

2019-2020

REAL ESTATE
ROI
OPPORTUNITIES IN
INVESTING

NATIONAL REAL ESTATE
INVESTORS ASSOCIATION



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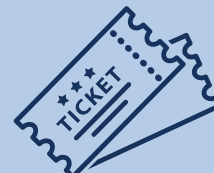
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- | | |
|--|---|
| 4. REIA – Letter from the Executive Director | 30. REIA Member Benefits 2019-2020 |
| 6. REIA – Letter from the President | 32. Federal Legislative Update |
| 8. REIA – Letter from the COO | 36. National REIA University |
| 10. Providing Insight into the World of Real Estate Investing | 38. National REIA's Education Designation: Professional Housing Provider |
| 11. REIA – Mission Statement | 40. Five Real Estate Investing Fundamentals |
| 12. History of National REIA | |
| 14. 9 Tips for Getting Started in Real Estate Investing | 42. The Magic of Leverage – The Greatest Real Estate Advantage |
| 18. Why Real Estate Investors are Vital to the Housing Market | 44. Improving Neighborhoods, One Home at a Time |
| 22. Why Invest in Real Estate? | 46. Giving Back to Our Communities |
| 24. The Value of the Online Community | 48. Real Estate: What's in it for Me? |
| 27. Benefits of Joining a REIA | 54. National REIA Affiliated Real Estate Investor Associations |
| 29. National REIA's Legislative Affairs Effort 2019 | 58. List Of Advertisers |

Real Estate Opportunities in Investing

Published annually for chapters, associated real estate investor associations, their members and guests.



For inquiries regarding Membership, Legislative, REIA organization information or to become a industry partner, call
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Real Estate Opportunities In Investing is an annual publication published by Professional Publishing Inc., publishers of The Rental Housing Journal
www.rentalhousingjournal.com



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Rebecca McLean

EXECUTIVE DIRECTOR, NATIONAL REIA

We Provide Real Homes for Real Families

When some hear the words “real estate investor,” they envision an unsophisticated, greedy, outsider who can’t cut it in the corporate world and recently embraced entrepreneurship to get rich quick in real estate. They are often portrayed as starry-eyed, rapacious ruffians who, after completing a seminar by an ex-HGTV star, now “want to use the two nickels they have left to become millionaires by lunchtime” (to borrow a phrase from Greg Rand).

Unfortunately, the independent real estate investor is burdened with these ugly stereotypes. We have often been dismissed and portrayed as only dealing in distressed or “ugly” properties while taking advantage of people and their neighborhoods. However, nothing could be further from the truth!

We, independent real estate investors, are the backbone of rental housing and much of the owner-occupied housing in this country!

We have been here during the good economic times and in the bad. We have often saved the day! Specifically, in the recent economic downturn, we came to the rescue and brought the housing industry back to life just in time for it to help propel an economic recovery! We have been providers of workforce housing, affordable housing (we call it attainable housing) since America was founded — long before government or large corporations were involved and certainly long before hedge funds started playing (and I do say that with a double entendre) in the single-family rental space.

Investors are 'just like you and me'

The silent majority of real estate investors, however, are actually just independent renovators and rental property owners. They don’t necessarily consider themselves investors. They are business owners, police officers, teachers, attorneys, dental hygienists, nurses, firefighters, etc., who acquire residential property as a nest-egg investment, or they renovate and retail (fix & flip) as a side business. Many times, they rent these investment properties out, make a profit, pay off the mortgage, and retire comfortably. These

people never attended a get-rich-quick seminar. They simply witnessed how well rental property ownership worked for their parents, or saw their friends or neighbors dabble in fixing up and selling properties. So, it was a no-brainer when they followed the most common-sense and dependable retirement plan on the planet.

It’s time for us to proclaim, “This is Us!” and to embrace who we really are.

You know who we are. We can be the quiet, unassuming investors who silently buy rental properties until we build a small empire, or we can be more clichéd — with our flashy (often printed online for free) business cards, asset protection-minded multiple entities and ingenious company names. We are a breed all our own — independent real estate investors. We don’t have a big corporation to back us, fund us, or for us to hide behind. We are the strongest pillars of the housing sector and yet are the pioneers in our respective communities and towns. We are the force that helped turn around an entire meltdown in our economy with little help from the “establishment.”

We generally don’t have a big office, a staff, a general counsel, or a finance department. We work from our cell phones, tablets (if we are truly high-tech), out of our cars or in basements or dens. We employ our significant others and children, perform much of our own management and maintenance, and look to our properties to provide a comfortable, but not extravagant, lifestyle and retirement. Most importantly, we purchase, repair, and maintain, and often seller-finance the properties which large, corporate developers or property management companies would never consider touching. We buy older, often-troubled buildings or aging, often-challenged homes in declining neighborhoods. We seek out those neighborhoods that haven’t yet seen the development craze or aren’t yet trendy. We do it without grant money or tax credits, down payment assistance, and often without commercial/conventional loans. Then, we turn these previously undesirable properties into livable, profitable, low- and moderate- income housing for rentals



or sell to those who truly want to be homeowners — often for the first time. We improve communities one home at a time. (See article on Page 44.)

How do we do this? By providing attainable, and generally affordable housing. In fact, we provide a better array of housing options more effectively than even the government — with its trillions in tax dollars propelling it. We can boldly say, that without real estate investors, many individuals and families would have nowhere to live.

National REIA provides powerful benefits

Unlike the large corporate owners and managers of property or large developers, most of us have little formal education in economics, finance, or real estate law, and we don't have a staff of professionals to guide our every step. And, unlike the large owners, individual independent real estate investors have little political clout in the cities, counties, and towns where they own properties. That's where National REIA steps in to provide a benefit like no other organization can, or ever will.

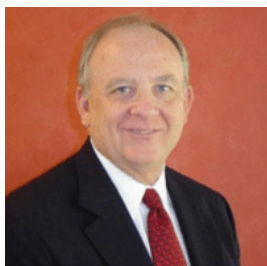
National REIA trains the leaders of local Real Estate Investor Associations (REIAs) to provide current market information and updates, create great educational opportunities, and put on successful networking events. This endeavor encourages independent real estate investors to get their education and referrals from experienced colleagues, rather than from the school of hard knocks. By showing leaders how to successfully lobby elected officials, engaging mul-

tiple lobbyists at the national level and hosting events to get face to face with elected officials, National REIA gives independent real estate investors a political voice that they could never hope to have individually. We also offer substantial benefits such as discounts on products and services that help keep investors' costs down and their profits up. We even keep them up to date with national industry news and trends through our online news portal RealEstateInvestingtoday.com and our quarterly newspaper, *The Real Estate Journal*.

As I previously stated, independent real estate investors are the backbone of rental housing and even much of the owner-occupied housing in this country. Likewise, the real estate investors associations that support them are the best thing that ever happened to independent housing providers.

For over 30 years, National REIA has supported independent real estate investors at the national level through their local associations. We are committed to being the premier resource for our members and the “go-to” choice for meeting their needs. We believe that by developing educated, professional investors, we add value to the fabric of America's communities in ways well beyond what any organization ever could. We don't just provide housing but offer pathways to home ownership — in other words, real homes for real families.





Doug DeShields

PRESIDENT, NATIONAL REIA

Make the Best of the Situation in Which You Find Yourself

It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness, it was the epoch of belief, it was the epoch of incredulity, it was the season of Light, it was the season of Darkness, it was the spring of hope, it was the winter of despair...

Some of you may remember that quotation from Charles Dickens in his classic novel, *A Tale of Two Cities*. This novel was required reading in my sophomore English class and for the life of me, back then, I didn't fully comprehend the timelessness of those opening lines.

Real estate investors today are faced with some of those very same thoughts and emotions at times. While for some it may be the best of times and for others it may be the worst of times, the challenge before us is to make the best of the situation in which we find ourselves. Oftentimes it is a very difficult task to accomplish. We live in a time of constant change in the housing markets and tax laws that govern our expected outcomes. How do we navigate these waters and at the same time accomplish the goals we have set for ourselves and our families?

One way is to realize school is never out, and we always have new things to learn. This was brought home to me recently when I had a breakfast meeting with a "newbie," a young man (for some of us 40 is young) who desires to build generational wealth for his family. He is exploring real estate investing as the vehicle to accomplish that goal. His friends and family are discouraging him primarily because of their own less-than-pleasant experiences as landlords. As we talked, he was amazed at the resources that were available through the local and national real estate investment associations (REIAs) that could assist and encourage his investing journey. I encouraged him to become active in his local REIA and to start building a network of other investors who can help him accomplish his goals and dreams.

Last year, all the rage was flipping houses for a profit, and in some markets you could literally throw a dart at a board and make money. Not so this year,

as some markets have grown stale and the opportunities to make a profit this way have lessened. But opportunities are still out there for the investor who is willing to work hard — and smart. Forming strategic partnerships with like-minded investors is key. The most successful investors I know are not "lone wolves" but are networkers who build a team around them for support and encouragement.

Jim Collins, in his best seller *Good to Great*, looked hard with his team to find the key ingredients to propel a firm that was merely existing, to greatness. He found the answer after a chance interview with Vice Admiral James Stockdale. Stockdale was the ranking officer in the Hanoi Hilton and endured many hardships, beatings and broken bones before he was eventually released. Collins found himself depressed reading about Stockdale's experience even though he knew the end of the story. Collins asked Stockdale how he was able to survive, and his answer led his research team to their "Aha! moment" — which was the key to lifting firms from simply being good to being great. Collins included what he termed the Stockdale Paradox in his book:

You must retain the faith that you will prevail in the end, regardless of the difficulties. AND at the same time ... You must confront the most brutal facts of your current reality, whatever they might be.

This is where optimism meets pragmatism. As real estate investors, our optimism sometimes outruns our ability to be focused and pragmatic. Unchecked optimism will find us coming up short of our goals and unable to take the necessary steps to achieve success.

Lean on the resources of your local REIA and National REIA to continue the invaluable real estate education and network in the group to find mentors and partners that can help you turn that optimism into the pragmatic actions to accomplish your dreams.

It was the best of times, it was the worst of times..."

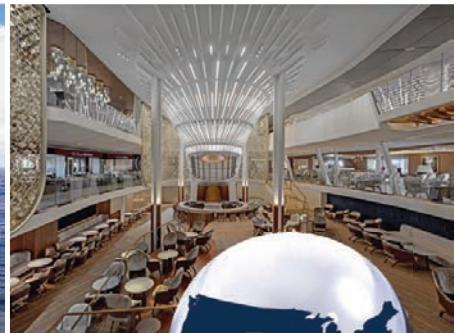
And, now is always the time to get moving.



National REIA Winter Cruise



February 23rd - March 1st, 2020



Join us on our 23rd Annual Winter Cruise Conference on the ship that was designed to leave the future behind. The ship departs from Ft. Lauderdale with stops in San Juan, Tortola (NEW PORT) and St. Maarten. Over the course of the week, you'll learn the secrets of successful real estate investing and how to apply those to your business strategy in 2020 and beyond.

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Take your real estate business to the *Edge*



Charles Tassell

CHIEF OPERATING OFFICER, NATIONAL REIA

Opportunity is Knocking. Are You Ready to Answer?

As we go to press, Opportunity Zones are having a profound impact on our nation's communities. Investors large and small are buying properties and securing commitments from those with capital gains ready to invest! With the second set of regulations out, most questions have been answered and there is an increasingly welcoming response from many municipalities. In fact, working through the expected outcomes and the unintended consequences of Opportunity Zones, one of the key points brought out was the difference between the haves and have-nots. I'm not referring to the individuals, but rather the municipality or city in which the Opportunity Zones are located, as this will have significant impact on the effectiveness of how it is marketed. Consider the tools; there are staffing and resources that many larger communities have as well as relationships that can be brought to the table. Many have numerous larger contractors already engaged in developments and it won't take much to help them focus on the local Opportunity Zones benefits — especially when combined with other economic development tools.

Veteran investors might be planning to work on those areas where large projects are scheduled to be developed, and they could produce quite a return. However, please keep in mind that there over 8,000 Census tracts designated as Opportunity Zones and some of the more remote ones, like a lake that's rarely fished, could hold some potential award-winning catches. Don't be afraid to travel outside the normal venues to do your own research in areas that don't have professional city staff with color-coded maps of specific development types. Not only could those more remote locations potentially hold some gems, they also might lack the restrictions and mandates (red tape) that inevitably come with larger municipalities and their regulatory-minded staff!

Try a Little Reconnaissance

While you may need to be wary of small-town politics (and no community is immune), most communities are interested in some form of development, and a couple of meetings at the local diner could pay

off with good insight. Let's face it, that's less costly than the third mandated public hearing while activists squawk and try to ring out additional concessions. Hold on you say! Your project isn't that large? With NIMBYS, it's all about location...

Speaking of NIMBYS — as the people opposed to development are so often referred to since they often say, the project is fine, BUT...Not In My Back Yard — there are whole new classes of these individuals who believe that their property rights are more important than your property rights. Let me share a couple. Are you familiar with BANANAs? Build Absolutely Nothing Anywhere Near Anyone. There is no appeasement, no concession, no reasoning with these individuals. And just in case you thought they were the most extreme, there is another group, though I should point out their title is, well, less than polite: IGMFU — I've Got Mine ... — well, you get the picture. This grouping is for those people who move in and then close the door behind them. They have their piece of heaven, and even though they do not own the surrounding property, they don't want anyone else to do anything with it either! While the latter term was shared by a California Commissioner, I have since seen and heard reports of other citizens acting in a similar fashion. Hopefully this is not a "100th Monkey" phenomenon that will alter the underpinnings of legal property ownership for decades to come, but I'm not sure it hasn't already started.

A Man Ahead of His Time?

Many people softly chuckled years ago when a candidate for governor of New York ran on the platform "The Rent is Too Damn High!" Other than a short footnote in history, the political world moved on. Or did it? Was he, like so many precursors, just a bit too early for his idea to take root? Socialism is on the rise, or at least talking about it politely in the U.S. is now acceptable. And while there is not a functional Communist Party running candidates, some major parties have candidates that openly embrace similar ideas, with "free" being the mantra of the growing millennial voter. Why such a political theme for this



article? Well, from politics to legislation takes very little time ... and when the underpinnings of capitalism are eroded, i.e. property rights, property ownership is demeaned, and capitalism itself is at risk. If you think this perhaps a bit over the top, or we have given in to “Chicken-Little Syndrome,” please consider that organizations are actively monitoring efforts in Berlin, Germany, to nationalize rental housing. Yes, Germany. But this is the U.S. and blah, blah, blah ... as developed Western nations go, there is a similar effort underway with their leadership in touch with and learning from the Berlin process. Consider the recent statewide battle in California over rent-control – a brazenly anti-capitalist effort to deny economics and expand governmental authority. Numerous other states are increasing their political discourse around rent-control, and New York City is wrestling with its own policy that has been recognized as detrimental to the poor, and those most in need of housing, while at the same time dealing with the political demands of an increasingly loud entitlement class. And if you believe there is a major difference between rent control and nationalizing rental housing, please consider that the same groups circulate Housing as a Right, and Housing First language with nationalization tucked in the details.

