity to provide them with a competitive edge. National REIA is ready and holds strong to its pledge to be the number one resource and voice for independent real estate investors across the nation.

Just above-average growth “is not growth that’s very forgiving. It’s not going to allow much maneuvering room,” says Christopher Kuehl, managing director of Armada Executive Intelligence. The numbers fluctuate and seem unpredictable. Kuehl told Association Executives in attendance

at the American Society of Association Executives that, in this environment, the members of the associations they manage are going to turn to those associations for the knowledge and advocacy that can keep them ahead of the game.

That fits into a longer-running trend of trouble in the jobs market, where shortages of qualified workers exist in several sectors, yet legions of unemployed and underemployed workers don’t have the skills or fill those jobs. Companies can’t fix this problem on their own.

“This is a problem waiting to be solved, but it’s tricky and takes commitment and training,” Kuehl says. As Dave Lockard from CBRE in the Cincinnati market said in his 2019 industry update, “We don’t have a jobs problem, far from it, but we do have a people problem.”

For investors this shows up in shortages of qualified contractors, longer wait times for the processing of permits through government offices, and even longer times for deliveries. Investors are so intertwined with so many economic segments that challenges in almost any area effects their bottom line and sometimes more impactful, their project timelines.

Generational change is affecting the economy as well, Kuehl notes. Baby boomers have traditionally been spenders but may cut back as they enter retirement.

“The big millennial generation filling the other end of the population, though, aren’t big spenders – in part because of the difficult job market they face,” he says.

This issue also effects investors as we

are seeing spending trends spread their effect to the housing market. Boomers and millennials buy housing that is different as well as different types of rental properties. Attempting to track the buying vs. renting dynamic between the two has been a trend prediction we have chased over the last 10 years with reasonable success.

Associations have to stay in touch with the economy and the challenges it creates for our members. With all of these factors continuing to spread uncertainty in an otherwise optimistic economic time period, National REIA stands ready. We have expanded our updates and education to cover the topics needed to keep you informed. We have also expanded our benefits and services to keep you ahead of the game – and your competitors – in this market. In October we will be introducing REAL health insurance that will include coverage that includes prescriptions, allergy care and diabetic supplies – an offering we have been negotiating for several years. We also are testing solutions for your other most pressing needs that we hope to announce at the first of the year. These are exciting times as we strive to build the utmost value for your membership.

As we bring these exciting benefits to market we often get questions about how to take advantage of these amazing offerings. Many local REIA members aren’t aware that by being a member of a local REIA group or Chapter they are automatically a member of National REIA. Membership at both the local and national level is a huge value. You not only gain all the amazing local benefits but also the value of national benefits as well.

There is no other trade association in America that concentrates on the real estate investing industry. National REIA offers:

- A nonprofit mission, a trusted name, and an existing member base growing over 30 years.
- A substantial investment in an intelligence bank drawing interest on our legislative and educational efforts.
- An organization that continues to be a member-oriented – in the benefits and services we provide, in the legislative focus that we have, in the education we offer – in literally everything that we do!

The more complex value we provide touches on our needed to belong to something bigger than ourselves: a connection to a wealth of knowledge and experience that can alleviate the troubling business issues that we each face daily. The members who maximize their benefit develop friendships in both the local and national association while using the other services provided. In other words, their membership is really an experience that touches all parts of their lives. Our events such as MidYear for leaders and Cruise for individual members, provide the best opportunities you can imagine to network with your peers - those who are involved in the real estate industry and who are actively engaged with their local associations.

We believe National REIA is THE source for the resources, information, and support you need for your real estate investing business.

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





# NREIA Legislative Update

## Navigating the Legislative Landscape

H. L. Mencken once stated, “The whole aim of practical politics is to keep the populace alarmed (and hence clamorous to be led to safety) by an endless series of hobgoblins, most of them imaginary.” At National REIA, we have seen numerous organizations shaking down investors over this or that hobgoblin that would end their business. The reality is these fundraising and scam groups come and go. The bills they wax dramatic on melt away. However, there are issues of relevance and gravitas for our real estate investing community, and as we heard from numerous states during our recent Mid-Year conference, they take work to address. The work is often in the form of a relationship development and policy awareness.

I recently spoke to a retired Marine who was concerned about his neighborhood. After extensive discussion ranging from his service to the youthful negligence of his neighbors, I brought up the quote from Thomas Jefferson, “Eternal vigilance is the price of liberty.” As a man who has defended freedom – he understood immediately the price every one of us must pay – every day. Citizenship is not to be taken lightly, nor is its responsibilities. While civil society does not require the moral standards of the level of the Biblical imperative of helping our neighbor, freedom, especially as detailed in the Constitution by the Founding Fathers, requires an engaged citizenry.

At National REIA our engagement is to help you as an investor and entrepreneur engage responsibly for the betterment of all. Listed below are a number of important issues that may impact the effectiveness of your business.

### Mad-Hatter Politics

Without going into politics, it is important to discuss the lay of the political land, briefly. First and foremost, this is not an election year. Having said that, the old standards of getting work done in off-years, has gone by the wayside as the House and Senate cannot seem to get along... At all. There are multiple reasons; without being overly simplistic, one party is working on whittling down a field of presidential candidates that need to appeal to a small number of voters within their own base – and the infighting will continue for quite

some time. In conjunction with this process is the ever-evolving landscape of the new progressive stars that have risen out of last cycle’s primary fights – again, due to specific slices of the party base. Opposition without solutions has become a viable position. The other party went through a period similar to this as it evolved under the previous administration. However, presently that progressive lesson is not lost on those running for the nomination of their party. While that can work well in elections, it wreaks havoc on the legislative process which was designed with checks-&-balances. Give and take. While compromise may not be a virtue to seek, it is a necessity that is eluding many in the U.S. Congress.

Usually electioneering develops into governing as the realities of the needs of the people weigh in, however, with the ever-present campaigning, divisiveness has become the standard rather than the fallback position. The greater social impact has frightening overtones when you consider that in regimes known for inhumane slaughters, they all started with a dehumanizing of the opposition. A democratic republic cannot withstand much dehumanization. Consider that if “the other side” whoever it is, is not worth understanding, they are not worth working with and thereby are just an obstacle to overcome. Often by whatever means are necessary. Hold on to your hats, this is going to be a wild ride.

Finally, at the state and local level, there is no end of conversation about addressing the manufactured crisis around evictions. Yes, it is manufactured. There is no legitimate study showing dramatic increases in evictions. In fact, those who owned property during the first part of the recession, will remember significantly higher rates of evictions during those years. However, let’s not let facts get in the way...The recent book *Evicted*, has pushed this issue to the front burner with university students joining in with local “research.” The premise flips the concept of poverty causing eviction to evictions cause poverty. This of course makes the poor evictee the victim being forced into poverty by an eviction.

Even in the series of stories, drugs, alcohol abuse and poor decisions are ignored as contributing factors with the blame placed squarely on the property owner for being so malevolent, as to

evict a resident who hasn’t paid their rent. For those that believe “housing is a right,” this book was the trigger they needed to force change. The social justice warriors are on the march to oppose evictions.

The underlying reality is that from 1st to 3rd grade children learn to read. After that they read to learn. If a child is in a stable housing situation during those critical years, they are much more likely to be successful in school, less likely to drop out, and more likely to break out of poverty as they mature. When addressing eviction related legislation, be sure to stay focused on this solution, and not to become caught up in the numerous side issues. Good policy will make for good politics when viewed by the public. Additionally, when addressing this problem, please share stories to address the emotional component without falling into the trap of focusing on how the failure to pay bills would result in the complete breakdown of our economic system. Make it personal for all involved.

At the state level, National REIA members are focused on addressing operational roadblocks such as regulatory burdens imposed by inspection and registration programs for landlords and rehabbers. In some areas, the basic precepts of Economics 101 have been lost and states like Illinois, Oregon, Washington, and California are now pursuing rent control programs that restrict and regulate the cost of rental housing. It really begs the question, has anyone visited New York and considered why that bastion of regulation is reversing its trend? Rent control studies have shown time and again that the benefit goes to the wealthy and poor and working-class families lose out.

### A Few of the Items Being Tracked Across the States:

**Abandoned Housing:** 17 bills with Minnesota and Illinois driving the process.

**House Rehabbing:** Over a hundred bills with NY(42) and NJ(21) surpassing even CA(15), however most states are dealing with at least some legislation!

**Property Maintenance Codes:** Over 20 bills with NY(4) leading the pack.

**Real Estate Inspections:** With dozens of Bills across the country in most states

and even 8 bills at the federal level, this is an area where local associations can truly engage and utilize their expertise!

**Property Management:** By far the most prolific issue being dealt with by legislators with hundreds of bills across the country. NY leads the pack with 238 bills and NJ only narrowly behind with 204 bills. If you own property anywhere other than WY (0), you need to be participating in this process.

**Housing Preservation:** For all the hype on this issue, there are only a few dozen bills in a handful of states actually addressing it.

**Seller Finance:** Relief follows up on the groundwork laid last year by the Seller Finance Coalition to expand seller financing options from 3 to 24 transactions in a rolling 12-month time-frame without the requirement to have mortgage broker’s license, as this is their own money and not about being licensed to handle other people’s money. Additionally, the Treasury will initiate a 3-year study on the impact of seller financed transactions. Bipartisan and bicameral groundwork has been developed over the last two years and bills in the House and Senate are expected to be introduced. Once a bill is introduced for this cycle, a Voter Voice Advocacy Campaign will be established and members are encouraged to reach out to their legislators asking them to be a co-sponsor.

**Opportunity Zones:** With 8,700 census tracts across the country defined as Opportunity Zones, redevelopment and rehabbing may take on a different flavor over the next 10 years. These zones offer deferred taxes on capital gains and impressive tax relief on equity growth. From Wall Street to Main Street investors need to weigh their options. With rules and regulations forthcoming, and National REIA working on comments as well, there are still some clarifications needed, but the prospects are far broader with better incentives than 1031 exchanges. For ongoing updates, please check out [www.realestateinvestingtoday.com](http://www.realestateinvestingtoday.com) for resource and maps and check out the Opportunity Zone webinar on National REIA’s home page under the Legislative tab.

**Flood Insurance:** Some progress was made when key chairman agreed that this program needs to be redeveloped,

*Continued on Page 21*





# Communication is Crucial

## Identifying Problems Before They Become Crises

By M. Jane Garvey

Believe it or not, landlords are not all psychic. In fact, I would venture a guess that the vast majority of them aren't. I know that I do not have powers that allow me to know that a roof is leaking, or a window is cracked, or a light fixture doesn't work, or the neighbor is playing the piano at 2 a.m. Yet, somehow many tenants act like we know. Many of them let things like this aggravate them, or complain to their friends and neighbors without ever letting us know there is a problem. Their aggravation might eventually motivate them to move. Others will get angry and demand an instant fix to something like an air conditioner that hasn't worked in three weeks. In my experience, the demand for instantaneous action is always on a weekend or during a holiday when repairmen make double or triple time.

