Real Estate FLIPS 1.0

Making Profits in Real Estate

You've heard the stories! People on late-night infomercials telling you that they fixing them up and selling them for profit. Well the truth is that you can make money using those very strategies (and it's hard work). But, there is a better way to do it. It's lower risk. And with a smaller amount of effort from the Buy, Fix and Sell Method.

Of course, anything you do will take time, effort and energy. What you want to do is work smart and reduce the potential risks while increasing your upside potential.

You see, the problem with these infomercial programs is that they require a lot of time and a lot of money. How are you going to find the contacts with money people while keeping your nose to the grindstone for the employer that allows you to put food on the table (you want excitement? — tell your employer that you need a paid leave of absence so you can go out and get started in real estate investment which will allow you to quit your employment). Obviously, quitting your full time job is not the answer.

And this doesn't even address that matter of time. Do you dare neglect your current money-making activities to learn the complex methods and strategies that these programs require?

What do you need? What you need is a means of breaking into real estate investment that needs a Small Amount of Capital from you!

Is that really possible, or is it just more hype?

Keep reading and see. This doesn't mean you can just do it any old way. There are certain fundamental principles involved. But if you do things the right way, it works. It really involves working smarter and putting the proper effort and motivation as well.

So what's the trick?

We mentioned certain fundamental principles that lead to success. Here is one that applies here and helps you make money without spending money and without putting yourself at a lot of risk:

Strategy: You don’t need to own a property to make money on it, you just need to have control of it.

How does it all work?

Real-Life Example #1

We'll look at an example first, then the explanation afterwards. K.W. of Seattle caught the real estate investor bug while in college. He bought a beat-up old mobile home to live in, and over time painted, re-carpeted, and generally made it pretty. When he graduated, he sold it for $5000 more than he paid for it. He liked that so much that he decided to make investing is central occupation. The first deal he went after was a 6-unit apartment building in downtown Seattle. The price was great — unbelievably low. It turns out the reason for the low price was that the building had been involved in a fire. Evidently the owners at the time had failed to insure the structure, and were forced into a fire-sale price.

It's always good to get a low price on a deal, but the cost might be more than the sales price. In this case, our friend brought in a contractor to make an estimate on the needed repairs. Cost of repairs came out to $75,000. That was much more than this recent graduate had available to him. He was clearly in over his head.

But K.W. was smart enough to know that he didn't have to walk away from the deal. He knew that the purchase contract that he had with the owners of the apartment building gave him control over the property. How?

- A real estate purchase contract provides the "Buyer" under the contract with the legal right to buy the property for the price stipulated within the timeframe given in the contract.
- Nobody else may legally purchase that property for the life of the contract without getting say-so from the buyer under the contract.
- The buyer under the contract will gladly give say-so formally and in writing for a fee.

In this case, K.W. advertised the apartment building for sale in the two major Seattle daily newspapers for the price contracted for. As we mentioned before, this was an excellent price. This generated a good volume of callers. One of the callers was a general building contractor with both the capital and the crew to rehabilitate the building. K.W. assigned his interest in the purchase contract to the builder for $4000.

This is a true Win/Win situation. K.W. got $4000 for his ability to find a deal and negotiate a contract. The builder got a great project without having to hit the bricks to find it: now his employees have work and he will make a lot of money off the building, either by selling it after the work is done or holding it for the ongoing cash flow from rentals. The sellers got rid of the building that they couldn’t afford to repair.

Bottom Line: K.W. did not spend a penny to make $4000. He didn’t lift a single paintbrush. He incurred no risk. If fact, in the unlikely event he been unable to find anyone to take the purchase contract off his hands, he would have evoked one of the contingency clauses in the contract that would have cancelled the deal with no further recourse to him.

No Money, Working Smart, Proper Motivation and Limited Risk!

What more could you want?

Real-Life Example #2

A.K. lives and works in a mid-western city. He decided he didn’t like his job that much, and wanted to expand out. It wasn’t an awful job, but he wanted more. If you don’t like what you do, any activity can be a job.

So he decided to try real estate investing. Problem was, he didn’t have much money. So he decided to apply the principle we are talking about here. He set out to gain control of properties without owning them in order to make money. We’ll look at the details of what he did later on, but first let’s look at the results.

Simply put, A.K put the word out that he was looking for rental houses owned by out-of-state owners. An out-of-state owner called him. This man owned a house in a fairly desirable area that he was renting to the tenants from hell. They hadn't paid rent in two months. The property was trashy and beat up. The carpets were filthy, the yard was neglected. The owner’s sense of distress came over the phone loud and clear.

It appeared that with some cosmetic work the house would be worth about $75,000. It needed paint, carpeting, and wallpaper, about $5,000 worth. The owner was renting the house out for $600 a month. In that neighborhood that kind of should have rented for $750 so the actual rent seemed low. The mortgage balance was $55,000. Payments of $550 a month included taxes and insurance. By the time the owner spoke with A. K., he had already made two mortgage payments without getting any rent from his tenants.

One man's problem, A.K.'s opportunity —

What A. K. proposed not only solved the out-of-state landlord's problem, but created a very nice payday for A. K., as well. Their agreement had A. K. rent the house for $550 a month for a two-year term. This amount covered the out-of-state owner's mortgage payments. He further agreed to get rid of the current tenant, sparing the owner one more hassle and expense. Together with a lease, A. K. received an option from the owner to purchase the house within the two-year term. The amount of the purchase happened to be the balance of the mortgage at the time. In other words, the out-of-state relieved him of a money-losing situation with no further financial loss.

Let's recap what the two agreed to

?? Lease term: 2 years
?? Monthly rent: $550
?? Purchase Option: $55,000

On the surface, this is a decent enough deal. A. K. had the property tied up for two years and was paying a rent amount lower than the going rate. Even better, he had the right to buy the house well below the market price.

There were a few challenges A. K. needed to take care of:

1. He had inherited uncooperative tenants;
2. The property needed repairs, and;
3. It would still require cash to buy this place in two years, which he didn't have.

Most people think that getting bad tenants out is very difficult, but in this case it was easier than you might think. Everything anybody does is based either on anticipation of pleasure or avoidance of pain. The easiest way to evict a tenant is to make leaving very attractive. Problem tenants can suddenly become quite cooperative when it's to their benefit. Often that means cash. In this case, A. K.

simply knocked on the door and asked them to leave. They did without fuss! (Had they not, there were other options, such as offering to let the two months un-paid rent slide if they are gone tomorrow).

Now came the issue of the repairs. To complicate things, A. K. had spent his last $100 as consideration for the agreement with the out-of-state owner.

His solution? He simply subleased the property to a handyman. In exchange for the work performed on the property, he would give the tenant an option to buy the property from him. This action concept led, of course, to the third problem to be solved. He couldn't sell the property to the new tenant until it was his to sell. He only had control, remember, not ownership.

Sometimes you just have to make a leap of faith. We will see later on how this worked to make A.K. a lot of money. But first of all, he took action. He ran an ad in the paper:

RENT-TO-OWN
Low down. U-fix
Large House
Call 555-9876

The simple ad generated a large volume of calls! A. K. considered the candidates and picked one particularly nice couple that was willing to fix the house up. A. K. proposed $1500 option (earnest) money and $750 a month rent. Of the $750 a month, $200 would serve as a rent credit towards their down payment, combined with the $1500 earnest money. With the agreement, the couple now had option to purchase the property for $75,000. They countered with the proposal to pay $3500 now and $575 a month rent. The larger sum up from was very attractive, and that became their agreement.

The couple was in the house before A.K. even owed a first rent payment to the owner. They cleaned up the property and steam-cleaned the carpets. Here A. K. was expecting to have to replace the carpets, but this couple decided that they were fine with them as long as they were clean. Think about it! Who's going to live there? If the buyer is happy, why do any more? They actually liked the ugly wallpaper and they re-painted a few rooms, at their own expense.

Things were moving along well for A.K. $100 paid to the owner of the house and $30 for a newspaper ad were his total expenses. He had $3500 cash in hand.

He was making an extra $25 a month on the difference between the rent he paid the owner and what his tenants paid him.

But what about problem number three?

Problem number 3 actually had two parts:

a. How can he pay the owner for the house in order to give the tenants clear title when they buy?

b. How are the tenants going to buy? They have a poor credit history, including a bankruptcy and some collections.

As soon as he could, A.K. contacted a local mortgage broker and asked about the tenants' chances of getting of loan. He wasn't really worried, since their $3500 was ***non-refundable***. He couldn't lose, really. If they buy, he gets the rest of the money. If they don't buy, he still collected $3500.

The mortgage broker reviewed the tenants' financial situation and reported back to A. K. that he could get them financing.

Indeed, even a person with a bankruptcy on their record can get a mortgage loan! We will come back to this point later on, because knowing how credit works can help you get a lot of eager buyers into homes that you have control over. Who is going to be easier to please, after all, the couple with perfect credit who know they can get any kind of loan, or the people who think lenders will throw them out the door and call out the dogs on them? You help them finance the house you make available to them on terms they can qualify for, and you become a hero. Heroes get paid well in our society. But we'll cover the workings of credit later.

Back to our example for now. A. K. worked closely with the lender and the tenants for the next 6 months. It took dozens of phone calls, but finally, approval came. The tenants had financing!

A. K. immediately called the out-of-state owner and let him know about the upcoming closing. The owner was thrilled, because he had rid himself of a huge financial drain and a worry. He signed over the deed and received a check from the title company for $55,000.

Then A. K. sat down with the tenants. He could now give them a deed. He had just received it from the owner, who was already on his way home, a very happy man. The mortgage lender provided the $75,000 purchase price (minus the $3500 the tenants had already paid). The title company handed A.K. a check for $16,500 (the amount left over after the title company paid $55,000 to the former owner of the property). A.K. walked away from the deal with $20,000 net cash profit, which even included the $100 he paid to get the option from the out-of-state owner.

Three FLIP Strategies

Let's look at three lessons to learn from the two examples we have seen so far:

1. You Don't Own Investment Property, Just Control It

Owning property is great if you don't have to pay for it. Years ago there were lots of "non-qualifying" FHA and VA loans and assumptions. It was easy to buy, fix and sell. Things are different now. Banks don't want to lend money so easily, and certainly not for extended terms. Even if you have lots of cash, you'll eventually run out.

2. You Don't Need To Borrow Money From Banks To Buy Houses

Banks prefer short-term business loans to long-term financing. They also have many regulations imposed on them that restrict their flexibility. Even if you qualify for a mortgage on the basis of credit history and personal income, they may not offer terms that meet your needs. Besides, why take out a mortgage if you don't intend to hold onto the property for more than a couple of months? If you do borrow money make sure they don't charge pre-payment penalties

3. You Don't Need To Fix Up Houses, Focus On The Financing

In both these stories, the investors never performed any physical work on the house. They solved somebody else's problem and created desirable terms that allowed a third party to take over ownership of the property. The third party was happy to fix up the property.

K.W. bailed out a building owner who had foolishly neglected to provide insurance and was facing financial disaster while delivering a highly desirable product for the building contractor to buy and profitably use.

A. K. solved a money-drain problem for a man a thousand miles away while helping a young couple finally realize the American dream and own their own home.

Both K.W. and A. K. got paid for the service they rendered and the solutions to problems they provided, not for the sweat of their brows. The opportunity to render service and solve problems came because they were alert enough to see them and because they took action. The opportunity was not for sale, so they did have to buy anything.

Here is an important principle of real building wealth:

You can have anything you desire, if you help enough people get what they need.

What Does This All Mean For You?

As a beginning entrepreneur and/or real estate investor, capital represents one of the largest barriers you will face. It's easy to buy properties if you have cash and excellent credit and connections. Even then, leveraging your excellent credit may not be the smartest use of your money and credit.

You can see that it is possible to make up to $3,000 - $10,000 per month investing in real estate. In fact, you don't even have to know how to replace a roof or fix bad plumbing. None of that should concern you at this point. Those who get the opportunity to own a home from you can take care of the repairs for you.

FLIPS are a creative method to make money in real estate without having to buy it?

So how do you start?

The two examples we read utilize two different techniques. To start, then, let's look into how the two techniques work. The fundamental concept is the same; the execution is slightly different in each case.

But before we outline the differences, let's look at some common points — some fundamental principles that apply to real estate investing across the board, whether you buy or not.

1. **As a real estate entrepreneur, you don't look for particular properties; you look for highly motivated seller**. Other than the obviously fact that this works best with single family homes, the most important qualification of the seller is that the seller be very eager to take care of things. If the seller has a problem, you can provide a solution. Your solution ensures your payday. It's that simple. On the other hand, if the seller were not highly motivated, it would be easier for you (and probably less painful, in the long run) to just find a brick wall to beat your head against. It's so simple: motivated seller + motivated entrepreneur (you) = a good deal.

   How do you suppose A. K. was able to gain control of a $75,000 house with only $100? The guy in out of state was at his wits end; he was hemorrhaging cash each month and would continue to do so until someone bailed him out. The apartment building owner in Seattle had hundreds of thousands of dollars on the line; you can bet the mortgage was still due while all six units were not only vacant but also uninhabitable.

   ## Point #1 — Look for a highly motivated seller.

2. **As an investor, whom you know is almost as important as what you know**. There are several people and types of people who should have in your contact data base:
   a. Other investors
      Never think of other investors as competition. Rarely will you run head-to-head with another investor on a deal. More likely, other investors will work with you in a variety of roles:
      ?? Mentors
      ?? Joint venture partners
      ?? Money partners
      ?? People to sell from

- ?? People to obtain deals from

b. People looking for a place to buy
   If you know that Jim and Suzy would like to find a little 3 bedroom 1 bath house to buy and start their family in, wouldn't it make it a lot easier for you to make and offer and negotiate a purchase contract on a 3 bedroom 1 bath house in the neighborhood they like, knowing that they will take it off your hands? Not only will they take it off your hands, they will pay for having found it and negotiating a good price for them. The key here is in knowing whom you can show the deal to once you find it.
c. Your personal support team
   Do you really want to do everything yourself? Learn to delegate. Some things aren't worth you doing (you can make more money doing other things), other things you don't have the expertise to do, and other things you simply don't have time to do. Check out a description of the people that make up your team on page 71.

Point #2 — No man or woman is an island!

Let's get down to the nuts and bolts in the nitty-gritty.

We will look at two activities designed to allow you to make money in real estate without the need of ever purchasing property yourself. As we showed above, because you provide a valuable service to others, you get paid. These two activities are:

1. Contract flips
2. Sandwich lease options

Different people might use different names, but the activities are broadly seen as some of the least risky and easiest ways to make money. If you hear the term, "wholesaling," this is what they're talking about. Sometimes, however, people might talk about flipping, but they mean purchasing the house, then selling it again quick after fix-up. This obviously entails certain elements that we wish to avoid here: financing, purchase, fix-up, risk, work, and hassle… You get the picture?

Mind you, there is nothing wrong with purchasing a property, fixing it up pretty, and selling quickly. There's a lot of money there. However, we suggest you wait until your flips and lease options accumulate enough capital for you to do it without worry.

So here's what you do:

Contract Flips

Simply put, a contract can be assigned. That means that if you are the buyer under a contract to purchase and sell real property, you can assign your rights under the contract to a third party. Assuming that the contract represents a good deal for the buyer, giving up your buyer rights means you are giving up something of value. For that you deserve to be compensated. Conversely, the assignee — the person to whom you assign these rights, gains some of value, which must be paid for.

There is no set amount for the assignment fee. It can be considered as more than a finder's fee, since you not only find the property but also negotiate a contract. It has a lot to do with the value of the property involved, and might range from $1000 to $5000 or more. This might become clearer as we look at what you actually do with a contract flip:

The Investor's Role

In this role, the investor buys real estate with the intention of immediate resale for profit. The flipper gains control over properties at well below the going or "retail" rate. In a sense, the flipper acts as both principal and middleman, buying at one price, then reselling at a higher price. In the absence of a large margin between the flipper's purchase price and the selling price, the resulting profit is close to what a real estate agent might make off the deal. But the flipper may only have a few hours of his time tied up in the deal instead of days or weeks of work. Occasional bargain purchases bring a much larger profits.

In order to do these kinds of contract flips, you need no license. You are not regulated by any government agency. You enjoy low overhead (work from home, if you wish, you only need a telephone with voice mail) and flexible working hours.

How Flipping Works

Flipping evolves through several levels, depending on experience, expertise, and how much time and effort you want to put into it.

The Finder
The Finder works as a "bird dog," finding potential deals. The Finder then sells the information to other investors. This can be an excellent way to get started because you don't need cash or a lot of knowledge and experience to look for distressed properties. You look at a property for sale, gather the necessary information, and then provide this information to investors for a fee. The fee varies according to the price of the property how much profit potential it shows. You can easily earn five hundred to a thousand dollars every time another investor uses your information to purchase a property.

The Dealer
Like the Finder, the Dealer locates deals for other investors, but takes the extra step of signing a contract for purchase of the property. When you do this, you have two options:

1. Close on the property and turn it over for sale immediately.
2. Just sell the contract to another investor.

Either way, you provide more than just information because you control the property with a binding purchase contract. If you put up earnest money to secure the deal, you assume more risk than the Finder does. On the other hand, by controlling the property with a purchase contract, your profit can be much higher.

As a Dealer, you can flip as many deals as you can find. It's not a matter of money; it's a matter of finding the deals. If you look on a full-time basis, you can make well over fifteen thousand dollars a month without ever repairing a property or having to mess with a tenant. On a part-time basis, you could easily make an extra three thousand dollars a month flipping a property or two. Now you are a true entrepreneur. He can work as much or as little as you wish as your own boss and with no overhead. This is genuine freedom!

The Retailer
This is who buys the properties that Finders and Dealers locate. The Retailer fixes up the property to be sold it for fair market value (i.e., retail) to whoever will be living there. Of the three roles, the Retailer puts up the most money, bears the greatest risk and stands to make the largest profit on each deal. Part of the risk incurred stems from the time needed to rehabilitate the property and offer it for sale while dealing with carrying costs on the purchase, repair and

miscellaneous expenses such as taxes and utilities. In contrast, the Finder or Dealer get paid in just a few days.

If you're just getting started in real estate and need to build your confidence and knowledge before moving on to other real estate ventures (but still need to make some extra cash), you should start with flipping contracts. With flipping you'll be able to earn while you learn the ropes in real estate and you don't have to worry about risk if you do it right.

What is flipping? Very simply, it's contracting to purchase a property then selling your right to purchase to a third person. And, yes, it is perfectly legal in all states.

A Quick Flip Example

Here's an example of how a typical flip might work.

Let’s say you find a house that is run down and vacant. It doesn’t even have a for sale sign in the yard. One thing you can depend on, though: whatever you offer the owner is more than he or she is getting on this house right now. With a little detective work (more on this later), you find the owner and negotiate a "risk free" contract to purchase the property. The price you negotiate would be better (i.e., lower) than 60% of the value the house will have after repairs are made. You offer a very low earnest money deposit ($10.00).

The great thing is that the owner was not actively selling the house, so a minimum earnest money deposit should not create an argument, and since the house was just sitting and presenting no economic value to the owner, the price you offer can be low.

As soon as you get the signed purchase contract, you contact an investor that rehabs houses in the area and offer to sell the house for $3,000 more than your contract amount. That would still put it at around 60-65% of value, which will be very attractive. To transfer your right to buy the property at the contract amount to the investor, you fill out a one page "Assignment of Contract" form and get $500 in earnest money. A few days later the transaction closes at a title company or an attorney's office and you get a check for $3000 PLUS your $10.00 earnest money.

Does It Really Work?

Flipping contracts has been around for a long, long time. We’ve read and study a large volume of material and developed a system that works.

A Word of Caution

Persistence is vital to success. Some months you may find two, three, or more properties to flip. Other months you may not find any. You want to continually network yourself, not only to find deals to control, but investors or even owner/occupants to take these deals off your hands. Develop new leads constantly. Some leads will work out, some won't. Some sellers will be very motivated, and some won't be.

We like the attitude of SWSWSWN. This simply means “Some Will, Some Won’t, So What Next.” If a homeowner chooses not to accept your terms or your offer, that is not a personal rejection of you, it is a simple difference of opinion. If the seller accepts your terms, you have successfully closed a sale. But even the greatest sales people do not close every sale. Time has a way of changing everything. Learn to stick with it, even when you are discouraged.

Where Do You Begin?

As Stephen Covey tells us (*The Seven Habits of Highly Effective People)*, you should begin with the end in mind. You want to know what to do after you find a motivated seller with a house you can buy well below market. If you find the house first then try to figure out what to do with it, you might inherit a nightmare. Certain preparation ensures a good and profitable experience, beginning with lining up your real estate investment team.

1. Rehab investors or Retailers to buy your contract
2. A title company or an attorney to close the (Know how it works in your state)
3. Most important — a good contract or agreement.

Let's go over each of these in a little more detail.

How To Find Investors That Will Buy Your Contract

For a moment, imagine yourself as a Retailer, with the capital you need to buy a house to fix up and sell again. You enjoy the work — maybe you're a handyman, or maybe you just enjoy the profits from a good sale. Most likely, you would rather let someone else do the footwork for you.

Your job as a Finder or a Dealer is to find deals for the Retailers. But first locate the Retailers so you know where to turn when you have a hot prospect. They're not trying to hide out, so you only need know where to look:

- Read Newspaper Ads. Look in the daily and weekly newspapers for the "We Buy Houses" ads.
- You may even find billboards or signs around town that say "We Buy Houses."
- Participate in local Real Estate Investor organizations (REI). Not only are these groups' good educational experiences, but also you meet and mingle with a host of people who are happy to give you money for properties, or even participate with you in the acquisition of other properties. Most major metropolitan areas have at least one club that meets monthly. You need to join and attend every meeting. The networking opportunities are endless. When you go to the meetings tell everyone what you are planning to do. Once again, collect names and information about people who are interested in buying houses.

  Attend real estate auctions, not as a participant, but to meet the investors that gather. Foreclosure auctions and tax sales take place on a county basis, but don't forget estate sales. Some investors hate to go out knocking on doors and dealing with emotional, distressed owners; they much prefer to buy at the foreclosure auction. At most auctions, the property must be paid for with cash or a cashier's check within hours of the sale. What a wonderful opportunity for you to meet cash buyers for the houses you find. Introduce yourself to the investors and hand out business cards. Tell them you find houses just like the ones sold at the auction and ask if they would be interested in being contacted when you find something. Just as you did with the "We Buy Houses" ads, you need to find out where and what price range they buy in. Ask for their business card and make notes on the back or take along a notebook. Make sure and do this either before or after the auction because the investors will be focused on bidding during the auction and won't appreciate distractions.

Keeping things organized:

Keep an information sheet or data base on each investor you meet. Be honest and tell them that you are just starting out and will be looking for houses that need to be rehabbed. Make sure you find out what locations they prefer and the price range they look to. Some are particular about these things, and others will accept any good deal from any location. Find out if they are a cash buyer or if they will need some extra time to arrange financing.

Keep Telephone Logs. Once word gets around that you flip contracts, you may get weekly phone calls from investors asking if you have anything. Keep a log of who calls; these will be the first investors you need to contact when you have a deal.

How To Find A Good Title Company Or Attorney

A good reason for networking with other investors is to find out whom they use for these tasks. By building a good relationship with the investors you call from ads, meet at the investor clubs or at the auction, you'll develop a base of mentors that you can call anytime you need advice. Don't abuse the privilege though. Rarely will you make friends with someone if you call them frequently and keep them on the phone for a long time. Keep your phone calls brief and to the point. Or better yet, take advantage of the time at the investor club meetings for your questions. Some investor clubs even arrange for legal counsel for members for a low fee or include it as a perk of membership.

The Agreement or Contract

Finding the motivated seller with the right house and the right price is the starting point. Now you need to tie it up. You need a document that gives you control over the property so that you are able to make money from it. A rule of real estate tells us that if it’s not in writing, it doesn’t exist. Here you can record all the points that you and the seller have agreed to orally. A contract lets the seller know you're serious about buying their house and it provides written instructions for the title company. All real estate contracts must be in writing.

There are a number of good sources for such a contract. That means there is no reason to wing it. Your best bet is to consult with an attorney to have your contract written in your best interest. If you don't have the funds to pay an attorney, the next best thing would be to start with your state's real estate commission contract then add, or subtract, a few key clauses. A contract from an office supply store will be too vague. Don't take that chance. The contracts used by a Realtor or that you can get from a title company work well, too. Finally, your local real estate investor club may have a good contract for you to use.

Whichever agreement or contract you use make sure to add a clause that protects YOUR interest and allows you a way out of the contract. Examples are:

"Subject to approval of Buyer's partner."

> Note: Many real estate agents are wise to this one and recognize it as an escape clause. If they question you on this, simply explain, "This is a silent partner who wishes to remain anonymous."

"This agreement is subject to Buyer's approval of satisfactory building Inspection within 15 days."

"This contract may be assigned; in such event, the buyer named herein is Released of all further liability."

"This offer is contingent upon buyer obtaining new financing of their Choice of $140,000 at 8% per annum over 30 years."

> This is simply an example. You would use the numbers that pertain to this particular deal, with an interest rate close to the prevailing purchase-money mortgage rate. Then if the rate you get is higher (which it probably will be, since this is investment financing), you have the choice of withdrawing from the deal or waiving this clause.

If you cannot find a buyer for the contract, you notify the Seller in writing that your partner did not approve the purchase of the house, or that you did not get the specified financing. Then you are no longer obligated to purchase the property. You should send the notice by certified mail.

Everything you and the Seller agree to must be written in the contract or agreement. If it's not, the Seller may develop a sudden case of amnesia. If the property is vacant, you can add the following clauses to he contract:

"Buyer to receive access to property upon acceptance of contract for the Purpose of making repairs or showing the property to prospective tenants."

If the house you are buying is listed with a realtor, any real estate agent can get you in to show it, and your team agents should be happy to do so. If, however, the property is not listed, instead is for sale by owner, then you need a more reliable access. What if the seller suddenly goes on a 3-week fishing trip to Iceland? In this case you need your own key so you can get in whenever it suits you. Add the following to the first statement, and you are covered:

"Buyer to receive keys to property upon acceptance of this agreement."

You may even ask the Seller to allow you to place a For Sale or For Rent sign in the yard prior to closing. Whatever you agree to, put it in the contract.

It is essential that the contract does NOT have any clauses that would prevent you from assigning the contract.

How To Find Houses For Assignment

Before going on, let’s review the preliminary steps to complete before you actually close a contract for purchase on a house you plan to flip.

a. Locate three or more rehab investors to flip contracts to
b. Have your contracts ready and thoroughly understand them
c. Know which title company or attorney you will use to close that first flip deal.

Now let's discuss how you can increase your odds of finding and closing more deals in the least amount of time. Here are four ways to find houses:

1. Farming for Houses
2. Tell the World - Recruit Bird Dogs
3. Research, Research, Research
4. Advertise

A combination of all four gives you the best results and greatest success. However, you may have other time constraints (maybe a full time job) that limit what you can do. In that case, pick the methods that best fit your schedule or your budget.

Farming For Houses

Your best farm area would comprise a 10 to 15 mile radius of your home. If you live in a major metropolitan area, it wastes time and money to drive all over town to look for houses. You'll quickly find that you are spending more time driving than actually looking at houses or talking to motivated sellers.

Get to know your farm area like you know the back of your hand. It’s not hard to do: working just a few hours on the weekends will teach you a lot. Drive around within each neighborhood in your farm area. Keep a log or journal with information about your target neighborhoods. The best neighborhoods for flipping have houses that are about 20 years old. Newer houses probably won't have enough equity to allow for a profitable deal.

Find the for sale signs in these neighborhoods. Write down the address and contact numbers in your log then call to find out the square footage, number of bedrooms and baths, how long it's been on the market, and what's the asking price. Keep all this information in your log. With this information you have just established the approximate market value of houses in the neighborhood.