Simple economics says a surplus of housing lowers overall costs. However, government over-regulation stifles housing development and increases the shortage of affordable housing. While this is good news for rehabbers, and there is a distinct need for the recapitalization of housing in the U.S., the creation of new housing is tough and slow. Eventually, this may work out as population rates decline, but the realigning of millennial desires to the old and fading capital structures of the baby boomers (from house size to suburbs) is going to cause consternation ... and opportunity. Additionally, any developer or rehabber needs to bear in mind that millennials also have a significant burden their predecessors did not: student loan debt. Look for this to be a growing campaign theme as well.

A Word of Caution

One word of caution for rehabbers, as online sales continue to increase: Beware of the small commercial retail properties that might seem like a good deal. Yes, location is important and tenant contracts are critical, but the longer-term belief is that retail brick-and-mortar buildings are significantly overbuilt. Infill housing can be a good play, and the condo market is warming again as the liquidity of the market is forcing banks to reconsider all loan options.

The other significant headwind for the rental and redevelopment industry is more psychological. As America prepares for another presidential race (which is well underway), the primaries are expected to be filled with individual candidates trying to outdo each other, often with one voice

more shrill than the other. It is often hard to run against a sitting president if the economy is good — that benefit has historically gone to the incumbent. Therefore, challengers will focus on the negatives to highlight the need for their brand of leadership. Economists note that this does have an impact on the populace as a whole, resulting in reductions in major purchases from consumers going into the last of half of the cycle. However, with the increased partisanship, the extended campaign cycle and a myriad of candidates in the wings, the psychological impact may have an earlier and greater impact this time around.

Sitting Tight

Even with increasing values and selling prices, we’re seeing fewer homes being put on the market. With fewer homes coming to market, potential buyers see fewer options and are sitting tight longer, providing even fewer options for potential buyers who see little opportunity for a new place, even though they could probably get a nice price for their home! Even the Fed is sitting tight right now knowing that interest rate increases will increase the cost of financing and reduce the amount of house a consumer could purchase. A reduction in value may temper pricing but would have an unknown impact on homeowners as a whole. It could amplify the reduction in marketable houses as homeowners stay put even longer, because their house isn’t worth as much — and they cannot upgrade as often as they would like (or when).

No matter what happens, there are two population waves that will continue to impact the housing market for several years: the millennials entering the market, albeit lately and somewhat timidly, and the boomers deciding on how to exit the market. Both represent billions of dollars in housing choices and could pose a great opportunity!

The number of REO (bank-owned real estate) sales continues to fall, especially as the number of delinquent homeowners are hitting all-time lows. Those still under water are being buoyed by the national housing market. The term “bubble” is being bandied about in several metropolitan areas (mainly coastal); however, areas like Phoenix and Denver are slowing in sales due to the price demands, construction costs and bottlenecks. Ironically, rental prices may have reached a plateau. Even with most metropolitan areas experiencing low vacancy rates (most under 5%) rental price increases are sluggish and practically non-existent.

As we mentioned previously, this even-keeled time provides definite opportunities. Make sure your business model is prepared to handle the local, national and global trends by staying involved in your local REIA — where these discussions happen regularly. Find one near you by visiting www.NationalREIA.org.



Providing Insight into the World of Real Estate Investing



Think of National REIA's ROI as an introduction to the resources you need to be successful as a real estate investor. This guide and the REIA groups it introduces can be helpful to all levels of investors. Beginners need resources that help them navigate the new waters in the sea of real estate opportunities; intermediate investors need legislative and market updates to help keep them informed and their businesses protected; and, mature investors need to be reminded to not be stuck in one strategy and stay up to date about benefits that can help maximize their profits.

The 2019-20 Real Estate Opportunities in Investing is designed to provide insight into the world of real estate investing. It includes overviews of opportunities and strategies, updates on legislation and trends, investing success tips, information about Real Estate Investors Associations (REIAs), and more.

This guide helps you take advantage of the incredible investment opportunities offered by real estate-based assets secured by title, many of which you can find in your backyard. Basically, a wisely bought real estate investment can deliver larger and safer returns than a bank deposit and

faster than most other known legal investments.

Historically, real estate appreciates over time in a very reliable fashion, but like every other asset, it can be bought and financed badly and cause massive losses for an unwise investor. In this guide we hope to provide basic insight into the potential investment return dynamics and direction as well as identifying reliable sources that can help you understand and indeed embrace real estate as a viable long-term asset class.

Remember, all real estate is local, and the best local guidance and market intelligence is available from local experts found at your local REIA. We have provided a list of these groups in the back of this publication. Here you are likely to find individuals just like you who are more than willing to share their goals and successes.



Additional Resources from National REIA



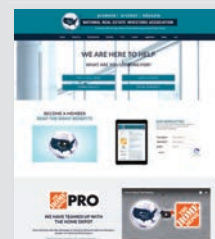
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PROMOTE PROTECT EDUCATE

MISSION

National REIA's mission is to support and promote local real estate investor organizations while serving the interests of the real estate investment industry through networking, education, support, leadership on legislative issues, and promoting professionalism and standards of excellence in our industry to better serve the housing needs of the public.

WHO WE ARE

The National Real Estate Investors Association (NREIA) is the nation's leading advocate for the real estate investment industry. National REIA is a federation of over 120 local chapters and affiliates, comprised of more than 40,000 individual investors throughout the United States. Members in good standing of any Chapter or local affiliate association are automatically considered members of National REIA and entitled to National REIA benefits.

VISION

To be the #1 resource for the independent real estate investment industry.

CORE PURPOSE

To advance and protect the industry of real estate investing while helping real estate investors prosper and add value to their lives and their communities.

CORE VALUES

We believe:

- Real estate is the safest, surest way to financial security.
- In the power of knowledge...and the importance of sharing it.
- In professional and ethical business practices that set standards of excellence.
- That the result of professional, ethical real estate investing positively contributes to communities and the economy.
- That the successful small real estate entrepreneur plays a vital and necessary role in the realization of the American dream for millions of Americans.



History of National REIA

The National Real Estate Investors Association exists in large part to help spread the “gospel” of real estate through its Chapters and local affiliate groups. National REIA has over 120 Chapters and local affiliate groups that in turn support over 40,000 individuals as they begin and pursue real estate investing as a career, whether full or part time.

Real estate is, and always has been, one of the best ways of investing and growing wealth available to individuals. Real estate investing works. We believe that real estate investing is the surest and safest road to financial freedom. An article in Fortune Magazine states that 97 out of 100 self-made millionaires have made their money through real estate investing.

Who is National REIA?

The concept is simple – real estate investment associations provide a forum where people with a common interest in real estate meet to “talk shop.” They share strategies, successes and sometimes even horror stories. They learn from the educational portion of the meetings, which include both local speakers and national experts, as well as learn from each other through the networking portion of the meetings. Local real estate groups belong to a national alliance that is The National Real Estate Investors Association. National REIA is a 501 (c) 6 trade association. A trade association is formed to support the group of people who are involved in a specific industry. In our case that includes all the business activity surrounding real estate investing. Our focus is on the independent real estate investors, not the large companies. There are lots of groups out there that cater to large corporations, or those who buy and sell thousands of units at a time,

but we are here to educate, inform, support and generally empower the investor who is primarily buying and selling or buying and holding single family homes, duplexes to small multifamily units, moderate scale shopping centers, and the like. We offer our support through our Chapters and local affiliates throughout the country. All large metro areas, most moderate sized cities, and even many small cities and towns, have a REIA group.

National REIA is a federation made up of local associations or investment groups throughout the United States. We represent local investor associations, real estate entrepreneur organizations, property owner associations, and landlord associations on a national scale. Together we represent the interests of approximately 40,000 members across the U.S. As such, we are the largest broad-based organization dedicated to the individual investor.

We are intent on serving the interests of our affiliated groups while maintaining high levels of professionalism within our industry. We are here to support and serve. We bring tools to the groups that enable them to better serve, protect, and prepare the individuals who belong to their groups. The National Real Estate Investors Association was founded in 1985. With the explosive growth of local associations there was tremendous activity and the need for more professionalism, standards, and an organization for sharing of ideas and information. National REIA took on this role as representative of the industry as a whole, becoming a resource to associations and their members.

National REIA promotes a high standard of business ethics and professionalism. We represent the interest of our industry while building positive perception within the communi-



ty. Affiliation with National REIA ensures that investor's professional needs are being met on all levels: local and national - through publications, benefits such as discounts and services, online resources, educational programs, and legislative support.

Our History

National REIA was born out of a need for more education, collaboration, networking, and recognition for those individuals who were struggling to grow their local Real Estate Investment group.

But how did National REIA begin? Picture the United States in the mid and late 1970s. Platform shoes and leisure suits ruled the fashion runways. Disco music was everywhere; gasoline was difficult to come by; and the real estate market was going wild.

All at once, anyone with a little cash, some rehabbing skills, and a few creative financing techniques under their belt could buy a small investment property and make good money. FHA and VA loans were still freely assumable, double-digit inflation made it almost impossible not to make money, and the tax advantages were spectacular. Suddenly, real estate investment was accessible to "the little guy", not just to the wealthy. And the little guy took big advantage of this new opportunity. New real estate millionaires from all walks of life were popping up everywhere.

Also popping up everywhere were real estate seminars to support the industry. Taught by experienced and charismatic speakers these seminars were valuable in that they allowed students to learn the business from experts rather than from expensive mistakes. Many of these speakers traveled from town to town, spending a weekend in each location and then moving on. It was from these events that the first real estate investment associations were born.

Students left the seminars with tons of great information, but more importantly, they left with a motivated, optimistic attitude about real estate investing. But they knew something was missing....The more enlightened new investors in each city realized that the only way to continue to increase their knowledge and stay excited about their business was to meet regularly with others who shared their goals, dreams, and interests. These leaders gathered others who came together on a monthly basis to network, share insights and to hear new information from local experts. As time passed, these groups became more and more organized; many incorporated, elected boards of directors, became politically active, negotiated on behalf of their members for vendor discounts, and even spun off other groups.

In the mid 1980s, a visionary leader named Tom Hennigan

called a meeting of association directors in Orlando, Florida. The objective of this meeting was simply to exchange ideas for the betterment of all of the groups. The results, however, were awesome. Through the synergy of the group, many of the "insurmountable" problems faced by some local associations were overcome. Ideas were traded day and night, and every leader went home with great new plans and strategies to grow and improve their groups. It was decided that a similar conference should be held each year, and so the concept of a national association to support local organizations, the National Real Estate Investors Association, was born.

While the mission of local associations is to educate members to become better real estate investors, the national association's vision was something altogether different. From the very beginning, the national group's objective was to teach leaders how to make this educational mission happen.

The National Leadership Conference (NLC) was the first incarnation of National REIA. Their very first meeting was in New Orleans on October 17, 1985. Its successor organizations, Real Estate Leadership Association of America (RELAA), continued with the annual Orlando winter leadership conference and instituted mid-year regional conferences. These meetings continued to promote alliance, sharing of ideas, and training of leaders. In 1993, RELAA became National REIA, the National Real Estate Investor's Association. National REIA continued and expanded the mission of teaching leaders how to prepare their local members for real estate investing success. Thus, REIAs began to pursue our long-embarked mission of "Promote, Protect, Educate."

The challenges facing local real estate associations are changing all the time. As an example, many groups find themselves forced to deal with unfavorable legislation at the local, state, and federal levels. National REIA is organized to help meet these and similar problems faced by member groups. By creating a network that includes national housing, apartment, and Realtor organizations, National REIA is working with groups that have similar interests to share resources, exchange information and promote best practices.

National REIA and our participating members not only educate and support our members, but we play a large part in the community as well. Few people have evaluated how very important we are to the nation's economy and the population in general. Real estate investors are the backbone of housing; not the large apartment owners, the real estate investment trusts, and not HUD based projects. Check out the article on page 18 to see how real estate investors are vital to the economy.



9 Tips for Getting Started in Real Estate Investing



1. Treat This As A Business

One of the biggest mistakes I see new investors make is to treat real estate investing as a hobby instead of a profession. If you're counting on real estate investing to provide income now and retirement income later you must treat it like a business. Real estate investing is now your profession. Treat it like one.

By that I mean you have to devote time to it, show up for appointments on time, act professionally, do your paperwork properly and treat your clients professionally.

Most real estate investing isn't passive. Unless you are a private lender most investing takes real work. Even a landlord using a property manager has work at the outset and should continue to remain active in oversight.

This is not a get-rich-quick scheme. It takes time to build client lists, credibility, partnerships and associations. A well-grounded business is built over time unlike "overnight sensations." It will take you 3 to 5 years to become a real success in this field.

2. Learn About the Business and Stay Informed

"If you think education is expensive, try ignorance." Derek Bok

You can lose more money with a mistake than you can learning how to avoid one. Even if you have been at this business for years, you need to keep up with current trends and laws. You never get to the point where you know it all or even know "enough." Some investors honestly believe that there is nothing else that they really need to know to be successful, then a law changes, the market turns, or a new strategy begins to be used. They either miss changes coming in their community that will majorly affect their profits, put themselves

in a position of huge liability, or miss out on time and money saving tips because they just didn't take time to stay informed.

In the real estate business, like everywhere else, knowledge is power and for investors it's profit too.

3. There are Many Profitable Strategies in Real Estate

Most new investors get into real estate investing after hearing about one specific strategy. They have a friend or family member that has participated in real estate, they saw a TV show or infomercial or they went to their first REIA meeting and heard a charismatic speaker that made them want to pursue a specific investing strategy. They begin to invest using that strategy because they are drawn to the certainty and proven success of the individual that is in front of them. After the new investor has any success with one strategy they often develop the idea that other strategies are less profitable, more difficult to execute, and generally inferior to the one they are using. Suddenly they develop a certainty that their particular strategy is the supreme strategy so there is no earthly reason to even consider anything else.

Following one particular strategy as a beginning investor can be extremely valuable for the overwhelmed new investor since it allows him to really, really learn how a particular technique works. The downside of being so narrowly focused is that it limits the new investor's opportunities. If you believe that your investing strategy is the only strategy worth pursuing, to the exclusion of all others, you will have a narrow viewpoint of what a "good" deal is, and pass up a lot of opportunities to profit with another strategy.

Don't get so stuck in a mindset that you can't even see good deals if they are out of your comfort zone. That being said. You

Continued on Page 16



Celebrity Solstice

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**price includes the conference fee, government taxes and the gratuities*

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Over the course of a week, you'll learn the secrets of successful real estate investing and how to apply those to your business back home.

National REIA members can save 15-25% off of your annual office supply purchases at Office Depot/Office Max with 15-55% off pricing on over 1500 items most commonly purchased by businesses in all categories.

Learn more at www.NationalREIA.org

In the end real estate isn't about the land, the house, or even the money. On a practical note and an altruistic note, it really is all about the people.

can't try to participate in a dozen strategies at once...see number 4.

4. Have A Plan

All businesses need a game plan. You can't just wander aimlessly hoping to find a deal. You also can't rent an office, decorate it and then sit behind your desk waiting for the phone to ring. It just doesn't happen that way. You need to decide upon a strategy, learn what you need to do, set your goals and make it happen! Have a plan. Pass out 50 business cards a week (or whatever goal you decide is appropriate for the amount of business you want to generate). Talk to 50 people by phone. Make 10 offers a week, spend \$100 a month on advertising – whatever your goal is, make it happen every single week – day in and day out – work the market. Eventually you will start to see results.