Over the years I have wondered why tenants don't let us know about problems rather than letting them get worse and worse. Here are my theories:

- Some have a belief that if they ask for repairs you will raise the rent next time you have a chance.
- They may think you will get mad at them.
- They may not want you to come in to fix the problem since they don't want you to see something they are doing.
- They don't notice things until they are horrible.
- They have no idea that a roof leak can cause huge problems – they put a bucket under it.
- They think they will be expected to get it fixed.
- In some instances, the tenants intentionally caused the problem/damage and don't want it fixed.
- Some claim that they told you about it, when in reality they told the guy who mows the lawn, the next door neighbor, their Facebook friends, Yelp, etc.

Over the years some landlords have developed procedures that eliminate

some of these issues.

**Regular scheduled maintenance.** Sending a maintenance person through each of your units on a regular schedule will allow you to catch some of the things before they become big problems. You can have that person do a mini-inspection including checking for drips, leaks, changing filters, batteries, light bulbs, and performing other regular maintenance. Have them also ask the tenant if there is anything else they are aware of that needs to be taken care of and encourage them to reach out if there is.

**Insisting that all communication is done through an online portal.** This eliminates some of the claims that "I told you" three weeks ago. The online portal maintains a record of the communication and actions taken.

**Raise the rents.** Make a habit of raising the rent at each renewal, even if it is only a token amount. Tenants will get used to a rent increase, and will not be as likely to presume that communicating about problems triggers them. When the tenants are paying below market rent, many are afraid to complain because they are afraid that they may lose their bargain.

**Ask your tenants.** Make a point of asking your tenants early and often if there is anything that needs attention. If you reach out within a few weeks of move-in and promptly rectify any issues, they will know you care. Make sure that they know how to get in touch with the right people if they have problems. I have a friend who has key chains made with the maintenance person's phone number on them. Others post the important numbers inside a kitchen cabinet door.

When you have a tenant that won't respond to communication and won't let the maintenance people in for regular scheduled maintenance, you definitely have a problem that needs to be addressed. Communication is critical. Do you have the wrong number? If you are leaving notices on their door, is it a door they use? Go

back and look at their application and tenant information forms to find out emergency contact information and get in touch through those people. Express concern that you can't reach them and are concerned about them.

With the ever-changing world of electronics, I have found that people have preferred methods of communication and some ignore others. Some will never listen to a message on their voicemail. Others want you to text them. I have missed an important meeting because someone used Facebook messenger to invite me. I have a handyman that never answers his phone or listens to his voicemail, but he will respond to a text. Take the initiative to figure it out and keep track of it. Communication is critical to your business, so you need to make sure it happens.

As a side note – as I was thinking about writing this article, I was thinking about how reluctant many of us are to communicate our wants and needs. My Mother-in-Law was always at a loss for what to get me as a gift. One day she noticed that there was a little hippo figurine in my house. She started giving me hippos – hippo saltshaker, hippo lemon juicer, hippo dishtowel, etc., etc., etc. I'm not into hippos, or collecting things, but I knew she was giving me these things out of love because she thought I would like them. I was brought up to always thank people for things, even if I really didn't like them. Over the years I ended up with dozens of hippos, and a growing sense of aggravation that she didn't know me. Wouldn't it have been simpler to let her know in a kind fashion that I was done with hippos and would prefer that she save her money rather than giving me more? We all need to learn to communicate kindly rather than letting things reach a stage of aggravation and anger. What in your life can you fix today with kind communication?

Jane Garvey is President of the Chicago Creative Investors Association.



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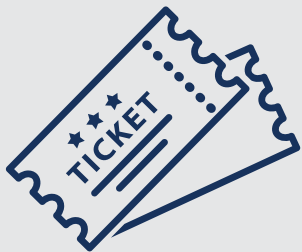
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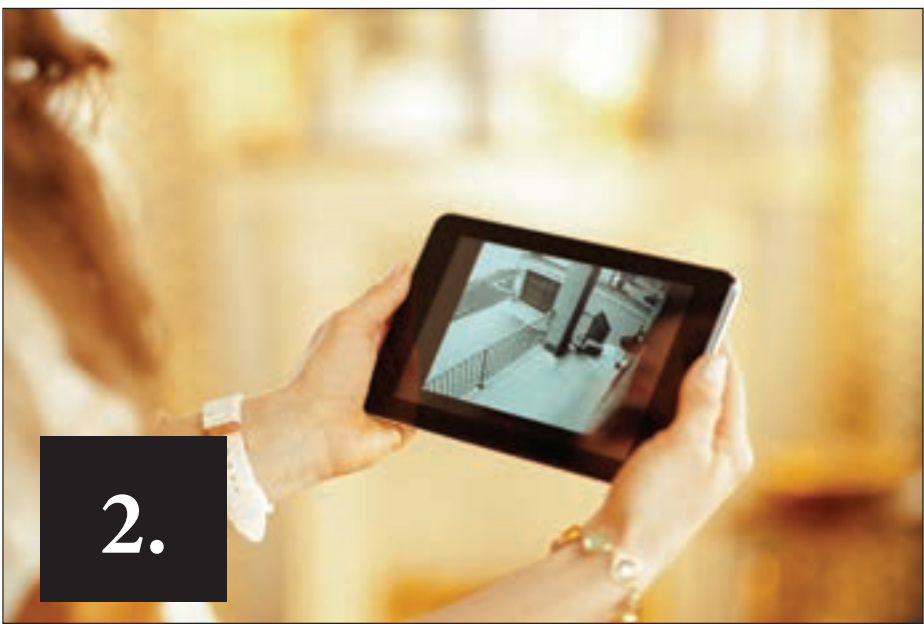


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# Four Fall Projects to Tackle Now for Year-Round Property Protection

By Brian Aguirre, The Home Depot

Fire emergencies, unwanted intruders or even inadequate insulation can all pose threats to your property and its tenants. Fortunately, a mix of the right products, devices and technology can help you monitor a property and minimize risks to your investment. Here are four projects you can tackle this fall to better protect your investment year-round.

### 1. Don't Let Fire Catch You Off-Guard

The average cost to repair fire and smoke damage is \$4,000. This expense can skew much higher if a roof, kitchen cabinetry or other fixtures need replacing.

October is National Fire Prevention Month, and a good time to ensure your fire safety equipment – including smoke alarms, carbon monoxide detectors and fire extinguishers – are in good condition. It's also a timely opportunity to consider upgrading to newer, "smarter" products that can better prepare you for unforeseen risks.

Most fires start in the kitchen, with electrical malfunctions and heating as two other leading causes. Smoke alarms provide early warnings, giving tenants time to evacuate and to alert firefighters. As a property owner, you can do three things to ensure your smoke alarms are working properly:

- First, replace the batteries every 12 months.
- Second, replace all smoke alarms after 10 years. Remember: toss at 10, then start again.
- Third, regularly make sure smoke alarms are clean and free from paint, dust or grease.

Installing smoke alarms on every level of your home, inside bedrooms and outside sleeping areas, is the first step to protect your home. Kidde is a top-rated brand for fire safety products. The Kidde smoke detector with ionization sensor is ideal for living areas, alerting you to fire hazards with ionization sensing alarms that may detect invisible fire particles even sooner than photoelectric alarms. Kidde also offers combo smoke and carbon monoxide detectors to provide double the protection in one product.



Fire extinguishers are also essential as they effectively put out 80 percent of fires. In the kitchen, be sure to install an extinguisher labeled "B" for use on flammable substances like gasoline, grease and oil. In addition to the kitchen, extinguishers should be strategically located throughout every level of the home, including the garage.

### 2. Secure the Outdoors

When it comes to protecting your property, "extra eyes" are a good idea. Take security to the next level with smart cameras, doorbells and even outdoor lighting systems. These products send real-time alerts to your mobile device if anything is detected – ensuring 24/7 surveillance no matter where you are.

Google Nest offers several smart cameras options, as well as smart doorbells, that can be part of a comprehensive security package. The Google Nest doorbell sends an alert when it detects motion at the door, and lets you speak with visitors through your mobile device. Ring also has a doorbell that sends an alert when someone is at the door, records footage of them and allows you to communicate via a two-way talk feature.

You can shine a light on security, too. Defiant offers energy-efficient LED motion-activated floodlights that double as HD security cameras and send alerts to a mobile device. For Pro customers, The Home Depot makes it easy to purchase exactly what you need with call-ahead ordering, online purchasing, in-store pick-up or even onsite delivery.

### 3. Good Fencing is a Good Investment

Adding value to a home can be as easy as installing a fence around your home. In addition to defining the property's perimeters, providing privacy and improving home security, fences can increase your

property value.

The Home Depot offers a selection of fencing options at bulk pricing when buying in large quantities and in-store associates can walk you through everything you need to know, from selecting the right type of fence to securing posts and attaching panels.

Need the right tools to install the fence? The Tool Rental Center is stocked with top brands to get the job done, including augers, post hole diggers, DeWalt hand tools and more.

### 4. Insulate for Comfort and Cost Savings

A well-insulated property carries numerous benefits. It can help minimize energy bills, provide a moisture barrier in damp areas, soundproof a home, and offer a safer structure in the event of a fire or carbon monoxide threat.

According to the U.S. Department of Energy, five areas of a home should be properly insulated: the attic, interior and exterior walls, floors, crawl spaces and the basement. Each could require a different type of insulation, and The Home Depot carries several varieties by Owens Corning to tackle every job.

You have a lot invested in your real estate properties, and the proper safety and security measures can give you the peace of mind that your investment is well protected. Whether you're tackling these projects or any other property protection improvements, The Home Depot Pro is the go-to destination for landlords and real estate investors.

Designed by professionals for professionals, Pro Xtra is The Home Depot's loyalty program that helps you save money, manage your spending and grow your business. In addition to the program's standard benefits, National REIA members also receive a two percent annual rebate, 20 percent off paints and primers, volume pricing and more. It's free to join so check it out and get started today.

Brian Aguirre is the Home Depot Pro National Account Manager for the National Real Estate Investors Association.