If all the houses are newer or in good condition then you simple need to find a different farm area.

What To Look For

Vacant houses: How do you spot a vacant house? Tall grass is certainly a give away, as is a porch or doorway cluttered with phone books, flyers and coupons from the local pizza parlor. Or perhaps a mailbox stuffed with mail that has not been picked up. Boarded up windows are a sure sign of a vacant house.

When you find a vacant house, check with the neighbors to find out who owns the house. You want to find out how long they lived there, why they moved, how you can reach them, how long has it been vacant — in other words, get any information you can about the owner and the house.

Let the neighbors know that you are looking for houses to buy in the neighborhood, and that you work with a group of investors (these are your "partners") that will remodel the house then sell it to a good homeowner. Chances are they are very anxious to have a "good" neighbor and will cooperate. Don't forget to ask if they know of any other houses that are vacant or in need of repair in the neighborhood. If you leave your business card, they may think of a house after you leave and you want to make sure they know how to get in touch with you.

Sometimes the neighbors just won't give you names and numbers of the owner. If that happens, leave your business card and ask them to please get a message to the owner that you are interested in buying the house.

Your next step is to check the property tax records. The names of your fellow taxpayers is public information and therefore available to you. Most property taxes are paid on a county level, so this is the place to start. Some tax offices will give you the owner's name and address with just a phone call, others require that you come in to check it yourself. Many Counties' tax records are on the Internet. This is the first place to investigate.

Once you find out who the owner is you can either send them a letter or postcard or try to get their phone number and call them. Directory assistance may well have it, or Internet white pages may work. Let the owner know you saw their house at that particular address and may be interested in buying it. Ask if they are interested in selling and get as many details about the house as possible. Some things you need to find out are:

1. How many bedrooms, bathrooms, garages - what is the approximate square footage? How old is the house? Does it have central heat and air? Why did they move? (These questions are just to warm them up for the important questions.)

2. Is there a mortgage on the house? If so, what is the approximate payoff?

3. Are there any liens or judgements against the property?

4. What repairs need to be done? Estimated costs?

5. How long have they owned the house?

From this information you can decide if the house is a good flip candidate or if you should just mark it off your list. For example:

If they tell you they owe $40,000 on the mortgage and the house needs extensive repairs including foundation work, but you know from the information in your log that homes in good condition in the neighborhood are selling for $55,000. You can quickly determine from this information that this house just won't work.

They tell you they lived in the house for 30 years and the mortgage are paid off but it needs $10,000 in repairs and they just don't have the money for repairs? You know from the information in your log that homes in good condition are selling for $55,000. This has all the ingredients of a potential deal: lots of equity, a motivated seller and a house that needs work.

They tell you they owned the house for one year but just couldn't keep up with the payments. Because it's such a new mortgage you can determine that they probably owe about what the house is worth and it's not a flip candidate.

You are looking for houses with at least 40 percent equity — the more the better! So if houses in good condition are selling for $60,000, you want to find houses that have at least $20,000 in equity.

A real winning combination is a house with plenty of equity that needs repairs. Often is the excessive repairs that motivate a seller to sell below market; they think it will take $20,000 to fix the house and they don't have the money and have no way to ever get the money. In reality it will cost less.

Occupied houses in need of repair: Sometimes the first sign of a motivated seller is a house that screams "PLEASE HELP ME" when you drive by. Perhaps the owner is having financial difficulty and just can't afford to maintain the house. Or perhaps that's just the way they live. Maybe it's a rental and the landlord won't put any money into fixing the house.

You'll never know which situation it is until you contact the homeowner. To do this, you can:

1. Knock on the door and tell the occupant you are looking for houses to buy in the neighborhood and ask if they would be interested in selling (or know someone who is). Make sure to leave a business card. If it's a renter, try to get the owner's name and number.

2. Write down the address, look up the owner in the tax records and send a letter or postcard saying you are looking for houses to buy in the neighborhood and want to know if they would be interested in selling (or know someone who is).

3. Look up the owner in the tax records, find out their phone number then call with the same info as #2

If you send a letter or postcard, you may not get a response the first time. Continue mailing to them every three to four weeks.

When you knock on the door they may say they aren't interested in selling right now. That can change as they think about it. Follow up with a letter or postcard every three or four weeks. Stop by the house occasionally to remind them that you are still interested in buying.

An alternative to the postcard might be to leave a flyer on their door (and all the other doors in the neighborhood) with the message: "I Buy Houses - Cash - Quick Close - Any Condition."

If they show some interest in selling, then you need to ask the questions listed above to see if it is a candidate for a flip.

The follow-up is VERY important. Time has a way of changing everything — even turning an unmotivated seller into a motivated seller.

Tell the World - Recruit Bird Dogs

You can expand your farm area and not take up any more of your valuable time by telling everyone you come in contact with that you are looking for run-down houses to buy. Tell all your co-workers, the people at the grocery store, everyone at church, your kid's friend's parents, your kid's teachers, the guy that fixes your car, the people at the cleaners, the waitress at Denny's, the people at the barber shop or beauty shop, etc, etc. The more eyes and ears you have out there looking for you, the more deals you will do.

You will find that it can be fun to network with bird dogs. As an example, from now on, you should never pay for gasoline at the pump. Gas pumps can’t give you referrals, but the attendant in the convenience store certainly can. The fun part comes when you discover the secret that makes everyone you meet want and love to talk to you.

Here’s the secret: Ask yourself, what topic are people universally most interested in talking about anytime anywhere? The answer: Themselves.

If you have the attention of the convenience store clerk for 30 seconds while he or she swipes your credit card, or of the pizza delivery guy while you write out a check, you grab his or her attention immediately if whatever you talk about is from his or her perspective. If the subject is the weather, let it be the weather as they see it, or as it affects them. If it is the price of rice in China, let them tell you how they feel about it, or what they know about it. Maybe you have a Ph.D. in Asian rice economics, but if you let the plumber tell you about how it all works, he'll think you're a top-notch human being and will be happy to give you 30 seconds to explain that you buy houses and would like him to find some for you.

Always give your bird dog a number of business cards. The business card lets everyone know you are serious and it insures they have a way to contact you when they find a house. Tell them to write their own name and how you get in contact with them on the back of the card. Why? You let them know you pay a finder's fee of $250 to $500 or more for each house that closes.

Real life example:
“The very first flip deal I did was because I told my son's best friend's mother that I was going to get into the real estate business. I told her I was looking for houses to buy that were run down and I'd pay a finder's fee to anyone that found houses for me.

A few days later she just happened to overhear someone where she works talking about a house he inherited from his mother. It had been a rental and was so run down that he thought it could not be sold. She told him I was looking for run down houses to buy. A few weeks later he had his house sold, a rehabber had a new project, my "bird dog" had $500 and I had a check for $4,000.”

Finally, take the time to get to know the mail carriers, newspaper carriers, UPS drivers and Fed Ex drivers assigned to your farm area as well as people that do lawn work. These people travel all over town and can help to expand your farm area. Make sure everyone you talk to has your business card, knows what you are looking for, and know you pay a finder's fee for any houses you are able to buy.

Research, Research, Research

Often a recent event creates a motivated seller. We have listed some of these events below. Many of these events, like a foreclosure, are time sensitive — meaning you have a window of opportunity to act and after a certain date it is too late to buy the house from the owner. It is good to find out what the state laws are concerning these "events" so you'll know how much time you have. You can get information about all these properties at your county courthouse, tax office or other city municipal offices. Also you may also have a legal newspaper where this information is posted daily or weekly.

1. Foreclosure - Trustee sales
2. Foreclosure - Tax sales
3. Code Violations (red tags)
4. Divorce
5. Probate - death of owner
6. Evictions - landlords with bad tenant
7. Bankruptcy (Chapter 7 liquidation)
8. Criminal Act - going to jail
9. Out of State Owner
10. Liens or judgements

Although these properties may take you outside your farm area, you know that the seller is likely to be highly motivated, which increases your odds of getting a great deal. Since you are researching this at the courthouse, you can also check up on the probability of equity while you are at the courthouse before you even contact the owners. Why waste time pursuing a deal with no equity?

How can you determine there is enough equity? First, find out when the deed was recorded. The longer the owner has owned the house, the more equity they will have in the house. If the deed was recorded 2 years ago, you can scratch that lead off your list. On the other hand, if the deed date is 10 or 15 years old or more, jump on that one right away. As a rule of thumb, you can figure that a 10 year-old deed equals 40% equity or higher.

Of course, if you don't have time (or lack the inclination) to research these properties, you can hire someone to do the research for you. However, you will need to train them how, so you better learn how first. Some County Courthouses offer free classes to teach you how to research properties. Find out if they do in your area and take the time to learn. Otherwise, just let one of the employees show you how. Government bureaucrats don’t receive incentive from their employer to provide excellent customer service, but they do appreciate good, positive recognition. Let them know you admire their expertise and appreciate their service, and they will be more inclined to show you how to do your research.

You'll also need a good system for gathering information. This may as sophisticated as a laptop computer database or as simple as a form you develop for entering the necessary information about the house and the owners. Keep it consistent for quick reference on any property or owner.

Advertising

Check the real estate section of your local newspapers. Most of the houses for sale in the newspaper are in good condition and the owners want top dollar. Besides, only a portion of the homes for sale shows up here at any one time because of the expense of classified ads.

However, sometimes you can find an ad with phrases like “Handyman Special”, “Selling As Is”, “Fixer Upper”, “must sell ASAP” or “Estate Sale”. We call these “motivation words” because they signal a motivated seller. Others would be “will consider any offer”, “needs TLC”, seller transferred.” Learn to skim through the ads and scan for these words. You may want to hold a hi-liter in your hand. Simply dot the words as you scan them, then go back and read only those ads with a dot of color. This spares you the time waste of reading ads for luxury homes on a lakefront with 2 wooded acres that are definitely candidates for flipping.

Consider running your own ad in the "Real Estate Wanted" section of the newspaper. If it's too expensive in the daily newspaper, check prices in the weekly newspapers like Green sheet or Thrifty Nickel. The more people that know you're looking for houses to buy, the more deals you'll do. Your ad could say, "We Buy Houses - CASH - Any Condition."

The fact of the matter is that there are a wide variety of activities that help you find deals. Brainstorm, think about it, and you may come up with something no one has ever thought of before. The key is your consistency and perseverance. It’s a numbers game, and if you look at enough places, you will find enough deals to make you wealthy.

Let’s Take A Quick Break Here

You now know how to put together contract flips. We still need to go over lease options, as well. But before we start, it might be good to look at one of the characteristics of a success real estate entrepreneur that will serve you well as you start your business.

Ancient wisdom tells us that we should be before we do, and do before we have. The opposite would say that we have to have all the trappings of an investor (the Cadillac El Dorado, the double-breasted pinstriped suit, the fat cigar, the gold money clip, etc.) before you can do what investors do, and that until you do what investors do, you can’t be one.

The truth is, if you think like an investor, you will act like an investor, and the having what investors have will take care of it.

Let’s take a little time to check out what an investor really is. What follows are a collection of attitudes, thinking-processes and activities engages in by one particular and successful real estate investor. We asked this particular person how he finds the deals.

Q: You have achieved a great deal of consistency in your business. Has that been difficult for you?

A: Consistently putting deals together is easier than you think. Really! Making things happen and making serious money as a real estate investor doesn't require luck or extraordinary negotiation skills, and it doesn't take talent or money or a masters degree in business.

Heck, none of that stuff matters. What does it take? In a word, **PERSISTENCE.**

I'm able to put deals together today because I ***continually*** get my message out to people who are looking for someone to help them out of their difficult situation.

Q: So you’re saying that you keep at doing what works, you’re successful?

A: Persistence Is The Key. You've heard of the “motivated seller"? Guess what happens when he’s introduced to Mr. Motivated Buyer. I’ll tell you what happens, deals! Things get signed off and someone ultimately writes a check with my name on it. And that’s what it’s all about.

Make sense? In order to put deals together consistently, just put your message into the hands of the people who are eager to sell, and your success is virtually guaranteed.

But you have to get your message out there consistently. Persistence is the key.

Q: What kinds of things do you do consistently?

A: There are lots of ways to pull it off. I like postcards, and I send them out by the hundreds. Postcards deliver my six-line message with my phone number right there at the bottom, and if someone is thinking about getting rid of his property about the same time that thing shows up in their mailbox, boom, there’s a deal in the works.

But you can’t just go send postcards to everyone. You need to target your mailing to the people who will most likely be looking for someone like you.

Example? We’re always researching public record and pulling names and addresses of people in trouble, and that includes people who are delinquent in the payment of their property taxes. After four years of unpaid property taxes in this state, that property gets scheduled for a foreclosure auction. You think those folks might be motivated? You bet they are. We mailed out a bunch last week and I’ve got four or five calls to return on my voice mail right now.

Doing nothing more than this sort of thing, we consistently close six, eight, or even a dozen deals virtually every month. Again, it’s not luck or talent or skill that allows this to happen, it’s getting that phone to ring with a hot-to-go seller on the other end.

There are people who right now, at this very moment, are hoping and praying for someone like you to appear in their lives and help them out of their bind. Heck, they could be right next-door. Now, ask yourself this: how would they find me?

Often, your only real answer is “they can’t.”

However, if that motivated seller is in my town, he can pick up the newspaper and see my ad, or call me on my signs or find us on our Internet sites or even - respond to our postcards. Because if he’s in foreclosure, or going through an eviction, or is delinquent in his property taxes, or has an IRS lien, or hasn’t paid his water bill, he’s heard from me.

Q: What do you put on your postcards?
A: It’s very simple, because I can’t depend on everyone liking to read a lot. In fact, that’s why we use postcards instead of letters. If you get a pile of mail, and one of the envelopes has a mailing label on it, do you bother to open it? Probably not. Even though my postcard is obviously junk mail, you can’t help but read the message. It’s short, it’s in big print, and it jumps right out at you.

The message is simply that an investor is looking for houses to buy, any condition, default or foreclosure situations OK, pay cash, then my phone number. I make the print big enough to fill up most of the card. Some people even make the card a bright color so it stands out. If I find out from public records that a homeowner is in default on the mortgage, they might get my postcard once a week, because how else are they going to get out of trouble?

Q: So all you do to contact potential sellers is send postcards?

A: There Are Many Ways To Find Motivated Sellers. There are dozens of other paths to the motivated seller’s door, and time spent figuring out who those folks might be is generally time well spent indeed. I specialize in systematically finding and targeting these motivated sellers.

We had a seller sell us a $35,000 property last month for $3,500, a Tenth of it’s value, because he could no longer even think about “that damn tenant” in the place. Now he responded to a postcard sent to delinquent property tax owners. But it works just as well with newspaper ads.

A seller paid me $500 yesterday to take over payments on his home. But he owed less than 80% of what it was worth and has an 8% loan with payments that will allow us positive cash flow. Reason for selling? The Air Force transferred him and unless he sold right now, his wife would have to stay behind until the house is sold. ***He responded to my ad in the paper.***

A: Is the text of your newspaper ad similar to the card?

A: It's pretty much the same. The nice thing is that the ad goes out to so many people for one cost. But it's not like the postcards are hugely expensive. It still only costs 20 cents a piece to mail them, and I print them off on my computer, four to a page on cardstock.

I get results from both ads and postcards. Oh, but here's something that the postcard can do that ads don't. It's easier to hit out-of-state owners. Absentee owners are good to work with. The hassle of being in a different state provides its own motivation.

Earlier this year, we bought three houses in one month on a mailing to out-of-state homeowners. In each instance, my postcard showed up in their mailbox at just the right time in their lives and they were sufficiently motivated to get that property out of their lives once and for all. Hey,
good thing I showed up, because when the dust settles, we'll have netted over a hundred thousand dollars on these three deals alone. Get the idea?

Q: Bottom line, what you're doing seems to work.
A: I talked yesterday with at least six sellers who were responding to any one of my marketing strategies. ***Six!*** Now, not a one of them seems to have anything I'm likely to buy, but that's not the point. The point is, people are calling.

Q: So now we're back where we started, with persistence.
A: Again, ask yourself: "How many sellers called me yesterday?" If the answer is "zip," then you've got some work to do. Lay the groundwork by getting your marketing in place. You don't need to do it all at once or have a dozen things in place for now.

Just get yourself set up with at least one good marketing strategy that puts callers on the line.

If you can figure out a way to do that consistently, you're in business.

Options as a way to gain control over a property

Tips for Starters to Truly Use the Lease Purchase Contract

Lease options as a means of gaining control over a property is a relatively non-risky way of making money in real estate, as long as you do it correctly. We have compiled a few points here to help you structure your agreements right for less hassle and fewer problems.

Tip #1 – Be a smart and a good landlord

Landlords are creditors. Think of that. They let people live in their property in trust that they will get paid. As a creditor, you should make good use of the credit tools available to you. Make sure you screen your tenant/buyers properly to avoid problems with them in the future. As the landlord/seller, the two major concerns that you will face are collecting rent on time and the destruction of your property. These risks can be greatly reduced, if not eliminated, with a little research.

Minimize Your Risk

?? Have the tenant/buyer fill out a detailed rental application.
?? Check the tenant/buyer's credit history.
?? Make an unannounced visit to the tenant/buyer at their current residence to see how well they maintain it. What you see there is what you will see at your home.
?? Call previous landlords to verify payment history, quality of tenants, etc. If a previous landlord is reticent to reveal any information for fear of liability, simply ask, “Would you rent to this tenant again?” Now they can be honest without fear. Incidentally, the current landlord may not be a good source; if this is the tenant from hell, he or she might tell you anything you want to hear to get relief.
?? Verify the tenant/buyer's employment.
?? Ask for many references and check them.
?? Get a large option deposit to create value in the tenant/buyer's mind.
?? Make the tenant/buyer responsible for the maintenance.
?? Use your instincts.

Why is this so important? Because you want to focus all of your time creating new opportunities and enjoying life to it's fullest — not worrying about tenants.

Tricks of the Trade

Here are a few ideas to create a good rapport with tenants who hold an option to buy. It’s not necessary to become their drinking buddies, but people generally destroy rental property out of hostility toward the landlord who owns it. If the tenants have good feelings toward the landlord, they generally pay promptly, behave better, and keep things cleaner and in better repair:

1. Encourage tenant/buyers to allow automatic transfer from their account to yours.
2. Coincide rent due dates with tenant/buyer's paydays.
3. Send your tenant/buyer a holiday, birthday, or better yet, a Thanksgiving card. How often do you receive Thanksgiving cards? They will definitely remember it.
4. Tenant/buyers who think like home buyers act in the following manner: they take better care of your home, they pay rent on time and fulfill other obligations, they handle repairs and other maintenance and they improve or upgrade your home. To create the appearance that they are actually homeowners, you should send them a monthly statement that shows their current amount due, due date, late payment fees, and any notes you want to include.
5. When signing a lease, give the tenant/buyer twelve-stick’em labels with your address printed on them. All they need to do is peel off one each month, place it on the envelope with a stamp and mail it.
6. To encourage timely rental payments, on an addendum to the option to buy, state that the tenant/buyer will receive an option consideration bonus (maybe $1,500) if they make all of their monthly rental payments in a timely fashion. If they don't make their payments on time, declare the option consideration bonus void by sending written confirmation to that effect.
7. In the first month, welcome the tenant/buyer as a "future home buyer" and use that term in both oral and written contact.
8. Send an "on-time thank you voucher," valued at either $25 or $50 good towards the purchase of the home. If they are ever late, any vouchers received up to that point are considered null and void.
9. While lease purchasing a home to a tenant/buyer, it would be to your benefit to give them a periodical checkup to see what progress they are making towards purchasing your home. You want them to be ready when the time comes.

An ounce of prevention really pays off and your home should be on automatic pilot.

Tip #2 - The Marketplace

Rent to own is not a fad. It is the beginning of the next creative real estate revolution that will affect the way you and your family work, live, and play for the rest of your lives. According to the Association of Progressive Rental Organizations, the rental industry's trade association, the rent-to-own business is more than forty years old, generates about $4.4 billion in revenues for the industry, and serves nearly three million customers. It shows no signs of slowing down, in fact, all indications point to increased revenues for years to come — especially with the advent of the lease purchase contract in real estate.

Until now it has been difficult for anyone who wants to buy, sell or invest in real estate to really make it a big success. Here now ways to make sure you are successful — just look at the previous successes stories.

The lease purchase is second to no other form of financing. Look at those people who sell their home with seller financing. First, they give up title to their home and transfer it to the buyer. Then they take back a second mortgage note, which is junior and subordinate to the first mortgage granted by a bank or mortgage company. If there are future problems with payments, they will have to go head-to-head with a well-funded financial institution and its army of attorneys to try and salvage any of their rights as creditors. They start the process at a huge disadvantage because the mortgage they hold is subordinate to the bank’s paper. Besides, if they did have to foreclose to get their property back, it is a time-consuming process (a year or more) and requires an expensive attorney to do it.

Contrast this with a lease option sale. You do not give up ownership or control of the house until you get paid ***in full.*** Failure to pay means you evict, not foreclose. The option agreement is tied to the lease so that default of the lease means default of the option. Once you evict the previous tenants, you simply place new tenants in the house who pay you the normal option consideration up front. If rents have gone up in the neighborhood, the new tenants pay the new higher amount.

So not only are you offering something that will attract attention, especially among first-time home buyers who do not have a down payment saved up or who lack the excellent credit needed for the best financing packages, but you are making things easier on yourself, as well. This is a Win/Win situation for both you and your buyer/tenants.

Tip #3 - Offering Value and Asking for the Sale

When you place a tenant/buyer in a house, you complete a sales transaction. You have sold them on the concept of obtaining this house on your terms. That makes it very important to remember why people buy anything. Why do people buy?

People buy because of a perception of need, based on their feelings of what the product or service will do for them.

Always remember that people never buy a product or service because of its features (the factual information). Rather, people will buy a product or service because of the ***benefits*** they get from its features. For example, you wouldn't buy a home because it has a large yard, a washer and dryer and a two-car garage. But you would buy a home if your children will be safe and have a great time playing in the large yard. Knowing that you will have more free time because you don't have to go to the laundromat to do your laundry will generate action from you. Knowing that the garage protects your cars from vandals, damaging elements, or save you from scraping ice of the windshield will get you excited. People care about what the product or service will do for them — the benefits.

Be sure to offer value in the form of benefits to your tenant/buyers or, if you are the tenant/buyer, be able to create the lease purchase deal and offer value to your landlord/seller. Understand you clients' needs, and you can address them with benefits.

What do your tenant/buyers need? For starters, the most common reason for buying with a lease option is because credit problems make it difficult to get the kind of financing that make immediate purchase possible. An option gives the tenant/buyer time to repair credit while actually accumulating a down payment.

The same type of mentality that makes people buy furniture rent-to-own makes them flock to lease options. That mentality is simply the "I want it ***now!"*** philosophy. People simply don't want to wait until the kids are nearly grown to buy a house, but it's difficult to afford it when the kids are young.

How about getting the deal to offer?

The other side of the coin is getting a current owner to let you gain control over the property with an option of your own. Why would an owner/landlord want to do this?

Again, it's a matter of benefits and value. This value comes in many different forms: faster equity accumulation, top sales price — even if demand is low for the home, higher than usual rent, no Realtor commissions, minimum cash out of pocket.

The owner/landlords you will be talking to are not offering a lease option when you come onto the scene. They are either trying to rent a house they own or they are living in the house now. If they are trying to rent it, it might be because they couldn't get it sold back when they bought their new house, or (even worse for them) got transferred to a different state, or else they inherited it, or at one time thought they wanted to be a landlord, but don't know how to do it right. The point is, now they are dissatisfied with the status quo.

Lease purchase deals are not found — they are created. Using negotiation as a tool for success, you can quickly and easily buy or sell any kind of real estate. We will explain some strategies for doing this below.

Ask for the sale. Let's say it again. **Ask for the sale**. You can increase your results by up to 50% or more by simply asking for the sale. Many top sales people understand and appreciate this simple method to increase their productivity. There is a fundamental rule to real estate success:

If you don't ask, you don't get.

If you really look at the profile of a homebuyer or seller, you'll find that these are people who are usually well educated, hard working and have some disposable income. Almost all of them have good jobs and pay their bills on time. Because they each have different needs and desires, it will be your job to determine exactly what problem they have and offer a solution to their problem — this is the power of the lease purchase contract. It is the most flexible creative finance technique available to any free market in the world today!

Tip #4 - Rewards, Value, Safety and Security

Creating a lease purchase deal can be very rewarding (both monetarily and mentally) if you do it right. Do you have any idea how quick and easy most lease purchase deals actually are? For example, you all have heard of rent-to-own furniture stores.

These companies serve over three million customers each year and generate over $4.4 billion in revenues.

These are some serious numbers.

You simply will not find a more safe, secure way to transfer ownership in real estate. We are reminded of a quote that attributed to The Great One, Wayne Gretzky, "You miss 100% of the shots you don't take." But you must have the proper knowledge in order to be successful using the lease purchase contract.

Below are a few examples of what you should know when it comes to buying, selling, renting, listing or investing in real estate. They are broken up into two categories; Features & Benefits and Marketing Tips.

Features & Benefits

The lease purchase contract is the quickest, easiest and least expensive way to buy, sell or invest in real estate. It replaces the typical adversarial relationship that usually exists between buyers and sellers with a win-win concept of transferring real estate ownership. As a result, it is highly sought after by those who are aware of its powerful features and benefits.

A Small Sample of Landlord/Seller Benefits (this is what it does for you):

?? Top Sales Price, even if demand is low for the home: You attract to your home more tenant/buyers who are willing to pay a premium because of the terms and value you are offering.

?? Higher than Usual Rent: Since you are flexible on your terms and are offering value, you can demand a higher than usual rent.

?? Positive Cash Flow: Since you can demand a higher than usual rent, this will increase your cash flow.

?? Non-refundable Option Consideration Up Front = Minimum Risk: When a tenant/buyer executes (signs) a lease purchase contract, you receive an option deposit that is yours to keep if they default on the deal or decide not to buy.

?? No Realtor Commissions: Since you are selling your home yourself, you will avoid paying a 6% Realtor commission. In the case of For-Sale-By-Owners, you save on advertising costs because you will have your home lease purchased more quickly.

?? Attraction of the Highest Quality Tenants: You are dealing with tenant/buyers who have a vested interest in the home, therefore, they think of themselves as homeowners and tend to take better care of it.

?? Tax Shelter is maintained: You remain on the deed until the option is exercised and, consequently, you maintain all of the tax benefits of ownership.

?? No Maintenance, No Land lording: Tenants who have a vested interest and believe they are a homeowner may feel a "pride of ownership" that encourages them to pay on time, perform maintenance, and make improvements to your home. Additionally, you can delegate maintenance to the tenant in your lease purchase agreement.

?? Larger Market of Buyers: You are marketing your home not only to buyers, but also to renters and investors. These three groups make up 85% of those seeking to acquire real estate.

?? No Long Vacancies: Your phone will ring off the hook when you advertise your home is a lease purchase deal. Typical turnover time is days or weeks rather than months or years.

?? Peace of Mind: It is safer than conventional rentals because of the quality of the tenant/buyers and their vested interest in your home. It also means that someone is living on-site who will watch and guard your home against vandalism, fire, etc.

A Small Sample of Tenant/Buyer Benefits:

?? Faster Equity Growth: Equity can accumulate exponentially faster than with conventional financing.

?? Rent Money is Working Toward the Purchase of the Home: Each month that you pay rent, a portion of that payment will be credited towards your down payment or off of the sales price.

?? Option Consideration is Credited Towards the Purchase of the Home: When you sign a lease purchase contract, you must pay the landlord/seller an option deposit. This money is your vested interest in the home and will be fully credited (100%) to either your down payment or off the sales price.