5. Surround Yourself With Like-Minded People

Real estate investing can be “creative” and a bit non-traditional, which means that this profession won't appear on the Forbes top 100 professions. Because those participating in real estate don't often do so by working for a corporation or as a realtor, investing as an independent isn't a mainstream career choice. Thus, most people you speak with will tell you it won't work. Some of your friends might even ask if you bought a course from a late-night television “guru.” They may even laugh and call you “gullible.” Attorneys and other professionals may denounce it because it sounds unusual. Keep in mind that these people are either threatened by their own lack of success or are looking to protect their own butts.

The first thing you should do is join a local real estate investor association (REIA) connected to National REIA. These associations will help you keep your thoughts in the right place and prove to you that investing with a plan really does work. You will be connected to investors that have had great successes, those that can share what they learned from their not so successful deals, and to those who are just starting out in the business, just like you.

6. Be Persistent

Anyone who's ever been in sales will tell you that being persistent is the key to success. Just because a person says “No” to an offer the first time doesn't mean that's the final answer. Waiting a couple of weeks and checking back to see if the situation has changed can make all the difference, or changing the terms of the offer slightly to accommodate the seller can jumpstart negotiations.

Have a good follow-up system for tracking contacts, leads and conversations you've had with both buyers and sellers. You'll get to the point where you're so busy you can't possibly remember all the conversations you've had with everyone – it's important to be able to pull up that information so you know where you are in the negotiation process. Anyone who has ever been in sales will tell you that few deals are ever made on the first try. Use a system that allows you to schedule follow ups and keep a running history of calls and conversations. One of the National REIA benefits is a huge discount on REIPro, but you could also use ACT by Sage, an Outlook or Gmail plug-in or one of hundreds of apps for your phone or iPad. It doesn't matter what software you use as long as you actually use it.

7. Have a Team On Your Side

Don't wait until you have a big deal pending and need to ask questions before assembling a team you can turn to. You need to go out and cultivate relationships with reliable professionals you can depend on. Here's who you need on your team:

- Attorney – preferably someone who's familiar with the needs of a real estate professional. Make sure they understand the specific real estate strategy that you are using and that they've had some experience in that specific strategy. You don't need to know all of the real estate laws that will affect your business but you need an advisor who does.
- Insurance agent – you need one that also understands your strategy and investors

in general. Make sure the insurance products they sell are right for investors. We have needs that are far different than your average home owner.

- CPA or Accountant – find one that’s a real estate investor – they’ll know the ins and outs of the business and when to be aggressive. You can lose \$1,000s in deductions and tax breaks without a professional that knows the most up to date tax law as it applies specifically for investors.
- Contractor – you need a reliable professional that shows up on time, completes the job within budget and knows how to make suggestions that will save you money. Free estimates don’t hurt either.
- Mortgage broker, private money lender, hard money lender or other money professional – find one that’s experienced with investors, knowledgeable and creative. You can never have too many people who are willing to fund your deals.
- Mentor – someone who’s been there and done that.
- Title or Escrow Company – find one that caters to investors. Make sure they understand double closings, land contracts, etc.

Your local REIA group has local and national providers that you can use to build your team. These professionals work daily with investors and understand their special needs and requirements. It is a beautiful day when you realize that you can find people to add to your team that can do all of the things in your business that you hate. Find resources at www.NationalREIA.org/benefits

8. Don’t Waste Time With Unmotivated Sellers

This is possibly the most common mistake new investors make. Some beginning investors waste time talking to sellers who are only marginally motivated. Even worse, they drive by the house and look for comps without even talking to the seller first. There’s a difference between being persistent with a seller or buyer who hasn’t yet made up their mind about what they want to do and dealing with a seller who really has no intention of selling anytime in the near future. Don’t waste your time if the seller falls into the latter group.

9. Never Forget that Real Estate is Really About People

In the end real estate isn’t about the land, the house, or even the money. On a practical note and an altruistic note, it really is all about the people.

Many people go through their first years of real estate invest-

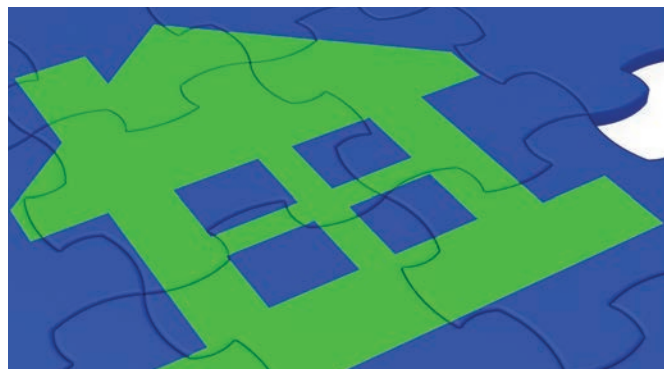
ing making all their offers based on the properties. This is a huge mistake. These investors worry about making really low offers because they are concerned that it will make them a “bad” person to “take advantage” of a seller, especially one in a tough situation. What they don’t understand is that many people will happily forgo profits if other benefits are more important to them. Some people need speed, some need ease of exit, some need someone else to blame. I’ve heard more than one investor tell a story about a seller who happily sold below market because their son, sister, nephew – pick a relation – wouldn’t pay rent or move and they honestly just wanted to sell the house and let you deal with the situation!

There is a scale of client motivations, the Hustead Scale, which concisely describes the level of motivation a seller has. The most motivated sellers will pay to get out of a house. Something in their life makes being out of that property so important that they will pay you to take the property.

Many investors make offer after offer, receiving rejection after rejection, never bothering to ask the seller what they want, assuming they already know. Making offers on the properties because you think you understand the value is far less effective and far less profitable than making an offer that provides the seller an option they didn’t know existed, a solution to their problem.

The moral of the story here is that if you listen, and I mean REALLY listen, and try to solve the seller’s problem you will always make more money than if you try to just apply your cookie cutter approach. Zig Ziglar used to say “You will get all you want in life, if you help enough other people get what they want.” He’s right. This business, at its core, is about people. We provide housing, we provide solutions, and sometimes most importantly, we provide options they didn’t know were available.

There you have it. Follow these nine simple steps and before you know it, you’ll be an outstanding real estate investor.



Why Real Estate Investors are Vital to the Housing Market



Several years ago as we entered our relationship with our lobbyists and political advisors I was forced to truly evaluate our industry in the light of “big” politics and the “hot” issues that surround real estate. It was then that I realized

how important we are to the nation’s economy and the population in general. Real estate investors, not large apartment owners, not real estate investment trusts, not HUD based projects, are the backbone of our nation’s housing. Our mem-

Consider the following facts and you will understand just how vital the participation of real estate investors are to the housing industry and the economy as a whole:

Rental housing is a necessary component of housing choice and is preferred by more and more people everyday.

- Renting had a long stagnation during the time leading up to the housing crisis. As credit was easily available many who would generally be in the pool of renters went the route of homeownership. However, since that time, there has been a surge in the share of rental households.
- According to Harvard’s Joint Center for Housing Studies (JCHS), the number of renters grew by one third, or around 10 million, between 2004 and 2016. Between 2010 and 2016 this growth averaged 976,000 renters per year, far exceeding the 430,000–500,000 added annually in the 1970s and 1980s when baby boomers started entering the rental market. As of 2017 there were 43.1 million renters in the U.S.
- Breaking those JCHS numbers down by age we find that renters tend to be younger with a median age of 40 in 2016 compared to 56 for homeowners. Interestingly, the overall aging of the U.S. population has put the share of renter households aged 50 and over at nearly one third of all American renters two thirds do not live in apartments. They live in housing generally supplied by investors: single family homes, duplexes/quads, and mobile homes.
- Most new immigrants lack the capital required for sustaining the demands of homeownership and will remain renters for ten or so years before they can afford to become homeowners.
- The more than 77 million Baby Boomers are now over 65 and now downsizing often choosing the convenience of renting.

bers as a whole address all the issues that are vital to today's housing market – affordable housing, first time buyers, workplace housing, community rehabilitation, etc. Rebecca McLean, Executive Director, NREIA

Investors are vital to the housing market and to the communities we serve. In 2007 – 2010 during the worst of the crash and when the value of housing plummeted and conventional financing had all but disappeared investors were the only ones keeping communities alive, preventing entire neighborhoods from being vacant and falling into disrepair.

Diverse housing choices are important to the economic vitality of the larger community.

Cities, counties, and states are in increasingly heated competition to attract companies to their areas. Good paying jobs, increased property and income taxes, and an improved quality of life for local residents are the expected paybacks local governments hope to receive when a major employer decides to locate in their area. In the past, economic devel-

Continued on Page 20

Housing choices are important to the economic vitality of the larger community.

- The number one problem facing the labor pool today is housing affordability.
- Failing to provide a balanced range of attractive housing options makes a region less appealing to businesses while also driving up land and housing prices, thus promoting de facto segregation based on household income and type.
- Where alternatives to expensive single-family homes are not available, many households are forced to move farther away from employment centers to find affordable housing, creating traffic and pollution problems as well as a lower quality of life and a decline in worker morale.
- If the affordable housing situation is bad enough, businesses may be forced to relocate to areas with less expensive housing markets.
- Many families who prefer single family or duplex housing still cannot qualify for financing and prefer renting something other than an apartment.

Options offered by real estate investors in housing enables communities to provide housing that is affordable to a wider range of incomes.

- In parts of the country where economic growth typically is strongest, the labor force critical to sustaining the economy cannot find reasonably priced housing or cannot locate within an appropriate commuting distance of jobs. The affordability index of cities that are experiencing a boom is plummeting. Realtor.com in an article in May of 2015 states that areas that are growing have rising home prices. Areas of double digit appreciation doubled and have caused an inventory shortage.
- Households depending on a single salary such as that of a teacher or police officer cannot afford to buy a median-priced home in two-thirds of the metropolitan areas in America.
- The Department of Housing and Urban Development states that an estimated 12 million renter and homeowner households now pay more than 50% of their annual incomes for housing. This is up from 4.8 million households in 2002 that were working families with a critical housing need, defined as having to spend more than half their income on housing or living in substandard housing.
- A family with one full time worker earning the minimum wage cannot afford the local fair-market rent for a two bedroom apartment anywhere in the US.
- Under financial pressures, households typically are forced to move farther out from their jobs, enduring long commutes that aggravate existing traffic problems, or to double up and endure crowded housing conditions.
- Housing options that real estate investors provide play an important role in housing the workforce. They have been providing “workforce housing” for decades, long before the term was coined.

opment officials would offer tax exemptions or abatements as incentives to convince companies to choose their location. However, while local taxes and the general business climate are still a concern, it's the proximity to a large and diverse labor pool that has now become paramount to making corporate decisions regarding location. And the number one problem facing the labor pool today is housing affordability. Accessible jobs and affordable housing are, therefore, inextricably related. A recent survey by the New York businesses surveyed cited housing costs as a serious deterrent to attracting firms to New York. Additional surveys in the suburbs of Chicago and LA have found similar results. Housing offered by real estate investors, therefore represents a major economic development tool for cities, counties, and states.

Most companies employ workers with a wide range of skills and pay them a wide range of salaries. Companies seek business locations that can provide attractive housing opportunities for all of their employees, from administrative staff to executive management. Many communities, however, have failed to provide affordable housing options to low- and middle-income workers.

When communities fail to provide a balanced range of attractive housing options to households in all income groups, the region becomes less appealing to businesses. A lack of adequate housing for low to middle-income workers drives up land and housing prices, further exacerbating housing affordability issues for workers with higher incomes. Such shortsighted and self-centered policies result in de facto segregation based on household income and type.

Local officials who fail to plan for or permit housing options offered by investors and who enact restrictive local regulations that work against investors cripple their communities in the long term. A recent report from the Harvard Institute of Economic Research posits that homes are expensive in high-cost areas primarily because of government regulation, that is zoning. Though such planning and regulations often are deliberate, the combined unintentional consequences can be detrimental to the overall community's economic vitality in the long term.

Where alternatives to expensive single-family homes are not available, many households are forced to move farther away from employment centers to find affordable housing. The quality of life and worker morale suffer. While the effect of the problem used to be limited to low-wage workers, today many middle-income workers, such as teachers, firefighters, and nurses, cannot afford housing near their work. If the lack of affordable housing near employment centers becomes severe, a labor shortage will result that

then will require employers to pay higher wages to attract scarce workers. Higher wage scales ultimately will drive up the costs of many goods and services. Businesses eventually may be forced to relocate to areas with less expensive housing markets. Such relocation decisions often have a negative impact on the regional economy.

If workers are forced to commute long distances because of a lack of affordable housing near their jobs, they contribute to increases in area wide traffic congestion. As more cars crisscross the community from distant homes to work, everyone's commute becomes more difficult, more fuel is consumed, air pollution problems are exacerbated, a feeling of crowding and frustration is created, and the overall quality of life for a region declines.

Housing options allow more people to live in housing they can afford that is near their work.

Real estate investors enable communities to provide housing that is affordable to a wider range of incomes.

This is due to not only housing options but the ability to offer creative purchasing and financing options. The problem of housing affordability has worsened. In parts of the country where economic growth was the strongest, the labor force critical to sustaining the economy either could not find housing that was reasonably priced or could not locate within an appropriate commuting distance of their jobs. The rapid appreciation of home prices in many major metropolitan areas has shut many low- and middle-income workers out of the market.

Families who pay more than 30% of their income for housing are considered cost burdened. The center for Housing Policy confirms that working families are being squeezed. Recently, the number of working families with a critical housing need—defined as having to spend more than half their income on housing or living in substandard housing—has increased tremendously. The Department of Housing and Urban Development states that an estimated 12 million renter and homeowner households now pay more than 50% of their annual incomes for housing. Households depending on a single salary such as that of a teacher or a police officer cannot afford to buy a median-priced home in two-thirds of the metropolitan areas in America. Nurses, for example, are priced out of all but the lowest cost-to-income markets, while janitors and retail salespersons cannot afford to purchase a home across the board. These households are an integral part of the community and provide essential government, retail, and business services that are associated with a high quality of life for everyone.

Housing options offered by investors are often a more affordable housing option, providing housing opportunities to a wide range of incomes. In addition minorities and immigrants – who tend to have larger households – will almost certainly account for a growing share of these new, young, households. This diversity will boost demand for a greater variety of rental housing. (JCHS study)

Tighter underwriting and income verification standards have also made it much more difficult for potential home buyers to qualify for loans. This is how investors help with single family homes as rental properties or that are available with a rent to own option. Not only can they provide often more suitable properties within traditional rental arrangements but they can also provide more creative terms for financing or other creative ways to own a property.

Real estate investors were providing “workforce housing” long before the term was coined. When affordable options are not available, households are forced either to move farther out, enduring long commutes that aggravate existing traffic problems, or to double up and endure crowded housing conditions. If the situation is bad enough, they move to a more affordable community, leaving behind a labor

shortage and all of the problems associated with it.

We look forward to welcoming you to our real estate investing community where you too can attain personal success and financial freedom while contributing to the economy and supporting the neighborhoods you invest in.



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Why Invest in Real Estate?

97 out of 100 self-made millionaires have made their money today through real estate investing.

By Rebecca McLean

EXECUTIVE DIRECTOR, NATIONAL REIA

Real estate investment is, and always has been, one of the best ways of investing available to individuals. Real estate investing works. Real estate investing is the surest and safest road to financial freedom. In a recent article in Fortune Magazine it states that 97 out of 100 self-made millionaires have made their money today through real estate investing.