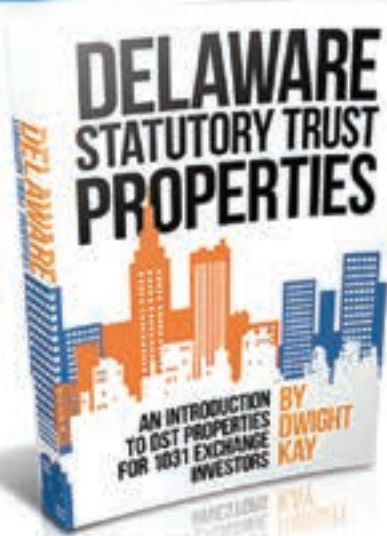
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# Seven Things You Need to Know Before You Buy Rental Property

## Thing Six: State of Repair And Contractors

*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.*

Looks can be deceiving. You can’t judge a book by its cover. Beauty is skin deep. All of these sayings are even more relevant to the purchase of rental property.

When I began renovating properties and holding them for rental, I tried to cut corners in the work I was doing on each unit to save money. Cosmetic repairs like paint, plaster and carpeting got a big bang for the buck, and a few outlet covers and new switches made old wiring look good, at least. Nobody actually looked at the furnace, water heater or breaker/fuse box when they were renting, so why should I bother to spend a lot of money replacing wiring, panel boxes, plumbing and heating systems?

If you are flipping properties, your shortcuts become someone else’s long-term problems. When you hold properties, however, the mechanical, electrical and plumbing upgrades you make while the unit is empty, and before you paint and carpet, drastically reduce your regular and emergency maintenance expenses. An ounce of prevention is worth a pound of cure.

That 10-year-old water heater may have a few more years of life in it, but it is just as likely to go on a Saturday morning in the middle of next month. Every five-dollar 90-degree valve you install in your rental unit plumbing is another way you could reduce the cost of warping floors, collapsed ceilings and water stained walls. Old furnace blowers die in February, on the coldest nights when they are running full tilt. They don’t go in April when new furnaces are on sale. I can virtually guarantee that wiring from the 1940s or 1950s wasn’t built to handle the loads new flat screen TVs, high power vacuums, hair dryers, curling irons and kitchen appliances draw, especially when all are used at the same time.

I learned these lessons the hard way, over years of replacing too little, followed by repairing too much. When I look at a potential purchase, I see past the flowered wall paper pretty easily. I have two Wagner Power steamers which make short work of that. Instead, I look at wiring, plumbing, heating, roofs and windows. Those are the places I’ve spent the most money in repairs, and those are the problems which cause good tenants to leave.

Don’t think that these issues are limited to or more prevalent in single family homes or duplexes than large, multi unit properties. Recently, a client of mine was bidding on a large, multi unit complex in Pittsburgh. We talked about the age of the units and that they had been retrofitted with individual

hot air furnaces a few years ago to eliminate the shared boilers and shift the responsibility for heat from owner to tenants. While that was a very good thing, I recommended the inspection of the furnaces by a good hvac contractor. The inspection found all 100 units were improperly vented, creating carbon monoxide risks for tenants. Additionally, flames shot out of the bases of many units when they fired. Had my client bought the building, she was facing over \$2,000.00 per unit in heating repairs, and it was likely the units would fail city inspections whenever they arose. A \$200,000.00 surprise problem not covered by any insurance can turn even a large project from profitable to teetering on bankruptcy.

If you don’t know what to look for yourself, and don’t want to pay in higher repair costs for the education over time, get a good home inspection before you buy a rental unit. If you are buying a multi-unit building, negotiate a discount for multiple units but get them all inspected. Almost every time I’ve been asked to skip a unit because that tenant is difficult or won’t let people in, I’ve gotten a surprise or two later. Coincidence or not, I can’t be sure, but I can eliminate the risk next time. If the inspection identifies problems, follow up with estimates from the highest priced contractors in the area. That will help you get the best credit from the Seller for repairs, and you can use any contractor you choose after you close.

While you are inspecting, also look for exterior painted surfaces, from decks to soffit, wood and cedar siding to wooden trim, wooden painted fences, and even paint over brick. All of these surfaces require more maintenance more often than brick, stone and vinyl. A little power washing and the non-painted surfaces look almost new. This even works on concrete. But painted surfaces become peeling surfaces every few years, the time varying with the quality of preparation and paint used by your painter.

The challenge with many of these items when you are looking to buy rental property is that many of the more expensive maintenance issues are hidden either by their very nature, or intentionally by sellers. If you spend the time when you look at a property to uncover signs of deferred maintenance, cover-ups and cosmetic repairs without work on the major systems of the building, you will have made a good start. Then, make your offer contingent on a more thorough inspection of the building, and walk away unless the seller fixes or credits the cost to bring things to the level you expected in the first place.

Also, don’t forget that you have to have your repair and maintenance team, at least a handyman, plumber, electrician, hvac contractor and roofer, and maybe an appliance repair service, a snow removal contractor / grass cutter, janitorial, washing machine and garbage collection services ready the moment you close on the property. If you own other properties in the area, you already have your team in place. However, if you are out of the immediate area of your contractors, their

travel time adds to maintenance costs, and you may need to build a full or partially different team.

Waiting until after you close on a property to build a team in the area can prove very expensive. I once bought a 12-unit building in a new area, and was just too busy to get a team together before closing. The day after closing, an inspection revealed a gas leak, and I needed a plumber instantly. Not having one in the area, I used the prior owner’s plumber, who charged me about double what I was used to paying, and spent three days with two helpers to diagnose and fix the problems. He didn’t have the same type of expensive meter the gas company used to make sure pressure was maintained, so when the gas company came back, they found still more leaks, and I had to finish with another day of services from another plumber. I won’t make that mistake again, and neither should you.

So, how do you build a maintenance team in an area where you don’t know the local contractors? I have found the best way is to ask other investors with property in the area. Not necessarily the seller who got out of owning the property you bought, but others still actively involved in buying, renovating and maintaining properties in the area. Check them out by running criminal checks online, and look at the Better Business Bureau’s and Attorney General’s websites and check online civil dockets in your county to make sure they aren’t being sued by other customers.

Several local investors have contacted me recently about their legal problems with a particular contractor who attended our local investors meetings in Pittsburgh for a couple of years. I first sued him for several other investors more than two years ago, their cases are over (we won), he doesn’t come to meetings any more, and there are three pending cases by my office against him. The attorney general refused to register him, and the Better Business Bureau lists him as unsatisfactory. Had the investors currently having problems with him seen any of this, I’m sure they wouldn’t have given him their money. And beyond that, he paid the earlier judgments. By the time the current claims get through court, he is more likely to be out of business, out of money and uncollectible.

Learn your lessons the easy way, from getting an education on other investors’ mistakes, instead of the hard way, all alone. Read, attend your local investors’ meetings, seminars and conventions, and take the courses you need from national and local experts. The money you spend will be a small fraction of the money you save!

*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).*



# Federal Housing Policy Should Help Residents Improve their Situation

By Charles Tassell

There is a principle that states, “Charity starts at home.” Therefore, we have an obligation to take care of our citizens before helping other countries’ residents.

Former House Speaker Newt Gingrich’s widely reported comments about how HUD Secretary Ben Carson is both enforcing the law and helping people is spot on. In fact, criticism of the Secretary is hypocritical at best.

A universally recognized best management practice in the rental industry is to screen a resident. Basic information is gathered and verified to ensure there is no fraud. Background checks range in spectrum and depth, but are often required by communities engaging in crime-free programs. This leads to the question: How in the world can you screen a resident and NOT know if they are a U.S. Citizen?

To claim that illegal immigrants are somehow just “undocumented,” even makes their point more hypocritical – how did they perform basic due diligence on a potential resident? Are they even renting to the person they think they are? If not, they are likely complicit in misinforming HUD (which administers federal programs and therefore a federal crime). Investigations should be pursued.

The part, however, that is not being discussed even by Mr. Gingrich is the underlying necessity for reform in the HUD Housing programs overall. Part of the reason for waitlisting thousands of families per city, is that half of the residents (those who are able bodied and could improve their situation) are incentivized to stay, generationally, in subsidized housing.

That’s why housing reform is long overdue. In 1994, Welfare Reform was made a priority and millions of families were moved to improve their situation and engage the American Dream. However, that reform did not touch the housing world. Rep. Warren Davidson (OH-8) has repeatedly asked, “Why is it, that during good and bad economic times the housing budget is continually increasing?” The answer, simply put, is that the federal government is focused on housing people, not helping them improve their situation.

Anyone who has been in college understands the power of a deadline – it is a motivator. Presently, there is no commensurate motivator for those on public housing assistance to seek improvement. Moving-in becomes a lifestyle that does not end. With no reason to move out, the only openings for new families to move in and benefit from stable housing are when current residents pass away from old age, or are evicted for drugs or not paying their minimum \$25/month rent.

Who are these families that could benefit? Typically they are young moms, with 2-3 children in need of stable housing for a few years until they can get on their economic feet. Whether that means training for a job or getting some work experience under their belt, both the mother and the children benefit from having a place to call home. This is especially beneficial for young kids who need the stability of housing and school to build their educational foundations and limit their potential exposure to a transiency that causes Adverse Childhood Experiences (ACE).

The impact of ACEs has lifelong consequences that can impact multiple generations. It is in the

public interest to address and limit childhood ACEs. Additionally, if, as a society, we truly want to help people break out of poverty, we need to understand that the first 3-4 years of school are critical in that during those years, you learn to read, so that by fourth grade and on, students are reading to learn. If a student cannot read by fourth grade, their likelihood of exiting poverty drops dramatically.

When a young mom must wait for stable housing for years, by the time she does reach some level of stability, the children are older and have often sustained multiple ACEs from living in cars to being shuttled from couch to couch, with their educational opportunities suffering each time. These are the real American victims paying the price for the lack of reform in housing policy. Prioritizing U.S. citizens over illegal immigrants starts the process of breaking years of generational poverty. Thank you, Secretary Carson, for taking this first step. Congress, the rest is truly up to you – and generations will be impacted.

Charles Tassell is the Chief Operating Officer of National REIA.



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Metro REIA’s Dave Bogert, Mathew Brunetta, Avegail Tizon, Dave Corsi with the REIA award.



Tom Zeeb with Traction REIA’s Innovation award.

# 2019 Innovation Awards

Innovate and Illuminate! That was the name of the game at National REIA’s annual MidYear Leadership Conference which took place in Louisville, Kentucky over this past summer. One of the many exciting things that took place at this year’s conference was presentation of the Recognizing Excellence in Innovation Awards – aka the “R.E.I.A.”

The Innovation Awards recognize those organizations and people who bring new ideas to life. Whether that idea is big or small, these ideas change the way we experience the REIA world. The award is given for a single idea – including program, education, event, etc.- launched or updated during the previous year (in this case 2018) and whose innovative approach has caused market disruption or an exciting increase in the value of membership.