?? Minimum Cash Out of Pocket: When you purchase a home conventionally, you must pay closing costs, prepaid, and a down payment. With a lease purchase, you pay only first month's rent and an option deposit. This will save you between 25% and 85%.

?? Frequently No Down Payment at Closing: Since you have given the landlord/seller an option deposit plus you have been receiving large monthly rent credits, there will frequently be very little or nothing left to come up with for a down payment at closing.

?? Possible Assignment (Sale) of Contract for a Profit: If you are allowed to assign your interest in the home, you may assign it to someone for a price.

?? Increased Buying Power: Your buying power is dramatically increased. You can get into a lease purchase home for as little as first month's rent and a $1 option deposit.

?? Compare that to a lender who requires 5-20% down plus closing costs and prepaid.

?? Credit Problems are Okay: Qualification restrictions are not as strict as conventional financing. You will be approved at the sole discretion of the landlord/seller.

?? Control of the Home: You will be put in full legal control of the home for a specified period of time without having to actually own it.

?? Maximum Leverage: You are spending very little money to control a very expensive and potentially very profitable investment.

?? Time: Before you actually buy the home, you will have time to repair your credit, find the best financing available, investigate the home and research the neighborhood.

?? Privacy: Since you are leasing, there will be no public record of where you live (unless you record your option).

?? Peace of Mind: You will have full control of the home and can maintain it or improve it however you wish.

Investor Benefits:

- ?? As an investor, you're probably aware of the principles of leverage (the use of borrowed funds to improve one's capacity and to increase the rate of return on an investment). With the lease purchase contract, you can control properties that normally require 10-30% down for a nominal amount of money without using a lender or going through the loan application process.
- ?? Additionally, the lease purchase contract is so quick and easy to use; you can dramatically increase your productivity and, consequently, your cash flow. You will receive the same features and benefits as the landlord/seller or the tenant/buyer, depending on which role you take in your transactions.

There are literally dozens of different ways to use and market the lease purchase contract. You will learn which ones are the easiest, fastest and most effective; and which are a waste of your time. We will show you, step-by-step, how to make profits marketing your property with the lease purchase contract.

How Do You Find These Deals?

The signs are talking to you. Read them!

When you see a "For Rent" sign on a single family home, you should just walk up to the home and knock on the door to see if anyone is home. If there isn't, that's okay. I just make note of the information on the sign with the landlord's phone number so I can make an appointment to visit the home. Pretend to be interested in renting the property so that you can get into it to do an A-Z inspection.

Before you go visit the property, however, do your homework. Find out how much similar properties in the neighborhood are selling for and then, after you have visited the property, ask the owner why he or she is renting instead of selling. You will discover that most of the time the owner is renting because he couldn't sell it and didn't know anything about lease purchasing!

Next ask the owner how much he or she wants for the property. If they give you a price below market value for the neighborhood, this is an excellent candidate because the owner is already willing to lease out the property. We simply can't think of a reason why the owner wouldn't want to do a lease option deal because they already told me they were interested in selling it.

Regarding properties that are being sold by Realtors, there is usually a sign in the yard. With these, simply get in touch with the owner of the property. Inform them that when their contract with the Real Estate Company is terminated, and if the property hasn't been sold, they should contact you immediately. Explain that if they want to sell their property within 30 days, all they have to do is give you a call in order to make arrangements. Give them you card with you name, telephone numbers, fax number, and my e-mail address.

These real estate signs really talk to you. Why? Because they inform you right away that the owner was willing to lose something like 7% on the selling price with the Real Estate Company that had the property listed. Can you imagine if the owner was also willing to lower the sales price?

Example: Asking price: $100,000 minus 7% for the RE commission = $93,000 left. Then lets say the owner lowers the price even more. WOW! The owner is losing a lot of money just because they don't know anything about lease option deals.

So for a deal like this, simply make an offer around 5% less than the asking price and then listen to the owner for his or her answer. What do you think?

Note that we suggest: "listen to the owner for his or her answer..." This is textbook sales technique. Since the success of your lease purchase business is somewhat dependent upon how good of a sales person you are, you will need to learn to "SHUT UP" after you've made your offer. It sounds a little weird, but by rambling on and on about how wonderful lease purchasing is, you talk them out of the deal. What comes out of their mouth next is very important. It will either be an objection (i.e. "sorry, I need all of my cash right now") or acceptance of your offer. If it is an objection, you can overcome it.

Lease Options — How Do They Work?

Investing in real estate can be immensely rewarding, but it can also be scary. Given the large sums of money involved, it is easy for the investor to worry about what will happen if nobody wants the property that has cost so much—or what if the costs amount to more than the profit?

Conventional wisdom looks at two general types of real estate investments, those that an investor buys to flip, or to sell again for a quick cash return, and those that one acquires to rent out for long term cash flow. Both are good; having both kinds creates diversity in the investment portfolio. Immediate income capitalizes the business,

Both have potential problems, too. If an investor has acquired a home at 90% of its market value with the intent of fixing it up for resale, that means carrying costs: mortgage payments to the funding source, property taxes, insurance, selling expenses. On a $100,000 home, this could easily amount to a monthly outflow in excess of $800 while waiting for the house to sell and then close. Not only is the $800 a month likely to be a burden, but the $2400+ paid in three months represents nearly a fourth of the projected profit on the deal, and the rest will be eaten up in 6% agent commissions and the closing costs. Why go through the bother only to break even?

Renting has its own hazards. Let's say that by paying $800 a month on this house, one can rent it for $900. So far, so good. Cash flow is $100 a month and the property will appreciate over the years. What happens, however, if the tenant moves out and it takes a month to get a new one in? What happens if the first renter was the tenant from hell, who punched holes in the walls, let five dogs relieve themselves regularly on the living room carpet, and takes the refrigerator with him? Once again, the investor pays $2000 for the privilege of clearing $100 a month.

What we need is an alternative that doesn't cost as much as flipping a property but generates more income than renting. The alternative: lease-option.

What is a lease-option? It starts with a normal lease agreement, signed for a home for a set period of time. The tenant makes monthly rent payments and the landlord supplies the tenant a place to live.

With a lease option, we add an additional step, an option agreement, which gives the tenant the privilege of purchasing the house within a given time period for a price agreed upon in advance. It is easy to see that a lease option is a hybrid of the two ways of dealing with a property that we described above—renting and flipping. As you will see, however, it mitigates most of the risks involved with these two methods while retaining many of the advantages.

Let's look at some advantages of lease-option over renting:

- ??Instead of collecting a refundable deposit and the first month rent up front, you collect the rent plus a non-refundable option consideration of anywhere from $1000 to $4000, depending on your market.
- ??Instead of collecting the normal market monthly rent payments, you get rent plus an additional amount. You credit the additional amount toward the option as further non-refundable consideration (since this is non-refundable, it is yours to keep as profit, even if the deal is never completed and the tenant never exercises the option).
- ??At the time the option is exercised, you receive the remainder of the profit you have coming to you, based on your earlier estimate of what the market value of the house would be at the end of the option term.
- ??Your tenant is planning on buying the house; whom do you suppose will take better care of it, the renter who plans on moving on eventually, or the tenant who wants to own it? In other words, your investment property is well taken care of.
- ??The option agreement stipulates that the tenant becomes responsible for maintenance. Instead of calling you in the middle of the night when the sewer backs up, the tenant calls Roto Rooter and pays for the service without deducting it from the rent.

In short, you get more money up front, more money during the course of the lease, a profit on the back end, the tenant takes better care of the property and assumes responsibility for maintenance. On top of that, as you will see in our next installment, the investor can turn this property around in just a couple of weeks instead of in several months.

* * * * *

What is the best way to market a house for a lease option? First, let's look at the target market. Who might be interested in a minimal down payment to buy a house? Think of a young married couple, newlyweds. Between the two of them, they make enough to handle the payments, but they haven't had time to save up for a down payment for a conventional loan. This is all the more the case if they just got out of college. Between the two of them they may be earning $4000 a month, but have no savings. However, they feel the need to invest in a place to live, and know that if they had to, they could scrape up $3000 from various relatives. There are other people who have been married for a number of years, but have been living paycheck to paycheck and have never saved anything, or they have a credit history that makes conventional financing too expensive.

What will catch their attention? First of all, an announcement — **RENT TO OWN!** — Will make a strong impression. The term, "lease option," may be incomprehensible jargon to them, but "rent to own" they are familiar with. Who knows, maybe that's how they furnished their apartment. This is then the foundation of our advertising.

The ads we place might be newspaper classified (or classifieds in the Penny Savers from the convenience store), or they might be fliers posted in public places. Both will work. For double coverage, you could place classifieds both in the *Homes for Sale* and the *Homes for Rent* section of the paper. Here are possible ads you can run:

RENT TO OWN
My nice 3-bedroom home,
Owner desperate, must sell, $3000 gets
you in.
555-1234

When people call, don't make the mistake of seeing people separately. Half of them won't show up, and you will experience the frustration of driving over to this house and waiting for 45 minutes for nothing. Instead, try this dialog when they call you:

"Hi, I'm calling about this house in the paper, rent to own."
"Oh yeah. Which ad was that?"
"It says, '$3000 gets you in.'"
"Great! I'd like to show it to you. Do you have the $3000?" (Or: "Can you handle the $900 a month?")
"Yeah."

“How’s your credit?”
“It’s ok.”
“Good. I’ll tell you what. I’m going to be over at the house Saturday to clean things up. Meet me at 4:00, I’ll show you through and let you fill out a credit application. Bring your checkbook for the deposit, and I’ll see you there.”

Saturday at 4:00 there should be a pretty good crowd at the house, wandering around the yard, peering in the windows, wondering where you are. About 10 after the hour you show up and apologize for being late. Then look at your clip board (where you have a list of the people you talked to on the phone, having marked the ones that sounded certain to be there) and ask, “OK, now who’s Ed and Lucille?” Ed and Lucille step forward, you say, “come on, I’ll show you through.” Then say to the rest, “this will just take a minute, and I’ll be right back to take care of the rest of you. Just hold on a minute, OK?”

You let the first couple look at the house, and then have them fill out a credit application in the kitchen (the kitchen is generally the room that makes or breaks the deal). Take the application and their check for $3000, and say, “It’ll take me 10 to 15 days to check this out, but then I’ll get back to you.” They leave, you get the next couple.

Note: you may be concerned about asking for $3000 from strangers—why would they be willing to give that much to someone they don’t know? Here’s why? There are 10 other couples standing out on the front lawn willing to pay $3000, and they know it. They recognized an opportunity to get a place of their own in a way they can afford to do. For that matter, if they ***don’t*** want to pay $3000, go ahead and say: “you know, I can understand that and I respect that. Here, we’ll put the credit app in the trash. Don’t worry about it.” Many will give in at that moment; others will suddenly change their minds out on the driveway after they leave the house. If they don’t, so what. You have 10 other couples eager to buy the house.

Here is why we recommend taking the deposit up front from everyone:
?? You know a person who gives you a check is committed, and you don’t have to worry about doing all that due diligence on all those credit applications for nothing.
?? When you deposit the checks, you test which are good.
?? When you deposit 8 or 10 $3000 checks at a bank, you make a lot of friends in the financial community.

Regarding payments, the investor has a strong device for ensuring prompt lease payments. Remember, the lease payment is made up of a base rent amount (normal for the local market) and an extra sum for option consideration. If they pay on time (let's say, before the 3rd of the month), the extra amount counts. After the 3rd, the extra amount is just part of the rent. You get the same amount regardless, but if they pay late, they end up owing more down payments at the end.

How to Protect a Lease Option

There are some things you should take care of to protect a lease option. One thing you want to avoid is a situation known as an equitable mortgage. In brief, that means that a judge decides that your arrangement is not a lease but a mortgage. This might come about if you have a bad tenant, whom you wish to evict, but who protests in court this is really a purchase, therefore you must foreclose. With an eviction, you can get the person out within a month; a foreclosure means nine months with no lease income. Here are things you can do to ensure this is not a problem:

- Know the landlord–tenant law for your state
- Record the option agreement for public record
- Escrow the deed with an escrow or title company
- Keep the lease agreement and the option agreement as two separate documents.
- Keep the terms relatively short—two years (or less) is good.
- Take a refundable security deposit (a small amount so that the tenant can still afford the non-refundable option consideration
- Seller pays all property taxes and insurance (structure only) on the property
- Don't give unusually large option credits as part of the monthly payments
- Watch contract language:
    - Good: landlord/tenant, non-refundable option consideration
    - Avoid: buyer/seller, credit toward down payment

In summary, a lease option is a possibility for dealing with a property that doesn't leave you enough equity that you want to risk flipping it or just renting it. You get a better tenant, more motivated to take good care of things, collect more money on the front, during, and on the back end, and can move it quicker.

Just in case you might be worried that the tenant might not exercise the option in the term agreed, just remember that 80% do not. So what do you do? You turn around and offer it to someone else with a consideration up front, only now adjust the monthly amount to reflect current market conditions, and increase the purchase price according to current market conditions, and sit back and let it generate more income for you.

What a deal!

How Can You Profit From A Sandwich?

A Property Investment With Low Capital Requirements

If a lease option is a good way for the investor to sell a house, also a good way for the buyer who can't go through normal financing channels to buy a house, then doesn't it make sense that the investor could buy a house the same way? In fact, how about a way to gain control over a property without incurring the risks of actual ownership, while still making the same kind of profit?

The vehicle here is a sandwich lease option.

A sandwich lease option is simply two lease options arrangement sandwiched around a single investment transaction. You gain control over the property by signing an option agreement to buy it. You now control it because the owner cannot sell without first going to you. Your outlay on the deal might be a little as a security deposited and the first month's rent, possibly a little option consideration. Obviously, you will not volunteer to pay more consideration than the seller requires.

Meanwhile, you quickly place a tenant in the property using a lease option on the other side. Here you charge the normal option consideration, both up-front and monthly over the term of the option, while requiring normal market rent.

Your profit?

The full amount of the consideration (perhaps less your security deposit, unless you get a security deposit from your tenant to offset that—obviously your tenant at least offsets the rent you paid). Additionally, if your rent obligation is favorable enough, you can pick up a little on the margin between that and what your tenant pays you.

In short, this arrangement has its advantages:

- ??The investor’s capital costs can be minimized, since the property is not really purchased until the money comes in from the second half of the deal.
- ??This can be done regardless of the investor's personal income or credit history
- ??Since the investor does not need financing, as many of these deals can be done simultaneously as the invest can find and negotiate

Where do you find these deals?

To make it simple, don’t bother with advertisements, classified or otherwise, for lease-options. The person who calls it that is savvy enough to pull all the potential profit out of the deal before you get to it. Instead, approach landlords who advertise a house for rent, pure and simple. All they want to do is get a tenant in before they start losing money. However, many would welcome the chance to sell the house, too.

Why?

Why does a landlord rent out a single-family house? There are a few possible motives:

- ??The landlord is an investor who is holding onto it for cash flow
- ??The landlord used to live in the house, then bought a new place and thought it would be cool to rent this one out; now it has become clear that that involves work, and it’s no longer fun
- ??The landlord had to move because of a job transfer, or just couldn’t get the house sold when the new house was ready, so had to rent it out to offset the extra mortgage expense

In any of these cases, the landlord might easily be persuaded that giving you an option would be smart business. In the last situation, persuasion probably won't be necessary; this is a highly motivated seller. At any rate, you can test it out with the following dialog:

"Hi, I'm calling about the house you have for rent in Springfield. Can you tell me a little about it?"

After discussing it for a minute, continue:

"To tell you the truth, what I want to do is buy a place, but I can't afford to right now. But I'd be very interested in renting this one from you with an option to buy it down the road a couple of years."

Now picture the reaction of the person who is tired of owning the house. You have just answered his or her prayers. Imagine if this person lives 1000 miles away now because of a job transfer. You are offering to relieve him or her of a major headache. Even better, what if the house has been vacant for two months when you call!

Note: Any time you spy a house for rent and see signs that nobody lives there nor has it been occupied for any length of time, stop the car, get out, and talk to a neighbor. Find out the situation. Where is the owner? Why is it being rented? What happened to the last tenants? If the owner is out of state and had to rent it because it couldn't get sold in time, you have struck the mother lode. Call the owner and help him out of his misery. Make sure you don't pay rent in a much higher amount than what is needed for the mortgage, taxes and insurance (yes, he still pays taxes and insurance, it's his house!)

What if the owner is not interested?

If the landlord is interested in giving you an option, you can discuss the details at this time. If not, ask:

"Oh, so are you an investor?"

Most likely this person is an investor wanting to hold onto the property. Use this opportunity to network with investors with whom you can do business in the future. For example:

"That's great. I'm just learning right now, and I've got a ways to go, but it's a lot of fun. Tell me, what kind of properties to you work with most. What works best for you?"

Give them the opportunity to play the expert, which they will most likely be happy to do. Keep a data base so that in the future, if you come across a great 4-plex, and you can buy it for time or money constraints, you could still get it under contract for a great price, then call those contacts who like 4-plexes, and explain:

"Hi, this is Reg Schmedlap. I talked to you a few weeks ago about your rental house over on Maple Avenue. You mentioned that you look for 4-plexes. Well, I've got a 4-plex under contract on South Jefferson with a pretty good price, but some things have come up that will make it impossible for me to go through with the deal. Before I let it go, I wanted to see if you'd be interested in taking it off my hands."

The consideration on the assignment here could net you $3000 - $4000 for being able to negotiate a good purchase contract.

Here are some things to watch out for:

1. Make sure that the lease agreement you sign, as tenant doesn't prohibit you from sub-leasing. Think about it for moment, and you will understand why. Remember this about sub-leasing. A primary reason for this prohibition is because the landlord is looking at this as a long-term investment, and in the interest of preserving its value wishes to control who lives there, not cede that power to a third party. However, in this case, you have now taken over interest in the long-term investment, and you desire this control for yourself. Besides, as you may have to explain, without striking that clause from the contract, you cannot do the deal. Highly motivated sellers will give in.

   Solution: If you prepare the lease agreement, make sure it makes no mention of sub-leasing.

2. Make sure you take in more money than you spend on the transaction. This may seem like a no-brainer, but that is why you avoid the people advertising a lease option. Go to those who are only thinking of renting out the house. Ideally you want to pay no option consideration. Maybe you end up paying $1000 up front and nothing per month. Then you collect $2000 from your

tenant and $250 per month. Remember, the landlord was not thinking consideration when he placed the rental ad. Also, negotiate the lowest possible rent payment for yourself, so that you have a margin between what you pay and what you collect. It helps that you don't have to pay property taxes and insurance out of your rental revenues.

3. Set expiration for the option you give to be two months prior to the option you buy. If your tenant exercises the option, things will take care of themselves with a simultaneous or double closing. If the tenant doesn't exercise the option, you have three possibilities for your next move.

   ??The tenant walks away from it, so do you. The option gives you the right to buy the house, not the obligation.

   ??Tell the owner, "I thought I had things set up to buy this from you next month, but that just fell through. I'd still like to do it though. Would you be interested in renewing the option for another two years?" For the past two years, you paid like clockwork and the house is in marvelous shape. Why wouldn't the owner want to continue?

   ??You like the house; you have a two-month window, go out and get financing to buy the house under the original option terms.

   Obviously this latter choice is the reason for the two-month difference.

A sandwich lease option is a good alternative to the normal buy-fix-sell type of lease option or flip. The advantage is that if you are currently cash-poor and over-extended, you're not out of business. Just rent a two-year investment, earn some of it now, and make the rest later.

Find a tired landlord, find a good deal!

Here is a great technique that allows you to gain access to tired landlords
And close more lease option deals.

Step 1: Run the following classified ad:

"Problem Tenants?
Call the Eviction Specialists. Simple. Easy. VERY effective.
555-4321"

Step 2: People will call asking about your services. Gain some rapport, and then set up a time with them to meet and discuss exactly what their tenant problem is and how you can help them. The phone is NOT the time for details. (Remember, 80% + or our communication is non-verbal, meaning most of our communication comes from body language, facial expressions, gestures, even our aura: all you have on the phone is words and tone of voice).

Step 3: You meet with the landlord and you LISTEN to all of his or her problems: no rent in four months, the place is getting trashed; the tenants are dealing drugs, etc. Let them talk. You control the direction of the conversation by asking questions, so you should be the asker, not the teller at this point. After you have all of the details and the landlord has vented, you can explain how you can help:

You: "Mr. Jones, I am certain we can help you but I guess I have some other concerns here...and I know I may be overstepping my bounds so please don't be offended...but...What are you going to do the next time this happens? I mean this problem is bad enough but you know it often is part of the game. And I guess I am not sure if you are really enjoying playing the game anymore..."

Landlord: "I dunno..." or "Well, it is not always this bad..." or (smiling) "I'll just come see you!"

You: "Let me ask you this: why did you get into the whole landlord —property owner thing in the first place? Was it for cash flow? To secure a better future? Passive income maybe?"

Landlord: "Uhm, yeah."

You: (smiling) "It’s not a lot of fun right now, is it, and you’re not making a lot of money if the tenants aren’t paying. With all that I was thinking you might be open to a method where you can get back to where being a property owner was fun again. I'm talking about making everything a turnkey operation — you never have to collect rent, or do repairs, or screen tenants, or anything other than just collect a check each month. I mean, isn’t that why you got into Real Estate in the first place?"

And if the landlord is interested?
At this point you can explain the lease option. It’s a good idea to have the forms available. Then you agree to finish off the eviction for free. And another deal goes into your portfolio.

Sometimes, you get people who aren't interested or, when you "pitch" them, they respond negatively. If that happens, you just backtrack like this.

You: "Okay, well what we need then is to get this eviction underway so you can go back to land lording!" (Note: contact them again in 6 months.)

And you help them with their eviction and pick up $200 bucks or so for your time. Easy enough. And that's the process. Easy enough? Here are some concerns:

How do you not practice law? In the service agreement the landlord signs, there is a statement that says we are not giving legal advice, rather the example forms we provide are merely that and if they are not sure of what they are doing they need to find legal representation. Also, it states your fee covers the education of the eviction process and the calendar we provide showing them what to do when is an example only.

How do you know how to do an eviction? Well, if you are NOT an expert at this already, you should arrange to meet with an eviction attorney and pay him to answer everything. You can also contact a local investor's group and see if there are eviction packets you can learn from.

How much do you charge, why do people use you and when do you collect? One expert charges $225. Why $225? Because the attorney in town does this for $475. The attorney in town is slow and files all of his documents weeks and weeks after he should. He is not a landlord and never has known the pain of eviction. He gets paid regardless of what he does. So the job of our example expert is to be better, cheaper and more effective. You collect your fee at the time you sign your agreement and start the forms.

Real Estate Investing Without Money Does It Really Work?

Here are the stories:

Most of us would like to acquire properties while taking as little money as possible out of our pocket. This allows us to have a reserve of security cash in the bank and allows us to use our money for other things such as investments, vacations and big-people toys.

You may be asking yourself how can you buy a house for less than 5-20% down plus closing costs and prepaids (which typically amount to an additional $3,500). The answer to your question is short and sweet — the lease purchase contract.

These real-world examples will prove to you how quick and easy it is to buy a home with the lease purchase contract:

Experience #1

While sitting at my desk shuffling through some paperwork, I got a phone call from a friend of mine who knew I was looking to move near his neighborhood. He told me that he drove by a beautiful home on a lake that had a For Rent sign in the front yard and that it would be perfect for me. So I drove by the home for myself to see what it was all about. It was perfect!

I jotted down the phone number from the sign and returned home. I did some research to determine what the home might be worth and what the fair market rent was. With my numbers in hand, I drove back out to the home and knocked on the door.

To my amazement, it was old friends who were clients of mine when I was selling insurance a few years ago. I couldn't believe it!

We talked about old times and, in short order, got down to business. They told me that they were asking $1,600 per month for rent. I asked them if they would consider selling their home and they said yes, as long as they got no less than $180,000. I knew from my research that their home was worth a little more.

I offered them the following lease purchase deal: $2,601 down (first month's rent plus $1,000 for the option deposit), $1,650 per month rent, $300 per month rent credit, a term of 4 years and a sales price of $195,000. They accepted my offer without batting an eye.

The owners now have a positive monthly cash flow of $480, they have a tenant who will take care of their home as if it was their own (which it is), they have a written sales agreement for $195,000 in 4 years plus they saved thousands of dollars in real estate commissions.

In 4 years I will have over $15,400 in equity ($400 x 48 months + $1,000) so I probably won't have to come up with a down payment when we close, I paid a minimum amount of money to gain control of a wonderful home, my closing costs are delayed for 4 years, I will profit from any appreciation in value of the home, I don't pay any taxes and I have a limited exposure to liability. This entire process took less than two days to complete!

Experience #2

Isn’t it great to know you can invest and make more money with fewer headaches using leverage to control homes, not own them?

Every real estate investor knows about leverage (the use of borrowed funds to improve one's capacity and to increase the rate of return on an investment). And every real estate investor knows that tenants can sometimes be a headache. But most real estate investors do not know that if you control a home, rather than own it, you can make huge profits with very little expense.

What do I mean when I say "control homes?" What I mean is this... You have total and complete control over every single aspect of the home, but your name is not on the deed. You can live in the home, you can make improvements to the home and you can even sell the home.

How is this possible? Simple. A lease contract puts you in immediate control of a home as far as occupancy is concerned. When you throw an option to purchase contract into the mix, you now have an exclusive right to buy the home at a later specified time for a specific amount of money.

Let's talk about how we can make a lot of money with very few headaches using leverage to control these homes. I will try to keep it short and sweet.

First, find a seller and negotiate the control of his/her home with a lease purchase contract. Let's say that Sally the seller agrees to lease purchase her home to you for the following terms: $700 per month rent, $1,700 down ($1,000 option deposit and $700 for first month's rent), a $250 monthly rent credit, a sales price of $75,000 and a term of 1 years. Assume that you got a pretty good deal and there is a little room for mark-up.

Since you know the value and appeal of the lease purchase contract to buyers who cannot qualify for a mortgage for one reason or another, you can jack up your sales price and monthly payment. You place a classified ad in your local newspaper and your phone rings off the hook. Your ad reads like this, "Rent-to-Own. No Qualifying! $3,800 down, $800 per month."

You find an interested tenant/buyer and tell them your terms: $800 per month rent, $3,800 down ($3,000 option deposit and $800 for first month's rent), a $100 monthly rent credit, a sales price of $89,000, and a term of 1 year.

Your tenant/buyer likes your terms so you run them through the pre qualification process. They are perfect so you close the deal.

How much did you make? According to my profit calculation form, you will make exactly $2,100 up front, $1,100 in monthly rental payments, and $13,800 in back end net profit for a total net profit of $17,000 in one year.

Let's take a step back for a moment and see what you've accomplished. You've gone out and controlled a home for 1 year for a total of $1,700. You got a good deal on the home and the only risk you were taking is that it might take you a couple weeks to find a qualified tenant/buyer. Well, I've got news for you...

When someone sees an advertisement for a lease purchase deal in the newspaper, they are all over it. Why? Because you are offering financing terms that no bank, mortgagor or lender can touch with a ten-foot pole.

Imagine doing four or five of these deals a year. I do two to five of these deals each and every month because they are so quick, easy and lucrative!

But I've saved the best for last. If you didn't want the headaches associated with being a landlord, you could assign (sell) your interest in your lease purchase agreement to a third party — maybe another real estate investor. Heck, it's still worth $14,900 in one year. You could stick your up front profit of $2,100 in your pocket and sell your remaining interest for at lease a couple thousand dollars! Now that's a great way to make some money in a hurry.

I received a lot of calls from sellers that weren't motivated, a few calls from other investors, but fortunately for me, I did receive a call from a supremely motivated seller.