In the long term, historically, Real Estate has shown a consistent growth in value, even when some other investment choices were less stable. If there is an increase in value and you are paying down your mortgage balance, it's pretty simple: You increase your equity in the property and add to your net worth. The nice thing about investing in real estate is if you have purchased the property right – for the right price and under the correct deal structure - and maintained it properly, your residents, in effect, make your payments for you! In addition, there may be tax advantages available to you when you deal in a long term Real Estate Investment. Although there are definite limits to these potential tax advantages, they can be substantial. There are many other short term real estate strategies that have been incredibly successful over the last five years that have their own advantages. (Consult a tax or legal

professional to see how your situation would be affected.) In general real estate investing allows you to:

- Become financially independent or at a minimum vastly supplement your current income
- Use the power of leverage - create income even when you aren't "on the job"
- Take advantage of great tax benefits
- Real estate investing works no matter what the condition of the market
- Appreciation of your asset
- Create a constant stream of income
- Be your own boss
- Work on your own schedule

Best of all, real estate investing works no matter what the condition of the market. Your strategy might change or need to be tweaked but the underlying principles are the same.

In the short term, Real Estate makes a great investment simply because the numbers are so large. It is not like buying a \$200 collectible and reselling it for \$250. Yes, the return percentage will be high, but you still only made \$50. With Real Estate, a decent rate of return can mean big profit dollars. If you



buy a house at \$25,000, put \$5,000 into repairs and upgrades and add some sweat equity, you can often sell that same house for \$40,000! That's a much larger dollar return on your investment.

One of the golden benefits of real estate investing is the opportunity to avoid the onerous taxes. Every time you exempt yourself from a tax it is like earning an extra percentage on your investment. That alone can have a powerful effect on your wealth building, but it doesn't stop there. You have more profit to roll into another property, so you keep every one of your investment dollars compounding and building your financial net worth.

Real estate investing has become attractive to everyone in the last decade. Average individuals, not just high income earners looking for supplemental retirement income or those looking for freedom from corporate America. In 2005, investors accounted for nearly 10% of the new mortgage loans- up from 6% in 2001. And that number does not even account for investments using creative financing, a term real estate investors use to mean investing via creative strategies for acquisition. The number of conventional loans was significantly reduced after 2009 and then investors began to use cash and private money to participate in the market. Bankrate.com, in its April 22, 2005 article, said that it estimates that nearly a quarter of home buyers were purchasing property as an investment. After the overall market cooled that number remained high as only investors with access to alternative funding could freely participate in the market. Many areas that recovered more quickly were only able to do so because of investor participation. During some months in 2010 and 2011 NAR reported that over 30% of the purchases were by investors.

Those who chose real estate as a career have much more flexibility than in the past. You can even be a real estate investor and never have tenants! Many strategies such as wholesaling and private money don't have tenants or physical labor. There is one thing about real estate investing that has remained unchanged through the years – the smart

investor is making his money (or time, or talents, etc.) work harder so he doesn't have to.

The biggest plus to becoming a real estate investor is your ability to invest on your terms:

- Seller financing that means little upfront investment vs all cash deals
- Working from home vs using an office and staff
- Normal office hours vs by appointment only
- Gaining education from books, informal meetings, or in exotic places on a cruise)

It all depends on your style of investing and the lifestyle you are pursuing. That is what makes real estate investing the perfect business for everyone. You can build your business on your own terms.

For more information on how to get started in Real Estate, I can recommend no better resource than your local Real Estate Investors Association. These associations feature great benefits such as discounts from product and service providers, special programs for everyone from beginners to advanced investors, and unbeatable networking opportunities. Your local REIA group can be an invaluable partner on your road to financial independence! For information about REIA Chapters and affiliates around the country, visit www.nationalreia.org.



The Value of the Online Community

"The most innovative membership organizations have a model that is based on community"
- Anna Caraveli, PhD

According to Anna Caraveli, PhD and author of *Leading from the Outside In*, at high-performing associations, the value of membership is not a package of static benefits. The value of membership is a structured member community where members can collaborate with each other, access information in real time, and answer questions to help other members.

Although associations are created for a variety of reasons, a strong sense of community is at the core of every successful association. Professionals join associations for the value that they provide. As the role of associations continues to evolve, an online community has become an essential feature of an influential and successful association. For most for-profit companies, an online community for customers, users, or staff is clearly supplemental to the core product. At an association, on the other hand, community doesn't merely support the core product; community in many ways IS the core product. Members want to learn, derive meaning, collaborate, and get speedy answers to their questions. They want access to the entire world as a participant, taker, and creator.

National REIA's goal with our community platform is to allow our Chapters and local associations to create a secure, private online community, driving collaboration and engagement among members, giving our core constituents the ability to communicate and share information, experience and best practices.

Why Online Communities Are Better Than Social Media

Although associations are implementing social media as a tool to improve member engagement, a private online community can offer more value for an association than the social media platforms by eliminating the "noise."

Unlike social media platforms, we can ensure that our online community is always aligned with the goals and values of our association. An online community provides the opportunity for targeted discussion without the distractions. The election of 2016 is a prime example of the challenges with outside social media. The nonsense that filled social media had nothing to do with the legislative issues important to our association and our industry. The distraction of these commotions did nothing to pull together our investing community for common good. The National REIA community has to build on the things we have in common and provide a safe place for relevant discussions on issues directly pertaining to our businesses and our industry.

There's no denying Facebook has a large audience, but as we were busy filling that site with content and then it has a glitch for some users, like it did recently, we quickly realized the peril of building our "home" on someone else's land. Facebook also makes changes to its allowances on a seemingly daily basis. It isn't as if we are a paying customer. We will not



be advised of these changes ahead of time and they could have big ramifications on how we do business.

More importantly, some offices block Facebook access for their employees. A lot of our REIA members have a 9-to-5 job in addition to their investing but still like to get investing advice and information on their breaks. Thus, those hours where they are most likely logging in would be banned. We developed an online community with its own domain, so we mitigate the risk that our community can't always be accessed.

Top 3 Reasons for Online Communities

It may sound counterintuitive, but here are three reasons why our trade association has an online community (and why you should actively participate):

1. Access valuable learning resources.

Trade associations have a unique dilemma - members may be competing or at odds with one another in a given industry. But there's always common ground that isn't inherently conflicting. Many basic questions and problems are best answered by members or member companies, since it's specific to either the industry or to the structure of trade associations in general.

Working together to answer each other's questions strengthens everyone and doesn't necessarily give one member the upper hand over another.

2. Network with industry peers and influencers.

Who you know is key and online communities are a great way of meeting and collaborating with new members, industry leaders and constituents involved in current legislation. Rather than just using a social networking site like LinkedIn, an online community can help create deeper connections amongst people who have similar interests or roles within their organizations. Through private, searchable conversations and online libraries, communities provide more security and easier access to conversations. This only furthers the participants' learning and benefits of the community as a whole.

3. Band together to fight a common foe.

Even if a trade association's members are direct competitors, many times they have common adversaries, such as government regulations and laws. An online community can be a good space for constituents to band together and discuss how to deal with possible changes to a law or other industry specific issues that may be happening. There is strength in numbers.

National REIA debuts UnitingInvestors.com

We believe that all types of organizations can benefit from having an online community. There is so much power in con-

necting people, spreading ideas and empowering community members. Because of the amazing value of online communities National REIA has launched its own new community, UnitingInvestors.com. We believe the value this brings to the local groups and their members is immense. To reiterate, some reasons we made the investment are:

- **Reputation Management** - An online community is an excellent source of good, free PR for our associations and our industry at large. Many associations rely on media contacts and other influencers to promote their associations and industries. By building an online community we can collectively attract these individuals to our associations with an online community that provides value.
- **Industry Archives** - Creating an online community is like creating an archive of all of resources that are relevant to our industry. As our online community grows, our members will compile all of the articles, websites, questions and answers that are useful to all the members of our associations.
- **A focused online community** will allow our members to get to know others in the industry, including peers and industry leaders, and will encourage members to invite others to our local associations.
- **Power in Numbers** - As an association, our members can use our online community as a meeting place to team up to influence government laws and regulations together. Members have a much better chance of reaching constituents involved in current legislation if our association is the face of the movement rather than individual members on their own.

Our Goals

REIAs, like the majority of professional trade associations have similar goals which include collecting and curating the collective knowledge of industry experts, providing opportunities for networking, granting access to resources and providing collective representation for members. To achieve these goals, member engagement is the key. We believe that Uniting Investors helps us reach these goals for our members by creating a trusted, relevant, beneficial community exclusively for investors.





UNITING INVESTORS

<https://www.unitinginvestors.org>



What is Uniting Investors?

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

Benefits of Joining Uniting Investors?



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



www.unitinginvestors.com

Just How Small Are Bed Bugs?



Learn more at www.ClearVueTraps.com

Adult bed bugs can be the size of an apple seed, but the hungry babies are microscopic, smaller than Abe Lincoln on the **BACK** of a penny. Look closely at the center of the Lincoln Memorial and you can see a statue of Abe seated on a large throne. Newborn bed bug nymphs are about half that size.

Benefits of Joining a REIA

REIAs are organizations devoted to supporting and training all investors, from new to experienced. The benefits of joining are plentiful and diverse.

Education

Many members first seek out a REIA for education. National REIA and its Chapters and local affiliates seek to be the real estate investor's number one resource for education.

Although the Chapters and locals vary significantly in their programming there are a few things that remain consistent: associations offer a monthly meeting. These meetings consist of a speaker, whether local or national, that provides information on investment strategies, legislative updates, success shortcuts and possible pitfalls, or just helpful general business practices. These meetings also provide the forum for the best education of all – networking with others that have “been there, done that” and can give practical advice that is key to developing a successful investing method. Some groups have gone beyond the networking base of the monthly meeting and provide coaching/mentoring or at least a subgroup format that supports individual interests such as rehabbing, landlording, or creative acquisition and disposition. Much of the same informative material is available through the group's newsletters or their online resources.

Many members say they benefit by having their eyes opened to how broad the business of real estate investing really is. They come into a REIA with a preconceived notion of what is available and how business should be done. They believe there are limited ways to make a profit in real estate but over time acquire an abundance of potential strategies. For example, many people believe that getting their hands dirty through rehabbing, or dealing with tenants are the only proven ways to be an investor. There are actually some very smart strategies that allow you to make money without breaking a sweat. REIA groups are an inexpensive way to find out if real estate investing is for you. If you find that investing is something you want to pursue the REIA groups are certainly the most economical and effective way to get your real estate investing education.

In this digitally connected, “everything I need I can find online”, age it is tempting to get your information and education online exclusively. Using online real estate training as your only source is like wandering into the forest to forage for food alone at night. Yes, the forest has an abundance of food. Yes, it could be relatively easy to find under the right



circumstances. However, being in the dark and alone is not the optimum way to search. REIAs shed light on multiple investing strategies so you can find what works for you and you can target the education best for you. We keep you from going it on your own and provide feedback from peers and association leaders about “experts” offering good education and insight into those offerings that are poor quality, overpriced, potentially illegal or just plain won't work. Using the group as a resource is invaluable.

Discounts, Access and Special Offers

Other benefits of the group are the discounts on benefits and services offered by both local vendors and those that are passed down from National REIA. These discounts can save investors more than twice the cost of membership every year if utilized on an ongoing basis. These discounts cover a wide range of needs from paint and home improvement materials, to resident screening and office supplies. Can't find a contractor or appraiser? Check your local association's list of vendors. Many may offer a discount to the members or at the minimum can offer a referral from a fellow REIA member. These discounts, services, and lists or access to information are seen as tremendous value by members.

Networking and Connections

For the advanced investor, the larger benefit of the group is the networking and the ability to stay “plugged in” – informed of changes in legislation and the economy. Many groups also have advanced investor content and subgroups. There are constant changes in the way investors need to do business and to accommodate these changes. The savvy investor stays ahead of the game and isn't caught unaware. Everyone needs to sharpen their tools at some point. New strategies and techniques are appearing on an ongoing basis. Even an “old dog” can learn “new tricks”, and profit by doing so.

It is a fact that one of the fastest ways to build any business

Continued on Page 28

is by having the right contacts. Where can you find the right contacts if it is not through some sort of club or association? Across the U.S. many professionals count on associations to keep them informed and connected. They leverage the power of the Association for their own success. People that belong to associations have influence, have power, have inside knowledge, and best of all, understand that their empowerment comes from networking and sharing information with others without considering other business opportunities that may arise from such associations. In short they increase their opportunities. By networking in a REIA you can find potential partners for a deal, private money possibilities and contractors or other needed vendors. New investors can find mentors and more seasoned investors can find other active investors that may be using different strategies to complement the ones they use. For example, wholesalers can find rehabbers who would love more deal flow and landlords growing their business appreciate finding a money partner to help invest in new units.

The whole idea is to talk to other people involved in the same business that you are in, with the purpose of sharing information, experiences and even contacts for your benefit to do your job better. From past experiences many association members will agree that, by belonging to a professional business association, their understanding and management of their business got better. By being a member of a real estate trade association, the investor gains more credibility with local officials and acquires a voice by being part of a larger group.

Build Your Team

Investors need relationships with reliable professionals they can depend on. The easiest way to build your team is with contacts from your local REIA. (Check out the article on page 54 to see who you need to recruit to have a fully functioning team.) REIA groups contain members that are contractors, investor friendly realtors, title agents and the like. REIA Chapters have a vendor program for businesses that offer products and services to investors. They have also negotiated great

discounts or perks for their members and offer the National REIA suite of benefits that will save you more than your cost of membership every year. In fact, you can find every category of professional that you will ever need in your investing business at your local real estate investors association.

REIAs are a community that provide inside knowledge on education, service providers and even potential joint venture partners or private lenders.

Benefits Extend Beyond the Membership

When experienced investors join a REIA and form a community, benefits result for everyone involved, even the local neighborhoods they invest in. The professional investor helps the community immensely by working to rehab and redevelop housing, often helping to clean up the blighted areas in the process.

Finally, investors benefit in intangible ways too. Humans have a need to belong to something bigger than ourselves. You can do this by working with an association that has a national reach and that serves not just their members but the communities those investors do business in. Through the association you can have a connection to a wealth of knowledge and experience that can alleviate the troubling business issues that we each face daily.

If you are looking for a way to get affordable real estate education and information as well as an opportunity to talk with others who are actively investing, I can recommend no better resource than your local Real Estate Investors Association. Many of these groups feature great benefits such as discounts from product and service providers, online resources, special programs for everyone from beginners to advanced investors, and unbeatable networking opportunities.

Your local REIA group can be an invaluable partner on your road to financial independence! For information about other REIA groups around the country, visit www.NationalREIA.org



If your area does not have an active real estate investors association National REIA would love to help you organize one! Please give us a call at 888-762-7342 or visit the website at www.NationalREIA.org

National REIA's Legislative Affairs Effort 2019-2020

During 30-plus years of service to the real estate investing industry, the National Real Estate Investors Association has grown to become the premiere representative of those who invest in real estate. That includes rehabbers, wholesalers, notebuyers, private money lenders, landlords, and many more. As a strong federation of over 120 Chapters and local affiliates across the country, National REIA is the leading advocate for the industry as a whole, working hard to make the real estate investing industry a top quality trade with unmatched integrity, both for its participants and their customers.

Drawing on the knowledge and policy expertise of industry experts, a top-notch staff at the home office, as well as the advocacy power of their Chapters and local affiliated associations, National REIA provides a single voice for those in the real estate investing industry. The association provides leadership in an industry that's constantly on the move. It's a huge challenge, and one that the National Real Estate Investors Association meets head-on. Working through National REIA and its Chapters and affiliated organizations, real estate investors have the comfort of knowing that they'll have the benefits of outstanding educational programs, networking opportunities with their peers from around the nation, and the support of a strong national trade association.