The criteria for awards are based on how a group’s idea was implemented and it had to have accomplished one of the following:

- Differentiate - Have differentiation from other ideas/activities/policies currently happening in the REIA community
- Revitalize – It must have a fresh way of looking at an existing idea
- Extend - If the idea is an extension to a current program, it must have been a substantial modification or adaptation
- Recency – The idea should have been introduced to the REIA between January 2018 and December 2018

One winner is then chosen from all the entries as the overall R.E.I.A award winner along with two

“Awards of Innovation.”

The 2019 award winners were determined by a selection committee composed of individuals from various non-affiliated fields which evaluated the information provided in the submission forms, as well as the included supporting materials. Available resources, in terms of size of market and possible reach of the program, were a factor considered by the judges.

The initial award is shaped as a triangle or pyramid, or as they see it, the symbol for Delta – which is the change agent in chemistry. National REIA views winners of this award as change agents for the advancement of our industry. Other winners receive the Award of Innovation that is shaped as a lightbulb, representing great, illuminating ideas.

## The R.E.I.A. Award winner:

Metro REIA (Fair Lawn, NJ)

*Prior to the launch of their new website, MREIA.com was outdated and did not display well on smartphones. To establish their online credibility, they took the leap and modernized their website to provide engaging content for all investors in their community. The website was rebuilt with an emphasis on the user experience, keeping in mind their members or guests’ primary tasks and ease of access. They also created a YouTube channel where they post general meeting summaries, How-To Videos and Member Spotlights.*

## Award of Innovation winners:

Traction REIA (Washington, D.C. area)

*Traction REIA won an award for their single idea for defying industry norms. This has differentiated their brand and association from everyone else and revitalized their REIA, bringing expired members back and making Traction more attractive to new members. Their new “tough love” approach massively expanded the number of member success stories, allowing Traction to radically change and improve more lives, leverage the power of the membership, revamp more neighborhoods and produce high-quality renovations throughout their region.*

ICOR (Investment Communities of the Rockies - Denver, CO)

*ICOR reinvented their Investor Statewide Trade Show. While their previous trade shows were always successful, after 7 years of hosting the Trade Show in each of the markets they served, they began to feel formulaic, a bit dated and not very inspiring to their members. So, the challenge was to reinvigorate the trade show from top to bottom and make it the “must attend” industry tradeshow for all investors, community, media and civic leaders. It was decided to combine all three shows into one large event at a very intriguing venue, the Broncos Stadium, along with an inspiring and unexpected keynote, a gubernatorial debate. It was the first time the two competing candidates were on the same stage and set ICOR apart from other Industry leaders such as the Apartment Association or Home Builders Association.*





# Self-Sufficiency Meets Real Estate Technology

By Brian Thompson

Technology has been an increasing part of our daily lives for over 40 years. Throughout those years we have pushed for speed, simplicity, and conformity to help curve learning and give us our time back. Speed and power were the focus for many of those years. Make it faster. More power. These were the highlights of advertising and commercials. Now the tides have turned. We, as a growing culture, have demanded our time back. Speed and power are helpless when the technology is complicated. In today's web market, website, applications, and new

technology are changing their designs and learning curves to add simplicity into their architecture, knowing that a customer's time has become a factor on the products they chose.

Today's real estate transaction cycles are practically 24/7. The evolution of the real estate industry where one must close transactions within hours, if not minutes, has created a totally different demand upon today's technologist. We can find, bid and acquire an Investment around the clock with the advent and advancement of the internet. Investors are buying properties across town, across the state or nation and even around the world. Once purchased,



Investors now require the ability to insure these new assets around the clock. They need easy access to a Quote in real-time, the ability to shop that Quote, and then, if they elect to purchase a particular coverage, the ability to lock down the rate, pay for the coverage, and print out (or save) a Certification of Coverage to show their lender when required. All at the touch of a key. And, if they then flip this asset, the ability to cancel the same transaction with the same ease.

Customers also want easy access to reports that allow them to easily visualize the back office administrative functions relative to their inventory of properties. Anything less restricts their ability to move at today's hectic real estate industry pace.

Payment processing, for instance, is a process that should only require you to click next once or twice before putting in your payment information. Choosing option after option can become a task that never seems to end for a person with little time to spare. Consumers want to pay as quickly and efficiently as possible. Consumers want to know that they payments are secure and successful, in real-time. The ability to remit a single payment or recurring payments to ease their time. Purchasing is a process that should also be seamless to the customer.

Quick, easy, understandable options are a must in the current expectations. Prepackaging options shows we are listening to you as a customer to provide you with the options you requested. This reduces clicks, reduces missed options, and provides a uniform option to satisfy all your needs. This turns a five to ten-minute process into less than a minute and gives you the satisfaction of knowing what you get before you buy.

Real-time updates. The expectation today is, when you buy, you want to see it now. When you pay, you want to see it applied now. When you log in, you want to see it all in real-time, not delayed. Websites and applications have that capability to show you real-time transactions, real-time data, and update your account in an instance. Delayed information is in the past. What this all funnels down to is a website or application that allows you, the customer, to be self-sufficient. The power is passed on to the people and the process is now, faster than ever. Less clicks means more time for you. Less time searching and trying to understand a site or application means less screen-time, less stress, and more time for you to enjoy what you want to enjoy.

Arcana offers members of National REIA multiple insurance products specifically designed for Investors and their tenants. Features include no underwriting or inspections, 24/7 desktop & smartphone certificate delivery system, outstanding claims management service, and a very knowledgeable & courteous staff to handle your insurance needs. Learn more by visiting [www.nreia.arcanainsurancehub.com](http://www.nreia.arcanainsurancehub.com).

Brian Thompson is Manager of Technology Services of Arcana Insurance Services, LP.

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# Recession Won’t Devastate Housing, But Some Markets at Risk

By *Kathy Fettke*  
Co-written by *Donna Behrens*

A new analysis shows that the U.S. housing market probably won’t get walloped by the next recession, but it also shows that some markets may be at risk. Redfin analyzed several data points for 50 metros, and came up with scores that indicate which ones might see a bigger downside for home values, and which ones will remain relatively stable.

Redfin says we will not see a “repeat of 2008” but that doesn’t mean we won’t see any negative impacts. The firm’s researchers say the housing market devastation we experienced during the Great Recession was not typical. They say: “Since 1980, there have been five official recessions in the United States. In all but the 2007 to 2009 Great Recession, inflation-adjusted home prices only declined an average of 2.7 percent from the month before the recession began to the final month of the recession.” That’s according to the Robert Shiller home price index.

Home prices plummeted an average of 16.7% during the Great Recession, with peak unemployment at 10%. It lasted 19 months. The second worst downturn for the housing market was in 1990. It lasted just nine months with an average 6.7% drop in home prices and 7.8% unemployment. The third worst was in the early 80’s. It dragged on for 17 months with an average 5.8% drop in home prices. Peak unemployment was 10.8%. All of these numbers represent some amount of economic suffering, but the Great Recession was the worst.

Redfin calls it a “major outlier in the relationship between home prices and recessions largely because the overinflated housing market was its major cause. But the (current) housing market, which remains strong, is unlikely to be a culprit or victim of the next recession.” The current housing market has a much stronger foundation because of regulations implemented to prevent another major meltdown.

### Today’s Housing Market

Redfin chief economist Daryl

Fairweather says: “Home prices are high right now, but they’re high because there’s not enough supply to meet demand, which means there’s not a bubble at risk of bursting.” He says: “Most of today’s financed homeowners have excellent credit and a cushion of home equity, making them unlikely to default on their mortgage even if their weekly grocery bill grows or their stock portfolio shrinks in the next recession.”

Fairweather believes that “if” the U.S. is hit by recession in the next two years, it will be triggered by a global trade war. If that happens, he believes layoffs are most likely within industries that rely on exports, such as the automotive industry and the agricultural industry. Those homeowners may run into trouble paying their mortgages, and could be forced to sell their homes. He says that could bring home prices down in some markets, especially if potential homebuyers are also worried about job security, and become insecure about buying homes -- in those markets. In markets that don’t rely on global trade, Fairweather believes that home prices will hold steady.

One of the factors that Redfin used to rank the metros was “dependency on exports.” Researchers also looked at “median home sale prices compared to household income,” “average loan-to-value of homes sold during the last year,” “home price volatility,” “the number of homes that are being flipped,” “employment diversity,” and “the number of households led by someone 65 or older.” They put all that data together and came up with risk scores for 50 different metros.

Redfin also put together a really nice map with color-coded circles over each of the 50 metros. The ones showing shades of blue have the lowest risk and the ones showing shades of orange and red have the highest risk. If you hover over any of these circles, you will get all the details for each city.

### High-Risk Metros

Most of the metros with the highest risk are in the West and the Sunbelt areas. They are also among the metros that were hit hard during the Great

Recession. But the metro that tops the list for risk is Riverside, California with a 72.8% overall score. Phoenix came in second with a 69.8% score. Miami is third with 69.5%.

These metros also have more investors flipping homes and higher loan-to-value ratios. Investor activity can drive prices higher so homeowners end up with a higher loan-to-value ratio than in other parts of the country. Other metros in the top ten high risk category include San Diego; Providence, Rhode Island; Tampa; Las Vegas; Los Angeles; San Antonio; and Orlando, Florida.

### Low-Risk Metros

The metro with the lowest risk for a housing downturn is Rochester, New York. The overall risk score for Rochester is just 30.4%. Buffalo, New York is second on that list with a score of 31.9%. Hartford, Connecticut is third at 33.9%.

The other cities in the top ten low risk category are Cleveland; Raleigh, North Carolina; Chicago; Columbus; Milwaukee; New Orleans, and Minneapolis. San Francisco is the only city on the West Coast with a risk score below 50%. Price growth has already been slowing down in San Francisco which makes it less likely that we’ll see a big downturn there during the next recession.

### Homes With Less Risk

In a different analysis, Redfin looked at the types of homes that will hold on to their value better than other homes. Researchers identified five characteristics that were common among homes that held their value.

#### 1 - Single-family homes did better than condos and townhomes

The average single-family home sold for 8% less during the Great Recession, than afterwards, while townhome prices were down more than 9% and condos more than 13%.

#### 2 - Homes in less dense areas did better than those in more crowded neighborhoods

Single-family homes in zip codes with the least density lost an average of 3.5% per year compared to an average

of 10.4% for homes in the most dense areas.

#### 3 - Homes with more bedrooms lost less value than smaller homes

Redfin says that homes with four bedrooms only lost 7 to 8% per year compared to homes with just two bedrooms. Those lost 10 to 13% per year. The study also shows that, in some cases, smaller units lost less value. It shows that studio condos did better than one-bedroom condos and one-bedroom homes did slightly better than two-bedroom homes. Researchers attribute that to the rentability of the smaller units.