She said was tired of renting to her deadbeat, lazy and unappreciative tenant, the tenant happened to be her son! He thought he was a real handyman and tried to remodel a few things. Ultimately, he broke everything he touched.

In early April 2000 the seller and I negotiated a 1-year lease purchase with 2 (1) year extensions. I gave her $100 of option consideration and the contract began in May 2000. I agreed to pay her mortgage payment of $875 per month and I agreed to pay her mortgage balance at the beginning of each year. I received a copy of her loan statement and the right to notify her mortgage company that I should be contacted if there were any late payments.

I didn't do any repairs, or any clean up. I just placed a "handyman special" ad in the paper and received over 50 calls! Of the 50+ calls, only about 3 would take the property as is. I settled on my buyer/tenant because she was a handy person, had lots of tools and was in the construction business. The tenant/buyer and I agreed that she'd pay me $1,050 in rent and I'd give her 50% rent credit toward the purchase price. I was excited, and in a hurry, and sheepishly asked for only $1,500 in Option money. (Mistake #1)

Boy, did I make the wrong decision! I checked her credit and it sure was stinky. But, I thought, she's gonna fix-up the place. Why not give her a break? (Mistake #2)

Next, she couldn't come up with the initial rent and option consideration without relying on a contractor that she had worked for. This method of paying me proved to be prevalent throughout the several months that followed. (Mistake #3)

Well, I was Mr. forgiving and understanding, and thought she'd get back on her feet real soon. (Mistake #4).

Of the 8 months she was in the property, she paid for 4 months rent and I paid the rest. Never once, was I late to the seller. The seller received my rent payment on or before the 5th of every month, even though the deadbeat tenant I carried on my back was always late and always had a sob story.

So November 2000's rent is late again and as usual I'm sweating and stressing, but I'd had enough. I took the advice of a "I take no bull sh%t from tenants" fellow investor and started the eviction process. I hired a company that handled the entire process for me and,

She was out by the 8th of December. The property looked almost exactly like it did before I rented to her, except now there was more crap in the yard. Man, was I downhearted!

I went back to the property to start to remove the stuff she left behind. As I was working, and anxious, stressing, and tense, I bumped into the neighbor and asked if he knew anybody that might want to rent this place. He didn't speak English well and thought I was trying to sell the place. I gave him my number and continued on with my cleaning. I get home after taking prized time away from my family for which I received a bunch of finger wagging "I Told You So's" from my wife.

I had also listed the property with a few rental agencies and started to get some bites. Well, when I checked to see if any prospective buyer/tenants had called, I heard a message from the cousin of the neighbor I had spoken to that day. He didn't want to rent the place. He wanted to buy it and he wanted to know my price! I called him back, told him my price. I thought he'd want to rent it for a few months and start getting a few months of generous rent credit. Boy was I wrong and glad to be wrong. He said that he wanted me to stop all work and repairs; he had cash and wanted to buy the property right now! Hmmm where have I heard that before?

Even as dense and stressed as I was, I notice a tone of urgency. So, I told him my price, which was $120,000. He agreed! He had an agent, but she was supportive. I found out from the agent that the next-door neighbor and the buyer are best friends. They've been trying to live next to each other for years.

He took the property as-is with 1 contingency. I had to pay for a termite report. Well, that cost me $880 and it came out of escrow. Oh, the agent's fee came out of escrow, too.

The buyer was true to his word and we sailed through escrow without a hitch. We closed last week and I received my check for $16,000 on Saturday. I actually thought the amount would be less.

But that's not all. As we were signing documents, the seller said that I could have any money above the loan payoff amount. The loan payoff turned out to be $96,180. So, the seller agreed to give me an additional $880!

A few more things... During this 8-month period, I was laid off from my job, I've had to work at demeaning temp assignments, look for a good job and my wife gave birth! Through it all, I've always been optimistic. I know no that I'm going to simultaneously use more methods of finding motivated sellers. After mentioning my experience to a few others, nay sayers and believers alike, they all want some of the action and they're willing to kick in some cash. So, I feel pretty good and look forward to spending my full time and attention Lease Purchase investing.

Experience #3

It's been a while so let me update you on the deal I've got going. I found this cute little home in a nice neighborhood that was priced right ($60,000 – about $2,000 less than what I thought it was worth). Anyways, the seller wanted out of it so I made her a lease purchase and she accepted! My terms were: $1,000 option deposit, $550/mo for 24 months, $200 rent credit. I couldn't believe that she accepted my offer – it was like I bought this nice little home for a total of $1,550 down. Wow!

Before I signed the paperwork with her to close my deal, I ran two ads looking for tenant/buyers. Much to my delight, my phone didn't stop ringing with interested people for three full days! I found a potential tenant/buyer and showed them the home and they wanted it. I had a sales price of $69,900 in 24 months (should have no problem appraising at this), received $2,000 down for the option money, charged $650/mo and gave a $100 rent credit. Of course, I checked their credit and it wasn't perfect, but they shouldn't have any problems getting a mortgage if they pay off a couple of late pays.

Experience #4

After just about giving up on calling the classified ads, I finally found one seller who was more than a little motivated and quickly set an appointment to meet with him. I explained to him, just how you teach, the features and benefits of lease purchasing his home. It worked like a charm! After several cups of coffee and a few firm handshakes, he decided that I could solve his real estate problems. The numbers looked like this:

My Purchase Price: $105,000
Option Deposit: $750
Monthly Rent: $795
Rent Credit: $100
Term: 1 year with 3 options to renew

I pulled some comps and talked to some Realtors so I know his home is worth around $112,000 - I can only speculate where property values are going to go, but I have a pretty good idea. The beauty of the whole thing was that I already had a tenant/buyer lined up for this home - just like you said. Here is what their numbers looked like:

Their Purchase Price: $119,900
Option Deposit: $3,000
Monthly Rent: $875
Rent Credit: $100
Term: 1 year with 0 options to renew

Their credit was a little below par, but they were only minor problems. I knew they'd be able to get a mortgage in a year - no problem.

When everything falls into place I will profit over $2,000 up front, $960 in 12 monthly payments, and my back end should be at least $10,000. As I sit here and think about this deal, I'm sure I can do at least one of these each month. And if only 50% of them closed, I'd still be making over $50,000 per year.

Once You Have Control of a House, What's The Best Way to Move It?

If an investor wants to sell a house to generate capital for the business, the quicker the sale goes, the more money the investor can make on the deal. Waiting for the house to sell creates expenses that erode away the potential profits.

Therefore, our sales strategy is designed to appeal to the largest possible market. The biggest group of homebuyers in any community is the first-time buyers. There are others who are moving in from out of town, or are moving up because they have more money, or buyer a bigger place because they have more kids, but the largest single group is the first-timers. Even many of those coming in from out of town will be looking for starter homes because they can't afford more.

This being the case, we want to work out a strategy for appealing to people in this group and techniques for getting their attention quickly and helping them move through the process quickly. The latter consideration is important because, as first time buyers, they have never gone through the process before, and it is likely to be scary and foreign to them. That means that the service we render in helping them along will be rewarded on top of the rewards we gain for selling the house.

What Are First Time Home Buyers Like?
It is good to remember the feelings and perspectives of the members of our target market. People buy according to their feelings. Here are some things to remember about them:

?? They don't always know how to proceed
?? Many don't expect to be able to buy a house anytime soon because they don't believe they can afford one
?? Some grew up in a renters' environment-their family always rented, and they believe that is their lot in life, as well
?? It is easy for these people to see themselves on the fringes of society, on the outside looking in
?? Feeling excluded, many of them mistrust institutions, such as banks, government, and real estate companies.

The monthly payment on an FHA loan will be very much the same as these are already paying in rent, but you can point out that it will not increase on a landlord's whim and they get a tax write-off on the interest. Furthermore, you will help them get the funds for the down payment, so that needn't be a concern.

Advertising That Doesn't Cost Much

Since our target market doesn't expect to buy a house soon, they will not be looking for realtor signs. Since they do rent, however, they will notice the hand-made signs you put up. For signboard, we suggest you get tile board from Home Depot and cut it down to size. One 4'x8' sheet will give you 8 signs that are 2 foot square. You can write on the sign with a felt-tip marker. Your cost per sign will be ca. $1.50. Here is an example of a suggested sign. We will explain each element below:

HOME FOR SALE
RENT TO OWN
$700 DEPOSIT
CALL 555-9876

The sign does not give an address. You can re-use this sign for different deals. If you put it up on public property (parking strips along city streets, etc., do so on a Friday afternoon and then pick them up again early Monday morning, so that city employees don't take them down. Even better, get permission from friends to put them up on private property. They only need be in the same part of town as the house.

Here is an explanation of the sign:

1. We call attention to the sale portion of the transaction with the first line
2. We put "Rent to Own" in larger letters, because this is the grabber. Most people who are renting now would love to buy a home but don't feel like they can right now. Reading this, they are likely to think, "Oh, I'm already renting, so I can do that, but now I can do what I've been doing all along and still own a place!"
3. The amount of the deposit is equal to whatever you would charge for rent on this house, were you to rent it out. That makes it equivalent to what your potential buyers are used to paying for a security deposit on their lease, which they feel they can handle.
4. Make sure that you have voice mail on this phone line, since you can't always be there to answer. Voice mail is better than a machine, because it can pick up while you are talking on the phone, and you don't miss any calls.

With a monthly payment the same as they are used to, with the advantage that it won't go up with inflation, and no worries about the down payment, why would any of these people not want to purchase your house? In fact, what you are selling here is not the house, per se; it is the ***concept of affordable home-ownership***. Which house it may be is almost secondary. The sale is made on the excitement of this couple being able to buy a house of their own! Because of the other realities above, we approach the market as just regular people, not slick professionals. Our advertising is homemade; our approach is low-keyed and simple.

The plan comes in five steps, which can begin as soon as the investor signs a contract for purchase of a suitable house. In fact, all purchase contracts should contain a clause in the addendum allowing immediate access to the house for the purchase of showing it to potential occupants. With luck and some work, your buyers could close on their purchase simultaneous with your purchase of the house, meaning very low costs on your acquisition and more profit into your pocket. Here are the steps:

Step One

Put up a dozen signs around the neighborhood. You could put the same message on fliers and distribute them on all the public bulletin boards in town. This keeps your cost down.

Step Two
As you talk to the callers responding to your signs and fliers, you want to accomplish two tasks:

1. Make sure this house is suitable to the caller. If the caller has 6 kids and the house has two bedrooms, it won't do much good to pursue things. However, now you have a contact that would likely be interested in any 4-bedroom house you can supply. Get information and go find a house for these people; you will know how you are disposing of it before you even sign the purchase agreement.
2. Gather the information you will need to get the caller pre-qualified for FHA financing. Check with your mortgage professional (see module #2, The Team) to find out the bare minimum information you need. Don't pump the callers for lots of information or you will lose them. Remember that they may well mistrust institutions, and now you are acting just like a banker if you ask too much.

Submit the information to your mortgage professional, which will need only an hour or two to tell you whether this caller qualifies. If yes, get in contact with the caller again, and set a time to meet at the house together. This will be the first time the caller even knows the address. Let the mortgage professional know of the meeting so he or she can be on call.

Step Three
Meet with the potential buyers at the house and let them look at it. The emphasis of your conversation should be on the exciting concept that they can own their own home. Also let them talk about what colors they would choose for paint and flooring. Let them dream. As quickly as possible, ideally at the time of the first visit, you would like to accomplish the following:

1. Have the seller sign the sell and buy agreement and give you the deposit called for on the sign. This deposit will go into an escrow account at maintained by whoever will do your closing, either a title company or an attorney.
2. Have the seller fill out the FHA loan application packet. This packet has as many as 18 pages and calls for up to 15 signatures per applicant, along with a half dozen places for applicant's initials. Without some help and guidance, your clients will likely undergo a panic attack. At the time you set up this meeting, you should have notified the mortgage expert to be on call. The mortgage person gets a commission for this loan. He or she also has several

other people sent by you to place loans for, because you only have one house to sell and several people were interested. The mortgage person should be willing to come over to the house and get the application filled out here and now. It is wise to strike while the iron is hot, while the buyers feel the enthusiasm and euphoria of obtaining their own home. If the mortgage person can't make it, you will have to be the one to hold the buyers' hands.

By no means should you simply hand them the packet and say, "go home and fill this out and bring it back to me. You will never see them again.

Step Four
After a period of time, you will hear from the mortgage broker than the loan has been approved. That means that it is time to take two more steps.

1. Have the buyers sign a lease and move into the house. They will be ecstatic and you will collect an occupancy deposit in approximately the same amount as the first deposit. It, too, goes into escrow. The lease should be open-ended, because it is not yet certain how long they will rent the house from you. It depends on how much down payment money they need.

2. Get a statement from an FHA appraiser about the dollar value of sweat equity work that your buyers can perform. Anybody can paint, and every house you buy should be pained inside. FHA will recognize the going rate for the job in that community. For painting the interior of an 1100 square foot house this is generally around $800. Make sure the appraiser knows that you need a generous estimate for the purpose of generating credit for a down payment.

If the work to be done requires licensing in your community, the person doing the work must be licensed. This would include things such as electrical or plumbing work. If the buyer is licensed, that provides a great opportunity. The work can also be performed by relatives and gifted to the buyers. You get to pay for all materials, but your buyers are credited for the work toward their down payment.

Step Five
When work is done and carpet is laid, you get a final "as is" appraisal and schedule the closing. On homes priced below $80,000, it is likely that the deposits and sweat equity have covered the 3% down payment required. If the home is higher priced, and all the work to be done is the interior painting, the

buyers will have to come up with more. FHA allows a number of means outside of person savings:

- Money can be lent to the buyers by a relative (but not by the seller, or any other person taking part in the transaction, such as a real estate agent, mortgage broker, etc.
- Money can be gifted to the buyers by a relative
- A non-profit charitable organization can gift money to the buyers. The best known of these is The Nehemiah Program © (www.nehemiahprogram.com and nehemiahprogram.org), although at present this organization's status with HUD and FHA is under review.
- Sweat equity
- The buyer can tender a surplus of rent paid; this means that if the lease calls for an amount at the low end of the range of rents recognized for this type of house in this neighborhood, but the tenant pays the high end of the rent, and this goes through the escrow account, from which the rent due you is paid, then the surplus paid accumulates toward the down payment. In a few months, there will be enough there along with sweat equity credits to close the deal.

The end result is that anybody who can qualify for FHA financing can buy your starter home within a month or so. If they cannot qualify for reasons of credit history, their possible recourse is to enter into a lease option arrangement with you. Two years of good payments will clear up nearly any credit problem, and in two years, they can now finance the house.

Using these techniques, it is possible to sell any modest home very quickly, with a selection of interested buyers. The quicker you sell, the more money you make. Whether or not you let your realtor in on the process is up to you. If you have a true champion, enrolled in the All-Star System, you certainly should. If you don't have strong feelings for an agent, you could do this yourself and save an additional 4%.

That's money in the bank!

Details You Really Ought to Know

What is a lease purchase contract?
The Basics.

What is a Contract?

A contract is an agreement between two or more persons (individuals, businesses, organizations, or government agencies) to do, or to refrain from doing, a particular thing in exchange for something of value.

What are the Key Elements to a Binding Real Estate Contract?

1. Offer and Acceptance: Original signatures with no alterations to the contract. If the original offer is marked up and initialed by the party receiving it, then signed, this is not an offer and acceptance but a counter-offer. Any final agreement should be reduced to a final writing and signed by both parties.

2. Consideration: A bargained-for exchange of something of value. Money is the most common form of consideration, but a promise to perform (i.e. a promise to pay) is also satisfactory.

3. In Writing: A real estate contract must be in writing and it must:
   - ? ?Identify the Parties: The full name of the parties must be on the contract.
   - ? ?Identify the Property: At least the address, but preferably the legal description must be on the contract.
   - ? ?Purchase Price: The amount of the sales price or a reasonably ascertainable figure (an appraisal to be completed at a future date) must be on the contract.
   - ? ?Signatures: A real estate contract must be signed to be enforceable.
   - ? ?Legal Purpose: The contract is void if it calls for illegal action.
   - ? ?Competent Parties: Minors, mentally impaired, drugged persons, etc. cannot enter into a contract.
   - ? ?Meeting of the Minds: Each side must be clear as to the essential details, rights, and obligations of the contract.

What is a Lease Purchase Contract?
A lease purchase contract combines a basic lease contract with an option-to-purchase contract. The tenant/buyer pays to the landlord/seller a non-refundable option deposit that is applied to the purchase price of the home. The tenant/buyer then pays to the landlord/seller a sum that is typical to the rental amount usually on a monthly basis. A portion of that monthly payment is then applied to the purchase price of the home. During, or at the end of the lease period, the tenant/buyer has exclusive right to buy the home under the terms to which both parties have previously agreed.

In other words, Lease + Option to Purchase = Lease Option

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Show that house off!

How to have tenants fighting to lease purchase your house.

Do you want to have tenants fighting to lease purchase your home? Sure you do! What landlord doesn't? Listen up and let me show you how to accomplish this magical feat.

Here is a list of critical things that you must do at every open house if you want to have people literally begging to lease purchase your home.

1. A fresh baked apple pie or some chocolate chip cookies smell delicious, are a nice touch and make your home smell wonderful.

2. Brew a pot of fresh coffee so you can offer it to your guests. Cut and trim the grass, edge the sidewalks and trim the bushes. This will help to give your home curb appeal, which is absolutely essential to attracting tenant/buyers.

3. Clean clutter from your yard, deck, driveway, garden, garage and even the street. Also clean your gutters and roof. This will also help to give your home curb appeal.

4. Make the front entryway sparkle. Since this is where people will enter your home, the first impression they get from the front door and entry way are very important to lease purchasing your home. You may even want to put a fresh coat of paint on your front door or buy some nice plants to display.

5. Clean the kitchen; take out the garbage, clear the countertops of clutter, clean your dirty dishes and put them away, wipe down the appliances and sweep and mop the floors.

6. Clean the bathrooms; empty the wastebaskets, clean and organize the countertops, put personal items away, scrub the toilet and the tub/shower, sweep and mop the floors and clean the mirrors.

7. Clean the bedrooms; clear all the clutter from the floors and vacuum/sweep them, make the beds, organize the dresser drawer tops, dust the furniture, lamps, and blinds and organize the closets.

8. Make the family and dining rooms sparkle; pick up clutter from the floors and vacuum/sweep them, dust the furniture, electronics, blinds, and lamps, clear or organize all tables and arrange blankets and throw pillows neatly.

9. Wash windows and any other glass around the house and straighten any pictures or wall ornaments.

10. Light some candles to create that intimate atmosphere.

11. Tie balloons to a yard sign or mailbox to more easily identify your home to passers by.

12. Buy some fresh flowers and display them throughout your house, but definitely put them on your dining room or kitchen table.

13. Turn the television off and play some classical music at a low volume.

What we are trying to create is a welcome, comfortable, hospitable feeling that will cause any person to immediately fall in love with your home. If you follow the advice given above, you should have your home lease purchased in lightning speed.

30 Day Plan of Action for a New Real Estate Investor

1. Solidify your plan

Knowing with great clarity exactly what you want will take you a long way toward getting it. Start you plan with a powerful vision of what you desire you life to be, then create an effective mission statement to explain how you will get to that desired life-state, which will serve as an anchor for future goals. Decide with clarity what you want to accomplish over the next year, five years, and 10 years.

- ✍What kinds of properties do you want to look for?
- ✍How much time do you wish to spend each week?
    - ***You need to plan your calendar a week at a time***
    - ***Set aside specific blocks of time each day for your business and don't allow anything to interfere***

  Review your vision at least weekly, your mission statement daily, and your specific goals several times a day.

In case it's not clear what a vision and mission statement are, there is more to come on this below.

2. Link up with a money source or better yet, a number of possible money sources.

The sections below on Mortgage Experts and on Money Partners provide background on how to do this. You should continually increase your network by marketing yourself at all times—the clerk at the 7-Eleven might have an uncle with enough money to fund your project

3. Work *at least 3*-5 hours a week.

Clearly the amount of time you put into your business pays dividends on its success. However, you have other demands on your time besides real estate investing, and you have developed habits over the years that respond to these demands and don't welcome change in the routine. Only careful planning will enable you to get done what this business requires for success. Some events in our life are urgent, others are important. The two don't necessarily mean the same thing. Some events are urgent because they shout at you, but have no importance at all (the loudly ringing telephone might be a wrong number). The quiet important things will become overwhelmed by the urgencies, whether important or not, if you don't plan for them.

Plan your business a least a week at a time. Daily planning without weekly orientation becomes crisis management, and you become subject to last minute urgencies that don't fit your mission statement.

Obviously, a major part of your planning will include your goals, particularly the short-term items that bring you to the long-term results. Be wise in your goal setting. It's important to not only have results goals but also performance goals. Setting a goal to earn $10,000 a month within a year is great, but your goals ***must*** also lie out how you will get there. A sample plan might be:

1. Talk to 20 sellers a week
2. Visit and walk through 5 houses a week
3. Make 2 offers a week
4. Purchase one property a month

Based on these performance goals, you will be able to plan your income because each of these activities will produce a result that you can measure. Over a short period you will know how many calls you need to visit 5 houses a week, and you will discover how many offers you must make to purchase one property that meets your purchase criteria.

4. Recruit real estate agents who will seek out deals for you and provide comps.

This is definitely worth discussing further, which we will do below.

5. Learn how to analyze comparable sales reports and compute an offer

Again, we will cover this thoroughly below.

6. Submit your first offer within14 days

7. Assemble the rest of your support team.

8. Put out notices on bulletin boards, classified ads and postcards

“We buy houses for cash
Looking for properties to buy,
will consider any and all,
Default/foreclosure OK
Call 555-1234”

This technique you read about extensively above. It brings results!

9. Schedule monthly stewardship interviews with yourself

You need to assess your performance, adjust your course, and refine your goals on a regular basis. This will include considering adjustments to your personal vision as well as to the direction of your business. Even the most sophisticated airliner flying from New York to Los Angeles is off course 90% of the time. It’s onboard computer stays in constant contact with the worldwide network of beacons. The entire voyage is a series of analysis and correction of course. That is the way our lives are, and that is the way your business will be.

With this start, if you stay with it, your future is bright. Remember that consistency, the everyday consistent actions and tasks, are the life-blood of your venture. Make sure that this includes always learning new things. Books, tapes, seminars, information from the World Wide Web should all be part of your daily business routine.

Master this, and you have mastered the business that will provide you the greatest freedom you can have, the freedom do be and do what you desire, without financial worry, and all under your direction.

Qualifying Properties for Investment

11 Points of Information to Know

Here are 11 things you want to find out about a property over the telephone before you go visit it personally. Remember to be low key and friendly, especially if talking to the seller without an agent. It's good to start out "I'm calling about the house you have for sale. Can you tell me about it?" Then let them talk and take notes. You don't necessarily need every single point here, but get enough information that we can decided whether to go after the property or not:

1. Size of lot (in general, for comparison)

2. Size of house (square feet)

3. Number of bedrooms/bathrooms

4. Special features (public transportation, fenced yard, garage, fireplace, grocery store near, etc.) or miscellaneous information (recent improvements or fix-ups)

5. Price the seller is looking for

These first 5 are general points, and can be found on the MLS, but it’s still good to discuss them for the sake of building a connection to the seller. The next 6 points are designed to establish the seller’s motivation:

6. Why that price? (How scientific is this seller, how knowledgeable?)

7. Why is the house for sale?

8. How long has the house been on the market?

9. Does the house have a mortgage? How much? What are monthly payments? What is the interest rate?

   Note: People often feel their mortgage is private information; if you are talking to a FSBO, instead of just asking outright, ask if the mortgage is assumable. If the answer is “yes,” say “great, that makes things easier. So

that I know how much financing I need to get myself, could you tell me how much I can assume?" If they tell you the loan is not assumable, tell them, "that's OK, the bank will work with me, but I need to know how much it is to give them the information." The idea is to make things more businesslike and less personal. Of course, if the seller is an investor, its already business, so don't worry about the question.

10. Is the seller looking for cash at the closing?

11. Will the seller help with financing?

Point 11 helps the client find out if the seller will help finance. Problem is, many sellers don't know what seller financing is, and our clients ask in such a way as to confuse or frighten the seller. Our clients should never ask a FSBO seller a question like "so tell me, would you be willing to carry a note and take back financing on this deal?" This will give the seller a vision of the client as a slick operator in a double-breasted pinstriped suit with a fat cigar driving an Eldorado Cadillac. It will make the seller nervous, and nervous people don't negotiate well.

Solution: Before talking about seller financing, as "Do you know very much about creative financing?"

The seller usually doesn't, but is likely embarrassed to own up to it, and will say "yes." You can then continue, "Tell me what you've heard." *The seller now has an opportunity to explain. Listen patiently, and then explain:*

"In accepting creative financing, you greatly increase the number of people interested in buying your house. You make more money in selling your house, and you reduce your income tax liability from the sale. I always work with a title company (lawyer, escrow company, whatever is customary in your state) that has been in the business for 15 years, so it's done legally. It's a win-win situation and works very well." *Note: the client should research to make sure the company or attorney cited really does creative financing.*

"Creative financing might include a conventional mortgage, a private lender's mortgage, and a note that the seller holds secured by the home. Most real estate agents don't do creative financing because they don't understand it, most banks don't work with it because they can't make any money at it."

> "In essence, I give you some cash for your house, but also make monthly payments to you for a couple of years, then give you all the rest. You collect interest on the amount I'm making payments on, so you make more money, and you get income spread out over a couple of years, so you have less tax."

If you know most of this information, you can now make a decision on the value of pursuing this property — or at least whether you want to bother going across town to take a look at it.

Your Support Team of Professionals

You can't do everything yourself. Some things you lack expertise for, other things you lack time for. A team will help you, because now you can delegate things that other people can do and free up your time for running your own business.

The following are people you should have on your team:

- **Real Estate Agent**
  This is someone out there finding you deals. This agent will write your offers if the seller has an agent, whether your agent finds the deal or you do. When you buy a property for fix-up and sale, you may give this agent the listing. The agent's incentive for working with you is the commissions received on your purchasers and sales. In return, the agent should provide you with reports of comparable properties sold from the multiple listing service. It is good if this agent works with an agency that is registered with HUD, VA and other government type repossessions.

- **Mortgage Lenders**
  You should have contacts with several. Ask whether or not they do investor lending; ask whether they lend against the appraised value rather than the purchase price; ask whether they put together 100% packages; ask whether they have hard money; ask if they do stated income or no-doc or non-verified lending (get more details below).

- ?? Lending against appraised value rather than purchase price indicates that they might be able to come up with $80,000 for you to buy a house worth $100,000 with no money out of pocket if you can get it for $80,000.
- ?? 100% package means they can get all the money you need from several sources without you paying out of pocket.
- ?? Hard money comes from private investors rather that from lending institutions; they don't have regulations to observe-it may be more expensive, but they might only care whether this is a good deal, not how your credit or income are).
- ?? Stated income, no-doc (no-documentation) or non-verified lending means the lender looks at aspects of the deal other than your credit and income; in other words, if you have a sure money-maker but lousy credit and minimal income, this lender will still work with you.

? ?**A Real Estate Attorney**

This is all about asset protection; you don't want to amass your empire only to lose it to frivolous lawsuits. In certain states and in Canada, an attorney does the closing and manages the escrow. It may as well be yours.

? ?**An Accountant**

The accountant should know real estate and tax law. This is not just to get your taxes done at the end of the year; this is so you can strategize with someone who understands the impact of income taxes and capital gains on what you want to do.

? ?**An Appraiser**

Appraisers compute the market value of a property, usually for the lenders. Although you will use comparable sales reports to figure the future market value of projects for yourself, the appraiser can help you get a buy-fix-&-sell project moved quickly by getting the information you need for FHA financing for your buyers.