National REIA's legislative activities cover all three levels of government; from statehouses to Capitol Hill and town halls via coalitions and partnerships with other housing and real estate trade associations, and their own network of colleagues.

Through these partnerships, National REIA works with lawmakers from across the country, whether meeting with them one-on-one or providing public testimony on the issues that affect association members. Ongoing issues tackled by the association include finance, taxes, property management, federal regulations, and model state laws on a variety of topics. These can range from seller financing and fair housing to even lead-based paint issues."

Through two key programs, BillTrack50 and VoterVoice, members are plugged in legislatively. BillTrack50 provides state and federal tracking of House and Senate Bills under consideration, raising the awareness of members prior to a bad law being enacted. In the event a modification to a potential bill is needed, VoterVoice provides an easy communication tool for members and non-members to weigh-in with their state and federal legislators efficiently and clearly.

Members are informed of legislative activities through NREIA's monthly and real-time digital updates. Legislative updates are published on NREIA's news site that reaches the public, as well as general members, at www.RealEstateInvestingToday.com. These updates cover general governmental affairs of the association as well as specialized areas as they arise. National REIA's governmental affairs department provides training at national meetings and is available for in-state training. They provide additional materials, strategic advice and ideas that help strengthen local and state legislative efforts.





NREIA Member Benefits 2019-2020



Arcana offers NREIA members 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.



Office Depot / Office Max offers tremendous savings and the ability to shop, in store or online, with 25% off your annual office supply purchases and 15-55% off pricing on over 1,500 items! However, one of their best special offers for NREIA members is up to 40% off finishing, printing & copies.



CallFire offers one of the world's most trusted communications platforms for voice and text messaging. Use CallFire to compose and send SMS text and voice broadcasts in minutes. National REIA members will receive special rates of for Voice Broadcast and Text Messages.



BuildASign.com is the world's largest online sign retailer. National REIA members receive up to 20% off all purchases of Retractable Banners, Yard Signs and accessories, Vinyl Banners and more. Simply upload your own artwork or use their design tool to make your own custom signs and have them delivered right to your doorstep.



Rent Perfect is the solution rental property owners & managers have been crying out for! Their Online Lease Agreement allows you to send your tenant(s) a customized lease agreement, electronically & securely. They offer the most accurate & thorough credit & background screening available. NREIA members receive a discounted 95¢ set up fee.



Constant Contact's Toolkit offers NREIA members one tool, for all their marketing. Customers get real results through marketing campaigns like email newsletters, surveys, events, Facebook promotions, online listings, and more.



BuildZoom helps connect you with the best contractors in the country. Their platform uses your data to objectively match your project with at least three contractors and assists you throughout the process with a project consultant.



Local Market Monitor provides decision tools for residential real estate investors with straightforward logic and real time information for opportunity analysis. National REIA members receive 25% off all purchases of Personal Investor Market Reports.



ClearVue Technologies' revolutionary bed bug traps not only detect bed bugs but captures them via a specially designed trap that is pet-safe, people-friendly and provides the most effective detection & protection against the growing threat of bed bugs on the market today. NREIA members receive 10% off all purchases.

NREIA Member Benefits 2019-2020



The Home Depot offers customized solutions & tremendous savings for members of National REIA through their Pro Xtra program. NREIA Members receive a 2% annual rebate, 20% off interior & exterior paints & primers, volume pricing, access to an exclusive appliance & cabinet program and much more!



HammerZen helps businesses save time & money by keeping track of Home Depot purchases and efficiently importing purchase data right into QuickBooks. Use it to create accurate 'actual vs. estimates' and become more competitive without even needing to hire a bookkeeper.



Equity Trust Company, a leader in Self-Directed IRAs, offers NREIA members a \$99 Self-Directed IRA for one year (regardless of account value) with Gold Level Service. Equity Trust provides investors the opportunity to take control of their financial future and boost their retirement.



OdorXit believes that you work too hard to give up profits to odors! You name the odor and they have a product that can safely eliminate it. Their products are not a cover up, eliminate the odor at the source and are safe to use around people, pets and the planet. NREIA members receive a 25% discount on OdorXit products.



1-800- GOT-JUNK? offers NREIA members a 10% discount on full-service junk removal. Call on them to assist with all of your property management needs. They can help you with clearing out unwanted items dealing with any illegal dumping, rehab waste, junk from turnovers, and de-cluttering a property before listing.



Podio is a customizable work management solution that puts content, conversations, and processes structured & together all in one place. Whether you're working with your team on a rehab or managing multiple rentals, getting everything related to the job on one page instantly makes collaboration that much easier. NREIA members can save 10% off their monthly price.



REIPro's revolutionary software platform walks you through the entire buying and selling process, step-by-step, regardless of what real estate strategy you're using. National REIA members receive discounted pricing on all packages. REIPro is the only software designed to walk real estate investors through 10 easily executable steps!



ARPOLA along with their GPO provider, leverage their national footprint and combined purchasing power to demand better pricing for goods & services that investors use every day – resulting in huge savings and improved ROI.

For an updated list of all benefits, please visit www.NationalREIA.org/benefits

Federal Legislative Update

Tax reform has taken place, and the top priorities have shifted from domestic to international. Across the country, local housing concerns are more focused on the lack of supply than even the cost of housing. Rents have been stable, or more to the point, flat in many areas, while concerns of gentrification are often mingled with the concerns for workforce housing. The cry for affordable housing has rallied people for years – the problem is “affordability” is often highly relative.

Consider using the phrase “obtainable housing” instead. By breaking down the hourly wage that can actually afford a 1-bedroom rental or the wage roommates could use to obtain a 2- to 3-bedroom rental, we can show the real obtainability of the properties being developed and redeveloped. In fact, without these facts from those of us who know – who actually approve residents for leases – activists will continue to promote outrageous statements.

One such statement was made at a seminar in the Midwest with hundreds in attendance: That a single employee is required to make \$55k annually to afford a 1-bedroom apartment. For perspective in the Midwest, a 1-bedroom

apartment can range anywhere from \$350 to \$650, with rents above that providing significant amenities. Based on that theory, the rental standard could be as high as a 10-1 ratio! That’s more than three times higher than banks require for purchasing a house!

With Congressional town halls coming back in style, and probably still rather raucous, it will be important for property owners to weigh in with the facts, and success stories to counter the woe-is-me crowd and add some perspective to the community discourse.

In lieu of addressing Opportunity Zones here, please see the article on page 8 or visit the NationalREIA.org website and look up the most recent free webinar provided in conjunction with the attorneys at Frost, Brown, Todd, LLC.

Seller Financing

Few bills have caused as much controversy as Dodd-Frank. The cost of Dodd-Frank is another item entirely. How can a nation calculate the vast number of loans not taken, and opportunities that passed us by? All the while giving rise to a specter of hypocrisy that mocks the bill, the legislators



and the country, as the very banks it was designed to shrink have increased in size. Too-big-to-fail has become a Damocles' Sword hanging over all of us – swinging precariously. The irony is that seller financing wasn't at the heart of the Great Recession. In fact, the Consumer Financial Protection Bureau (CFPB) noted that private investors are not a financial risk to the country and finance markets. Seller financing limitations were the result of an unintended consequence that needs to be resolved.

National REIA will continue to work with co-sponsors



NREIA COO Charles Tassell (right) meeting in D.C. with U.S. Sen. Mitch McConnell, Senate Majority Leader

Rep. Williams (R-TX) and Rep. Vicente Gonzalez (D-TX) and many others to address this particular error of Dodd-Frank regarding seller financing. Updates can be found at our partner's site, www.SellerFinanceCoalition.org, and at www.NationalREIA.org.

Disparate Impact: Chapter Three – Testers on the Loose!

Previously we provided the following update on HUD and its legal theory brought forward during the Obama Administration and tested with a Supreme Court ruling in 2015. Since then, HUD has said it will re-interpret the “guidance.” However, there has not been anything forthcoming. On the other hand, Fair Housing activists have found this to be an easy item for testing purposes and are using it effectively against property owners. PLEASE make sure you are aware of the law on this issue. If you have questions, contact a local Fair Housing-knowledgeable attorney or attend a local REIA Fair Housing education seminar!

2018 background:

Since that time a new administration, and now a new legal team at HUD, are taking a hard look at the merits of a law that can hold individuals, companies and even municipalities culpable for the unintended consequences of equally applied rules, regulations and laws. The policy has caused no end of consternation when it was determined that through the Disparate Impact theory, all zoning was functionally federalized. HUD could determine a town, county, and state are guilty in the event that one or more protected groups were impacted, let alone discriminated against at any one of the three levels. Now while politicians don't mind holding private citizens and corporations accountable, in fact, they often feel it is there moral imperative, however, when those same “leaders” are held to the same standards, they cry foul. And they have! When one considers the demographic diversity of a town or village in comparison to its county or state, there is usually a clumping of groups that would statistically even out at some level, but each level may differ, sometimes dramatically. These differences allow for HUD and the federal government or their representative, in the form of a legal challenge by someone claiming to represent one of the protected classes, to bring forward a lawsuit to force whatever changes they say are needed to even out the demographic differences. And just like that, a locale has lost its self-determination and legal sovereignty. As for companies, it is functionally “guilty until proven innocent.”

Continued on Page 34

The May 10th, 2018 HUD statement:

The Department's Disparate Impact Regulation provides a framework for establishing legal liability for facially neutral practices that have discriminatory effects on classes of persons protected under the Fair Housing Act.

The Supreme Court upheld the use of a 'disparate impact' theory to establish liability under the Fair Housing Act in cases where seemingly neutral practices have a discriminatory effect on protected classes of persons. While the Supreme Court referred to HUD's Disparate Impact Regulation in its Inclusive Communities ruling, it did not directly rule upon it.

Shortly, HUD will formally seek the public's comment on whether its Disparate Impact Regulation is consistent with the Supreme Court's Inclusive Communities ruling.

The public comment process is an interesting one at best. For some departments, it means they plan to make a change and have to go through this process; for others, they are truly seeking feedback. Considering the formative state of this legal theory, communications will be impactful around Disparate Impact Theory.

Mortgage Debt Relief Forgiveness Act

While National REIA is focused on a long-term fix for this mess, a short-term solution is also encouraged. On Dec. 31, 2016, the most recent two-year extension bill expired. National REIA has strongly supported D.C. lobbying efforts, spearheading the grassroots messaging asking for relief from the IRS on America's underwater mortgages, and will continue to do so as the new administration and congress find their footing. To date, there has been some encouraging movement on a whole basket of bills called the Tax Extenders, which includes the Mortgage Debt Relief Forgiveness Act, as it will not be a stand-alone bill. While there are substantial reasons for optimism that this package of bills will move forward, the partisanship in prelude to 2020 is grinding many bills to a halt.

Relationship Building: Listen, Share, Build.

Campaigns are over. Ads have disappeared. Now the winners must govern. However, do not let them do so in a vacuum. As a small business owner and investor, take the time to update your legislators, albeit briefly, with highlights about your business and its impact on their constituents. Don't forget to illustrate the impact that legislation and regulations have on your business. Invite them to open

houses – show them before and after pictures! Let them see the real work that is going on in their community; your community.

This is a special time of relationship building that can have long-lasting benefits for the real estate investor community – if we reach out and invite local, state and federal legislators to our events and open houses. And don't be dissuaded at the lack of attendance, or even staff attendance. You can be a great resource for them as policies impacting our industry rise in the future. Persistence is key to building solid, long-term relationships.

And, Finally...

As the largest industry voice for real estate investors, National REIA has partnered with two sister organizations and want to recognize the great work they both performed on tax reform and numerous other issues, including companion animals, ADA drive-by lawsuits, flood insurance and HUD reforms. The National Apartment Association (NAA) represents owners and managers of more than 8 million apartment units across the country and is the voice for the multifamily industry. The National Multi-Housing Council (NMHC) is a knowledge powerhouse for developers and owners alike, conveying pragmatic solutions to Capitol Hill and the regulatory agencies.

Stay Up to Date

For the latest updates on communications to Congress, please visit www.NationalREIA.org and then under the Legislative tab, click on the Action Center. Also, stay up to date with current industry news by visiting our news site, www.RealEstateInvestingToday.com.



NATIONAL REIAU IS HERE TEST DRIVE IT NOW!

Enroll In Online Classes And Start On Your Path
To Real Estate Education With National REIAU Today
Visit Us Today at www.NationalREIAU.com

ABOUT US

Imagine real estate investing training that is fast, easy and convenient! National REIAU delivers great low cost, high quality investor training on exactly the subject you want, exactly when you want it. It is all available right here, right now with www.NationalREIAU.com.

We provide comprehensive course material through videos and provide the professional education that will set you apart from your competitors. Our ever-expanding selection of courses is timely, accessible and cost effective. REIAU will be the leading online resource for real estate investors, both beginners and advanced. The National REIA University is the most comprehensive educational program available for real estate investors.

OUR GOAL

National REIA's goal is to put you in control of your education and training so you can learn more and earn more – on your schedule! From the “Quick Tips” clips, to on-demand videos to regularly scheduled webinars, National REIA brings you the information you need to manage your real estate investing business more effectively. We help you boost your bottom line, while reducing your stress and worry.