#### 4 - Two-story homes did better than single-story homes

This proved to be true for single-family homes, townhomes, and condos. Three-story homes did even better.

#### 5 - Older pre-war townhomes did better than newer ones

This category compares pre-war townhomes built before 1930, late 20th century condos, and everything else.

These two reports show how variable the sub-markets can be, and with the inevitability of another recession -- because we will be hit by one eventually — it’s good to know where you stand with your properties. But remember, most economists feel that the next recession will be much less severe than the last one, and will likely not include a housing meltdown.

*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).*

## National REIA Members Save Big, Get More With Home Depot ... continued from Page 1

your painting projects. The Home Depot understands the unique needs of residential and commercial property investors and will help you pick the products you need with great value and outstanding results in mind.

### Appliance Program

Nothing is more essential to a home’s kitchen than good, quality appliances. That’s where Home Depot’s exclusive appliance program for members of National REIA comes into play. They offer an exclusive custom catalog of appliances (updated annually) to find exactly what you are looking for at great prices. These include French Door & Side-By-Side Refrigerators, Top

Freezers, Dishwashers, Microwaves & Cooktops, Ranges/Wall Ovens and more.

### Cabinet Program

There are few better ways to improve a property’s ROI than a new & updated kitchen and bath. That’s why, along with the appliance program, members of National REIA can save 10% on purchases of select Hampton Bay cabinets (excluding Designer Series). These cabinets offer attractive styling and convenient storage options, all at budget-friendly prices. With quality features typically found only in much more expensive cabinets with long lead times, Hampton Bay stands out as a

great value. Home Depot stores stock 31 cabinets and accessories per finish backed up with 74 additional products available via special order. Kitchen and bath cabinetry is fully assembled, ready to install, and is available in 8 beautiful finishes or unfinished.

### Get 2% Back on Purchases

All of the benefits we’ve just discussed are only accessible to members of National REIA who have enrolled in The Home Depot’s ProXtra Loyalty Program. As mentioned before, one of the most rewarding benefits is the 2% back on annual purchases (details apply). To get started, you must first be a member of a National REIA-

affiliated real estate investing group. To find a group near you, visit [www.NationalREIA.org](http://www.NationalREIA.org). Next, you must be a member of The Home Depot’s ProXtra Loyalty Program. You can do this by visiting [www.HomeDepot.com/proloyalty](http://www.HomeDepot.com/proloyalty) and click on sign up. Finally, talk with your local REIA to make sure your NREIA Home Depot benefits are fully reflected on your ProXtra account so you can start saving today.

*For more information about this and all of the many benefits of being a member of National REIA, or to find a group near you, please visit [www.NationalREIA.org](http://www.NationalREIA.org) or call 888-762-7342.*



# 19-Year-Old Turns \$10 into \$4,800

## Real Estate Option Nets Nearly 48,000 Percent Return

By Kent Kinzer

Ryan of Maryland recently completed his first self-directed real estate investment – one that earned him a nearly 48,000-percent, tax-free return. It’s a great start for any investor, but especially one who completed the investment when he was 19. Ryan, now 20, has already discovered the power of a self-directed Roth IRA and the affect creative investing can have on generating tax-free wealth for his future.

Ryan has been around real estate investing most of his life, but he really took an interest when he was 17.

“My father has been in real estate for many years and once I decided to go into the business, he has mentored me and taught me the business,” Ryan says.

He interned at his father’s real estate rehab and rental management company to make sure that’s what he wanted to do, becoming a full-time employee after graduating high school. He and his father continue to grow

their knowledge by attending seminars together. It was at a real estate investing seminar in Florida that they learned they could use retirement accounts to invest in real estate.

After opening his self-directed Roth IRA at Equity Trust, Ryan found a local homeowner who was underwater on their property and offered to help them get out of their mortgage by finding a buyer.

Ryan offered a real estate option for \$10, which allows him the opportunity to find a buyer or purchase the property. He ended up finding a buyer who purchased the option from him for \$4,800 – a return on his investment of nearly 48,000 percent. The purchase was completed approximately two months after he entered into the agreement.

### Why Ryan Opted for a Roth

When Ryan learned about self-directed investment vehicles, he also learned the difference between a self-directed Traditional IRA and Roth IRA. A Traditional IRA is tax-deferred, while contributions to a Roth IRA are after-tax, so the growth and withdrawals are

tax free – provided IRS guidelines are followed (see IRS Publication 590 for more information on Traditional and Roth IRAs).

To Ryan, it made sense to opt for a Roth IRA for his self-directed investing.

“I’m pretty young. I can benefit from the tax savings a Roth account offers,” he says, “so it’s a great retirement and savings vehicle for me.”

When analyzing self-directed account custodians, Ryan and his father researched a few options.

“We like Equity Trust’s fee structure: there’s not a cost associated with each transaction,” he says.

Ryan appreciates the customer service, especially as a beginner to self-directed investing.

“For my first deal in my IRA, I had some questions, such as what needs to be done and what needs to be signed,” he says. “I sent my questions in, they were answered quickly.”

Ryan plans to complete many more self-directed investments in his Roth IRA – it’s just a matter of finding

the right property, location and circumstances.

“I am always looking and trying to help people out with their housing needs while doing it in an IRA,” he says. “I think it is a somewhat creative and interesting vehicle and it can also pave the way for owning rental property in it one day as well.”

### Special Offer for National REIA Members Only

Equity Trust is offering some impetus for real estate investors to “get off the sidelines” and be prepared for potential investments with a self-directed account. Equity Trust Company is a national sponsor for the National Real Estate Investor Association (NREIA) and is offering NREIA members and its affiliated chapter members the opportunity to experience the concept of self-directed investing with a special introductory self-directed account offer.

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  - Digital download of #1 ranked book on Amazon - Self-Directed IRAs: Building Retirement Wealth Through Alternative Investing
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*Kent Kinzer is the National Business Development Manager at Equity Trust Company.*

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# Member Spotlight - Craig and Julie Campbell ... continued from Page 1

child, Mark, is a junior at Iowa State University. Craig was primarily a stay at home parent, and Julie worked as a legal assistant at a law firm in real estate. Julie has also been a property manager which has been extremely helpful in the investment business.

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

They invest primarily in Des Moines, Iowa and communities that surround Des Moines. They look for motivated sellers, and once they have found one, they see if a win-win situation can be set up in which their company purchases the home. They use a construction company to then rehab the home and either turn it into a rental property, sell it on a contract for deed, or sell the home thru normal real estate channels to the public.

**How did you get started?**

They got started investing in real estate in 1997 when they bought a home in Minnesota. It was a HUD home that they purchased thru the bid process. The home was a 2-story colonial that basically required paint, new flooring, and a roof. When they sold it in 1999, Craig, who is a graduate of the University of Wisconsin – Eau Claire, paid off his student loan from the proceeds that they received from the sale! They realized that they could make a living investing in real estate. However, they would not invest in another piece of real estate until 2008, in Iowa. As Craig states “I now realize that I could have been a wholesaler of real estate and earn a good living, but I hadn’t heard of wholesaling in 1999.”

**Describe a typical week for you in real estate.**

Although they both know that there is no typical week in real estate – either as an investor or an agent- they still love it. As Craig says “it is fun to invest in real estate, and also be a real estate agent as there is no typical day. Every single day is different.” Craig feels that he “could never go to work for an employer, at this point in my life,” as he would get bored extremely fast. Furthermore, “if I were to work for an employer then I would not have an unlimited income earning potential situation either.”

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

They have been investing steadily in real estate for approximately 11 years. They started off slowly and they now have 5 properties in various stages of being rehabbed.

**Tell us about your first deal.**

It was a crazy experience when they bought their first investment property in Iowa. They bought it



From left: Craig, Mark, Emily and Julie Campbell.

sight unseen! When they finally viewed the property after their offer was accepted, the kitchen ceiling was laying on the kitchen floor due to roof damage. Their contractor took about 8 months to finish the house. They learned then that having a contractor under contract was extremely important. It was a huge learning experience for us.

**How do you fund your investment deals?**

They primarily use bank loans to fund their real estate investment deals. However, they have used private money for funding as well.

**Do you have a real estate license?**

Both of them have real estate licenses with Iowa Realty.

**What projects are you currently working on?**

They have completed more than 30 flips and are working on two different homes at the moment. Their construction crew is putting the finishing touches on two properties to be sold – one near a college in Des Moines and one near the Iowa State Fairgrounds. Their two most recent purchases were a fire-damaged house and a gutted duplex, with work starting soon. They also have another house that they have demoed

and would like to sell it as-is.

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

Craig hates missing REIA meetings and Iowa Landlord Association meetings. He has belonged to IAREIA (which is made up of Iowa Landlord Association and REIA in Iowa) since March of 2009. He very much enjoys the meetings, the knowledge gained, and the special speakers brought to these meetings. Craig says he has “learned a great deal of information thru both the REIA as well as the Iowa Landlord Association, and has been able to apply this knowledge to the investment business.” As real estate licensees, they also have to do continuing education in order to keep their licenses.

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

While they have not been specifically coached, there are a number of nationally known people that they follow such as Dean Graziosi, Robyn Thompson, and Joshua Smith.

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

Their current goals include putting finishing touches on two rehabs, and then they have a couple properties that they just purchased and plan to rehab in the near future. They also have two more upcoming purchases that will need to be rehabbed. In the future, they may also choose to invest in an apartment complex. Their children are in college and each have purchased their first investment property. And, they are nearly ready to purchase their second properties! They are considering buying a multi-family property with their children.

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

Their top struggle has been that of being able to financially put the deals together, and once the property has been purchased to be able to financially piece the rehab project together. So, at this point in their careers, it does indeed come as a surprise that they are working on two rehab projects at the same time, with more projects yet to come.

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

They both love restoring value back to the community in which they rehab property. Nothing makes them feel better than having neighbors come over when they are at a property they are working to say, “Thank you for cleaning up this property.”



Eastside rehab before and after.



Member Spotlight - Craig and Julie Campbell ... continued from Page 1



Southside house before (left) and after (right).

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

Be prepared for anything. They're under contract on a property that had a dead cat in the kitchen. You know how Chip and Joanna Gaines give each property a name? The name they gave this property was the "Dead Cat House." They also had a nightmare situation where the builder of the property lost it at a sheriff's sale, but continued living there. He would tell people that he owned the property in order to get them to do work and then not pay them. He also filed a mechanics' lien to keep them from selling the property.