? ?**A Home Inspector**

You want to go after cosmetic fix-ups, not structural makeovers. The inspector will make sure it stays that way by alerting you to possible complications.

? ?**A Banker**

This is not just the manager of a local branch. This should be a vice president level executive with lending authority. If borrowing a quick $10,000 on your signature allows you to take advantage of a great opportunity, you will be grateful for the time it took to cultivate this relationship.

? ?**A Title Company**

If you work in a state where they are used, a title company can provide you with property reports on properties you are looking at so you know in advance if there are problems with the title. If the company knows you will be bringing business to it (closings, title insurance, etc.), people will be glad to give you the reports for free or a very nominal charge.

? ?**A Handyman**

The handyman will act as the general contractor for your rehab projects, someone you have tested and can trust to do good quality, honest work in a timely fashion. He can do estimates of costs for you to save you time on the front end and to ensure profitability. He can also oversee the sub-contractors.

You may be thinking of being your own handyman. If so, consider this. Would it be more cost effective for you to paint and replace floor tiles in the kitchen or would you be better off getting out and finding more deals and making more money?

Sub-Contractors

?? A painter

?? A flooring (carpet, tile & linoleum) person

?? A roofer

These people can be very valuable to you in your business. Create relationships with them and keep them active. It will make a great difference.

Why Does A Real Estate Investor Need A Real Estate Agent?

One of the most important assets that a new real estate investor can bring to the business is a good working relationship with a reliable real estate agent. Strangely, many new investors avoid working with agents, thinking it will be expensive. In reality, for every dollar they save in commissions, they may end up losing ten dollars in profits.

In truth, most highly successful real estate investors work very closely with real estate. Agents provide them a very important service. From agents they find out about the good deals out there that are posted to the Multiple Listing Service (M.L.S.). The agents can also provide them reports of comparable sales, gathered from the M.L.S.

The M.L.S. ~ an important tool

Let's look at how this works. The Multiple Listing Service is a local database on which participating agents list the properties that they are working to sell. That allows them to share their listings with other M.L.S. members. Now Ed at Coldwell Banker can show the perfect house for his clients, even though the house in question is listed by Suzi over at ERA. He finds it in the M.L.S. book or on the Internet site, and has the master key or the combination to get into the house to show it. If his clients buy, he and Suzy split the total sales commission between them.

When you work actively with several agents, they can locate properties through the M.L.S. that specifically meet your requirements. They can particularly look for houses that fit the price range and neighborhood profile that you develop. They can look for indications of seller flexibility in the listing. Each listing agent has the option of writing something about the property, some of which show good seller motivation: "handyman's special", "needs TLC", "seller will finance", "seller transferred", "price reduced", "must sell", etc.

Using these keywords in an M.L.S. search helps the agent focus on those types of deals you are looking for. The result can save you a lot of time, since the only properties you look at are pre-qualified. At the same time, the agent can print reports of sold properties comparable to the subject property. Since these comparables are just like the house you are looking at, and they sold recently, you have a good idea of market value before you even see the property in question. Think of the time you can save by focusing only on potentially profitable deals!

How to train an agent to do it your way

Real estate agents are trained to sell houses. They are not necessarily trained to think creatively outside the box that traditional real estate selling has constructed. That means that you will probably have to speak with a number of agents before you get one or two who can really do the work for you. Consider the following:

1. The Pareto Principle of economic theory states that 80% of production comes from 20% of the effort; we alter that to say that 80% of production comes from 20% of the producers. In every field, there are those who get most of it done, and the majority just follows along. This applies to real estate agents as much as to any field. In fact, of all newly licensed agents today, 80% will be out of the business in 5 years. This means that many of them will simply not be capable of helping you or not interested in doing the extra work or the work different from the way they work now. Expect that many will tell you, “you can’t do that,” or “that won’t work.” It’s their loss, because working with you could represent a huge increase in income.
2. The veteran real estate agents have bucked the odds; they were able to thrive when most couldn’t, and now make a comfortable living. Notice that word, “comfortable.” They often have no desire to rock the boat. Things are going well, why change now? It is very likely that the only veteran willing to work with you would be one who has worked with other investors successfully in the past. On the other hand, a young rookie has not been so indoctrinated yet, and still retains that enthusiasm and willingness to do new things that make him or her coachable and a good match for your business.

Since real estate agents are just humans like the rest of us, you will want to talk with a number of them while selecting those or that one that will be on your team. Remember that it is ***your*** team, and you call the shots. But first you will want to sell the agent on trying out for your team. We have devised a speech that helps you do this. A sales script frees you from the need to try and figure out what to say next while the other person is talking so you can pay attention. This will also help you stay in control of the conversation. Simply click on the button to the left to see this speech.

The agent shall commit to…

Once an agent has expressed willingness to try out, you should outline four different commitments you expect of the agent. Just as the coach of any sports team expects those trying out to give 100%, you may expect that of your team, as well. The upside is that if an agent spends 2-3 hours a week finding deals for you to look at, that can translate into $40,000 annual commission income to the agent.

Here are the four commitments an agent should make to be on your team:

1. Commit to finding properties that meet your desired profile regarding
   a. Location (low to medium income areas)
   b. Price range (somewhat below the average for that area)

2. Commit to providing you information on 3 or 4 properties every Thursday by a set time. This information will likely come from the MLS, and you are entitled to a ***full-page*** print for each property, so that you have necessary details and information. The reason for a Thursday deadline is so you can prepare for the weekend.

3. Commit to doing key-word searches of the MLS in order to locate the properties for you to look at; this helps you pre-qualify the properties to cut down on time waste involved in looking at unsuitable properties or talking with unmotivated sellers. There are four specific types of searches you would like:

   a. Distress words: reduced (i.e., price reduced), must (i.e., must sell), transferred, moving, handyman (i.e., handyman's special), TLC (i.e., needs TLC), motivated, sacrifice, anxious
   b. Zero down or nothing down
   c. Seller finance (U.S.)/vendor take-back (Canada)
   d. Assumable mortgage (especially in Canada)

4. Commit to providing at least three or four valid reports of comparable sales for each of the new properties presented each week; this allows you to view the property with a pretty good idea of how much it should sell for after you

pretty it up. Eventually, with experience, armed with this information, you should be able to make oral offers on the spot and save a lot of time.

If you have two or three agents fulfilling these commitments for you in various locations, you should have plenty of deals to look at. If you inspect 5 “pre-qualified” properties a week, you are in a position to make 2 or 3 offers a week (see “Making An Offer” below), which should result in at least one excellent and profitable purchase per month.

And you’re on your way.

Getting a Realtor on Your Team

Be a Recruiter

It is important to present a professional and competent image when doing your own business, in order to gain credibility with clients and those who will work with you. This is no different when your business is real estate investment and you are putting together a team of people to work with you. In spite of what the people at “Sprite” would have you believe, image is far from nothing. Given that people know nothing about you at first meeting, it is all they have to go on in judging whether working with you will be worthwhile.

The following is a simple speech that may be useful in presenting yourself to a real estate agent, the first member of the team that you should assemble. Most agents will not understand what you want, because they are trained and conditioned to work differently. Your best results will probably come with relative novices (perhaps a year in the business) or with veterans who have worked with investors in the past.

“We buy properties, fix them up, then sell them again or hold on to them as rentals. We use private funding so that we can close quickly. We’re looking for an agent who can check through the MLS and find properties that we can profitably invest in, and then tell us about them. We will look at most of them and make offers on those that meet our needs. So we would like you to find us deals. Every time you find us a good deal, we’ll put our offer though you, so you get your commission. If you’re working with us, and we find a deal ourselves, we’ll still put the offer through you so you still get your commission. Whenever we want to sell something we’ve bought, we’ll list it with you so you get another

commission. If you tell us about a for-sale-by-owner deal that works for us, you'll get a bonus.

"Does this sound like something you are able to do?"

Here are a few points to keep in mind about this speech:

- Talk about yourself in the plural — it sounds more official. You alone might just be some anonymous schmuck trying to talk big, but using the plural implies you have a whole team behind you (which you do) providing knowledge, know-how, funding and competence.

- A real estate agent's biggest fear is putting together a deal, only to see it fall apart because the buyer can't come through with the money. They will want to quiz you about your finances. At this point nothing you can say in good conscious is going to reassure them, so you don't want to tell them much. How do you avoid answering their probing questions? By applying a fundamental principle of selling: **you control the direction of the conversation by asking questions.** In other words, you don't want to be telling, you want to be asking, and the agent should be telling. You are offering this agent a tryout to perhaps make your team, after all. You have a lot to offer. By working with you, this agent stands to double his or her income over the next year. Below we will have some examples of how you can handle this to your benefit.

- Another fundamental principle of selling states that people don't buy features, they buy benefits. The benefits speak to their feelings and emotions, features are just facts. You want to sell this agent on your business plan and on working with you in the way you are learning to work. That means the agent needs to feel the benefits of working with you. That is why the final section of this speech emphasizes the benefits: "you'll get a commission, you'll still get a commission, you'll get another commission, you'll get a bonus," etc.

- After you finish the speech, simply ask, "Does this sound like something you would be able to do?" (Don't ask if they want to, that makes it sound like there is a question about the advantage of working with you—rather, are they up to doing it, because there is no doubt what you are doing will be good for them). If they answer "yes" to your question, it is time to give them your first assignment as a member of the team. You could have them find comparable sales reports (comps) for finding the value of a property you have looked at, or they could search for good prospects on the MLS. You can delegate the activity to them by giving clear instructions of what you want and a time deadline for performance:

1. We're looking at a place on Maple Avenue and we need to find out whether it's worth pursuing. We'd like you to get us some comps, printed each on the full page so we get the detail, 8 to 10 comparable properties, and we'd like to have them by Thursday noon.

2. We want to start looking in the area between South 8th Street and South 34th Street, in the price range below $80,000. We'd like to get a list of homes in the price range. We'd like you to also get all the homes in that area that have the words "handyman," "TLC," "reduced," or "motivated" in the description. We'd like to have these lists by Thursday noon.

You will find that if you give these assignments to 4 different agents, you'll get four different levels of performance. Therefore, you should talk to 3 or 4 agents so that you can select the best one for you.

What if the agents keep asking questions I don't know the answers to?

A Tutorial:

Here are some examples so how you can handle questions from a real estate agent, a mortgage broker, a lender, or any other person you need to work with. It will help you if you start by letting know that you work with a group and that is simply your job to find the properties that the group will be investing in (you don't have a group yet? Go back up to the information about your support team!):

"Do you have the money for the down payment?"
"You know, the down payment money is taken care of already, but what we want to find out is are you willing to help us find properties that we can invest in."

"Do you have financing for this?"
"Yeah, the financing is all handled, it's not a problem, but we need to find out whether we can work with you in finding profitable deals to invest in."

"Have you been pre-qualified for financing?"
"As a matter of fact, we've got that taken care of, but we need to find someone to work with to find profitable deals, and want to know whether you can work with us.

"How's your credit."
"Hey, this isn't about me, I'm just here to get information. But we're checking to see whether or not you want to work with us to find a lot of properties for investment."

You probably see the pattern here: give a vague answer and then turn it around to a question directed toward the other person. This is how you stay in charge and avoid embarrassment.

How Can We Remove The Anxiety From the Investment Property Offer Process

&

Ensure a Healthy Profit on the Transaction

An investor who turned 47 deals in his first year of investing tells people that he uses the MLS for nearly all his deals and makes lots of offers: 1 out of 10 - 20 get accepted.

We as investors must make lots of offers. No offers, no deals; no deals, no money, no success. But this is hard for many people. They wonder how to make offers, how much is too much, how much is too little, will the seller take them seriously, will the agent take them seriously.

We want take the anxiety out of making the offers so that people are willing to make 10 or 20 offers a month in order to get one project to work on. For many people, a formula for crunching the numbers helps. Then they can make an offer, even a very low offer, with a take-it-or-leave-it attitude. I equate this with the process a building contractor goes through when bidding on a job. The methodology and system is the same, only the outcome is different. The building wants to find the lowest amount he can charge and make a profit, the investor wants to find the highest amount he can offer and still make a profit.

With this formula, you can make your offers, knowing that if only one out of ten is accepted, the one that is accepted will produce a $5000 to $10,000 pay-month. Now you can tell the seller or agent, "this is the figure that my computations give me. I have to make some money here or I can't afford to do the business. If I pay any more than this, I won't get my profit."
Let's look at how this all works:

Preparation for the offer

This strategy is ideally suited for the buy-fix-&-sell activities that are a good way to start out. You look for modest starter homes - the kind that first-time homebuyers are looking for. There are plenty of people with few assets and marginal credit who need a home.

This strategy also allows you to continue to grow as a real estate investor without hitting your head against the ceiling of insufficient credit and assets.

When you take on a rental property for the long term, you finance with a mortgage. Mortgages are based on the borrower's debt ratio, generally limited to around 36%, which means that eventually your debt ratio will be higher than what any lender wants to work with, unless you are able to put 65% down on all your deals.

Buy-fix-and-sell transactions are short-term deals, done without a mortgage. The property still acts as collateral, but the loan is short term— less than a year, and is normally not reported to credit bureaus. Meanwhile, each project puts $5000 - $10,000 in capital back into the business. Sufficient capital will allow mortgage applications to be considered on the basis of business cash flow, not personal debt ratio.

There are three foundation legs of the offer:

- Information about the seller's motivation, derived from the 11 points of information
- The cost of rehab, based on inspection and analysis of material costs and time
- The amount the house can be sold for after rehab, which we call the Future Market Value (FMV)

Computing Market Value

The future market value is the foundation of the offer. It starts with an accurate appraisal of value. We say future market value because we want to know how much we can expect to sell the house for after we complete the work on it. Our interest is in how much this house will be worth when it is shiny new looking.

Obviously, this involves looking into the future with a bit of conjecture. Our only recourse is to see what other homes that are ***just like this one*** have actually sold for in the recent past. To know this, you need to get reports of comparable sales, also called *comps.* Your real estate agent can provide these easily from the Multiple Listing Service (MLS). You should obtain at least 8-10 comps that are very similar to the house you are considering. Instruct the realtor to print out a full-page report for each individual property, rather than combining 8 or 10 to a page. This way you get the detail you need and a description that the listing wrote about the house that sold.

1. **Rank the Comparables**
   Once you have 8-10 comps, rank them from 1-10, using the following criteria. These criteria are shown here according to priority, with #1 receiving far greater weight than the others:

   1. Same bedroom/bathroom count
   2. Same neighborhood
   3. Same building style (two story, bungalow, tri-level, rambler)
   4. Close in age

   Your highest ranked comparable most closely resembles the subject property. Now discard all but top 5 (and discard #5 if its not good enough) and look at only those that you feel are just like the subject house, the one you want to buy.

2. **Compute the Cost-Per-Square-Foot**
   The next step involves getting a cost-per-square-foot for each comparable. First divide the total living square footage of comp #1 into its sales price, e.g., 1142 sq. ft. into $87,000 = $76 (round it off). This equalizes all comps for comparison. After you have done this for all the comparables you are using, then find the average cost-per-square-foot for all. Add the five cost-per-square-foot figures together and divide the total by 5. This is your average cost-per-square-foot. Now take this figure and multiply it by the square footage of the subject house. This is the future market value of the subject house and provides the foundation of the offer formula.

The Offer Formula

Start with the FMV
- Subtract profit amount
- Should be at least 10% of FMV or $10,000, whichever is less
  - This is the reason for doing the deal
- Subtract rehab costs
- Subtract acquisition and carrying costs
  - Closing costs
  - Six months of property tax
  - Six months of property insurance
  - Six months of utilities
    - Six-month figures ensure no shortage

Subtract cost of money

We don't yet know how much must be borrowed

Take 75% of FMV

Multiply this figure by 18% and divide by 2

Here is a sample formula computation:

FMV = $85,000

Profit	($8500)
Rehab	($8000)
Carrying	($1100)
Interest	($5738)

Offer $61,662

Conclusion:

If the seller is asking $85,000, and you offer $61,600, the seller might just reject your offer. However, would you want to pay $85,000 for this house, or even $75,000? It needs work, and that work will cost $8000 by itself. Even if we sell it in a month, you will pay nearly $1000 for the interest. Even if you can negotiate away your closing costs, buying this property for $75,000 will not return you a profit. On the other hand, if you make enough offers, you will meet up with enough highly motivated sellers to make this work. The result of this offer, if accepted, would be a minimum profit of $8500, more if you can sell the house in less than six months.

Now you can have the confidence to make lots of offers.

Finding a Mortgage Expert For Your Team

Finding a house to buy is one thing. Financing it is another. That is not to say that it can't be done. We just don't expect that you have it sitting in a money market account somewhere. And since most of us don't have all the money we need to do all the deals we might want to do, we must orient ourselves toward the concept of **OPM** to fund our projects.

OPM is simply other people's money. Without it, we would sooner or later run out of gas and our investing could go no further.

The good news is that no matter where you go in the world, there are people who have money — a lot of money — more money than they need. They also most likely subscribe to the philosophy that it is easier for them to put their money to work for them than it is to work for their money. In other words, if you have the deal that will make more money for these money sources, they will want to give you money.

It has been said that you can anything you want if you will help enough other people get what they want. What these people with money want is ways to get more money without having to do much work. If you do the work, and they put up the money, both of you win, because you both get money.

Is it really possible to tap into this money-source? Check the classified section of your Sunday newspaper and look for ads about money to lend. Notice how many of them carry the message that if you can fog a mirror, we'll lend you money. It's there; you just need to find it.

How to find it? As with any other commodity that is in high demand but short supply, there are brokers whose business consists of creating a network of money sources of all kinds, so that if someone needs funding, they can supply that need. These mortgage brokers always have an ad in the yellow pages, so this would be a logical place to start. Simply call the mortgage companies that you find under the listing "Mortgage" in the yellow pages. Make sure you are talking to a loan officer. Tell the officer, "we buy properties to fix them up then sell them again or hold on to them as rentals. We're looking for funding for our deals, and wanted to see if we could work with you. Do you mind if I ask a couple of questions?"

Remember to have fun with this. Be cheerful. Watch yourself in a mirror as you talk to make sure you are smiling. Be friendly, because people prefer to do business with people they like. Remember, too, that just as with any other group of people, 95% of all mortgage brokers are more or less coasting, going through the motions to do the minimum needed to get by. Only 5% are prepared to go the extra mile, having both the knowledge and the ambition to give you what you need. Don't be discouraged if many of them can't help you. You might hear a lot of "no, we can't / don't do that." All you need is a couple of brokers who are willing to do whatever it takes to get things taken care of, and you are on your way.

Remember, too, that mortgage brokers are paid on commission. If they don't place a loan for you, they don't get paid. You need not be nervous about talking to them or taking up their time. They live to talk to potential clients. If they don't keep finding new clients, their business will die. Believe that they want to talk to you!

Here are some questions to ask (check the glossary of terms at the bottom):

1. What percentage of a deal will you finance?
2. Can you lend against the appraised value rather than the purchase price?
3. Do you do piggyback loans?
4. Will you allow the seller to quit claim the property to me so I can refinance it?
5. Will you allow the seller to take back a 2nd for the down?
6. Do you have hard money to lend against rehabs?
7. Do you do stated-income or no-doc lending? (Meaning they don't need to document your income or credit, they take your word for it—you state it, it is so)

You probably won't get all yeses from any one broker, but you will get a feel for how liberal and willing the person is by how they answer. It may take playing the Colombo role for a while, asking a bunch of questions to draw the information out from the person.

All you are doing right now is getting together a list of people who sound like they might be willing to work with you. At this point you have nothing to present to them, anyway. Nobody is going to give you money on the terms you need it until you have a deal to show him or her. Hard money is lent based on the value of the collateral, not based on your income or creditworthiness. They want to know what the deal is before they commit. For now, just find out that you will talk to when you have a deal. When you have a deal to present, you can present your packet to 3 or 4 and see that comes up with the best offer.

Then you are on your way to a big payday.

Glossary:

- ✍Loan to value ratio (ltv): the percentage of the properties fair market value that is lent, i.e., fmv=$100,000, loan amount=$65,000, ltv=65%
- ✍Appraised value=Fair market value as set by an appraisal — a loan of 80% of an appraised value of $100,000 would be $80,000; if you can get the seller to agree to an $80,000 purchase price, you have 100% of what you need.
- ✍Piggyback loan: A first mortgage is funded up to a certain percentage of purchase price (you pay $80,000 for the $100,000 house, the first mortgage is $64,000 — 80%). A second mortgage is funded for 20% of purchase price (i.e., $16,000). The total is $80,000, enough to do the deal with no cash out of pocket. This also happens to be 80% of appraised value.
- ✍Quit claim deed: A document that transfers title of ownership from one person to another. If I wanted to gift you my house, I would use a quitclaim deed.
- ✍If the seller takes back a 2nd, you can get 80% from the bank ($64,000 on a $100,000 house), then sign a second mortgage with the seller for $16,000. You will then make monthly payments to the seller and another monthly payment to the bank. The seller gets $80,000 on the sale, but $16,000 is paid over a period of years.
- ✍Hard money: Money from non-institutional lenders, usually groups of investors or individual investors with lots of money. These loans are usually short term — one year or less — and are based on the value of the collateral, not on your creditworthiness. These are ideal for short-term buy-fix-and-sell deals.
- ✍ Stated-income or no-doc lending: the lender doesn't need to document your income or credit, but take your word for it—you state it, it is so.

Money Partners
A Share in the Equity Gets The Job Done

The concept of partnerships and group investing in real estate has been around since the time of ancient Greece and the Roman Empire. Partnerships, working in true synergy, can accomplish what an individual investor cannot.

However, because of unscrupulous people and scams of the past, real estate partnerships can be highly regulated by federal and state securities laws. For your own protection, keep the group very small and know each of the investors personally. Don't solicit any investors using telephone or U.S. Mail, since that put you under securities regulations.

There are number of forms of joint ownership in real estate. One that you don't want to use with anybody other than a spouse is joint tenancy. Joint tenancy means that all parties are individually 100% owners of the property in question. Thus, is one of the owners is sued are prosecuted by the IRS, that person's share of the property is in jeopardy. Since that person owns 100%, you could lose everything.

Some forms suitable for the small investor are given below.

1. Joint venture
   - Everyone is tenant in common. This means that each owns an undivided percentage portion of the property. If there are five partners, each owns 20%.
   - This means that if one of the partners gets into trouble, it won't really affect the other partners' interest (unless they object to taking on the IRS as an equal partner).
2. General partnership
   - Reporting entity for tax purposes. Each individual partner takes a draw on partnership revenues and is individually taxed. The partnership itself does not report taxes for itself.
   - Title to the property is either in individual names or as a general partnership (i.e., the XYZ Partnership is on the title).
   - Form 1065 must be filed each and every year to IRS to verify the individual earnings of the partners.
3. Limited partnership

- ✍This form has at least one general and one limited partner, with no upwards limit
- ✍Typically, general partner locates deal, limited partners put up money
- ✍General partner is responsible for day-to-day management
- ✍This is very attractive to investors because of limited liability; the most a limited partner can lose is the amount invested.
- ✍The general partner is on the hot seat — if things are good, it's cool, if not, it's the General's fault

4. Land trust
   - ✍Partners become beneficiaries of the trust
   - ✍The trustee deals with the property, manages, sells it under direction of the beneficiaries
   - ✍Important benefit: beneficial interest viewed as personal property; transfer of the property to another person easy and inexpensive
   - ✍Partners can remain anonymous — only the trustee is public record

Written agreements

Regardless of how title is taken, there must be a written agreement among partners. This should spell out the responsibilities and liabilities of all partners. This should include a management agreement to direct the partner who has management responsibility. Additionally, if the title is held in the name of the partnership or any other form than the personal names of the partners, a fictitious name (DBA) should be registered with the state.

Sponsor compensation

Here is a great opportunity for income for the investor. Obviously, if you go to the effort of putting this deal together, you want to get paid! To begin with, though, you should check state laws on receiving acquisition fees without having a real estate license. If it is allowed, the investor who puts the group investment together can take a fee of several thousand dollars each time your group purchases a property. In addition, if you manage the property, you get a property management fee.

While your group owns the property, you participate on a pro rata basis, determined by your ownership percentage, in any equity build-up. You also share in any cash flow from the property. Once the property is sold, you receive your share of the realized profit.

The responsibility of the managing partner

Putting together a real estate investment group gives you a greater responsibility than buying alone. Once you have located a good property, formed the partnership and purchased the deal, there is still more.

Property Management: If you take on management responsibilities, not only should you ensure the operating success of the property, you have an ongoing responsibility to communicate your activities to your partners. Each calendar quarter, you should send operating data about the property to your partners. A monthly note, perhaps with an interesting investment-related newspaper or magazine, is a good idea, as well. This lets them know you are still alive and well and the property is in good hands.

Since your management duties will include maintenance, it is important to have sufficient capital reserves to handle maintenance and repairs. Remember this, however, as difficult as it may have been to line up partners and get the initial investment amounts out of them, it will be much more difficult to collect additional money from them for emergency repairs. Open up an interest-bearing reserve account before you begin instead.

Your time and expertise — partners' money

For the sake of illustration, let's continue a possible deal. Let's say you locate an 8-unit apartment building with a motivated seller. The asking price is $250,000, and the seller needs 20% down ($50,000). In return, the seller will take back a $100,000 mortgage in a second position, and you assume another $100,000 mortgage to complete the transaction (obviously, these numbers are for illustration purposes only. On the west coast you would need to double the numbers, and in certain parts of the Midwest, the amounts might be too high).

Your due diligence includes constructing a pro-forma Income and Expense statement (link). The deal looks attractive because the rents are relatively low and can be increased. You also see that reducing cash at closing would dramatically increase your return on investment.

Let's look a sample deal:

Here is a possible offer you could make:

1. $230,000 purchase price
2. $30,000 down paid over 3 years, $10,000 per year, with ***15%*** interest

You will need $10,000 from your partners at closing, then $13,000 at the end of the first year (i.e., $10,000 plus interest) and an additional $11,500 at end of second year. You also need to raise a $4000 reserve for maintenance at closing. That is a two-year total needed of $38,500.

Here's what you do:

a. You approach five acquaintances.
b. You take an equal ownership-interest for putting it all together
c. The five partners each get a16% ownership
d. You get 20% ownership, which includes 20% of any tax loss and a share of cash flow beyond the10% of your partners' cash investment sum
e. Your partners get cash flow on the property up to 10% of cash invested, excluding interest they have paid
f. At sale of property, partners receive their entire investment paid ($34,000) before you get any profit
g. Thereafter you receive your pro rata share (20%) of the remaining profits
h. This is called a subordinated interest; it is:

Not taxable at time you receive it because it has no determinable value
Profits at time of sale taxed at ordinary income rates (not capital gains)

After you do several of these, you will be able to take a fee on the front-end because your reputation and track record justify it. Your talents will be in demand.

PRE-FORECLOSURES
Great deals just waiting to happen

When people talk about purchasing foreclosures they may be talking about

1. *Pre-foreclosure*
   When you are dealing with the owner of the property that is in foreclosure
2. *Purchasing a property at an auction*
   Attending an auction, sheriff sale, Trust Deed Sale where the lender is foreclosing on the property and forcing a sale of the property
3. *After auction when the property has been foreclosed on and is owned by the bank*
   a. *Foreclosure*
   b. *REO ~ Real Estate Owned by a Bank*
   c. *Special Asset (sometimes called that by the bank)*

We will be talking about pre-foreclosures in this article.