Visit Us Today and Start on Your Path to Real Estate Education At www.NationalREIAU.com

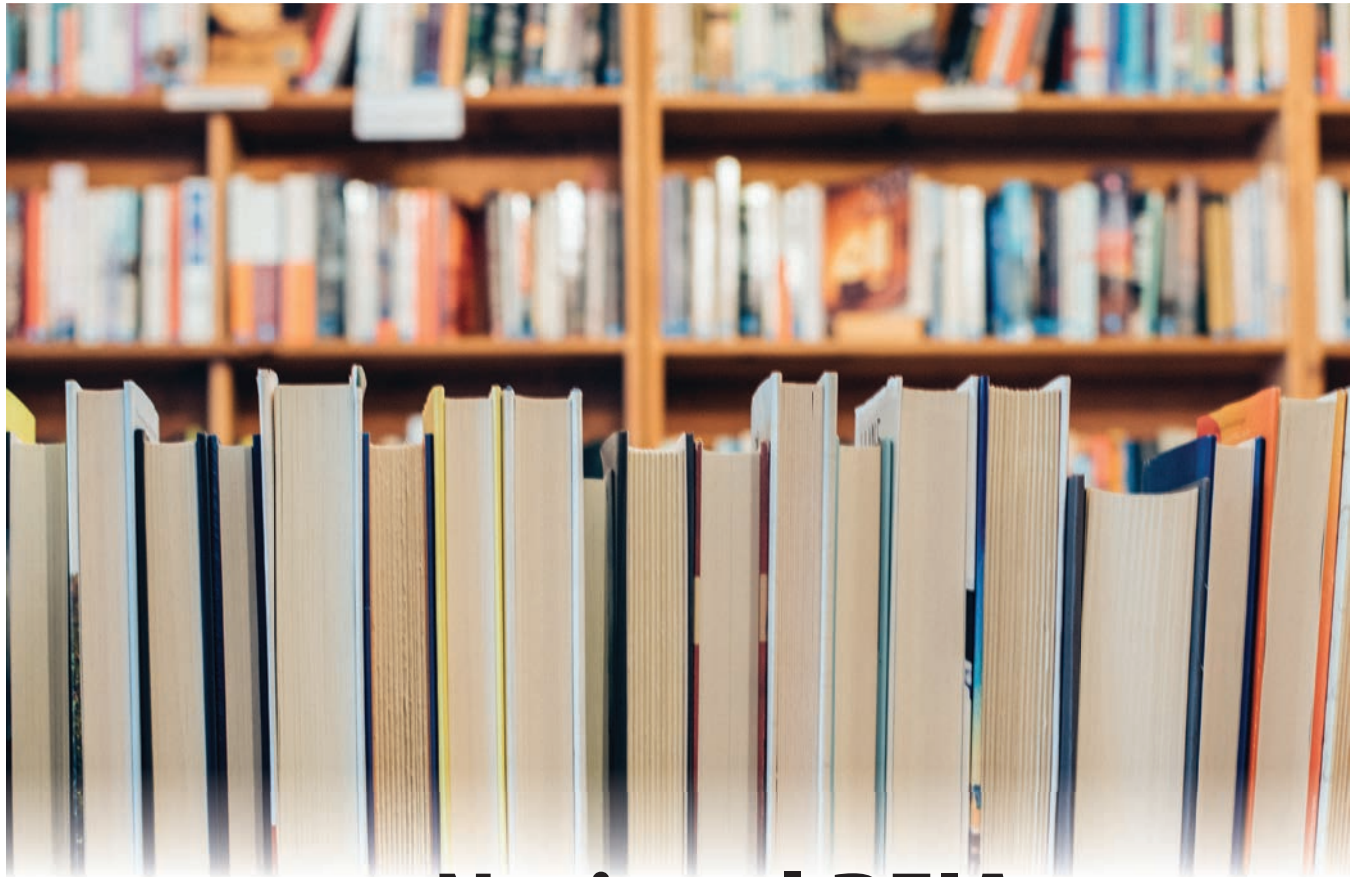
USER EXPERIENCE

- ✓ **“Fingertip Technology”** – education brought to you on your desktop, laptop, tablet or phone
- ✓ **Cost Efficient Learning** – education without travel costs or scheduling issues
- ✓ **Accessible** – 24 hours a day, 7 days a week
- ✓ **Convenient** – flexible and easy to use
- ✓ **Engaging** – education brought to you by highly qualified instructors with easy to follow presentations
- ✓ **Personalized** – work at your pace and in a location of your choice
- ✓ **Real-time** - information following best practices to keep you up to date.



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Toll Free: 888-762-7342
Email: info@nationalreiau.com



National REIA UNIVERSITY

Get the education you need on a schedule that works for you.

With the fast-paced lifestyle of today's real estate investor, you need training that is not only up-to-date but convenient. For the past 30 years, National REIA and our Chapters & Affiliates have trained real estate investors in an ever-changing work environment. Just as the industry and investing environment has evolved, so has our training from offline to online. Now you can receive training wherever you are with our online training solution, National REIA University.

Experience:

- "Fingertip technology" – education brought to you on your desktop, laptop, tablet or phone
- Cost efficient learning – education without travel costs or scheduling issues

- Instruction from industry experts who are passionate about our industry and sharing their knowledge and experience

Training that is:

- Accessible – learn anywhere by switching between your computer, tablet, or mobile device, 24 hours a day, 7 days a week
- Video Training Taught By Experts
- Convenient – flexible and easy to use
- Engaging – education brought to you by highly qualified instructors with easy to follow presentations
- Personalized – work at your pace and in a location of your choice

- Real-time-information following best practices to keep you up to date

When you decided to open your business as a real estate investor and stepped into this industry, your journey just begun. The real estate industry is ever evolving, legislation and regulation are racing forward, technology is changing the ways we do business, and associations are a primary source for lifelong learning and keeping up with what you need to know now.

Current studies show that online and digital formats have earned their place among professionals' choices for adult education. Imagine real estate investing training that is fast, easy, and convenient! National REIA U delivers great low cost, high quality investor training on the exact subject you want, when you want it, right here, right now with www.NationalREIAU.com.

It's true! High quality training, for just a few dollars, delivered to your screen with a click of a button so you can experience it and review it as often as you'd like.

Build your expertise and maintain a competitive edge. Classes at National REIA U give you the specialization you need to keep ahead of trends, seek greater market opportunities and stay competitive. National REIA U has an overview of the hottest topics in real estate investing that features quick sessions packed with information that maximizes your time.

You can also enjoy On-Demand videos that are approximately 30-minute educational sessions that provide more in-depth training on popular topics, require no travel, no class time, and no scheduling challenges. You can watch the videos right from your desk, your living room, or even the soccer field!

The National REIA University is the most comprehensive educational program available for real estate investors. We provide comprehensive course material through videos and provide the professional education that will set you apart from your competitors.

National REIA's goal is to put you in control of your education and training so you can learn more and earn more – on your schedule! From the “On the Go” clips, to on-demand videos National REIA U brings you the information you need to run your real estate investing business more effectively helping you to boost your bottom line and reach the level of success you have always wanted.

The best part of National REIA University is that it is cost efficient and counts toward your PHP designation!

National REIA is the premier online resource for real estate investors both beginners and advanced. Our University is comprised of 4 different components.

1. Education at your local REIA includes monthly meet-

ings, subgroup sessions, special evening and Saturday sessions and more. You can get a great overview of investing or become a serious professional by getting your Professional Housing Provider (PHP) designation. See page 38 for more information on this valuable industry designation.

2. On-Demand Education Classes are approximately 30-minute educational sessions, that provide more in-depth education on popular topics, that require no travel, no class time, no scheduling challenges. You can watch the videos from wherever you are.
3. The “Quick Tips!” videos feature quick 5 – 7 minute sessions packed with material that gets you the information you need fast! These feature the most frequently asked questions from real estate investors. Many of these are sponsored by The Home Depot and answer many of your rehabbing questions in a flash.
4. Our Webinar and REIFAnet series updates you on major topics of interest in the rental housing industry. In addition, legislative issue briefings, economic updates, current events and other hot topics will be added on an on-going basis to keep you informed about how these issues might affect your business.

Stay on top of new issues within the industry or get a refresh of the tried and true techniques for investors with our virtual education. The best part of National REIA education is that is it cost efficient and much of it is free with your membership!

Keep Up to Date. Acquire New Skills. Advance Your Business. Expand Your Mind.



National REIA's Education Designation: Professional Housing Provider

You know you are excellent in the field you have chosen, but how do you let others know you are qualified and have the expertise they expect? Medical doctors have earned the right to use M.D. following their name. How can you be identified when handing out your card or on your email signature before anyone gets to know you? By being certified in the area of your expertise. Prospects want to know that you have taken the time and effort to learn and demonstrate your knowledge in the area of your expertise, before they put their trust...sometimes their future, in your hands.

While you may not be hanging out a shingle to practice medicine, you will be making your availability for doing business known to others. What better way to promote your reputation than to have a designation in your field of expertise. What you gain in taking coursework is more than textbook applications, you learn best (and worst) practices from your peers, saving you time and money in the long run.

*Knowledge is a powerful thing
and when properly applied
becomes a tool to build wealth.*

Following through on our commitment to promote the highest levels of knowledge and professionalism among members, National REIA has initiated a nationwide, education-based certification program.

The program awards a "Professional Housing Provider" (PHP) designation to investors who complete it, which they may do through their Chapters and Local Affiliates.

Most REIA members are well aware that they would be nowhere without continually refreshing the mastery of knowledge required to make sound investments in a fickle market, build successful businesses, and lead fulfilling careers. However, people less familiar with real estate investing



may be harder to convince. The PHP program is designed to bolster public perception of investors by showcasing them, for legislators and other public servants, as an effective force for social good and positive political action.

The PHP designation helps build and reinforce the public perception of Real Estate Investors as professionals and it sets expectations of knowledge, actions and serves as a standard for the industry.

1. The designation sets out from the beginning the standards of professionalism and therefore tempers the perceived need for government intervention.
 - Other industries have learned the hard way that if they don't set standards for themselves the government will be happy to do that for them.
2. The designation protects investors and their clients with the established standards by educating them on the essentials of due diligence.
 - The majority of governmental intervention is centered on consumer protection. If we outline the standards in the beginning the need for protection can be met via due diligence standards and the support of the community.
3. The designation provides the standard by which understanding and commitment to the industry is measured.
 - The worth of designations and certifications in general comes from the value of the education and information gained in the program, the proof of commitment to the industry by participation in the program. It also comes from loyalty to the industry and commitment to the greater good by belonging to the association and taking the time to be better informed as well as becoming part of a coalition for industry protection and improvement.
4. Designations and certifications in general are making a comeback because the public values having a third-party validated knowledge base, leading to a better industry reputation, higher-quality business interactions and, ultimately, more customers with the rise in trust and positive PR resulting from this increased positive perception.
 - Implemented properly, designations and certifications give state and local organizations – and professionals and consumers – an assurance of competency in the constantly changing world of business.

“We chose the name of the designation to be very descriptive of what real estate investors do. We provide solutions for one of the most basic human needs - housing. We provide housing to families and individuals. Because we don't have the burdens of a corporate hierarchy we can be creative and people oriented. Real estate investors who are educated and experienced can have a greater impact in a community, in less time and with less money than any government entity or organization. Our PHP designation is meant to prepare investors to serve their community while earning an income for themselves and their family. It's a true win-win,” said Rebecca McLean, Executive Director of National REIA.

Members can acquire hours by presenting a certificate of acceptable attendance and/or participation in one of three methods:

- Local association meetings and seminars
- Pre-approved courses taught outside of local groups
- Online through National REIA University

Each study covers a minimum of 44 hours of core courses and 18 hours of elective topics, for a total of 62 hours. Core topics include Appraisal, Rehab and Hands-on Rehab, Fair Housing, Ethics, Negotiation, Financing, Tenant-landlord Law, Contract Law, EPA Regulations, Federal Regulations, Purchasing, Inspections, Tax Law, Insurance Including Property, Workers Comp, and Liability and Marketing.

Having the coursework tailored to the field of your interest eliminates costly and time consuming classes as required in college degrees. Current and relevant information is more readily assimilated in coursework that is provided than in standard learning settings. You probably start with the basic skill set, but now need to back those up with substance, along with various legal aspects and responsibilities.

“We are not simply ‘landlords,’ but informed individuals with reputable businesses who contribute to their communities,” said Elmer Diaz, past-president of National REIA.

Because, to quote Diaz, “we believe that the ability to present our members as dedicated educated professionals will aid our political and lobbying activities, continuing education is vital to continue to hold the PHP designation. The PHP program will likely evolve as it succeeds in helping our members earn greater respect in the public eye, proving itself a dynamic, effective, and valuable asset to the community—much like REIA members themselves.



Five Real Estate Investing Fundamentals

By Jeff Watson, The Jeffery S. Watson Law Firm LTD, General Counsel National REIA

One of my favorite movie moments is when Ernest Borgnine, portraying the legendary football coach Vince Lombardi, stood in front of the world champion Green Bay Packers at the beginning of training camp and held aloft an oblong object proclaiming, “Gentlemen, this is a football.” What Vince Lombardi taught the Green Bay Packers then applies to real estate investing today.

1. Master the basics.

Practice them over and over again. Consistently do the fundamental things that make you a successful real estate investor.

2. Repeat your successes and keep repeating them.

The vast majority of “investors” today suffer from what I call “squirrel or shiny-object syndrome.” They have a little success in one area, but then they are suddenly distracted by something else and go to another area, and then another, and then another. The bottom line is they lose their focus and intensity, and they don’t continue to practice the same thing over and over again. Let me remind you, slow and steady wins the race!

3. Establish your parameters.

In addition to becoming good at the basics, I urge real estate investors to establish their investment parameters.

- What kind of investments or deals do you want to do? Are you going to do loans? Are you going to use options? Are you going to buy rentals or tax liens? Are you going to invest in commercial properties? Pick two or three (no more than that) of these things and get very good at doing them. Do them over and over again.
- Determine what you are looking for in each of your potential investments.
- How much capital per investment are you willing to put at risk?
- How much time will you put into this investment?
- What is the length of time you want your capital to be out working?
- What is the projected rate of return you are seeking?
- What is the minimum rate of return you want from your cash and/or time in each of your investments? When I say “rate of return,” I’m not just talking about an interest rate.
- Do you want your investments to result in your receiving monthly income payments, either interest only or something else, so each investment is generating a monthly cash flow to you?

These are just some of the parameters you need to establish for yourself. There is no one book, manual or class where



you can learn all this information. No, it requires your spending some time working on what you think is best for you. That means you may have to do one of those activities in which investors should engage on a regular basis but often don't – think and plan. As you think and plan, you will be able to clearly define your investment parameters in a way that you can clearly communicate with others who may want to do business with you.

4. Do your essential due diligence.

Another key component of real estate investing involves your due diligence process. There are two very crucial questions to be asked at the beginning:

1. Who is involved?
2. How are they involved?

Allow me to explain why these questions are so important. It doesn't matter how papered-up or how careful your lawyer is when drafting the agreements. If the person on the other side is a person of weak or poor character whom you know has a tendency not to honor their word, it will not be a good deal.

You want to be in a situation where someone you know who has very high character and is a capable investor is involved in the transaction. You still need to know HOW they are involved. Are they going to be involved in a way that will make sure the deal goes well, or are they just on the periphery and their name is just being "borrowed" for marketing or window-dressing purposes?

Once those key questions have been answered and you understand who is involved and how, and you have done some basic due diligence on them, then you are able to determine if you want to proceed with further due diligence on the deal or investment.

Even though you may have a long, successful track record of doing multiple deals with individuals, it never hurts to check up on them again to see if things have been going well in other aspects of their lives. Allow me to share a brief story to illustrate this point.

A client of mine indicated that he had made a series of large-dollar, hard-money loans to a rehabber who always got the properties finished in great condition, and they sold for top dollar. After doing several of these deals, he began to feel very comfortable with this borrower.

Unbeknownst to him, this borrower was having marital problems. Once those problems grew to the point where domestic relations court and lawyers became involved, this individual's rehabbing business fell apart, and one of my client's loans was put in a great deal of jeopardy. Fortunately, things worked out and full payment was made, but it was late and destroyed my client's belief that this rehabber could be

counted on to perform and pay on time.

Make sure you develop the type of relationship with the individual with whom you are doing business that allows you to look them in the eye and ask them how they are doing and what else is going on in their life so you can pick up on what issues may be on the horizon that could affect the way you are doing business with them.

5. Organize your deal paperwork.

There is one last fundamental principle that investors need to understand that I want to share with you. You need to organize your paperwork. You need to have all your baseline transactional documents saved in Word format so you can easily do your own word processing and create nearly-completed drafts of your documents to be reviewed by the appropriate outside professionals and other parties to the transaction (yes, get a professional review each time).

By always working from a baseline document, you have a template in place so you aren't reinventing the wheel every time. You are also able to maintain a greater degree of privacy and security over what you've done with other deals. I often see individuals who grab the last document they used (last lease, last trust agreement, last operating agreement, etc.), and they begin making edits to that one for the next deal, not realizing that there may be holdovers, both digitally and facially, in that document. Has that ever happened to me? Embarrassingly, yes. I have taken steps, however, to prevent it from happening again in the future. That's why I'm sharing this concept with you.