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

As a real estate investor, Craig believes that his involvement in his local REIA has been a reason for the success of their business. Craig has been a member of IAREIA since March 2009. Julie has attended a few of the REIA events along the way as well.

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

Craig can't pick a favorite. He said he "learned a great deal from Dean Graziosi, and has read several of Dean's books such as Millionaire Success Habits, 30 Days to Real Estate Cash,



Bathroom remodel in the eastside flip before (left) and after (right).

Profit From Real Estate Right Now, Be A Real Estate Millionaire, and Totally Fulfilled."

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

They love supporting their local high school by attending sporting events and fine arts activities. Furthermore,

they started the Campbell Team Thankfulness Scholarship this past year, and awarded its first \$1,000.00 scholarship in May. They plan to award this scholarship on an annual basis.

Craig is also an avid Minnesota sports fan, and enjoys cheering on Minnesota sports teams as way to reduce stress in his life. As an individual that was born and raised in Wisconsin, Craig can also be found cheering on the Milwaukee

Bucks. Recently, they have enjoyed spending time together cheering on the Minnesota Twins and will enjoy watching the Minnesota Vikings this fall.

*Does your business have a website?*

They can be found on the internet via <http://www.campbellteam.com>.



Craig, Julie and Emily Campbell snap a photo with middle schoolers in China.



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# Have You Been Playing Monopoly All Along?

## What My Favorite Childhood Game Taught Me About Goals, Cash Flow, and Investing

By Gita Faust

Whether you recall it as a fond childhood memory or as the catalyst for a board-flipping argument, most of us have played Monopoly at some point in our lives. What many players of this real estate-based board game fail to realize is that it is more than just a way to pass the time; Monopoly teaches you real-life lessons about the ups and downs of real estate investing. Taking such lessons into account might be the thing you need to overcome your market obstacles and substantially grow your profits.

Before we dive into the lessons that you should keep in mind, let's discuss the most common behaviors you should avoid. Since Monopoly is played for fun and can only cover so many bases, not all of these mistakes are directly present in the game; however, when you think about it, most--if not all--of these issues are consequential of or related to other mistakes that you do make when playing Monopoly.

### 1. Impulsive decisions.

Impulse and spontaneity are not always bad, but success in the real estate industry is hardly achieved through luck; rather, real estate is a game of strategy. When playing Monopoly, we all know somebody (or we are that somebody) who gets overwhelmed and starts making decisions on a whim--and this behavior tends to be more harmful than helpful.

### 2. Failure to plan.

This issue goes hand-in-hand with the former. Again, it is essential to strategize when it comes to Monopoly (and real estate in general). Many people tend to splash cash on properties that provide a seemingly high return on investment in the present moment, but later they realize that a different investment would have paid off much more nicely in the long-term.

### 3. Poor bookkeeping.

While you do not actually record your books in Monopoly (unless you are a hardcore Monopoly enthusiast), it is still important to remember who owes you money as well as whom you owe. However, once the game becomes more intense, it can be quite easy to lose track of these numbers. The same applies to real-world accounting; when business heats up, many people become too caught up and fail to maintain their company's books.

### 4. Setting limits.

In the game, some players tend to try to purchase all the properties of one color instead of spreading themselves out; likewise, so many investors limit themselves to specific markets when the truth is there are so many rich opportunities everywhere. A specific location might become familiar, and by extension, it will begin to feel safe, but don't let that stop you from expanding your business.

### 5. Oversight of debt.

Depending on how you use them, mortgages and private lenders can be utilized strategically, or they



can become an investor's downfall. Investors typically use loans to improve buying power and increase their returns. However, countless investors fail to properly analyze the numbers and take on a loan that has an interest rate far higher than the rate of return they get from the property. Payoff penalties are notorious unforeseen expenses that sneak up on many people in the industry; before you agree to a loan, make sure you ask. One simple question can save you thousands!

### 6. Not saving.

After the banker hands out those colorful bills, it is so tempting to purchase properties at every opportunity. What many people fail to do both in Monopoly and in real life is to keep a reserve of cash to use for repairs and maintenance or unexpected emergencies. You never know what Chance (or life in general) is going to throw at you, and the ones who do not prepare are the ones who will fall behind.

The list could go on, but the six mistakes listed above are probably the most prevalent within the real estate investing industry. Fortunately, we have been taught from the very beginning by Rich Uncle Pennybags essential lessons about real estate investing:

### 1. What it's all about.

The most obvious lesson that Monopoly teaches revolves around the location of a property. People pounce at the chance to buy Boardwalk and Park Place since they charge the highest rent. Unfortunately, players do not always land on those properties, so they are not as profitable as others. On the other hand, the probability that people land on the orange properties is extremely high, since there are several ways to get sent to jail. Real estate is about so much more than the actual structure; it is about the location and your cash flow as well.

### 2. Plan for the long-term.

Since Monopoly is partially a game of chance, it can be difficult to develop a strict plan that works the entire time. However, even when the chance comes into play, it is important to strategize and be prepared. You not only have to forecast income and expenses but also your assets and liabilities; take into consideration capital improvements that increase the lifespan of the property. As mentioned before (since this is a lesson that should be drilled into your mind), make sure that you maintain a healthy cash reserve for emergencies or repairs.

### 3. Diversify your investments.

Your revenue stream can come from various places,

whether you are an employee with a unique skill set, the owner of a retail store, or even a doctor; diversification like that gives you a greater ability to venture into real estate and expand your portfolio. Don't stop there, though: one of the most common hindrances for investors is reluctance to diversify their investments. As aforementioned, many Monopoly players focus on buying up all the properties of one color group (a strategy that does help players win the game), but if you have more properties around the board, the greater the chance people will land on them.

### 4. Crunch the numbers.

There is a price to buy and develop every single property in Monopoly, and you have to assess the rate of return for each property before making any decisions. Analyze your numbers; calculate and determine if properties will provide a positive ROI, cash-on-cash return, capitalization rate, operating expense ratio, and return on equity in the long-term. Just because a property is expensive and luxurious does not mean it is the best asset to have.

### 5. Know your APOD.

One of the keys to succeeding in Monopoly is buying as many properties as you can afford--safely. You are given an initial budget, and then it is up to you to determine what you can buy based on what you are able to make. To create your actual budget, you need to consider your Gross Operating Income (GOI), which is your gross income less your vacancy allowance; then, to determine your Net Operating Income (NOI), you take GOI and deduct your expenses. Your APOD is your Annual Property Operating Data, commonly known as income & expense statements.

### 6. Know the rules.

The more you understand the rules of Monopoly, the more of an edge you have over your opponents. Rules are commonly thought of as restrictive, but knowing more helps you develop a stronger strategy and seize opportunities that you may not have otherwise noticed. By understanding how the market works better than your competitors, you give yourself a major advantage.

You can stick to the old-fashioned method of managing your investments: scratch a few numbers down on a piece of paper, scramble for some figures, and then hope all is well. Alternatively, though, you can implement a proper routine that incorporates the six lessons mentioned above.

Bookkeeping is a very crucial part of running a business, as it is the backbone of tracking your accounting and financials. When we help you keep an accurate, up-to-date Profit & Loss and Balance Sheet by property, we can easily determine your cash flow before and after taxes.

*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 discounts on QuickBooks services and software. Learn more by visiting [www.hammerzen.com](http://www.hammerzen.com).*



# End of Days, or Happy Days are Here Again? ... continued from Page 1

science and that means that it is trying to study the always fickle consumer/worker. The human being is ever changing and that goes for their role in the economy. The average person reacts to a whole host of economic motivations – the security of their job, what they are paid, how much things cost, what they can get by saving, what they need at different stages of life – when they have kids in school as opposed to saving for their own retirement. It can be hard to keep up – especially when there are big differences between Baby Boomers, Gen-Xers, Millennials, and the latest cohort – the Gen-Z.

Having said all that – what shape is the economy in at the end of 2019 and what does this say about the prospects for 2020? In truth there is a little for everyone. For the sake of simplicity we can look at four issues that come up most often in economic discussions; unemployment and the job market as a whole, the potential for a recession in the relatively near future, the impact of the trade war with China and the issue of debt and deficit as it impacts what the government can do with both revenue and spending.

The unemployment rate has been at or near record lows for the last few years and that is a good thing. There are a couple of caveats to be aware of though. The first is that a significant reason for the low rate of joblessness has been the large number of retiring Baby Boomers. They are leaving the workforce at a rate of 10,000 per day – a quick look at the math reveals that this translates into 3.6 million people a year. Not all of them will be replaced but many will. It is also important to note that the majority of the new jobs have been in the relatively lower paid service sector. It is indeed good that the jobless rate is around 3.8% but not everything about the job market is healthy. There are severe shortages of people with needed skills for sectors as diverse as manufacturing, transportation, construction, health care and even the professions. The manufacturing sector alone is expected to face a shortage of 2.5 million workers by 2025.

The next issue is recession. There are indicators that convince people it is imminent – such as the inverted yield curve. It is important to note that an inversion doesn’t cause a recession – it is an indicator of conditions that might lead to one. The yield curve inverts when investors start to assume the central banks will slash rates to deal with an impending recession and that reduces the demand for those long-term rates. It has also been pointed out that the Purchasing Managers’ Index has fallen very close to contraction territory (anything below 50) after having been close to 60 less than a year ago. But at the same time there has been an uptick in the durable goods orders and factory orders have been essentially stable. The capacity utilization numbers are not quite in the ideal range (between 80% and 85%) but it has been consistently in the range between 75% and 78%. In other words, there are some signs of a slowdown for sure but it would be very premature to assert that a recession was looming. It is reasonable to expect growth to slow to between 1.8% and 2.1% yet this year and into next.

The housing market has long been

a good indicator for the economy as a whole and it has also been sending mixed signals. The pace of new home sales has slowed and there has not been as much growth in the existing home market as would be expected with mortgage rates falling again – along with a slight decline in the price of homes according to the latest data from the Case-Shiller index. The good news is that permits are generally up. The challenge of housing is that markets are widely divergent around the country – hot in some cities and ice cold in others.

The third area is trade and tariffs. The effort has been decidedly unpredictable with many threats of tariffs that are subsequently negotiated away. As of this writing, the US had imposed new tariffs on China that would hit US consumers harder than the previous ones and China retaliated with tariffs that will hit the US farmer and manufacturer harder than had been the case. The current tariff on goods from China will cost the average American an additional \$1,000 a year. Is that enough to affect the economy negatively? Maybe and maybe

not. At the same time as China tariffs are hitting consumer goods the price of gasoline has been hitting new lows. The average per gallon price has been around \$2.60. It was only a few years ago when the average was \$4.14. Assuming that a person fills their twelve-gallon tank once a week they are now paying \$31.20 and they were paying \$49.68 – a difference of \$18.48. Multiply that by 52 weeks and you saved \$960 – almost the same as will be paid out in extra tariff costs.