THE SYSTEM FOR BUYING PREFORECLOSURES

1. Find Foreclosure
2. Contact the owner
3. Determine Value
4. Analyze & Inspect Property
5. Negotiate
6. Sign Contract
7. Check Title
8. Fix up & Rent or Sell

HOW TO FIND FORECLOSURES:

1. Court house
2. Title Company
3. Legal publication or newspaper
4. Subscription Lists
5. Internet

CONTACTING THE OWNERS

1. In person
2. Send letters and postcards
3. Make phone calls

HOW TO CONTACT THE OWNER IN PERSON

1. Gentle approach
   a. Knock on door and introduce yourself
   b. Tell them that you really like the area and are looking to buy a house
   c. Tell them that someone told you that their house might be available for sale
2. Direct approach
   a. Let them know that you noticed that their house is in pre-foreclosure
   b. Let them know that you may be able to help them
   c. Ask them if they have considered selling their home

DETERMINING VALUE

1. Pre-foreclosure is the best time to buy if there is equity
   a. Rule of thumb — Never pay more than 80% of value
   b. Minimum of 20% equity after fix up
2. Figure equity by taking the FMV (determined by comps) and subtracting:

   Principle balance

   All costs to bring the loan current and stop the foreclosure

   Include ~
   1. Back payments
   2. Attorney fees
   3. Court costs
   4. Penalty fees

   Any other liens and/or judgements

Fix up costs

TALKING AND NEGOTIATING WITH THE OWNER

1. Try and find what their needs are
   a. Do they want to stay?
   b. Do they need money to move
2. Sometimes the owner is in denial-Help the owner face the fact that he/she will lose the property
   a. Loose the roof over his/her head
   b. Loose all the equity that has built up
   c. Loose any chance of having decent credit for several (10-12) years
3. If they are willing to talk, try and find out what is happening and then try and find a solution
   a. Get them to tell you why they stopped making payments
   b. Do they have a place to go?
   c. Are people hounding them for money?
   d. Do they need money to bring utilities current?
4. Sometimes they are just going to walk and will quit claim it to you to save their credit
5. Let them know what you can do for them
   a. Can reinstate (bring current) the loan
   b. Stop foreclosure and save their credit
   c. Can pay their 1st months rent and deposit
   d. Can pay their utility bills so they can have utilities at new place
   e. Could give them money once they move out
6. The main thing they need to understand is that you need to stop the Foreclosure
   a. Have them sign the deed (quit claim or warranty deed)
   b. Bring it current and stop the foreclosure
   c. Make the monthly payments until you can get a new loan

MAKING THE OFFER

1. Using the information gathered make an offer
   a. Tie up the property with escape clauses so there is no risk
      For instance, sale is ~

1. Contingent upon buyer's partner's approval
2. Contingent upon buyer's approval of title report
3. Contingent upon buyer's approval of inspection of property

b. Create a contract that spells out the terms that you have negotiated with the owner ~ sometimes you create that contract during the negotiation.

c. Sign the contract and quickly go to the court house and do a title search
   1. If the title looks good-order a title report
   2. If you have found a lot of liens and judgements, get out of the contract

2. Be sure and get a letter authorizing you to talk and negotiate with the lender and/or attorney concerning the mortgage. Have the seller sign the document.

HOW TO FIND OWNER IF PROPERTY IS VACANT

1. Talk to neighbors
2. Check county assessor's office to see if it has a different mailing address that the house that is being foreclosed on
3. If address is the same ~
   a. Mail two letters-1st one addresses to the owner at the vacant address
   b. Mail 2nd letter addressed the same way, but write in bold letters across the top of the letter:
      ADDRESS CORRECTION REQUESTED
      DO NOT FORWARD
4. Call everyone in the phone book with the same last name

NO EQUITY?

If there is no equity, is it because there are liens in junior position?

1. Approach 2nd, 3rd positions etc. and see if they would discount the note
   a. Sometimes will sell for pennies on the $.
   b. Can create equity by the discounting of the note

2. Sometimes a seller is in denial and will not sell the house but will lose it to

Foreclosure ~

a. Buying the junior position lien is a way to get your foot in the door

b. When in 2nd position you have the right to protect your interest

1. Can bring the 1st current to stop the foreclosure

Foreclose on the 2nd **Check to see if this is applicable to the state you live in. Some states have a period of redemption and other laws that may prevent you from doing this.*

Finding Great Deals Through Foreclosure

When you hear the word "foreclosure" what comes to mind? Do you cringe and slump over as if someone hit you in the stomach? Do you think of all the stories you have heard about neighbors being displaced?

We are going to change that attitude NOW! We are excited about the tremendous opportunities in this field of Real Estate Investing, and we will also make you aware of how you can help people out AND make lots of money in the process.

First, let's talk about how foreclosures happen, and we will explain how you can prosper.

It has been documented that, on a national basis, the number of foreclosures has increased every year for the past seven years. Why is this true? Corporate layoffs, downsizing, and outsourcing have run rampant in the economy. These conditions cause people to get behind in their payments and the foreclosure clock starts ticking. Even though the foreclosure process allows the owner some time to cure the situation, many times the people do not have the financial resources to do so.

Why do they lack the resources? It may be because of:

- A loss of job
- Financial crisis — the need for immediate cash
- Business failure
- Divorce
- Death of one of the property owners
- Medical problems

- ✍The increase of payments due to an adjustable rate mortgage
- ✍Balloon payments on Seller-held mortgages
- ✍Job transfer and the problems associated with two mortgage payments
- ✍A temporary negative cash flow situation
- ✍Out of town or out of state owners

These circumstances create a high profit potential for investors in what is called "The Hidden Market" It is so called because people do not understand it. The uninformed public does not know where to find the information that makes these situations viable opportunities. In addition to the hidden aspects, you have highly motivated owners who do not want to lose their homes, and lenders who do not want to own the property.

In order to take advantage of the situation, we have created a system that is truly a WIN-WIN situation. The owner gets to stay in his home, the lender is brought current, and you make MONEY! Let us take you through the process.

Discovering Foreclosure Opportunities

How do you find out about the foreclosures? The first thing that you must determine is whether you are in a Mortgage or a Deed of Trust State. The foreclosure process and the method of giving public notice are distinctly different.

Mortgages:
In a Mortgage State, the mortgage is used as the security instrument. The property owner, the mortgagor, borrows money from the lender of mortgagee. The mortgagor pledges the property as collateral for the loan. The owner holds the deed. If the owner becomes delinquent in making the monthly payments, the lender must file a lawsuit in the Public Records in order to start the foreclosure action. This is called a judicial action, and can take a great deal of time depending on the laws of the state in which the property is located.

During this time, the Owner has every opportunity to bring the loan current If the Owner fails to make up the back payments, the Court can rule in favor of the Lender and set a time that the property will be auctioned, usually referred to as a Sheriff's sale.

Since the lawsuits are filed in the Public Records, the information is available to every one. Locate the Clerk of the Circuit Court and ask where foreclosure complaints are filed. Once the foreclosure is filed, you can follow it by writing down the case number, and reviewing the file. All of the documents will be included in these files. Once you have done this a few times, it will become easy for you. Additional information on the property can be found in the Land Records Office. It may be referred to by another name, such as the County Recorder's Office or the County Clerk's Office. You are looking for where deeds, mortgages, and similar documents are recorded. You can then determine if there are any liens, judgments, or other encumbrances recorded against the property.

Deed of Trust
In a Deed of Trust State, the Deed of Trust is the security instrument. There are three parties involved — the Owner (Trustor), the Lender (Beneficiary), and the Trustee (usually an attorney or a title company with an attorney). Title to the property remains in the Trustee's possession. If the Owner falls behind in making the payments, the Lender notifies the Trustee to record a Notice of Default at the courthouse (although his varies by state, and in some states there is no requirement to file the Notice of Default). It is a non-judicial method, so no lawsuit needs to be filed. After the mandated period of public notice, the property may be auctioned.

In either Mortgage or Deed of Trust states, public notice is normally required. You may read about the foreclosures in advertisements, either in the local paper or in a legal paper published by the County or City, or find it posted in the court house. Another valuable source of this information is commercial service companies, who send out periodic lists of foreclosures for a fee. Many of these services contain detailed information about the foreclosures, which can save valuable time and effort on your part.

The Foreclosure Process

Each state has a specific system — a step-by-step process for the lender and the owner to follow in the foreclosure process. It is a good idea to understand the specifics of your state's process and the nuances.

How the Property Is Held

Generally, real estate is secured by either a debt or a lien often called title theory or lien theory. Title Theory states classifies the mortgage or trust deeds for properties as contract law applies. The contract conveys the title to the property secured by the underlying debt. In lien theory states, the mortgage or trust deed is a lien against the property. A lien just means an entity (usually a bank) has a claim or hold on a property as security for debt. Liens are an encumbrance to the property and recorded against the property. You may have more than just one lien (debt) against a particular property.

How property is foreclosed on

The lender follows a specific system of foreclosure to repossess the property or rectify the satisfaction of the debt. The states are spilt approximately *50/50* on the process.

First there is Power of Sale. A good portion of the trust deed states uses Power of Sale. Power of sale ends to be a less expensive and quicker way to foreclose on a property. Under Power of Sale the lender (trustee) informs the property owner the debt has not been paid and specifies due date. In a few weeks if payment is not processed a stronger demand for the payment is issued, often an immediate demand for payment States regulate the period of time prior to public auction, approximately four weeks.

The process is sometimes complicated by FHA and VA properties. The federal government, through its respective programs, guarantees these properties. The programs have their own regulations and procedures for rectifying the debt obligation and listing of the properties. You will want to gain a deeper understanding of the FHA and VA process. There are some outstanding opportunities *in* the FHA and VA foreclosure market. Contact your local branch office for more information.

Judicial Foreclosure governed by the courts accounts for the other half of our nation's foreclosures. Note that Power of Sale states usually have some form of judicial procedure.

Although slightly different in approach both systems have essentially seven steps:

1. Non-Payment. From time to time we all may be a little late in our mortgage payments. The penalty for being late may be a $10 or $20 late fee and perhaps a mention on our credit report beyond two weeks the lender starts to get a little anxious. They may let a month slide, with notice of non-payment, but very quickly they begin to take the non-payment very seriously. The second month they will send notification of past due and approximately six to eight weeks after the non-payment you can expect the phone to start to ring. The lender will try to solve the e problem and work out a plan for repayment.

2. Default. If payments continue to go unpaid, the note is moved to a default setting Legal action is initiated. There is a demand letter asking for full and immediate restitution of the debt owed or the attorneys will file suit to foreclose.

3. Lis Pendens. After default a Lis Pendens (legal notice, literally “pending suit”) is filed against the property. The Lis Pendens will include the following: case number (assigned by the court), Lender (plaintiff), owner(s) (defendants), property, legal description, notice of foreclosure and the attorney for the plaintiff.

4. Complaint. This lists the events that took place to force foreclosure. A detailed listing of the mortgage amounts owed, time frame of non-payment, listing of the parties and property, a complete history of the mortgage and reference to the official documents. At this point the note is accelerated. The entire amount of the mortgage and related costs are due.

5. Judgement Final judgment occurs after a set period of time determined by the laws of the state. The defendant can still rectify the situation by paying the default. All fees have to be paid, including nonpayment court fees and legal costs. That does not mean negotiations can’t happen (by the owner or an investor). The lender will file a motion for judgement. When final judgment is granted the plaintiff has the right to sell the property.

6. Sale. After judgement the motion of sale is put into action. An order for the sale is processed and a specific date for public auction is set.

7. Redemption Period. The process of foreclosure can take anywhere from three months to a year from start to sale. Note that during this time the legal fees and costs are escalating and being attached to the property. However, an investor can acquire the property at any point during this period. Obviously earlier would be more favorable than later (due to fewer legal expenses and mounting costs). It changes by state but generally investors can intervene up until the day of the sale. At the auction, a bidding war can erupt. It’s good to

get possession before that.

The courthouse

En mortgage-theory states, the sale of the property, auction or foreclosure takes place at the courthouse. The foreclosure process is systematic and well-defined process. At regular times of the day and week, the court auctions off the property (the sale). You can find out the times by simply calling the office and asking the clerk. You may have heard the statement that the property "was sold on the courthouse steps." Most often it actually happens in the lobby, foyer or a specified location indoors out of the weather.

A typical sale would involve:

- A scheduled time for properties to be sold.
- A clerk making an announcement of file case numbers and their status (solved, available, etc.)
- A clerk listing the case and/or property description and asking for bids.
- The bidding starts and a winner emerges.
- The property is bought and paid for at the courthouse.

The property will usually have at least one bidder. The lender wants to ensure the property is sold for at least what is owed on the property. Therefore the lender or their designate starts the bidding at the amount being foreclosed on. If that is the only bid, the auction is over. The lender will actually receive the money so there is no real cost There have been the occasional errors where the lender did not protect their debt and a bidder other than the lender received the property for a song. If there are multiple bidders the process can be quite entertaining.

We suggest very strongly that you go and visit the courthouse and watch several auctions. You will earn a lot about the process. You may even try to get to know some of the other individuals at the foreclosure. Banks, lawyers, agents, investors, title company representatives and more will sometimes be in attendance. They are all excellent contacts for the investor. If you own a property, check the documents while you are at the courthouse. Just ask the clerks. It will help if you have the legal description. Get it from your mortgage documents. Also review the bulletin boards in the offices and pick up any publications and notices in the offices. Check the Lis Pendens list (legal notice of foreclosures).

In deed-of-trust states, the process is a little different. The trustees controlling title of the property can control the location of the sale, which may or may not be at the courthouse. Usually the trustees publish notices of sale location.

How can you profit from a foreclosure?

There is a lot of opportunity for profit in foreclosure. Certainly you can buy a property during the foreclosure process prior to sale at a discount. As the foreclosure clock is counting down to the sale time, there are great deals and negotiations. Here are a couple of examples:

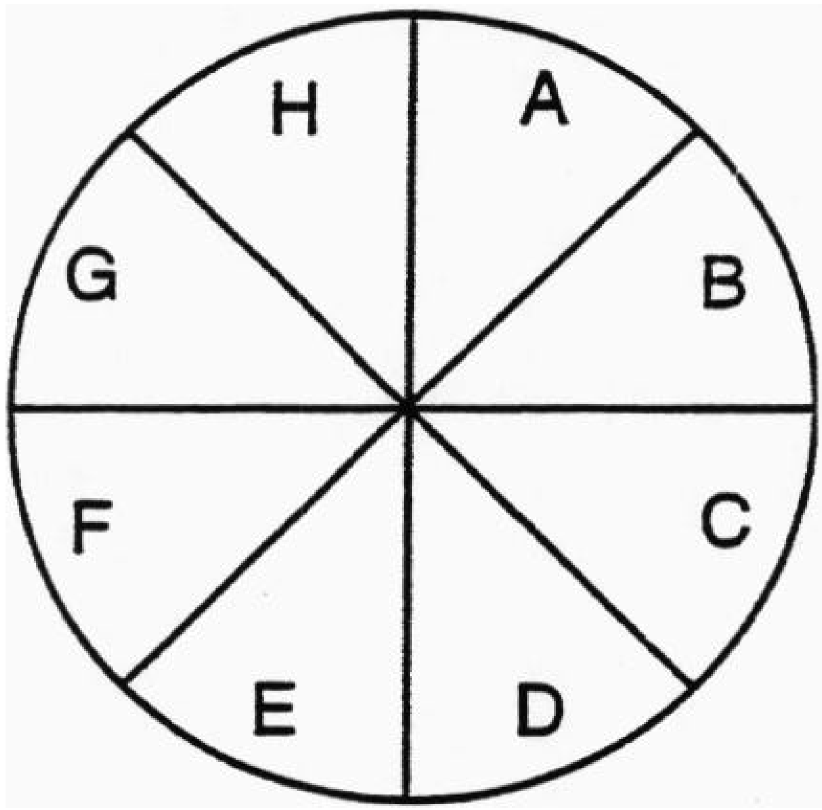
1. Joint venture with the owner. The owner may have had a temporary setback. They could have a substantial amount of equity in the property. Perhaps you can approach them to solve the current problem. Get the payments back on track and save their personal credit profile. In return you might agree to take *50%* ownership of the property. Alternatively you could agree to sell the property and get cash out for both you and the owner. In this case you would want to get to the owner early in the foreclosure process.

2. Look for properties with substantial equity. Usually the lender is going to make a bid just over the loan value to ensure the debt is paid. However, the property may have a lot of equity. Therefore you can pick the property up for a major discount and resell the home.

3. Approach the successful auction winner and inquire if they would like to sell the property, perhaps on a lease option or an installment sale.

The Foreclosure Clock

A. Foreclosure Starts
B. Demand Letter
C. Lis pendens
D. Complaint
E. Default
F. Final judgment
G. Sale date
H. Right of redemption period



How do find foreclosure deals?

There are numerous ways to find foreclosures properties. Listed below are some of the most common:

Courthouse Research

Information you are looking for can usually be found in the Clerk of the Court's office or Land Records department Start by calling the County Courthouse to find where real estate property records are located. Each Courthouse has different methods of filing documents, some in large books, some on microfiche files, and others on computers.

It is important to ask a County employee for assistance. They can show you where real estate property records are located. They can show you where to start your search and where you can get more detailed information when you locate a potential suitable property. You may want to start with the lis pendens files or the docket sheet, where the most recent court actions are first recorded.

Write down the foreclosure case number and then review the file to gather data about the foreclosure. All the information concerning the title to a property is public record. Remember, only recorded information in the public records can enforce the priority is established by the date and time of recording.

To check on deed information, visit the Tax Assessor's office or in another part of the Courthouse. Locate the correct volume and page to find the deed. The deed will show the owner's name, give a legal description, and will have a map or plat book and page that shows the physical plat of the property.

In many instances, you will find a mortgage on the pages following the deed. From the mortgage document you can determine the type of financing, original loan amount, interest rate, legal description, date of first payment, procedure for foreclosure, assumable or non-assumable indicators, and any prior liens.

If other liens are found, recheck them in the appropriate Deed Book. These are going to have to be dealt with if the property is to be purchased before the foreclosure sale. Check also for judgements by looking in a Judgment Book and page number or on a microfiche file. If found, check to see if the judgement was paid. By definition, a lien is a claim one has for securing a debt owed by someone. A judgment attaches to and serves to lien all real estate owned by a person in the country where it was files. A property owner with no liens can, therefore, give good title to his or her property.

There are many sources to find foreclosures. Hopefully, you can find the foreclosure before it has gone too far into the foreclosure process. Find below a few locations to begin the search:

- Classified Sections
- Legal newspapers
- Attorneys
- For Sale by Owners
- Realtors
- Auction Companies
- Banks- ROE departments
- U.S. Marshall's Service
- Listing Services
- IRS auctions
- Bankruptcies
- Probate Court
- Your own advertising
- County courthouse, town ball, or registry of deeds
    Check for "new cases"
    Check for "sale" file

These materials are published for educational purposes only. This information is provided to program participants as additional personal financial strategies.

These materials are not intended to enable participants to engage in commercial activities or to start or augment a business.

The forms in this program are provided for educational purposes. These forms may not be appropriate for use in all states. Therefore, you should request that your professional adviser review these, or any other forms you plan to use for any purpose.

10 Mistakes That Keep You From Getting RICH In Real Estate Investing

How To Get Rich The Right Way

Real estate investing is an exciting way to make money. It is one of the best ways to make money without tying yourself down to a regular job. There you have it: wealth and freedom, in a single package!

Truth is, throughout recorded history, more fortunes and more wealth have been founded on real estate than on any other wealth-builder. Land is a lot more stable than the stock market, a lot more dependable than e-commerce, and a lot less time-consuming than everyday traditional commerce. What is not to like?

Yes, there is money to be made. That means you can't afford to keep hitting your head against the wall when the gateway to riches is 10 simple steps away! With our 10 points, you will enable yourself to avoid mistakes, pitfalls and obstacles that try to pull you down away from success.

These 10 things remove roadblocks to success, both the **imagined roadblocks** and **the real roadblocks**. Make no mistake, both can trip you up. Imagine the increased sense of confidence and assurance as you see how easy these roadblocks are to overcome!

Avoid the myths of investing: It's so easy to fall for the myths, those untruths that people accept as fact, that keep you from succeeding because they keep you from trying. The myths are lies, but worse, they prevent you from taking action to change your life. In our 10 Things, we will explode these myths for you, such as:

- It takes money to make money — *all right, it takes money, but not your money! We'll show you ways to get the money for whatever you need.*
- The only way to make money is to buy rental units, but they're expensive, so I can't afford it — *starting out, it is more important to you to turn properties quickly to make a profit; the profit capitalizes your business so you can afford the rental properties — which do provide a nice long-term, residual cash flow.*
- Investing is something I need to do on my own, and that means a big time investment and a lot of work for me — *you won't go anywhere without help, and that's why we will teach you how to assemble a team of professionals and specialists – your own* ***Power Team*** *– to make sure it gets done and gets done correctly.*
- The only way to invest in property is avoid Realtors and go after "Sold By Owner" deals — *some FSBO (For-Sale-By-Owner) deals are great, but they might make up only 10% of the possible deals out there; we teach you to broaden you field and go after those sellers who want to sell badly, whether they use a Realtor or not; the more deals you have to consider, the greater the likelihood that one of them will make you a ton of money!*
- Buying houses well below market value is dangerous because the house is probably not structurally sound and I'll go broke fixing it up — *clearly you need to select the right house to buy, but that's what we show you in how to judge a property, what to look for, what needs fixing and what doesn't, so you do only enough to make the property desirable but don't spend your profit down the rathole.*

10 Things That Are Keeping You From Getting Rich in Real Estate will help you see things as they really are, not as they "appear" to be ***to the untrained eye***. Once you learn to see things from a successful investor's point of view, you can erase the feelings of risk and the lack of confidence that hold you back. These principles put you in the confident frame of find of the educated and experienced professional.

What scares most people as they consider real estate investing as a moneymaking opportunity is that it seems so mysterious, and besides, the stakes seem so high. We're talking about hundreds of thousands of dollars here.

Of course, just as the dawn helped us allay our childhood fears of monsters in the closet, the light of day—good, relevant and accurate information, helps us overcome those feelings that keep us from taking action with real estate investing. The following information does just that. We will look at things that you might perceive as problems, show you how many other people in the past have dealt with that and overcome it. We work from this viewpoint:

- It's good to learn from your own mistakes.
- It's better to learn from the mistakes of others (it's less painful).
- It's ***best*** to learn from the ***success*** of others.

What follows is information that focuses on the success of the most successful real estate investors. No one person knows everything, so we have gathered good information from a variety of sources and present here as a whole — a whole lot of good stuff that will get you off to a good start and help you avoid the mistakes that cost you money.

Remember this, you lose money if you invest foolishly, but you also lose **money (that would rightfully be yours)** if you fail to act upon opportunity.

We want to look at mistakes you might make and fears you might experience, then consider the right way to do it. Most often our fears are based on misinformation, so here we will look at the myths that some people believe. These myths are based on untruths, but they can paralyze you to inaction if you believe them. Fear of making mistakes is one of the most dangerous of fears, but knowing how to do it right means you not only avoid the mistakes but the fears, as well.

You see, every successful Investor has learned to overcome these 10 things — every successful investor has to identify and avoid these 10 "perceived" roadblocks. Finally, you can have the **RIGHT** roadmap to success. It's here, in one package, for you.

We'll tell you the **TRUTH** about real estate investing, and you will learn the **TRUTH** about becoming wealthy in real estate.

Learn what the REAL RISKS are!

You'll know you're doing it right when:

- You know what to do
- You know what not to fear
- You know what to avoid
- You know what to ignore

Do you want to get rich in real estate? Of course you do. Read on!

Here are 10 mistakes that could prevent your success:

1. **Trying to do it all by yourself**
(The Power-Success Team)

Myth: This investing thing is something I do best on my own
Why would you want to? You only make it harder on yourself.

No man is an island — no woman is, either. There are experts whose expertise allows you to work on finding deals rather than wasting time learning things that make you an unneeded expert. There are people to whom you can delegate simple tasks to so you can focus on tasks that make you more money.

Here are people who should make up your power team:

Real Estate Agent — an agent has access to the Multiple Listing Service (MLS) that contains details on at least 90% of all the houses for sale in your area. Using an agent gives you access to many more deals than you could find on your own — sellers who are motivated enough to sale that they are willing to pay for help — as well as data on past sales so you can figure out how properties really are worth.

Mortgage Brokers — a broker is different from a mortgage lender. The broker doesn't make the loans, he or she has dozens of contacts with lenders and can tailor your financing package to your needs, whether a mortgage, a piggyback combination or hard money (don't worry about the terminology – we get to it later).

A Real Estate Attorney — This is all about asset protection; you don't want to amass your empire only to lose it to frivolous lawsuits. In certain states, attorneys rather than title companies do the closings, so you want your own on your team.

An Accountant — The accountant should know real estate and tax law. This is not just to get your taxes done at the end of the year, this is so you can strategize with someone who understands the impact of income taxes and capital gains on what you want to do.

An Appraiser — Appraisers compute the market value of a property, usually for the lenders. Although you will use comparable sales reports to figure the future market value of projects for yourself, the appraiser can help you get a buy-fix-&-sell project moved quickly by getting the information you need for FHA financing for your buyers.

A Banker — This is not just the manager of a local branch. This should be a vice president level executive with lending authority. If borrowing a quick $10,000 on your signature allows you to take advantage of a great opportunity, you will be grateful for the time it took to cultivate this relationship.

A Title Company — A title company can provide you with property reports on properties you are looking at so you know in advance if there are problems with the title. In return, you let them handle your closings in most states.

A Handyman — The handyman will act as the general contractor for your rehab projects, someone you have tested and can trust to do good quality, honest work in a timely fashion. He can do estimates of costs for you to save you time on the front end and to ensure profitability. He can also oversee the sub-contractors.

Sub-Contractors

- A painter
- A flooring (carpet, tile & linoleum) person
- A roofer

If you get them on your team, you can work it so that they get paid when the property sells – when you get paid, rather than at completion of the job.

A Mentor — You should always expand your network of other investors. Find (or found) a local real estate investors organization and join. These can be great allies for quick contract flips, joint ventures, funding, and other deals. Plus, you can learn a lot from people who have been doing it successfully. Modeling the actions of a Mentor how you learn from the success of others.

2. Going after the wrong properties
(Property Evaluation)

Myth #1 — You have fewer problems if you look for nice properties in good neighborhoods

We'll never tell you to spend your time in urban war zones amongst all the crack houses, but there are a few basic facts to keep in mind:

If you want to turn properties over quickly (meaning fewer costs to you), consider this. What will sell quicker, a 4-plex or a single-family residence? Obviously, the single-family house. More people are buying them, creating higher demand. Now, what kind of single family house sells quicker, a luxury home on a lakefront with 2 wooded acres, or a simple 3-bedroom starter home in a modest blue-color neighborhood? Clearly, the latter. There are many more people who can afford the modest home. In any community there are more car mechanics and carpenters than doctors and lawyers. Besides, high-priced homebuyers tend to be pickier. Everything has to be just right. A young couple buying their first house is just happy to be there. It's a lot easier to get it sold that way.

Starting out, stay away from the upscale neighborhoods. The properties in your middle to lower-middle income areas retain their value very well because of the demand, and it's actually easier to find distressed situations or ugly houses there, too.

One word of advice: don't get emotionally attached to the process. You won't be living in these houses or neighborhoods, so don't turn up your nose. On the same token, don't let the cute charmer with the white picket fence seduce you into paying too much.

Myth #2 — If a house is ugly, it will be hard for me to turn it around quickly

In fact, this would be true, but for one thing. You won't let it remain ugly. It should be ugly only when you buy it. The people who will buy it want a pretty house. But the law of supply and demand states that products in high demand (like pretty houses) go up in price. You need to buy low and sell high.

When looking for a house, remember the old Clint Eastwood movie, *The Good, the Bad and the Ugly*. As a rule, good houses cost too much for you to invest in. Bad houses have structural problems and become hugely expenses. Ugly houses just need some paint, maybe a couple of new doors, new carpet, and they're good to go. Now you can fetch a good-house price for what you paid an ugly-house price to buy.