Whatever the type of document, whether promissory note, mortgage, deed of trust, option agreement, due diligence checklist, or borrower questionnaire and loan application, have them saved in a baseline format that you can quickly modify for the particular deal on which you are working. This will allow you to be much more organized as you prepare these documents on your own to be sent to your lawyer or other licensed professional for review and then used in the transaction.

Remember, it's all about getting good at the basics. Make sure you master the basics of real estate investing, establish your parameters, do thorough due diligence regarding those with whom you are working, and work from the same, consistent set of documents so you can continue to repeat your successes.



The Magic of Leverage

The Greatest Real Estate Advantage

By Fredrick Carroll

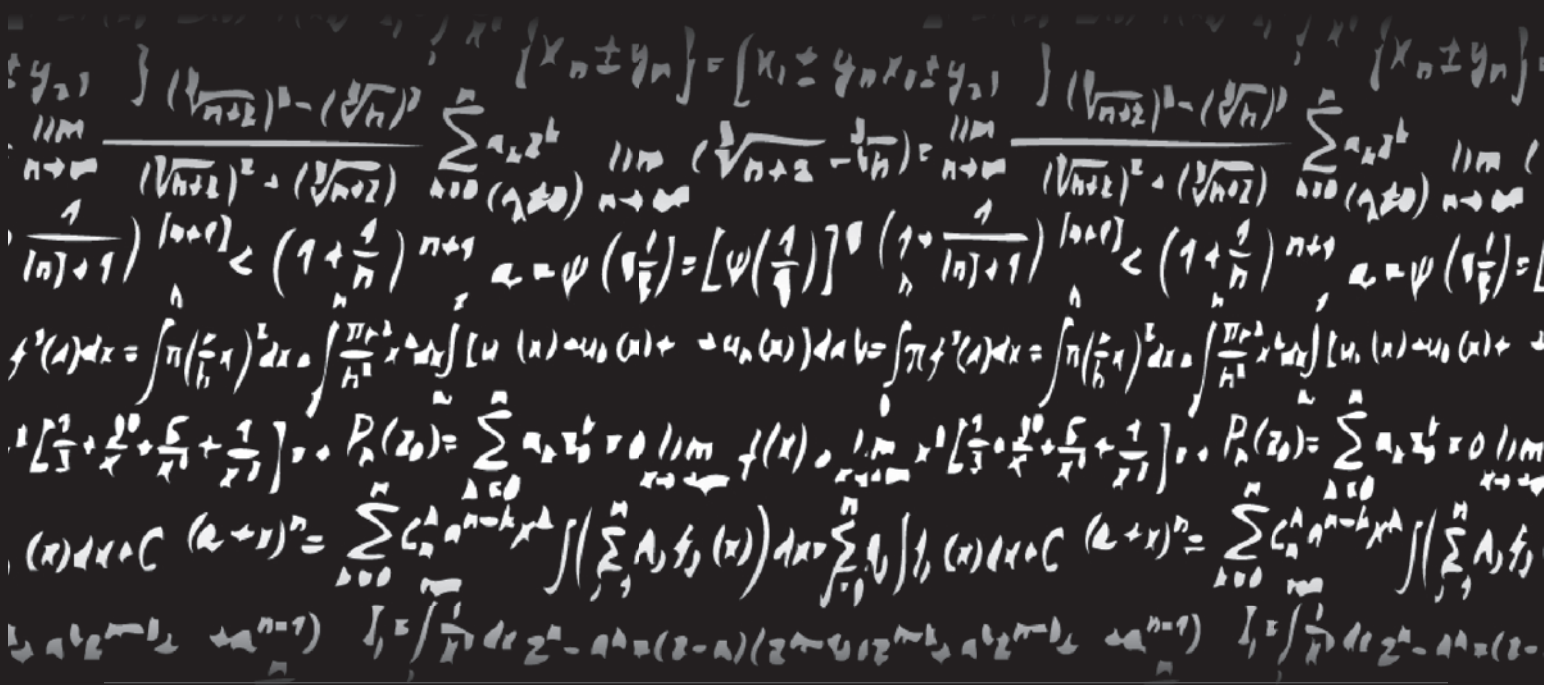
Investopedia defines leverage as the use of various financial instruments or borrowed capital, such as margin, to increase the potential return of an investment. In our industry we often refer to it as “other people’s money” or “OPM”. If used properly, leverage will significantly enhance your return on investment. This is easy to do if you invest in income-producing real estate but much more difficult, if not impossible, if you’re investing in stocks or mutual funds.

Ignoring the fact that stocks, mutual funds, bonds and other investments are in turmoil at the moment, real estate has nearly always been the best use of investment dollars specifically because of the leverage capacity.

Let’s say you have \$100,000 to invest. If you invest it in stocks, bonds, or mutual funds, you can only buy a \$100,000 stake as a shareholder. However, if you invest

that same amount in rental property – a higher end single family rental, duplex, or in some areas even a quad – you can leverage that same \$100,000 into a much higher valued asset. You can purchase a \$300,000 income-producing rental property, use only \$100,000 of your own money and the bank – or even better a private lender – lends you another \$200,000 at a fixed interest rate amortized over time. You may even be able to spread it over 25 or 30 years. You have positive leverage when the interest rate on your mortgage is lower than the overall return on the property. Compare this to investments in the stock market. It doesn’t even compare!

Let me give you a personal example. I have a \$300,000 property generating a net cash flow of \$25,800 each year without any debt financing on the project. That’s an 8 percent cash-on-cash return on your investment ($\$25,800 / \$300,000 = .086$ or 8.6 percent).



Now say you invest your \$100,000 and borrow \$200,000 at 4.5 percent interest, amortized over 30 years. The monthly mortgage payment is \$1,013.37 per year. Deducting the annual mortgage payment from the net cash flow of \$25,800 gives you \$13,639.56 in net cash flow. That increases your return from 8.6 percent to 13.6 percent ($\$13,639.56 / \$100,000 = .1363$ or 13.6 percent).

By using leverage your annual cash-on-cash return increases by 58 percent ($13.6 - 8.6 = 5 / 8.6 = .5813$ or 58 percent). Isn't that amazing?! This is the magic of leverage.

Today lenders, via their self-directed IRAs or just private money (and even banks) consider real estate a relatively safe option. In fact, compared to the stock and bond market real estate is not only safer but actually more profitable.

Several years ago, I attempted to get a loan using my stock portfolio as collateral. I had a portfolio of blue chip stocks and thought I could borrow money at a low rate of interest and use the money to buy more rental real estate. I didn't get very far at all. Although I had previously taken a loan against my own IRA short term and had paid it back early this bank would lend less than half the value of my portfolio. Worse yet, the interest rate was astronomical at the time, almost double their published interest rate! This is when I found the concept of self-directed IRAs and haven't looked back since.

However, even conventional financing makes sense with this simple, yet powerful use of leverage. Think about that \$100,000 investment in our current economy. At best you may earn 6.0 percent in the market or less than 2 percent in cd's or money market accounts. At 5% over 10 years will return \$162,889.46 while that same investment earning 13.6 percent over 10 years will return \$357,917.81. That's a 120 percent increase in value over only 10 years!

There are, however, a few things to keep in mind as you use leverage to invest.

We just came through an era when investors got "OPM happy" and totally overdid the use of leverage. Make sure you take into consideration that we are potentially near a peak in the rental market. Estimate your potential rental income below what going rate is cur-

rently. Make sure you figure in possible vacancies over time to your budget. Remember, you have to pay the money back on time to keep your credit rating up and a couple vacancies are inevitable.

When you calculate your loan to value (LTV), be conservative. I suggest no more than 70% LTV in any economy but in a heated one you may want to be even more careful.

Choose a high quality property in a good neighborhood. If you were investing with cash you can choose a more risky "up and coming" kind of property. If you are using leverage choose an area where, even if rentals decline, you could sell the property easily. Remember that rental property isn't as liquid as stocks, bonds or mutual funds. A high quality property makes it easier to get out if an emergency strikes.

My most valuable advice is be prepared for the business of rentals and keep in mind that it is most certainly a business! Either get serious about your education and dedication to the business or hire a good property manager. Get several references and be certain that they are current. Finding a good property manager or firm can be the most difficult and frustrating part of investing!

Finally keep in mind that any investment that produces any reasonable return involves some risk. I believe that real estate isn't nearly as risky as the current stock and bond markets (negative interest rates anyone?) but there is always some uncertainty. Be honest with yourself to make wise choices.

Although I am not a financial advisor and cannot give any kind of financial advice, I will tell you that I have moved nearly all of my investments into real estate of some kind. If the real estate holdings themselves are not your cup of tea you may want to consider being a private lender yourself.

Experts will tell you that a balanced portfolio is best. I believe that adding real estate, in some form, to whatever investments you prefer will bring you far greater returns than stocks, bonds, and mutual funds alone could bring. I speak from experience when I say that using a little leverage for income-producing rental real estate can build wealth much faster than other traditional options. Just remember, it's "the magic of leverage."



Improving Neighborhoods, One Home at a Time

By Rebecca McLean

EXECUTIVE DIRECTOR, NATIONAL REIA

There is no doubt about the critical need for affordable housing in America today. Affordable housing allows families to have a stable home, offering countless benefits to children by helping families stay connected to the communities they choose where they have found medical care, churches and schools. Stability helps keep families together. However, there is another benefit of providing affordable housing; it becomes a pathway to homeownership, a way to build financial security.

Members of the National Real Estate Investors Association work every day to improve neighborhoods, one home at a time, doing our part to provide safe, affordable housing to Americans at all income levels. Whether it is rehabbing an older distressed home or providing rental housing, our members are on the front lines of this important issue.

However, there are some concerns about housing in general that need to be addressed. Well-intended regulations often drive up the costs of rehabbing older housing and building new housing. In some areas the opportunity for developing affordable housing is so diminished it is non-existent. What little housing that gets built tends to be higher-end where the profit-margins are greater and the costs more easily recouped. Often this creates a disincentive to develop affordable housing.

With the best of intentions, lawmakers often respond to the lack of affordable housing by passing more laws and regulations. Each new law starts the cycle of unintended consequences. It makes for good press conference soundbites, but it's not that simple.

In reality, America actually has a huge supply of affordable housing, though much of it is in rough shape. That's where our members play a vital role. In many communities across the country, deferred property maintenance has taken a heavy toll – especially on older homes. Whether it was because of neglect or a lack of resources from the owner, a lot of homes are in dire need of rehabilitation. This causes legislative knee-jerking in the form of punitive property

maintenance codes and regulations.

We like to say neighborhoods can be improved one home at a time, and it is certainly true. National REIA members often seek out and identify distressed properties in neighborhoods that no one wants to touch. They rehab those properties and add value not only to the community (removing blight, abandonment, etc.) but strengthening the local tax-base as well through increased property values. Families looking for starter homes (to buy or rent, depending on their situation) are then able to find quality, affordable housing in a neighborhood that meets their needs in a location of their choosing.

This is a big deal for those in lower-income communities, especially when it comes to accessing good-paying jobs and quality schools. Many families also want to put down permanent roots. Buying a home allows them to build financial security while providing stability for their family. It is a win-win.

Finally, there is one item on the horizon that will potentially have an incredible impact on the supply of affordable housing - Opportunity Zones. As part of the Tax Cut & Jobs Act of 2017 (now law), these zones have the power to profoundly impact distressed communities across the nation. We believe the tax incentives provided by this new law will spur a wave of redevelopment that will not only provide a steady supply of affordable housing, but embody the old axiom of a rising tide lifting all boats.

After all, a diverse housing stock providing affordability at all levels of income is key to helping Americans attain the American Dream. Whether it is homeownership or a comfortable rental home, National REIA members are helping families make that possible, one home at a time.



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Giving Back to Our Communities

They say real estate investors improve neighborhoods one home at a time, but they also enrich their communities by giving back. Many REIA's across the nation organize volunteers for rehab projects, holiday events, provide meals to the homeless and much more. Some members go the extra mile by establishing a separate organization or making it their mission to help fund the efforts of a well-established charity. The two individuals below were each featured in the Member Spotlight of the RE Journal (NREIA's quarterly industry newspaper). Each issue contains a story about a REIA member from around the nation, how they got into real estate investing and how their journey has evolved. Mostly, these articles discuss their ups & downs in the business along with helpful "been there, done that" advice. However, these gentlemen are just a couple of the many fine examples of REIA members from across the nation who have stepped up to the plate and are working hard to make extraordinary differences in the lives of others.



Ken Lacy is the Executive Director of Veterans Path Up (VPU), a non-profit organization that rehabs homes for honorably discharged veterans, active duty and reserve servicemembers. The organization



finds placement for veterans in VPU's homes as renters and then helps guide them on the path towards homeownership. They help those who have served achieve stabilized,

affordable housing and they've changed many lives as a result. Ken is a U.S. Navy Veteran who served 9 years on active duty and 17 years in the reserves. He is passionate about helping those who have protected our freedoms. Ken is a member of the Metrolina REIA in Charlotte, North Carolina. For more information please visit www.VeteransPathUp.org.

Bob Zachmeier has been a landlord since 1982 and lives in Tucson, AZ where he and his wife, Camille have built a highly successful real estate business. However, his real passion in life is "Paying it Forward" by sharing his success in business with others in order to improve the lives of children. Since 2009, Bob has raised over \$400,000 for the Make-a-Wish Foundation, which is nearly half of his \$1,000,000 lifetime goal. He is the author the book *A Daily Difference*, which demonstrates how easy it can be for ordinary people to make charitable giving part of their daily routine. His book contains dozens of real-life stories from people who have made small daily changes that have resulted in huge sums of money being raised for charities. The book promotes a life-style you can adopt, enjoy, and pass on as a legacy to your children. Bob is a member of the Arizona Real Estate Investors Association (AZREIA).





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Real Estate: What's in it for Me?

Many people are interested in real estate, but don't really know much about it. They know that it seems that a lot of people have made a lot of money in real estate (or achieved other goals using it), and they wonder if maybe there could be something in it for them, too.

National REIA wants to help you understand a little more about the real estate business and real estate investing. We've developed this report so you can get an overview of multiple investing strategies and determine whether any of these areas of real estate business or investing sound interesting to you. All of the strategies in real estate we cover in this report are actually used by REIA members. When you join us at a monthly meeting you can talk to us and learn even more.

Here are some areas of real estate discussed in this report:

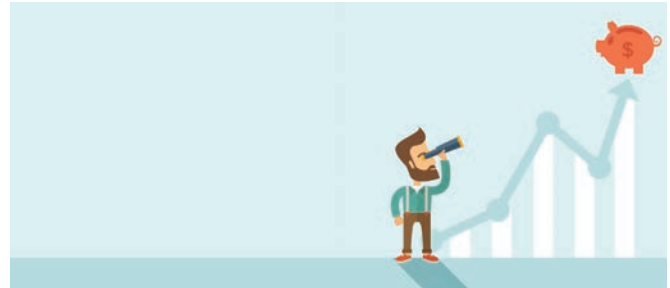
- Landlording
- Wholesaling
- Rehabbing/Retailing (Flipping)
- Discounted mortgages and notes
- Private money and hard money lending

There are many more things you can do in real estate, including being a real estate agent or broker, an appraiser, or a home inspector, and buying/selling on creative terms. Although these are beyond the scope of this report, we at REIA would be happy to discuss these with you as well.

Real Estate Business vs. Real Estate Investment

Is real estate a business, an investment, or both? The correct answer is "Yes."