Finally, there is the issue of debt and deficit – remember those? The US debt is now at around 110% of the \$20 trillion GDP and the analysts assert this percentage should never be more than 60% of that GDP. The deficit is closing in on a trillion dollars and is 4.6% of the GDP – it never should be more than 3.0%. The US adds to the debt and finances the deficit through the sale of bonds and there is always a market for the Treasury bill. With yields as low as they are it makes some sense to borrow but perhaps not this much. The real issue is debt service. The buyers of these

bonds expect a return and that debt service is 8.7% of the Federal budget (\$393 billion). That makes it the fifth largest part of the total budget behind Social Security. Medicare, Medicaid and the military. By the year 2026 it is 13% of the total budget and \$762 billion. In 2020 the total military budget was \$718 billion. In economics there is a concept called “opportunity cost.” You doubtless remember that old Econ 101 lesson about guns and butter. If the government is spending \$762 billion on debt service that is \$762 billion it can’t spend on anything else and that is a problem.

So – how is the economy doing? It depends on who you ask and what your definition of “doing good or bad” might be. As the Minnesotans say – “could be worse” – and that about says it all.

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.



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- **Tax Advantages = Lasting Wealth:** Investing over time in a tax-advantaged account like a self-directed IRA can have a tremendous effect on future wealth. Combining those benefits with the ability to diversify and invest in a full range of alternative assets could be a winning combination.
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\*Investment Company Institute: <https://www.ici.org/research/stats/retirement/>

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# The Legality of Wholesaling

By Jeffery S. Watson

The issue regarding the legality of and proper way to wholesale real estate has once again risen to national attention among real estate investors. One of the first people to point out and talk about the change in the State of Illinois under SB1872 was a National REIA leader from Chicago, M. Jane Garvey.

To summarize the new legislation that has been signed into law, Illinois is now requiring a broker’s license for anyone wholesaling as a business in that state. Wholesaling, if done as a business model, involves the practice of entering into contracts to purchase property, then quickly assigning those contracts to other buyers for profit. The statute defines the business of wholesaling as doing this practice on two or more occasions in any 12-month period of time.

When done as a business practice, wholesaling in Illinois will now come under the RELA’s (Real Estate License Act) enforcement provisions. The wholesaler will need a broker’s license and will be subject to consumer protection provisions such as disclosure, self-interest, and prohibition against dual agency.

**Perspectives Differ; Here’s Mine**

There will be a lot of people with a lot of differing perspectives on this legislation. Here are mine. First, let

me tell you that my views have been consistent with that of National REIA which has demonstrated leadership by educating investors on the legality and regulations of wholesaling. That includes, but is not limited to, the creation of an influential video of an interview of and discussion about wholesaling with members of the Ohio Division of Real Estate. That video has been used to influence the thinking of the real estate regulators and agent licensure divisions in other states as to how wholesaling should be considered, evaluated and regulated. It is also being used to educate new real estate agents in Ohio and other states.

**What is Acceptable?**

To begin, what is an acceptable practice of wholesaling that is valid and legal in all fifty states? The answer is you enter into a contract to buy real estate with the true intent, capacity and ability to perform according to the terms of that contract. You then actually close on and take title to that property. Thereafter, as the new owner of that property, you can put that property back on the market and resell it as quickly as possible. There is no state that prevents that process or requires the investor/wholesaler to be licensed or regulated when selling their own property.

“A good wholesaler never takes title to real estate.” For those of you who subscribe to this philosophy, I

suggest you seriously reevaluate that position. I have counseled individuals, published articles, and done numerous video interviews and several podcasts explaining that to legitimately and legally engage in the activity of wholesaling, you must have the intent and capacity to perform according to the terms of the contract into which you are entering. To enter into a contract and not have the resources or funding options available to fund the transaction puts you in the position of entering into an agreement on a fraudulent basis.

The underlying reason behind the change in law in Illinois is that way too many people were putting a property under contract and then illegally and improperly marketing that property in a way that violates the real estate licensure laws in that state.

**All States Have Licensure Laws**

Every state has real estate licensure laws requiring that a person advertising, marketing and trying to sell a property owned by another for the purpose of making money be a real estate licensee acting according to the terms of a written listing agreement. Merely having a contract to buy does not give you the right to market and sell the house.


I dramatically altered the landscape in the wholesaling space when about five years ago, I taught several clients who were real estate “gurus” that

instead of advertising the house for sale, they needed to advertise the contract for sale. Unfortunately, some of these individuals did not take the lesson fully to heart and still tried to look for the quickest, cheapest, easiest way to make money or to educate followers.

Real estate investing is a long-term play, and it requires diligence regarding the fundamentals. Wholesaling will always be a legitimate business activity, and a good wholesaler is always prepared to close on the properties they put under contract. Then, after deciding how much cleanup, repair and maintenance, if any, is to be done to the property, it can be put back on the market that same day, week or month.

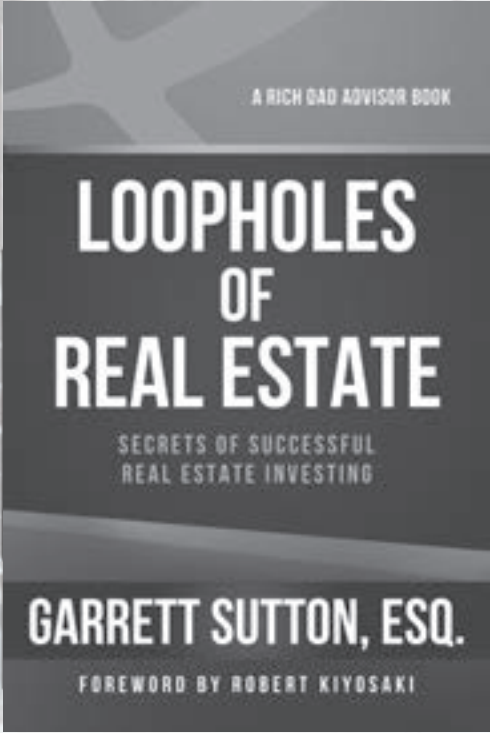
The parties that will complain the most about the new law in Illinois are most likely those who are the least equipped to actually perform according to the terms of the contracts they are signing.

*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 four times via litigation. Read more of his viewpoints at [WatsonInvested.com](http://WatsonInvested.com).*



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# Understanding the Timeline of Criminal History

By David Pickron

Over the past several years federal agencies and state legislatures have written legislation that creates confusion in the background check world. There are five (5) main parts to a criminal case. Understanding these elements will help you better analyze criminal records and help you understand legislation being proposed by our local governments.

The following are the processes used when law enforcement has reasonable belief or probable cause that a person has committed a crime.

**1. Arrest** – Detained and taken into custody by a police officer where the defendant is not free to leave, prior to the defendant being formally charged with a crime.

**2. Charge** – Crimes charged against the person by the officer (ticket or booking) or prosecutor (indictment or long form complaint)

**3. Plea** – A plea is that which a defendant agrees to say he/she did or did not do regarding the charge. A plea is also the agreement that the defendant reaches with the prosecutor and the court and can take many forms.

**4. Trial** – The defendant pleads “Not Guilty” of the charges and the matter goes to Trial where a judge determines the law and facts, or to a jury to decide what are the facts.

**5. Disposition** – This is the final designation of the case in the court system. The disposition is the verdict of the jury or decision of the judge at the end of the case.

Following are some interesting facts about each step:

## 1. ARREST

HUD and legislatures around the country are focused on not using arrest records in the background check process. In fact, today a simple arrest that does not result in a “charge” cannot be reported in a criminal history report by a credit reporting agency. If there is no charge, a prosecutor has made the decision that they do not have enough evidence to pursue the case and achieve a conviction. The bottom line is that a simple arrest does not mean much. Often an arrest does not lead to a charge. For example, I had an old friend from high school driving down the freeway last month in his truck while pulling a trailer. He noticed the car in front of him unexpectedly started braking in the slow lane. He drove around the slowing car and noticed a man walking down the middle of the lane right into oncoming traffic. Ben, my friend, was concerned for all parties so he pulled over on the right shoulder behind the man who continued to walk towards the slowing car. He got out of his truck and walked toward the now stopped car and asked if he could help the man. The wandering stranger shouted a few choice words, ran past him and jumped into his running truck. Since the window was down my friend quickly ran over and climbed halfway through the window and grabbed the gun he kept in the side door. He told the stranger to get out of the truck. The man pressed the gas and drove off. Ben fell out of the window but managed to shoot 3 shots through the door, intentionally aiming at the baseboard of the truck frame. He had a distinct feeling not to shoot this individual.

The authorities later found the truck and trailer in a town nearby where they apprehended the suspect who was high on crystal meth. After getting word where his truck was, Ben went to get his shot-up truck, only to find himself under arrest for discharging a firearm in city limits. He was not taken to jail, but the recommendation for charges was sent to the county prosecutor. After the county prosecutor reviewed the case and testimony of all parties, they chose not to prosecute.

If we were to investigate Ben’s criminal history, he would have an arrest record. If we stopped there



and denied him a job, insurance, or a rental home, we would be doing him an injustice and under the current law he would have a case for damages for such an act. Today it is standard procedure to look past an arrest and look for the charge and disposition of the case. As a result of legislatures and HUD taking away arrest records from the analysis framework, it does not affect us as we are looking for what actually happened at the end of the case.

## 2. CHARGE

Police departments and other agencies can request charges to be filed, but it is the prosecutor that must prove the case and they must see proper admissible evidence to do so. Often prosecutors realize they are not able to reach the burden of proof that is needed in a criminal case, and therefore, refuse to file charges. But if the prosecutor feels they have sufficient proof, they will file charges with the court or bring an indictment. Once charges are filed, the criminal history will show that the case is “open” or “pending”. The case will stay in open/pending status until a final disposition where the case could be dismissed, a plea is accepted by the court, or the case goes to trial. Credit Reporting Agencies are allowed to report “open” or “pending” cases.

## 3. PLEA

Once charges are filed, the defendant can plead guilty at the arraignment, where the charge(s) is/are explained to them. A guilty plea at this stage is rare. Usually the defendant enters a not-guilty plea at the arraignment and a pre-trial conference is scheduled where they are presented with the evidence that the prosecutor has against them.

At the pre-trial conference the defendant will talk with the prosecutor and learn what the prosecutor is offering them. If the defendant comes to an agreement with the prosecutor, they may present the agreement to the court as a “plea to the court,” asking the court to accept the agreement.