Myth #3 — I can figure out how much a property by looking at what other properties are selling for now

It might be a good idea to evaluate property the way you drive your car defensively: figure that all other sellers don't know what they're doing. The ***only*** way to know how much a property is worth is to see how much it just sold for. The fact that you might be looking at properties that are for sale right now means you simply pick some proxies to stand in for your "subject" house: houses that are just like it, same size, in the same neighborhood, same style, approximate same age. If you know what these houses sold for within the past 6 months or so, your subject house will likely sell for about the same price. This information is available as comparable sales reports. Your real estate agent can supply you with these "comps."

An analysis of comparable sales reports results in a figure that we refer to as the "Future Market Value (FMV)." This is what you logically will be able to sell the house for after you have made a few minor improvements.

3. Forgetting that the money is earned when you acquire
(How to Make an Offer)

Myth #1 — Your profit comes from selling the property

A very basic principle of real estate investing states:

You make your money in real estate when you acquire; you may collect it later, but you earn it when you get it, or in the way you get it.

This means that you are most careful while evaluating and analyzing the property before you ever buy. The point is, if you acquire the property correctly, you will always be able to make money. Even if the market goes stagnant, even if interest rates go way up, you can make money. Sometimes acquiring it correctly means you don't even pay for it, but you still make money. It would be hard not to make money if it costs you nothing, right?

Myth #2 — If you find the right house, the rest takes care of itself

The truth is, it is much better if instead of looking for a particular property, you look for highly motivated sellers. If the seller is motivated enough, no matter what property you are dealing with, you stand a chance at a good deal. If the seller has little motivation, we suggest it would save time and effort to find a brick wall to beat your head against, rather than trying to negotiate with the non-motivated seller.

Let's look at motivated sellers a moment.

1. The seller may be in distress. There could be a divorce going on, someone may have died, they may have tax or general financial problems. Maybe the company transferred the primary wage earner to Philadelphia or Boise and if they don't sell the house now they are stuck. Distress simply means that the person is in trouble and has to sell quickly.
2. Sellers can be motivated without distress. You might find an investor who wants to divest himself of a couple of properties in order to free up capital for a larger project. Or it might be some guy who's retiring after 30 years at the plant, and he has a couple of rentals around town, but he also has the Winnebago all packed up and ready to hit the highway, and he doesn't want to be stuck in town babysitting the rentals. They are both motivated, but not distressed.
3. The motivation may come from the house. It might be distressed — might be shabby, ugly. Why do you suppose someone might be trying to sell a house that needs work before it looks good? Maybe they can't afford to do anything, or they don't have time, or they don't care, or they're simply lazy. Point is, if the house is ugly, they have to sell if for less. That's market economics, the law of supply and demand — most people want to buy a pretty house.

Myth #3 — If your offer is $10,000 less than the house is worth, you could make a $10,000 profit

First of all, which worth are we talking about here? Is it how much it may be worth in the mind of the owner? Is it the market value as the house sits right now? In reality, the only value you are concerned with at this point is how much the house will be worth when you sell it. By then, with a little rouge and lipstick (cosmetic touches) it will be worth more than now. It might even be worth more than the current owner thinks, but, as you might recall, you never trust that any seller knows what he or she is doing.

Second of all, let's not forget all the expense associated with buying a house. You have closing costs, and you'll need to pay for insurance, utilities and property taxes while you hold the house, to say nothing of the cost of the rouge and lipstick. Since we don't recommend using your own money, there will be an interest expense, as well. Be sure to subtract these costs from the expected future market value (FMV) before you set an offer amount.

4. Not making enough of the right kind of offers
(Performance Goals)

Myth #1 — You don't need to mess with goals, just get out there and do it.

Let's understand clearly what a goal is. A goal is simply a statement of what you really want. At its best, it's an expression of your burning desire. If you don't know clearly what you want, it's not likely you'll expend enough energy to get it.

Here is a good definition of success: **"Success is the progressive realization of a worthy goal."** This simply means that you make progress toward making real a valuable desired achievement or state of being. Then you are successful.

Quite often, we hear people enter into real estate investing expressing goals like: "I plan to be making $10,000 a month within six months and be a millionaire within a year." Our response is, "OK, those are worthy goals, but how are you going to get there. It's not going to happen just because you make a wish. What are you going to **do** to make it happen?"

Describing what you will do to make it happen is a ***performance goal***. With good, valid performance goals, you know in advance what you should be doing to achieve what you desire most.

Here is a possible performance goal: 4+10+2+2. Now here's what that means:
Over the next 4 weeks, gather information about 10 properties each week, then inspect two of those 10 each week, then make at least two offers on properties you have seen.

Myth #2 — If you make the right kind of offers, you never get turned down

If you subtract all the costs of obtaining and fixing the house up from the FMV (future market value), you will end up with a figure that is no more (and probably less) than 75% of FMV. That being the case, expect that 19 out of 20 offers will be rejected. Then if 1 out of 10 is accepted, you will be pleasantly surprised.

Remember this about your offers. If everybody accepts your offer, you are being far too generous. You will also lose money, because those costs you subtract out are real — they have to be paid. Besides, you don't want to depend on being able to sell the house for more than it's worth.

5. **Stretching yourself too thin until you are cash poor** (Quick Turns For Capital)

Myth #1 — You want to focus on rental units first to build a long-term income stream

The obvious choice when you buy a house is to either sell it for a profit or hold on to it and rent it out for long-term cash flow. Both of these choices are good. You should really do both.

But here is a bit of information about rental properties: they require overhead. You pay for the purchase, but then you have ongoing expenses for taxes, insurance, a share of utilities, maintenance, repairs, upgrades, and advertising. Overhead requires cash. If your business has the cash to pay for these expenses, then you have no worries. Otherwise, it will have to come out of your pocket. That might just make you prisoner to a job you don't enjoy so you can afford to hold onto the rental properties until they can support themselves.

A smart alternative would be to focus first on activities, techniques and projects that make you money up front. Do a few contract flips, a couple of lease-options (read all about these in our program, Big Money Real Estate), buy, fix and sell a house from a highly motivated seller, and put all your profits back into the business. A half dozen such deals should net you about $40,000.

With $40,000 at your disposal, now you could find a nice 4-plex that brings in $600 per unit ($2,400 total) a month in rent. The seller wants $240,000, because that is market value, but is motivated enough to accept your $210,000 offer. You put $40,000 down, finance $170,000, which will require monthly mortgage payments of less than $1,300. Add to that $250 a month for property taxes, $50 for insurance, $50 for water and sewer (you let the tenants pay electric and gas), and your total monthly outlay is $1,650 or less, depending on the interest rate you get. In other words, you just added nearly $800 a month to your cash flow. If you discover that the going rate on rent is really

$650 for this size apartment, you can make that an even $1,000 a month — acquired without a long wait and with normal rent rates!

Myth #2 — You'll never make money unless you buy properties

In reality, you can make money on a property without owning it, so long as you have control of it. Our program, Big Money Real Estate, focuses on various techniques of doing this. Without going into a lot of details, it all stems from the type of contract you use to acquire the right to buy the house. That right to buy gives you control. With that right, you can now assign that right to someone else for a fee, or you can tie up the house over time until someone wants to buy it from you. Since you don't own it until they give you the money for it, you really never bought it. Yet you still made money!

6. **Using too much of your own money**
(Funding Sources)

Myth #1 — The biggest obstacle to overcome in buying property is the down payment

You would be surprised how many people believe that you have to pay 20% of the price of the house as a cash down payment. In an area where the average home price is $100,000, that means people would have to accumulate $20,000 in their savings account before they could even think of buying a house. Given that the U.S. has the lowest personal savings rate in the developed world, that would be highly unlikely. The good news for you when you want to sell a starter home to newlyweds Jim and Suzy is that various first-time homebuyer plans make the down payment a minor issue for many people.

First time buyer plans don't work for an investor, however, so we need to consider other strategies. Fortunately, investors have available a variety of options: certain lenders provide a percentage of what the property is worth rather than the purchase price, so if you can negotiate a price below that percentage, the lender provides everything you need; sometimes the seller is so motivated that you can get seller financing for at least enough to cover the down payment.

You see, the down payment is simply the difference between what the lender disburses and what you are paying for the property. The seller is going to get the full sales price at closing, so the down payment doesn't matter to the seller. It matters to the lender for two reasons:

a. The lender wants the borrower to have something at stake in the transaction, so in case times get tough down the road, the borrower is less likely to say, "I don't care about the house" and walk away from it without making any more payments. A $10,000 out-of-pocket down payment from the borrower's own hard-earned funds creates a real commitment.

b. The lender wants to reduce its exposure. Exposure is the amount the lender stands to lose if the loan goes bad and the house goes into foreclosure. As a rule, a house in foreclosure becomes worth about 80% of what it was worth before. Everyone knows the bank needs to get rid of it. Whatever is paid down lessens the potential loss.

However, many mortgage lenders are more liberal than a commercial bank and are willing to go easy on your out-of-pocket commitment if they can lessen their exposure. If the seller takes back a second mortgage for 75% of the sales price, the lender's exposure is minimal. If you buy the house for 75% of what it's worth, the lender's exposure is likewise minimal.

Myth #2 — It takes money to make money

All right, this is actually true. But it doesn't have to be ***your*** money! We operate on the principle of **OPM,** which stands for other peoples' money. Everywhere you go, there are lots of people with money — more money than they really need to live, really. These people with money invariably want more money (you don't think they suddenly become content just because their cash in the bank reaches a certain level, do you?).

How do you get your hands (legally) on other people's money?

What do people who have lots of money really want? Among other things, they want more money. Now think a minute. Would these people who have money but want more rather keep working to get more money, or would they rather put their money to work for them?

Let's suppose you find a deal that will return 30% on somebody's money in a four-month period. That would be a 90% annualized return. Do you suppose some of these people looking to get more money without having to work hard might want a piece of that?

With that in mind, let us look at a very important principle:

Money always flows to good deals, and it flows even faster to great deals.

7. Trying to be a plastic surgeon instead of a beautician
(How to Make an Ugly House Beautiful)

Myth #1 — House that you can get well below market price have very expensive problems that must be fixed.

Let's not forget that you're not looking for a particular house, you're looking for a highly motivated seller. We had a client once, who in the space of two weeks picked up two houses at half price. In one case, the seller was under divorce court order to sell the house and split the equity with his former spouse — he figured that if there were no equity, he wouldn't have to give her anything. The second seller had already purchased his retirement condo in Arizona and had no interest in enduring another northern Indiana winter.

This is again the concept of the good, the bad and the ugly. You don't want bad houses. They are money pits. We want to do what Glamour or Cosmopolitan Magazines do — you know the feature? They grab some woman off the street who is having the worst hair day of her life, take a picture of her scowling with no makeup, and then do the makeover. You get the before and after pictures. After, she's smiling and looking like a fashion model. Have you noticed they never bring in a plastic surgeon? It's all rouge, lipstick and hairspray. So the houses you want to deal with are at worst ugly, so that a little rouge and lipstick will take care of it. If you do reconstructive surgery on a house, it costs a lot, it takes time (and time is money when you're paying interest on a loan), and it's a hassle. Go for cosmetic fixes.

Myth #2 — If I want to sell this house, I have to make it good as new

There are certain things that people will not pay more for in a house. Most of these are things not easily seen. If you go through and change over all the plumbing to the latest materials, it will make everything work well, but you will spend a lot of money that will not be reflected on the sales price. Windows are the same way. Sure, who wouldn't like double-pained windows with nice vinyl frames throughout, but that's something a buyer would say about: "I'm glad this house has all new windows," but the buyer will not be glad enough add $3,000 to the price of the house.

Focus on the things that they see that don't cost much. For example, enough paint to do the whole interior of a 3-bedroom house will cost less than $100, but not only will it get the house sold quicker, but for a better price, too. If the front door is trashy, the whole house looks trashy. Where do they get the first impression from, anyway? A new steel front door with a half-moon window runs about $130, and makes the entrance look like a million bucks. Take a look at the interior doors, too. Vintage 1970s interior doors are ugly, are probably split — maybe the previous occupant's kids punched holes in them too. Nice replacements with 6-panels will cost about $35 a piece. You should get new hardware with them. At $10 a knob, it's money well spent. Dented up knobs with paint splatters on them don't make good impressions. Another minor cost that gives a good bang for the buck is new switch and outlet covers. Buy them by the box and they cost less than a quarter a piece, but it makes every room look better.

Myth #3 — Put most of your fix-up efforts in the living room and bedrooms, since people spend most of their time there

Here is the watchword of fix-up: Kitchen, bath and code. The code part is imposed by your local government. If the wiring is deficient, you have to fix it. The kitchen and bath reflects the priorities of the person who will have the most to say about which house to buy — the wife and mother.

This doesn't mean you have to automatically replace the kitchen cabinets and cupboards. If they are solid, just paint them white or off-white, especially if they came from the '70s and are an ugly and oppressive dark brown. If you want to paint the insides, spring for the rental on a paint sprayer. Otherwise you have a very ugly job ahead of you. Another touch for the kitchen is the faucet. If the kitchen is the heart of the home, the faucet is the heart of the kitchen. Watch the sales at your local home improvement centers. You can get a Delta, Price Pfister or Moen faucet that normally goes for $160 for $60 in clearance or as last-year's model. Material for kitchen counter tops is not expensive. If the counter tops are ugly but painting the cupboards would help them, go ahead and get tops.

As for the bath, a new vanity would only cost a little over $100. On the other hand, if there is enough storage in the bathroom elsewhere, a pedestal sink will open things up a lot and make it seem roomier. Rather than leaving a big gap or leaving up an ugly shower curtain, invest $50 in a nice curtain rod and quality curtain (with ruffles). You might not guess the wife-and-mother's favorite color, but seeing the curtain will allow her to visualize what she could do with the room.

The final word on any improvements you make on the house: **Fix before you replace.** It costs a lot less.

8. Not getting started
(Letting Your Fears Control You)

Myth #1: If you don't have your business completely organized, you have no business going out to find properties

This is an excellent place to insert a very important fundamental principle of success, whether it be in real estate or another endeavor:

DST = Do Something Today!

Maybe you don't have everything organized the way you would like, but that doesn't mean you can't research the market. Before you have even done a single deal, you don't have to be organized with a corporation, a registered business name, a business license or even a business card. No government entity requires you to get a license or register a fictitious name in order to go out and look at properties. If you go out today and see what's there, your common sense will tell you that certain prospects are better than others. By the time it is time to do something about it, you will have learned what to do be reading further into our information.

This principle should stay with you from now on. Every single work day, you should do something for your business. Are you working two jobs just to stay ahead? That means you will need to organize yourself, and maybe sacrifice some personal time. If you don't do that, how are you ever going to get out of the two-jobs-just-to-keep-up rut? As a favorite proverb puts it, **"He who sits cross-legged with his mouth open waiting for a roast duck to fly in is going to have a long hunger."** In other words, which white knight is going to come along and pull you out of the rut? Even if all you can get together is a half hour a day, use it effectively for your real estate investing, and it will be the best time-investment you ever made, because that half-hour a day will grow to full days in time.

If you have plenty of time — maybe you're unemployed or retired — you need to organize yourself and discipline yourself to spend much more than a half-hour a day. The law of the harvest states that as you sow, so shall you reap.

Myth #2: You need to know a lot about finance and real property before you can start looking.

One of the most exciting techniques that we teach is how to gain control of a property without owning it. Once you have control of a property, you can make money off it. That certainly requires no knowledge of finance, if you do it right. You just know how to perform a service that others are willing to pay you for.

Of course, if you want to buy a property, you will be getting money to do so from other people. Even then, there is no need to be an expert in financing and real property. One important key here is to focus on what you do know.

You do not need to have a profound knowledge to get started. You will, of course, want to acquire knowledge as you go. In so many ways, knowledge truly is power. But there are many things you can do without a lot of advance knowledge, and ***many*** of these increase your knowledge base. Do them and you will know about real property and finance:

1. Check out areas to work in. Your best bet is a middle to lower-middle-income neighbor of homogenous type houses (mostly the same kind). You certainly don't need to look in the war-zone areas, but even in the cities there are neighborhoods surrounding these war-zones (you might call them the 'hood) where people live because they can't afford any better. They still need a place to live. If you are not sure about the crime rate in a given area, the police department can give you more information. In essence, the easiest kind of property to turn over — either to sell or to rent, is a modest, no-frills, starter-home-type house.

2. Cruise through modest neighborhoods looking for "For Sale" signs, write down the name, address and phone number, then call about the house. Find out how big it is (square footage and number of bedrooms and bathrooms), how much the seller wants for the house, and how long it has been for sale. This is market research. You will soon have a good idea of values in that neighborhood. Now when a great deal comes along, you will be able to recognize it in contrast to the average!

3. Talk to a rookie real estate agent (less than one year in the business). A rookie is less set in his or her ways, still flexible, and, most important, likely very hungry. You don't want to answer a lot of questions about yourself (you don't have the answers, yet), so if they ask about where you get the money or whether your credit is good enough to finance a property, let them know you represent an investors group — you are the point person assigned to find properties, but that the money will come from private sources within the group.

9. Spending too much in marketing what you sell
(Exit Strategies For Quick Sales)

Myth #1: Negotiating is a matter of me taking advantage of someone or someone taking advantage of me.

One of Stephen Covey's *Seven Habits of Highly Effective People* is the concept that every deal should be a ***Win/Win*** situation. Napoleon Hill, of *Think And Grow Rich* fame, put it this way: "I fully realize that no wealth of position can long endure, unless built upon truth and justice; therefore I will engage in no transaction which does not benefit all whom it affects."

Both these gentlemen have long been considered gurus of success by many successful people. It appears that the old adage, "what goes around, comes around," really applies here. As Covey explains it, you don't want a Win/Lose situation, because if you lose enough, you're out of business. A Lose/Win situation means one fewer person who will do business with you in the future, and word does spread.

Negotiating simply means you work toward accomplishing your goals while helping the other party accomplish their goals.

Myth #2 — If I want to sell a house, I should not use a Realtor to save money

If you have a real estate agent or two or three on your team, and one of them helped you find this house you are now selling, it would be a slap in the face not to use the agent to sell it, too. How enthusiastic will the agent be in the future if you cut him or her out of your deals to save some money?

Using an agent to sell the house doesn't mean you have to sign a listing agreement and commit to a 6 or 7% commission. If the property goes on the MLS, the listing agent has to split the commission with the buyer's agent. If it doesn't appear on the MLS, there is no such requirement. Therefore, offer the listing to the agent without putting it on the MLS. You might want to offer 3.5% or 4% for selling it without the MLS. Meanwhile, you will be running a marketing campaign yourself based on putting up a lot of signs and fliers and networking with everyone you can.

Of course, if you bought the house without agent's assistance, you can sell it without the agent, as well.

Myth #3 — To sell a house, all I can do is put up a sign in the front yard and put classified ads in the newspaper

One of the most productive strategies in terms of getting a good response is to advertise a starter home as for sale on a rent-to-own basis with a set amount showing as a deposit. The deposit reflects what the house would rent for. Any renters who are currently paying about that will respond. The rent-to-own tells them, “hey, I can buy this place. I just have to keep on doing what I’ve been doing.” The details of this strategy are to be found in our program, Big Money Real Estate, but they involve you helping the buyer obtain FHA financing, performing sweat equity for a portion of the down payment, and renting for only a brief period before you close the sale.

There is a strategy that gets big results quickly with very little expense on your part.

10. Not maintaining the momentum
(Long-Term Strategies, Planning For Success With Goals)

Myth #1 — I can’t even get started until I get my business set up and all my ducks in a row

Clearly, there is much for you to learn. However, at the same time, you will never know everything there is to know about real estate, nor should you. To succeed in real estate, you have to go out and make deals. If all you do is keep learning and preparing, nothing will ever happen.

It is clear that knowing what you are doing leads to confidence. However, sometimes we just have to stretch our comfort zone or we never grow. That might involve situations where you fake it until you make it. This is not the same thing as hypocrisy; you’re not pretending to be something you’re not. You have simply visualized in your mind what you want to have happen, and then you play your role in what you desire to have happen.

To begin with, the best thing to do to get started is to start small. You can then build upon what you already know and continue to progress beyond that. Let’s remember the words of perhaps the greatest coach in history, John Wooden, who said: “***Don’t let what you cannot do interfere with what you can do.”*** Nobody expects you to go right out and acquire a 100-unit apartment complex or an 8-story commercial building first thing. Simply do what you can do, keep learning, keep your eyes open, and take little actions.

Myth #2 — Don’t waste time planning a long-term strategy, you need to get out there doing it

Obviously, we’re not going to tell you to sit around planning and never get into the game. But there is no reason not to have a direction while you are doing the work.

Here is a sample long-term plan that would be very productive. Let's say you undertake to acquire 6 new properties a year. In the first year you would struggle to do this and may fall short. Year by year, however, you become more skilled at picking deals, better at negotiating, and you network that brings you deals gets bigger. After 10 years, you might own 60 properties. If during this time, you balanced evenly properties that you sell right away for profit with those you hold on to for the long-term rental cash flow, you would now own 30 rental properties which were partially financed by the profits made by the quick turns. Of course, most of these rental properties will be multiple units, since you flipped most of your single- family homes on quick turns. Besides, multiple units are easier to manage. More tenants in one location. Therefore, let's assume these 30 rental properties represent 60 rental units.

At this time, you could then sell half of your rentals. The income you realize in the sale would then go to pay off all loans on the remaining properties that you keep. Now you own 15 rental properties, 30 units, free and clear. Let's further assume that after you pay insurance, taxes and the water and sewer bill, you receive $500 per month clear cash flow per unit. There are 30 units. $500 times 30 is $15,000. Would you be able to scrape by on $15,000 a month in today's dollars? Yes? Then you can buy a yacht and spend all your time in the Caribbean. No? Well, you don't have to because you can still buy more singles houses to flip on a quick sale and more rentals to increase you monthly cash flow. The point is, now you can afford to. You have plenty of money.

There is a strategy for you. Now you work out for yourself what you want to accomplish. If you don't know what you want, you're not likely to get it. A clear picture of what you want gives you something to work for.

Let's wrap this up

If you acquire real property correctly, you will always make money off it. You don't need to be a super salesman with lots of connections in the local market. You just need to have bought it or acquired control well enough that it is attractive to a lot of people when you offer it.

Is it really that easy?

If real estate investing were all that easy, everybody would be doing it and it would not be so lucrative. We will never tell you this is easy. You will work for everything you make. ***However***, it is very simple. There are certain principles that just work. If you apply these principles, you are simply imitating or emulating successful real estate investors. Our program, Big Money Real Estate, describes the techniques, strategies and actions of highly successful real estate investors. All you have to do is replicate what they do, and you should enjoy the same kind of success. This is simple cause and effect.

Innumerable investors have gotten started in real estate at a time when they were broke, unemployed and had mediocre credit. Somehow, it was possible.

How so? Here is a concept that has great power for someone lacking money:

"You can have anything desire in life by helping enough other people get what they want."

What is it that people want? ***Nearly everybody*** wants a place to call home. You can help them get that! Many people would like to get their hands on a fixer-upper — a house that needs work — because they can do the work (they are good at it and enjoy it), then sell the house for a tidy profit because it looks so nice. You can help them get what they want. You don't provide them the house, instead you provide them the opportunity to buy the house. Other people don't want to do any work, but they want to put money into an investment that will make them a profitable return on their money. You put together the deal for them to invest in, and you make money for yourself. That saves you from the need to have any money until you get paid for your service.

In short, don't let a fear of not having any money paralyze you into inaction. There are ways to make money starting from nothing. The key is to know what you want, create a burning desire inside, then take action. Emerson told us, "Nothing great was ever achieved without enthusiasm." The clarity of your dream and your goals, coupled with a burning desire, a passion for what you want, will create the enthusiasm you need.

The financial toolkit 1.0

Clean Up Your Credit

Credit Card Interest Reduction Strategies

Financial Toolkit 1.0

Strategy: Restructure debt with the goal of financial independence by reducing the amount of interest you are currently paying on your credit card debt.

Credit card debt keeps most Americans from reaching their personal financial goals. One way to reduce debt is to secure fixed low interest credit cards with interest rates about half the rates most consumers are now paying. We will show you how to pay down this debt in a much shorter amount of time, leading you away from the bondage that high interest rates are costing an ever-growing number of Americans daily.

Credit card companies simply do not want you to ever pay off the principle amount. They enjoy making tremendous amounts of money monthly from consumers via the amount of interest they charge. Interest charges alone totaled more than 80 billion dollars in 2000. That number has been increasing at a rate of 6% annually since then. Credit card banks cannot issue their new cards fast enough. There’s a tremendous amount of profit to be made. They continuously bombard consumers daily with opportunities for additional high interest credit cards, encouraging consumers to go deeper and deeper into debt, all to the benefit of the banks. Even our school age children are now receiving credit card offers in the mail.

Let's look at the facts:

Recently, two major providers of credit cards have merged. They now have a combined consumer debt of well over 200 billion dollars. The interest alone that this one bank reaps per month is over 2.5 billion dollars. That's a tremendous amount of money that is being paid by consumers each month for the privilege of using their cards. No wonder they don't want you to pay off your charges. No wonder they keep enticing you with more credit card offers to get you to go deeper and deeper into debt. It pays extremely well for them.
The buildings where these banks operate were not built using bricks held together with cement and water, but rather with cement and blood, yours and mine. Huge buildings with polished brass everywhere, marble floors and beautiful wood furniture are paid for with our hard earned money. It's enough to make one mad. The banks figured out long ago that the average consumer, when saddled with high interest rates and large available balances, stands little chance of ever reducing the principle amount of their debt.
Instead of limiting the amount of debt per customer, they keep raising the available limits on our existing cards, thus plunging us further into debt under the disguise of convenience. Their latest marketing tactic is to offer short term, low interest cards that will increase to their highest interest rates in a matter of months. Knowing all along, that when the trap is set, the average consumer will take the bait. The banks spend millions of dollars annually promoting this ploy against us.

Unfortunately, their lust for profit has caused tremendous problems for millions of people. Fortunately, you can reduce the amount of interest that you pay every month, apply the difference towards reducing that debt, and wind up financially free of the bondage these banks have let you slip slowly into over the years.

Hopefully, you will now be concerned enough to take action against what has been done to you by these banks. Remember that action, coupled with knowledge, is your best weapon against this bondage. Before you take action, it is important that you know why you are taking action. You've probably heard the statement that 'knowledge is power', but knowledge is only powerful if one understands and uses it.

An example of knowledge being powerful is, if I asked you the question, "Would you rather have $10,000.00 today, or would you rather have a penny, and have it double every day for 31 days?" What would your answer be? Most of us, without having any knowledge to the contrary, would take the $10,000.00 today, and feel good about it. But the answer to this question is really quite simple, as long as you have the correct knowledge. Knowledge gives you the power to make the right decision.

The answer to this question is that you would much rather have a penny that doubles over the next 31 days. $10,000.00 will always be just $10,0000.00, but that penny doubling for 31 days, totals over $10,000,000.00 (TEN MILLION DOLLARS). Incredible, but true.

The same logic can also be applied to the high interest rates on your credit card debt.

The amount of the actual interest charge seems small when the balance is small, but with credit card balances being over $5,000 per household, the monthly interest amount is much greater. Plus, when you consider the amount of time it takes one to pay off their credit card balances with interest, making minimum monthly payments, that amount becomes huge.

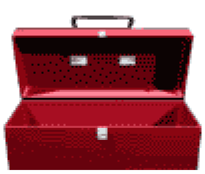
Before you enter into any type of an agreement, particularly for credit cards and other loans, you should know what the outcome will be. The difference in interest of just 1% over your lifetime can represent tens of thousands of dollars in payments by you. In this program, we're going to show you how to take your current debt and create a debt reduction program to help you reduce your monthly debt obligation.