The "business" of real estate is generally referring to an ongoing, hands-on strategy. This is usually done using



techniques like wholesaling, retailing, and flipping (buying/rehabbing/selling) property. It can be a great way to make a living, but if you stop working at your real estate business, the income will stop too.

When we talk about "investing" in real estate, we typically mean buying and holding real estate long-term, which generally means you are acting as a landlord, or landlording. When investing in real estate, we talk about tax advantages, return on investment (ROI), and appreciation.

Many people operate a real estate business and invest in buy-and-hold properties at the same time, but it is helpful to keep the two concepts separate in your mind. In any case, you can participate in real estate full- or part-time.

Goals:

What are your goals? You need to think about this and come up with your own answer before you actually proceed to involve yourself in real estate as a business or investment.

Below are some common goals that you may want to achieve through real estate:

- Higher income
- Tax benefits
- Self-employment
- Personal fulfillment



- Passive income
- Increased wealth
- Supplemental current income

At this point we'll begin an overview of different types of real estate businesses and investing. National REIA has experts who are involved in these various areas of real estate, and they would really like to speak with you at a monthly meeting. You can also find more information on these and other investing strategies at www.nationalreia.com.

Landlording

Description – Landlording is the purchase of and holding of real estate over a period of time. It is often referred to as “buy and hold” or as the “get rich slow” technique.

Pros:

- **Tax advantages** – This is a huge advantage to buying and holding real estate. The government has setup the game in such a way that owning real estate long-term as an investment can save you significantly on your taxes.
- **Appreciation** – Unlike almost everything else that you purchase in life, real estate historically goes up in value, not down. Since real estate tends to go up in value, it can be a great hedge against the increased erosion of your net worth due to inflation.
- **Cash flow** – Hopefully you have purchased the property “right,” (with the right terms and the right financing) so that almost every month you have a positive cash flow. Over time, if you own enough properties, this can fully support you and your family. Generally speaking, there isn't much money left over in the early years of owning a property, but the finances improve as your tenants effectively pay off the mortgage for you.
- **Leveraging / Other People's Money (OPM)** – When you purchase a property using a sensible amount of leverage (borrowing OPM), you are minimizing the amount of money you are investing and getting a higher return on the cash you have invested without excessive risk. You are also using OPM by using tenants' rent to pay off your loan over time.

- **Wealth building** – Due to tax advantages and that real estate typically appreciates, buying and holding property long-term typically will help you increase your net wealth. It is sometimes referred to as the “get rich slow” technique.

Cons:

- **Tenants** – If you talk in depth to experienced landlords, they will probably agree that a majority of their tenants have been good. However, it only takes a few bad experiences to dishearten one on being a landlord. Many people avoid putting on the landlording hat due to challenges such as trying to collect rent on time and property upkeep.
- **Liability** – Landlording increases your chances of being involved in a lawsuit. Most people think the landlord is “rich,” and thus the landlord becomes a target for lawsuits. You can take steps to minimize this risk.
- **Time intensive** – Being a landlord takes time. You can minimize this if you are able to hire a manager. Some way or another the property must be maintained, managed, kept occupied and the bills paid.
- **Expenses** – It takes money to maintain real estate. You must have the financial ability to replace the roof when it needs replacing, fix damage from a pipe breaking, and weather some of the ups and downs of owning property long-term.

Skills needed:

- **People skills** – A landlord deals with a wide variety of people, so you will need to relate to and negotiate with your tenants, repair people, contractors, insurance representatives, bank officials, politicians, etc.
- **Fix-it skills** – Knowing how to repair and maintain your property is invaluable. Whether you decide to do the work yourself or hire someone else do it, you should know as much as possible about how to install drywall, fix a toilet, install a faucet, repaint a property, and so on.
- **Financial skills** – You will need to keep accurate records

Continued on Page 50



of the income/expenses associated with each property. This includes knowledge of tax-related issues. It is important to have a good CPA on your success team who will help you in these matters.

- **Planning/saving skills** – This is a specific financial skill but an important one. If you are someone who spends every dollar as soon as it hits your hand, then you will have problems being a landlord. You must keep a “rainy day” fund for when the roof needs fixing. And you must have the skills to plan the maintenance and improvement of your property.

Time needed:

- The time needed to be a landlord varies widely depending on factors such as the number of units owned, the kind of property owned (single-family vs. multi), and whether you plan to make repairs yourself. Relative to some other areas of real estate, landlording can be fairly time-intensive. Often it will be in spurts. A property may require no time for months, and then need your undivided attention for several weeks in order for you to repair and re-rent it.

Cash needed:

- Typically, landlording requires seed money. How much will depend on your method. Cash required for buying property can be minimized if you are successful in using some creative purchasing techniques.
- Once you own or have “controlled” the property, you may need money to fix it up prior to renting it out.
- You will need money to keep the property maintained and to pay taxes, insurance, and the mortgage. If you purchased the property “right,” the rents from your tenants should cover all these costs and leave you some money left over for your efforts.

Wholesaling

Description – As a wholesaler, your job is to find a motivated seller who has a pressing need to sell his or her property. You negotiate with the seller and enter into a purchase agreement.

Then you find a buyer who will pay a little more than you have contracted for, and you keep the “spread.” There are various valid techniques for doing this, including “buy-don’t fix-sell, buy make minimal or only urgent changes and sell, etc.” The other techniques are beyond the scope of this report.

Pros:

- **Minimal money needed** – Wholesaling requires very little money, unless you choose to pay for advertising in the hopes of getting motivated sellers to call you.
- **Income** – This varies, but there is no limit to the number of properties you can wholesale.
- **No ownership responsibility** – Using some techniques, you never actually purchase the real estate, but transfer your purchase rights to the end buyer.
- **Minimal liability** – Your liability is minimal assuming you have a properly written purchase agreement.

*** Remember that as a wholesaler you are focused on the CONTRACT, not the real estate itself when you are selling the property. As you have not taken possession you cannot sell, or even market the property. Attempting to do so without a license is illegal in most states.*

Cons:

- **Wholesaling is highly regulated** in most states. You must know the law in your state and act accordingly.
- **Time intensive** – Since you are a “deal finder,” when you stop working to find deals, you stop making money!
- **Business not investing** – This is a way to make money. You are in the business of being a wholesaler; you are not “investing” in real estate.
- **No tax advantages** – Since you aren’t holding the property and renting it out, you do not get any of the tax advantages of buying and holding rental property. Furthermore, the money you make wholesaling is considered “earned income” and will be taxed by the IRS as such.



Skills needed:

- **Negotiation** – You will need to negotiate with sellers when you are putting the property under contract. Likewise, you will need to negotiate with your buyers.
- **People skills** – These are an important part of your negotiation skills.
- **Analytical skills** – You need to be able to determine what the property will be worth after it is fixed up, accurately estimate repair costs, and determine your maximum allowable offer (MAO).

Buy/Fix-up/Sell (Flipping)

Description – You are buying a property that is in moderate to bad physical condition, fixing it up, and then selling it—just like on those cable TV shows (except you make or lose your own money, and it’s not “reality”—it’s real!).

Pros:

- **Income** – This can be a very lucrative way to make a living. How much you make per house will vary, and every person will have a minimum amount that he or she expects to make before purchasing.
- **Hands-on** – If you are a hands-on type person, this may be for you.
- **Not hands-on** – You can also just supervise and write checks to contractors, if you wish. This generally results in a lower profit but allows you to leverage the expertise and experience of others.
- **Creativity** – If you like to be creative and solve problems, then this will be up your alley as you determine how to transform a mess into a beautiful finished product. Just remember to focus that creativity toward the tastes of a typical buyer in the masses.

Cons:

- **Hidden costs** – Like most repair projects, fixer-uppers often seem to take twice as long and cost twice as much as you expected. When you tear into something, you often find some other unexpected “surprises.” As a result, you

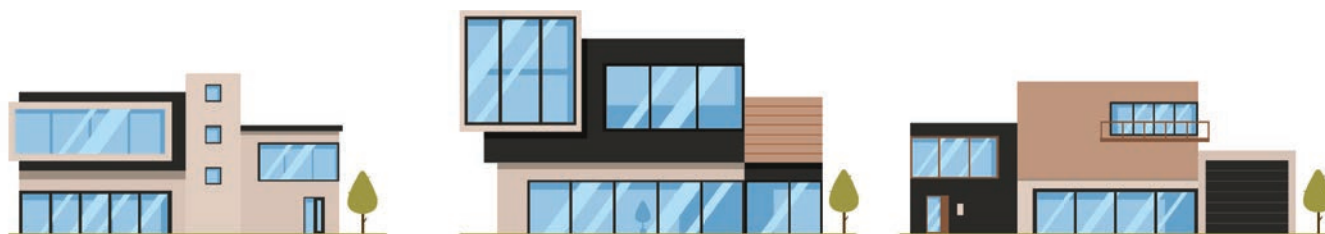
may spend much more than expected doing repairs, and your bottom line suffers accordingly.

- **Contractors** – It can be very frustrating dealing with some contractors. They may be juggling different jobs and it can be challenging to keep your rehab project on budget and on schedule.
- **Cash-intensive** – This is one of the most cash-intensive areas of real estate. It takes money to purchase the home, do the repairs, pay the utilities, and pay the insurance/taxes/mortgage for however long until you can finally sell the home.
- **Infrequent paydays** – If you are used to getting paid every week or on a regular basis, you may be in for a shock. You will be doing nothing but spending money for weeks and weeks until you finally sell the home and get one (hopefully) big payday.
- **Liability** – There is a certain amount of liability relating to fixing anything. As long as the work is done properly, you will be okay. It’s when something isn’t done correctly, and someone subsequently gets hurt, than you may be liable. So make sure that you are dealing with reputable contractors.

Skills needed:

- **Construction knowledge** – You don’t need to know how to do everything yourself, but you need to know how things should be done, how much it should cost, and how long it should take. This knowledge enables you to talk and work with the contractors you hire.
- **Project management** – One of the common pitfalls of rehabbing is when a two-month project takes six months. Suddenly the \$20,000 profit is gone and you’re just hoping to break even.
- **Analytical skills** – You must be able to determine the current value, after-repair value, and repair costs relating to the property in order to be successful in this business.

Continued on Page 52



Other:

- **Municipal** - Many cities require that at least some of the repairs, such as plumbing and electrical repairs, be done by a licensed contractor only.
- **Time-intensive** - It depends. You can be a part-time rehabber or a full-time rehabber. Typically, this is fairly time-intensive unless you hire a general contractor and turn the project over to him; then you simply spend your time (and more money) managing them. If you get the wrong guy, you'll feel like you are paying him so you can babysit him.
- **Cash-intensive** - As noted above, this is one of the most cash-intensive areas of real estate. It takes money to purchase the home, do the repairs, pay the utilities, and pay insurance/taxes/mortgage.
- **Tools** - Don't forget that if you're going to do some of the work yourself, you'll need money for tools, equipment and maintenance.

Creative buying and selling

You can use all kinds of techniques to buy and sell houses. We would need a whole new report to deal with all of these techniques. The "short version" on creative transactions includes subjects such as financing, short sales, partnering, buying on lease option or land contract, seller financing, and the like. Most people learn about how to do these things by taking special courses. You can also find out some more about some of them by attending your local REIA meeting.

Discounted Notes and Mortgages

Description - This real estate-related business is often referred to as "buying paper." Someone who specializes in discounted mortgages purchases an income stream, such as monthly payments on a promissory note (secured by a mortgage) for less than it is "worth." Folks who cannot or will not learn to use a financial calculator (or certain types of financial software) need to run from this one. This is a real estate-related business/investment that requires a lot of "savvy" and is best left to those at the advanced level.

Pros

- **No landlording** - You are concerned with your Return on Investment (ROI) and how secure your investment is (determined by Loan-to-Value, appraisals, inspections, evaluation of the borrower, etc.).
- **Moderate time involvement** - Most of your time is spent at the beginning of the investment doing the due diligence and analysis necessary to determine if this is a transaction in which you want to be involved.
- **Secure** - If you do your homework correctly, this should be a very secure way of obtaining an excellent return on your money. It is secure because the income stream should be secured by appropriately evaluated real estate.
- **Minimal hassles** - You are primarily in the business of analyzing notes to be purchased and in managing your portfolio of already purchased notes, including making sure that payments are being received as agreed.

Cons:

- **Cash-intensive?** - This may or may not be a cash-intensive business. It is cash-intensive if you are using your own money, because you can buy only as many loans as you have money to purchase. There are ways to do this without your own money, but that is for an advanced class, not this report.
- **Bankruptcy and foreclosure** - One downside of discounted mortgages occurs when the borrower doesn't pay and/or declares bankruptcy. You may be forced to foreclose on the property and take it back. Ouch.

Skills needed:

- **Analytical skills** - Much of the analysis or due diligence required for deciding whether to buy a note resembles that of purchasing a property. You need to determine what the property that is securing the note is worth. Additionally, you need to learn the ins/outs of



the “time value of money” and the process of discounting notes. Moreover, you need to evaluate the person who originally borrowed the money and whose name is on the note.

Private Money or Hard Money Lender

- **Description** – A private money lender or hard money lender is an individual who lends money to real estate investors. Instead of borrowing money from a bank and having to jump through the hoops that they require, it often is much easier and faster to use a private money lender. The most common customer of the hard money lender in real estate is probably the rehabber who borrows money just long enough to purchase a home, fix it up, and repay the loan. Folks involved in this type of lending business are normally very experienced members of the advanced group who have made some money in real estate and are diversifying by becoming lenders.

Pros:

- **Higher ROI** – If you have money to lend and are willing to do some of the due diligence needed when lending someone money, this may be a good niche for you. It is not uncommon to earn higher interest rates than the bank gets when lending money to investors.
- **No landlording** – You are concerned with your Return on Investment (ROI) and how secure your investment is (determined by Loan-to-Value, your own appraisal and inspection, etc.).
- **Moderate time investment** – Your time is primarily spent at the beginning of the investment doing the due diligence and analysis necessary to determine if this is a transaction in which you want to be involved.
- **Secure** – If you do your homework correctly, this should be a very secure way of obtaining an excellent return on your money. The income stream should be secured by real estate that you feel comfortable owning for the amount you lend the borrower. If the borrower doesn't pay, you'll probably foreclose, take the house, and be the new owner.

- **Minimal hassles** – You are primarily in the business of analyzing the loan, managing your portfolio of loans, and making sure that payments are being received as agreed.

Cons:

- **Cash-intensive** – You can only loan out money you have available.
- **Bankruptcy and foreclosure** – As with discounted mortgages, the downside of lending people money is what happens if the borrower doesn't pay and/or declares bankruptcy. This is typically a long and expensive process.

Skills needed:

- **Analytical skills** – Much of the analysis or due diligence required for deciding whether to buy a note resembles that of purchasing a property. You need to determine what the property that is securing the loan is worth, in both its current state and its after-repair state.

Conclusion

As you can see, there are many areas of real estate in which you can get involved. Some areas are better for beginners; others are best left for those who have lots of experience. In any case, there is much room in this field for you to involve yourself on a full or part-time basis.

If you are interested in learning more about the real estate business or investing in real estate, we would like to invite you to visit the Real Estate Investors Association in your area. Local REIA groups offer education, networking, and more at their monthly meetings. Our members have varied levels of experience so you can feel comfortable and get the support you need; many members have decades of experience, and many of our other members are just exploring whether real estate is something they want to do. Find a local group by visiting www.NationalREIA.org.





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