There are straightforward pleas and more complicated pleas. First, the easy pleas. The defendant pleads guilty to the charge, as it is set forth or as reduced, i.e the defendant did what the state said he/she did; this is a conviction. Or, the defendant pleads, “no-contest” to the charge or a reduced charge. This means the defendant agrees that the state has enough evidence to get a conviction even though the defendant does not fully agree with the charge or reduced charge; this is also a conviction.

The difficult pleas occur where there is much more interaction between the prosecutor and the defendant to work out an agreement with each other. With that in mind, most cities and counties want to save money on jail/prison costs and problems with jail/prison overpopulation and save money by not going to trial. They want to find ways to help offenders stay out of jail and keep a clean criminal history so the defendant will not have issues with current or future employers. Therefore, depending on the nature and severity of the charge and the facts of the case, prosecutors use a tool called a diversion to help negotiate a deal or an agreement with the defendant. There are many kinds of diversions, but the basic nature of any diversion is to offer a defendant that does not pose a significant risk to others a way to have some consequences, yet avoid a conviction, jail or prison time.

For example, where a defendant is caught with a

small amount of marijuana, a prosecutor may offer the defendant to take some drug education classes, have clean urinalysis for six (6) months, do some community service and remain law abiding for six (6) months, when, upon successful completion of those terms, the prosecutor would dismiss the case completely. Then there would be no conviction on the defendant’s criminal record. In some courts an initial plea of guilt is required as an extra incentive for the defendant to want to successfully complete the terms in order to have the plea of guilt removed.

A plea agreement can give a defendant a second chance to keep a conviction off their record. This kind of situation can leave employers and landlords in a tricky situation. I recommend you consult with your legal counsel on how to handle those cases when making any decision regarding that individual. The reality with diversion plea agreements is that the offender agreed to a court-imposed consequence, not that the offender did not do the criminal act.

## 4. TRIAL

If a defendant does not believe they are guilty, or if the defendant does not want to negotiate a deal, or cannot get the prosecutor to agree to any terms suitable to the defendant, then the court will schedule the case for trial.

## 5. DISPOSITION

A final disposition is what the public sees on the court record at the end of the case. A disposition will be one of the following:

1. Plead guilty to the charge at arraignment;
2. Plead guilty or no contest to the charge or amended charge at the pretrial conference or some time before trial.
3. The defendant entered into some form of plea agreement for diversion. The defendant successfully completed the terms and the defendant receives whatever was promised by the prosecutor. If the defendant did not successfully complete terms, the defendant is found guilty, is re-instated to the terms to have another try at completion, or the matter goes to trial.
4. The matter went to trial and the defendant is either acquitted and found not guilty or is found guilty.

Analyzing criminal history is not an easy task. It takes experience in the criminal system to get it right. Every case is different, yet we are supposed to treat everyone the same. We cannot re-litigate the case or talk to witnesses or prosecutors. We can only look at the criminal history and make the best decision possible based on the information we have. Understanding some of these terms can help you more thoroughly analyze criminal histories.

The good news is that a criminal history analysis should not include arrest records by themselves. It’s the charges in the court and the final disposition that makes the difference. So, when a jurisdiction like Chicago passes a law that says we cannot use arrest records, it really is a moot point and not something to worry about.

*David Pickron has been a licensed private investigator for over 20 years, specializing in tenant screening for real estate investment owners and property management companies. His company, Rent Perfect, an Investigative Screening Company, helps clients onboard tenants from the initial background check to leasing and payment collection.*

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Legislative Update ... continued from Page 3

but it is highly unlikely anything will be accomplished in this session of congress. The bill was continued through September and will be part of the ongoing continuing bills for the foreseeable future.

**HUD:** National REIA has been actively working with the Department of Housing and Urban Development on several different aspects of HUD regulations that impact the industry. A couple of the priority items which were addressed by Members in Washington DC this year and are expected to continue to be part of the ongoing dialogue, are the issues of abuse of the ADA definition of Service/Therapy/Companion animals, ADA cure periods, Disparate Impact, and others. HUD is expected to release an update on Companion Animals – at least they had planned to as of April 2018. Presently up to 50% of the cases HUD is handling have to do with this one issue.

A secondary issue that is being forced upon HUD, due to lawsuits, is the issue of Occupancy Standards.

There are multi-state cases seeking more latitude than the 2-person per bedroom standard. The suits have been focused on setting a precedent standard of 150 square foot for the first resident, and 50 square-foot for each additional resident. For perspective, a 700 sq ft. 1-bedroom apartment that rents to two adults could be required to open up to 12 adults! While local zoning laws may have an impact, a federal precedent could have quite an impact, however at this point settlements are ruling the day.

OTARD

Over The Air Reception Devices are the new Satellite placement issue that the FCC is rolling out. A group of Housing interests, including National REIA, are working on this concern. Just as Satellite Dishes had some restrictions placed on them, these smaller modem-style devices are of significant concern to property owners who could see substantial damage to structures by the placement and replacement of such devices around their property at the whim of residents

or contractors! More to come on this issue...

Some of the Federal Casualties...

The death-knell for Tax-extenders was when their “cost” was tied to a reduction or removal of tax cuts in the Tax Cuts and Jobs Act of 2017. One side demands it and the other will oppose it to the end. For now, National REIA will continue to participate in the re-authorization process, as there are several facets to this package of interest to National REIA with a key focus on the Mortgage Debt Relief Forgiveness Act, also known as the IRS Short Sale Waiver. Initially approved in 2003 with a 10-year sunset, the waiver forgives the taxation on the phantom income received when a bank forgives part of a mortgage. It has had short renewals but has expired and really needs a 10-year authorization. Presently, in a short-sale transaction, the seller who receives relief from the bank may receive a bill from the IRS. As of now, there is no relief in sight.

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# Dear Landlord Hank:

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.

By Hank Rossi

**Dear Landlord Hank:**

We just heard from our maintenance man that a neighbor told him police were called to one of our rentals a few days ago. We called police to ask about a report and they said no report had been filed. What should we do? Should we take this up with the tenants? Or just let it go?

— Kurt

**Dear Landlord Kurt,**

I would talk to my tenant and ask if they are all right and that you heard the police had been called and you are concerned about them.

It could have been someone was trying to break in, etc., and your tenants are the ones that called the police.

Then again, maybe there was a domestic disturbance, etc., and the neighbors had contacted the authorities.

I’d be curious enough to want to know.

✖ ✖ ✖ ✖ ✖

**Dear Landlord Hank (asked by several landlords):**

What Is Your No. 1 Maintenance Request from Tenants?

My No. 1 maintenance request most frequently concerns air conditioning.

And while we get a lot of calls about air conditioning units, I would estimate “operator error” is responsible for 25 percent of those calls.

So, what do you do when you, as the landlord receive, a call from a tenant saying my AC is not working?

Call your AC repair company immediately?

The landlord here in the South should realize this is a high priority problem as high heat and high humidity can result in injury or even death particularly for the elderly.

Can we think for a minute and save a service call?

Let’s think for a minute and see if we can solve this problem more efficiently than calling an AC tech to come right over. Let’s identify the problem exactly if we can, by asking the right questions. You don’t have to know how to repair an air conditioner to have an understanding of how they work and what may be causing the problem once we identify the issue.

So, a general statement of “My AC is not working” doesn’t really explain anything we need to know to get to the root of the problem.

Let’s ask our tenant some questions about the No. 1 maintenance request

- Is air flow coming through the ducts and is the air warm?
- If yes, we know at least the air handler or part of the system inside the home is functioning. If not, the air handler is not moving air. Why not?
- Is the thermostat working? Can you see a temperature in the “window” on the thermostat? If this is not working, it could mean the thermostat has batteries that need replacing. So if the thermostat



has batteries and they are replaced are we back in business? Well if yes, you’ve saved yourself a service call.

- If not, it could mean that the condensation line, which takes built up water away from the unit, is blocked up and not draining. Newer units, to keep from leaking water outside the unit, will shut the unit off until it can drain properly. The drain pan is attached to pipes at bottom of the unit beneath the filter. If you remove the filter, you should be able to see if the water level in the pan is significant. An AC tech will need to clear the drain, normally by blowing the debris out of the condensation drain line. If you put four ounces of bleach into the drain line during periods of usage it can prevent mold and mildew build up in condensation drain line.

Keep the tenant questions going:

- Ask tenant next if the issue came on slowly or was the unit working one minute and then it wasn’t? Let’s check the main circuit breaker panel and make sure all breakers are in the “on” position. Have tenant flip all breakers off and then back on listening for the click that indicates breaker switch is in correct position.
- Is the outside condensing unit running? If not, there should be a breaker associated with this unit and we need to make sure it is on and condensing unit is working.
- Is there a “Humidistat” tied into the system? Is it on?
- When was the AC filter changed last? If the filter is clogged with debris air flow will be drastically reduced.

Finally, to summarize:

We need to make sure all parts of the system are receiving electricity and working. This includes the thermostat, air handler and condensing unit. We need to make sure the filter is clean and the humidistat is turned on. And, then that the condensation line is removing water from air handler.

I usually tell the tenant that a little checking on their part could save them a hot day. And, get their life running smoothly again QUICKLY!

✖ ✖ ✖ ✖ ✖

**Dear Landlord Hank:**

What can I do about a tenant that won’t take their

street shoes off in the bedroom in the apartment upstairs? I have asked her several times to take the heels off. She starts 6 in the morning walking back and forth for hours and in the evenings about 8 for hours.

— Jataun

**Dear Landlord Jataun:**

I understand that sounds from an adjacent unit can be annoying, at times.

Unfortunately, there is nothing you can do about it.

Maybe you should consider changing the flooring when she moves out to carpet and padding, to reduce sound penetration.

Sound deadening underlayment membranes can be used under tile and wood, but that has to be applied during installation.

✖ ✖ ✖ ✖ ✖

**Dear Landlord Hank:**

Do you require your tenants to carry renters insurance? If so do you require them to add your name to the policy?

— Chris

**Dear Landlord Chris:**

We don’t normally require a tenant to carry renter’s insurance but we strongly advise tenant to do so, in the lease.

There is a paragraph devoted to telling the tenant that the insurance the owner carries is for the building, and does not cover the tenant, and they could lose everything through a natural disaster, fire, bursting pipes, criminal acts, etc.

We ask to be notified if a tenant is going to buy a renters insurance policy, and then we do require that the owner is listed on the policy, as an extra layer of liability protection, for the owner.

**Editor’s Note:** National REIA highly advises requiring renters insurance in the lease.

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 in Florida and Atlanta.” Visit Hank’s website: <https://rentsrq.com>.





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