The funny thing about debt is that it's so easy to slip into. Whether it's a mortgage loan, auto loan, signature loan or a credit card, we are always very excited to be approved. However, we seldom think through the consequences of what the full payments are going to mean to us.

Debt is something we've all gotten used to over the last two decades. Some of it is very necessary such as home mortgages and automobile loans. Some debt, if managed properly, is beneficial to us. As long as we are responsible in managing our debt, it allows us to become more credit worthy. In many cases, however, debt can get out of control.

Debt, such as credit cards, installment or revolving loans can quickly begin to add up. If not kept in check, most of our working lives can be spent trying to make a dent in debt, which sometimes is very difficult, if not impossible to do. Typically, the reason our debt gets out of control is due to our lack of understanding of how the interest rate affects the money that we are borrowing.

With many cards having an interest rate as high as 18% to 21%, many families with an average card debt of $5,000 to $10,000 have a hard time paying more than their minimum monthly payment. If you are in this situation, you've probably noticed that the minimum monthly payment is calculated so that you may never get out of credit card debt until the next century. The goal of lowering the interest rates on credit cards and gaining financial control can be achieved by several different methods.



CREDIT CARDS

The first thing to understand is that there are many different types of credit cards. Visa and Mastercard franchise their names to banks and other financial institutions. It is the bank or financial institution that dictate what interest rates will be charged, as well as what additional fees will be necessary. Each bank and financial institution have their own proprietary credit approval rating system; so if you are denied credit by one, you may still be approved if you apply at another.

Depending on the type of purchasing habits you have, you can determine the best type of card to carry.

Low Interest Cards:

If you carry a balance on your card and make a monthly minimum payment, the best type of card for you to have is a low interest card. Keeping your interest rate as low as possible is crucial to keeping your debt under control.

No Annual Fee Cards:

If you pay off your credit card balance on a monthly basis, you should carry a card that has no annual fee, and at least a 25-day grace period.
This allows you to make purchases during the course of the month and pay off all of your new charges once you are billed. This actually enables you to use the bank's money at no charge for up to 30 days. Even American Express cardholders pay an annual fee for the benefit of having that card. A 'no annual fee' card could be a good alternative, as they generally are easier to qualify for. The American Express cards do carry a sense of prestige, as well as more clout on your credit report. It simply depends on whether or not you want to pay for the privilege of carrying their credit card, even if you don't use it.

Secured Cards:

Secured cards are typically for those with no credit or poor credit. You qualify for a secured card by placing a deposit with the issuer of the card. The deposit represents your credit limit. After time, with a good payment history, many issuers will slowly increase your credit limit. Since these cards are primarily for re-establishing credit, the fees and interest rates can be excessive.

Debit Cards:

Debit cards are usually offered as a benefit of your checking account, as all charges to this card are automatically deducted from your checking account.

Affinity Cards:

Affinity cards are created and marketed as having a specific relationship with a group or as benefiting a group. Membership in some organizations or groups may entitle you to apply for an Affinity Card. If you are approved, you'll receive a card that will most likely have your group logo on it. You may even receive additional benefits for using it. Some charity organizations even offer an Affinity Card where a certain percent of every dollar you charge on your card is contributed automatically to their cause.

Interest-Back Cards:

These are also called Cash-Back cards, and it's a great marketing tool. Once you are approved, you get cash back after you made purchases and paid your payments on a timely basis. However, if they are charging 18% interest on purchases, would you rather get 1% back or get a low interest card at 10% and keep the other 8% for yourself?

CREDIT CARD FEES

All credit cards have fees that you should understand and be aware of as follows:

Cash Advance Fee:

If you use your card to take a cash advance, you are charged an additional fee on top of the interest rate. This fee can be as high as 2.5%.
Therefore, if you carry an 18% credit card and take a cash advance, you will actually be paying 20.5% on the cash advance amount.

Late Charge:

Any time your payment is not received on time, you are charged a fee for being late. Generally, this fee can be $15 or $20 on top of your payment that already includes interest. Make sure to pay on time and save the money for yourself.

Over The Limit Fee:

If you happen to go over your limit even slightly, you may pay an additional fee once again. Be very clear about your credit limit. If you are close to your limit and make a purchase of more than your available balance, in most cases, the transaction will be declined.

If your charge is accepted, therefore putting you over your limit, you will be charged an 'over the limit' fee.

Now that we have a basic understanding of credit cards and their differences, we can focus on reducing your debt and the options you have.

OBTAIN A LOW INTEREST CREDIT CARD

The credit cards that you should be applying for are fixed low interest credit cards. These fixed low interest cards allow the option of transferring your balances from the higher rate credit cards to a credit card with a rate of interest that could be substantially lower. If your current rate of interest is 18% or higher, and you apply and are approved for a lower interest credit card of 10.5%, you have just saved 7.5% annual percentage rate. This amounts to saving 35% of the total amount of interest.

You'll notice in the list we provide of our "best picks" for the low interest credit card programs in the country, that many of them come from Arkansas. The reason for this is that Arkansas has a usury law that restricts their state banks and financial institutions from charging or assessing high rates of interest.

One thing to watch out for, now that you are becoming educated about the lower interest rate credit cards and the benefits of them, are the introductory offers. As you've seen on TV, read in the paper, and constantly receive in the mail, there are many cards that offer low interest rates, as low as 4.9%. Be careful to read the fine print because this rate may only be guaranteed for a short amount of time, usually about six months. This rate will then automatically go up to as high as 17% to 21% thereafter.

What you should actually look for in a low interest credit card is either a low interest fixed rate, or a low interest variable rate that is based on some type of financial indicator. In most cases, you will find that variable low interest rate credit cards are based on the prime rate and its fluctuation. The prime rate is the interest rate charged by banks on loans only to their most credit worthy customers.

The prime rate is generally published in most major newspapers at least on a weekly basis. When it changes, generally it will make national news. Additionally, credit card rates could be tied to the Federal Discount Rate. The Federal Discount Rate is the rate at which money is borrowed from the Federal Government by banks and financial institutions, or the rate at which banks borrow money from each other.

As an example, if the federal discount rate is 5.75%, and the credit card issuing bank charges 3 points above the federal discount rate, then your annual percentage rate would be 8.75%.

When applying for a credit card, it is important to know the difference between an introductory rate offer and a true low interest credit card. Additionally, you want a low interest rate credit card that offers a grace period. A grace period is defined as a period of time by which you have a period of grace where you are not incurring any interest on any charges you have made. Typically, credit card companies will allow you 25 days as a grace period.

Obviously, it is in your best interest to have a longer period of time because it would mean that the money you have borrowed on the item purchased will not be charged interest for a period of 25 days.

You also need to make certain that you will not be paying an exorbitant annual fee. The annual fee charged by many banks or credit card issuing financial institutions is a charge on an annual basis from a low of $25 to a high of $300. This is simply a fee that is imposed by the credit card company for the privilege of using their card.

DEBT SHIFTING

Once you have determined the appropriate low interest credit card to apply for and have been approved and received your new card, avoid the mistake of taking out a cash advance.

Many credit card companies charge additional fees for cash advances. Typically these charges can range from 2% to 2.5%. As an example, if you took out a cash advance of $1,000 on a new low interest credit card with an interest rate of 11%, the interest rate charged on the $1,000 cash advance would be 13% to 13.5%. Most credit card issuing institutions have procedures to help you transfer high interest debt to your new low interest credit card. You'll need to follow their procedures for doing so. Many credit cards come with checks specifically for this purpose.

You simply write out the check to your higher interest credit card company in order to pay down the high interest rate and have it shifted to the new, lower rate card.

Your goal is to transfer as much of the higher rate debt to the lower rate cards as you can. This means that you might have to apply for more than one or two low interest rate credit cards depending on the amount of high interest rate debt that you currently have.

INTEREST REDUCTION

If you have been unsuccessful in being approved for new, low interest rate credit cards, there are still options available to you in reducing the rate of interest on your current credit cards for future purchases. On the back of your credit card is a toll free number for the issuing institution for that credit card. Simply call that number and ask for a reduction in the interest rate that is being charged on that credit card. Many banks now offer a reduction in interest for available credit to their customers with a good payment history as a way to stay competitive in the industry.

Obviously, you may not be able to obtain rates as low as some of the lowest interest rates available in the country, but it may go a long way in reducing your overall long-term debt by reducing, by a few points or so, the current interest rate.

You may also have the ability to negotiate a better annual rate, depending on the annual rate you are already being charged. It is then your goal to contact your credit card company, negotiate the best, lower interest rate that you possibly can for future purchases, and also ask if they are able to reduce the annual fee.

If there is hesitation on the part of the customer service agent you requested the interest rate reduction from, simply ask to speak to a supervisor. In many cases, a supervisor will opt to reduce your interest rate, as opposed to losing you as a customer.

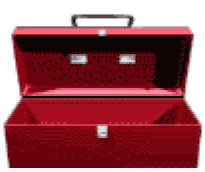
EXTRA PRINCIPLE PAYMENTS

Making additional payments to your credit card can greatly reduce the time it takes to pay off your balance and reduce the total interest. By simply sending an additional $10 or $20 with your minimum payment, consistently and regularly, can make a big impact.

CHECK TRACKING

Another method of controlling and reducing your balance is to track new purchases and enter them in your checkbook.

For example: You make a purchase on your card for $25, then write it in your checkbook as a deduction from your checking account. Do this for all of your purchases for the month. When your credit card bill arrives, simply add up from your checkbook all of the purchases you made during the month and write out a check to your credit card company. This will help to stop your debt from running away from you. Also, since you've made smaller deductions from your checkbook during the month, writing one big check for all your purchases won't be as painful. Now, to stay ahead of the game, send in an additional amount of $15 or $20 or whatever you can comfortably afford to begin paying down the old debt in less time.



ACTION STEPS

Use this list after you have thoroughly reviewed the Credit Card Information and have a better understanding of credit cards.

- Review the Credit Card Rate Chart to determine which cards you'd like to apply for.
- Call the toll free number provided to request your application or apply by phone for the cards you have selected. Remember to verify all the information such as interest, fees, etc. with the representative.
- Contact your current credit card companies to reduce your rate of interest.
- Contact your current credit card companies to reduce your annual fees, if possible.
- If you are approved for a new low interest credit card, follow the new issuers' procedure for transferring your current high interest debt to your new low interest credit card.
- While you are enjoying the savings of shifting high interest debt to a low interest credit card, begin paying down your balance by making extra principal payments to reduce your overall debt.
- Cancel your old, high interest cards so you do not become trapped with higher rates later.
- Avoid introductory offers.
- Avoid the mistake of taking out a cash advance and paying higher fees.
- Pay off new purchases by writing in the amount in your checkbook. At the end of the month, simply write a check for the amount you've already deducted from your checking account.

The following list of firms may be of value in your pursuit of the best credit card sources.

Company

1. NextCard
2. Security First Network Bank
3. American Express
4. Chase Manhattan Bank
5. Citibank
6. Discover Card
7. First USA
8. Wells Fargo
9. Bank of America
10. Capital One
11. MBNA
12. First Bankcard Center
13. Direct Merchants Bank
14. Household Bank
15. TD Waterhouse Bank
16. Providian Aria

Fees on overseas credit card transactions

Issuer	Transaction Fees
Citibank	2%
Bank One/First USA	2%
MBNA America	None
Chase Manhattan	2%
Bank of America	2%
Providian	2%
Capital One	None
Fleet Boston	None
Wells Fargo	2%
Wachovia	None

American Express is not associated with Visa or MasterCard. American Express customers pay a 2-percent fee on every foreign currency transaction.

Low Rate Reports

The following three lists offer of the best overall credit cards in the country primarily in terms of interest rates and fees. Also, included are some proven strategies that can help eliminate credit card debt.

The first list contains the Top 10 Platinum Cards. Platinum cards typically feature credit limits from $5,000 to $100,000 and are designed for consumers with a good credit history and a gross annual income over $30,000. Platinum cards usually feature more benefits than gold cards. The second list contains the Top 10 Gold Cards. Gold cards typically feature credit limits over $5,000 and are designed for consumers with a good credit history and a gross annual income over $25,000 per year. Gold cards usually feature more benefits than classic cards. The third list contains the Top 10 Classic Cards. Classic cards typically feature credit limits up to $5,000 and are designed for consumers with a limited or no credit history and a gross annual income under $25,000 per year.

If you feel that you can qualify for a gold card, then you should consider applying for a platinum card. Many card issuers make little distinction between gold and platinum cards. Even if you are declined for a platinum card, you will usually be offered a gold or classic card.

The three lists are geared toward consumers who carry a balance on their card(s) from month to month and who don't have a poor credit history (banks do not offer preferred rates to applicants with a poor credit history).

Interest rates (purchases and cash advance), grace periods, introductory rates, annual fees, perks, rebates, and cash advance fees have been considered in the rating.

THE TOP 10 PLATINUM CARDS (if you carry a balance)

ISSUING BANK/ISSUER	TYPE	FEE	APR
1. Capital One (800)822-3397	VP	$0	9.90F/19.8F
2. NextCard (888)422-6596	VP	$0	9.99F/23.99F
3. BofA (888)948-2273	VP	$0	9.90F/21.9V
4. G&L Bank (888)226-5429	MCP/VP	$0	9.90F/9.90F
5. Club Lycos (800)752-0545	MCP	$0	9.9F/19.8V
6. Aria (888)237-4837	VP	$0	9.99V/21.99
7. Blue (800)BLUE-600	AMEX	$0	10.99F/21.99F
8. Ever (888)882-EVER	VP	$0	11.40V/21.40V
9. Banco Pop (877)782-6446	VP	$0	11.49/20.50V
10. Afba (800)776-2265	VP	$0	12.4V/12.4V

The interest rates of most variable rate credit cards will be decreasing soon (issuers typically update their rates on a monthly or quarterly basis) by one percentage point (1.00%) due to the recent rate cuts implemented by the Federal Reserve Board.

NextCard-Rates as low as 9.99% fixed, but vary based on one's credit history.

Bank of America-Rates between 9.9% and 12.9% fixed depending on your credit rating.

Aria-Rates as low as 9.99% variable, but vary based on ones credit rating.

Blue-Rates as low as 10.99% fixed, but vary based on one's credit rating.

Afba-This card is only available to military families, federal civilian employees, and current or former dependents of military and federal civilian personnel.

Type: VP=Visa Platinum; MCP=MasterCard Platinum; AMEX=American Express
Fee: Annual fee.
APR: Annual percentage interest rate for purchases/cash advances. "V" indicates Variable rate. "F" indicates fixed rate. Does not imply that this is the only type of card that a particular institution offers, but rather is the card with the best overall rate.

THE TOP 10 GOLD CARDS (if you carry a balance)

ISSUING BANK/ISSUER	TYPE	FEE	APR
1. Pulaski (800)980-2265	V	$50	7.99/7.99F
2. Cap. One (800)822-3397	VP	$0	9.9/19.8F
3. SFNB (800)321-1859	V	$0	9.90/9.90F
4. NextCard (888)422-6596	V	$0	9.99/23.99F
5. BofA (888)948-2273	V	$0	9.90F/21 .9V
6. Wachovia (800)842-3262	V	$98	9.50/9 50V
7. Blue (800)BLUE-600	AMEX	$0	10.99/21.99F
8. Helena (888)338-6451	MC/V	$25	10.92/10.92V
9. Simmons (800)636-5151	V	$35	10.95/10.95V
10. Metro (800)883-2511	V	$35	10.98/10.98V

Pulaski-The balance transfer rate is a tong term rate (not introductory) and is the same as the purchase rate.

Cap One-You will first be considered for a platinum card. If you do not qualify, you will be considered for the Visa Gold Benefits Card.

NextCard-Rates as low as 9.99% fixed, but vary based on each individual's credit rating. You may not qualify for a fixed rate card.

BofA-Rates as low as 9.90%, but vary up to 12.9% based on your credit rating.

Blue-Rates as low as 10.99% fixed, but vary based on one's credit rating.

Type: VP=Visa Platinum; MCP=MasterCard Platinum; AMEX=American Express
Fee: Annual fee.
APR: Annual percentage interest rate for purchases/cash advances. "V" indicates variable rate. "F" indicates fixed rate. Does not imply that this is the only type of card that a particular institution offers, but rather is the card with the best overall rate.

Cap. One, SFNB, NextCard, and Blue offer an introductory or promotional rate.

THE TOP 10 CLASSIC CARDS (if you carry a balance)

ISSUING BANK/ISSUER	TYPE	FEE	APR
1. Pulaski B&T (800)980-2265	V	$35	7.99F/7.99F
2. Ark Nati (888)226-5262	MC/V	$50	7.92/7.92F
3. Capital One (800)822-3397	V	$0	9.9/19 8F
4. NextCard (888)422-6596	V	$0	9.9/23 99F
5. Wachovia (800)716-3000	V	$88	9.5/9.5V
6. BLUE (800)BLUE-600	AMEX	$0	10.99/21.99F
7. Helena Natl (888) 338-6451	MC/V	$15	10.92/10.92V
8. Simmons (800)636-5151	V	$35	10.95/10.95V
9. Metro Natl (800)883-2511	V	$25	10.98/10.98V
10. Umbrella (877)541-5739	V	$0	10.9/10.9F

Pulaski B&T: The balance transfer rate is a tong term rate (not introductory) and is the same as the purchase rate.

Ark Nati: You must open a checking account with Ark. NatL Bank before you can apply for this credit card.

Capital One: Rates as low as 9.90% fixed, but vary based on one's credit history.

NextCard: Rates as low as 9.99% fixed, but vary based on your credit history. You may not qualify for a fixed rate card.

BLUE: Rates as low as 10.99% fixed, but vary based on your individual credit history.

Type: VP=Visa Platinum; MCP=MasterCard Platinum; AMEX=American Express
Fee: Annual fee.
APR: Annual percentage interest rate for purchases/cash advances. "V" indicates variable rate. "F" indicates fixed rate. Does not imply that this is the only type of card that a particular institution offers, but rather is the card with the best overall rate.

Capitol One, NextCard and Blue offer an introductory or promotional rate.

	Annual Fee	Introductory APR	Fixed APR	Rewards
Capitol One Platinum Visa	None	0%	9.9%	
Aria Visa Platinum	None	0%	9.9%	Yes
American Express Blue	None	0%	10.9%	Yes
Am Ex Cash Back Platinum	None	3.9%	10.9%	Yes
Next Card Visa	None	(As low as) 2.9%	(As low As) 9.9%	
Juniper MasterCard	None	0%	15.99%	
Visa Smart (First Bank)	None	2.9%	16.9%	Yes
Visa Titanium (First Bank)	None	2.9%	16.4%	
Discover Platinum	None	0%	14.9%	Yes
eCard Platinum Visa (First Bank)	None	2.9%	16.4%	Yes
Aria Visa Portrait	None	0%	20.49%	Yes

Additional information:

Capitol One Platinum Visa
Interest Rate: 9.9% fixed, Introductory Rate: 0% through August 2001, Grace Period: 25 days and Annual Fee: None

NextCard Plus Visa
Interest Rate: 9.99 fixed rate, Introductory Rate: A 2.9% intro rate is available instead of the fixed rate, Grace Period: 25 days, Credit Limit: Up to $20,000 and Annual Fee: None

Aria Platinum Visa
Interest Rate: 9.9% fixed, Introductory Rate: 0% 1st 3 months, Grace Period: 25 days, Credit Limit: Up to $25,000 and Annual Fee: None Offers an awards program.

American Express Blue
Interest Rate: 10.99% fixed, Introductory Rate: 0% 1st 6 months, Grace Period: 20 days, Credit Limit: Up to $100,000 and Annual Fee: None Offers a 9.9% rate for balance transfers that is good for the life of the balance. Offers a rewards program and the ability to manage bills on-line.

BoA Platinum Visa
Interest Rate: 9.9% fixed, Introductory Rate: none, Grace Period: 20 days, Credit Limit: Up to $100,000 and Annual Fee: None Offers an 8.9% rate for balance transfers that will be good for the life of the balance if you do not want the fixed rate.

Security First Network Bank Gold Visa
Interest Rate: 9.9% fixed, Introductory Rate: 3.9% 1st 6 months, Grace Period: 25 days, and Annual Fee: None

Wachovia Gold Visa
Interest Rate: 9.9% variable, Introductory Rate: none, Grace Period: 20 days, and Annual Fee: None

First Internet Bank of Indiana Visa
Interest Rate: 10.0% fixed, Introductory Rate: none, Grace Period: 25 days, and Annual Fee: None Offer to give a 6.9% rate on balance transfers for the first six months. Features on-line billing and statements.

EverCard Platinum Visa
Interest Rate: 10.9% variable, Introductory Rate: none, Grace Period: 25 days, and Annual Fee: None Features on-line account management. Offers an option to upgrade this card to one of the nation's best airline reward programs so that your purchases count toward free airline tickets.

Fleet ePlatinum Visa
Interest Rate: 12.99% variable, Introductory Rate: 0% 1st 6 months, Grace Period: 20 days, Credit Limit: up to $50,000 and Annual Fee: None Designed for internet users and will get a discount from certain on-line merchants. Features on-line account access plus interest-free purchases for six months.

AFBA Platinum Visa
Interest Rate: 12.4% variable, Introductory Rate: 4.9% 1st 4 months, Grace Period: 25 days, and Annual Fee: None Minimum credit line is $5,000 and offers a 5% automatic travel rebate plus guaranteed lowest cost travel tickets.

NO CREDIT NEEDED CREDIT CARDS

	Annual Fee	**Introductory APR**	**Fixed APR**
Future Visa		16.9%	16.9%
Net First MasterCard	$96 (Paid $8 monthly)	0%	0%
First Premier Bank Visa Unsecured		18.9%	18.9%
Capitol One Secured Visa	$49 deposit required	19.8%	19.8%
Global One Visa/MasterCard		19.8%	19.8%

Business Card Information

Corporate Cards

Diners Club Card: Earn one mile (two points) for every dollar you charge. 20% savings on charges at participating restaurants, (20% savings at participating restaurants) no pre-set spending limit, earn an unlimited number of points that never expire! Redeem points for travel on any major U.S. airline of your choice, merchandise, vacations, hotel stays and car rentals. Earn up to 12,000 free miles during first membership year. This card is accepted at nearly a million locations worldwide. Earn 1,000 free air miles per month-1,000 free Frequent Flyer miles redeemable on any major U.S. airline for each month you use your Card at least once, during the first year of your Membership. Earn one air mile for each dollar you spend-For each dollar you spend with your new Diners Club Card, you'll receive one mile, also redeemable on any major U.S. airline. Earn Club Rewards® points for each dollar you spend-With your automatic enrollment in Club Rewards (where 2 points = 1 mile), you can earn an unlimited number of points that never expire. Redeem your points for free travel on any major U.S. airline, select name-brand merchandise, exclusive vacation getaways, free hotel stays and much more!

No pre-set spending limit: Your purchases are approved based on your account history and personal resources.

Extra billing cycle with no interest: You can always take an extra month (up to 62 days total) to pay your bill with no interest or late fees!

American Express Optima Corporate Cash-Back Card and Citibank Platinum Select AAdvantage Business card: The American Express card offers up to a 2.0% annual cash back bonus award (depending on annual spending levels). Cash rebates appear as credits on the January billing statement. Rebates are based on a tiered reward structure: 0.50% rebate for the first $5,000 of annual purchases; a 1.00% rebate for the next $5,000 of annual purchases; and a 2.00% rebate applies to purchases in excess of $10,000. The annual percentage rate is the prime rate plus 8.9% (17.4% as of 02/00). There is no cap on the amount of the cash back you can earn and the card comes with no annual fee! You may have to contact American Express by phone at 1-800-SUCCESS to apply for this card. The AAdvantage card offers frequent flier miles toward American Airlines flights (one mile for each dollar in purchases) $75 annual fee. The maximum number of miles that can be earned annually is 150,000.

American Express Blue for Business: offers 3.9% intro rate for six months for balance transfers and new purchases! Attractive 13.49 variable rate thereafter No annual fee. Ability to pay over time. Card features e-commerce discounts and secure online purchasing through Blue's online wallet and smart card reader. Credit line from $3,000 to $50,000.

Capital One Visa Business Platinum Card: features two interest rate options If your business has an excellent credit rating, you may qualify for a fixed interest rate of 9.9% and no annual fee! If your business has an average credit rating, you may qualify for a fixed rate of 15.9% and no annual fee Credit line up to $20,000.

Advanta: offers small business Mastercard. No annual fee. Instant online decisions! You can custom design your card with your business name and obtain personalized checks Rates vary depending on infomation obtained on your company's credit history. Also offers a frequent flier reward card for a $40 annual fee and an executive card. Earn one mile per dollar in purchases. The miles can be used at major airlines. No blackout dates and no point limit. Credit line up to $100,000.

Citibank Citibusiness MasterCard: Platinum card features a variable rate of 15 99% and no annual fee. Cardholders receive free membership in the CitiBusiness Resource Network. The network features a panel of business experts that answer a wide variety of business related inquires within two business days! Applicants can get up to 24 additional cards for $5 per card per year! 1-800-333-5414.

American Express Gold Corporate: No pre-set spending limit or finance charges (balance is due in full each month)! Free quarterly management reports which help cardholders track business expenses. Take advantage of special discounts with the EveryDay Savings program. Participants in this program include FedEx, Mobil, Hertz, Hilton, and IBM. No annual fee for the first year, $55.00 thereafter.

Capital One Visa Business: This card is designed for businesses with a poor credit rating or businesses seeking to establish credit. Fixed interest rate of 19.8% and no annual fee for the first year, $29 thereafter. Credit line runs from $300 to $4,000.

PitneyWorks Visa: offers a frequent flier rewards card. The Pitney Works Business Rewards Visa for an annual fee of $75. Variable interest rate of 15.9% for rewards card. Earn one mile for every dollar in purchases. Use miles on major airlines and there are NO blackout dates! Cards are sponsored by Pitney Bowes Corp. Credit line up to $25,000.

Chase Business Visa/MC: Call 1-800-441-7681 to apply for the card as you can not apply online for this card. Offers two card choices. A fixed rate of 14.99 with an annual fee of $50 or a fixed rate of 19.99 with no annual fee of $50 or a fixed rate of 19.99 with no annual fee. Also offers optional rewards program for $65. Rewards program can be used for airline miles, gift certificates, discounts, etc.

e HomeOne

Step 1

Getting Started

The 60 Day Take Action
Homebuyer's Guide

Table of Contents

Congratulations, and Welcome …

To The 60 Day Take Action Homebuyer's Guide

Introduction

The fact that you are reading these words indicates that you are a motivated person who has just taken a very important step toward realizing the dream of owning your own home. Your home purchase can be greatly accelerated and aided by the involvement of EhomeOne and its staff of professionals.

Chances are you have taken this step because you finally realized that renting is a no-win situation for you. Paying rent means putting money into somebody else's pocket. You are the person paying off the landlord's mortgage but you are building up equity for him, not for you. Or maybe you have started a family and realize that apartment dwelling is not the best environment for children.

Good reasons to buy your own home. But just in case you haven't realized it, think for a minute about your friends and relatives who already own their own homes. If your parents bought a home 20 or 30 years ago, what did they pay for it? What is that home worth today? Or, if you are renting a single-family home, how old is it? How much do you think it cost new? What is it worth today?

A home is a very unique possession. It is one of the few things we buy that actually goes up in value as we use it! Think about that. Compare buying and owning a home to buying and owning a car. The minute you drive off the lot your new car begins to depreciate. And mile-by-mile its value goes down until, in a few years, you have to trade it in and start all over again.

But a house – now that's a different matter. Look around you. Take for example a house that is 25 years old. What did a house in your area cost then? What do you suppose it is worth today? Don't you wish you had bought one back then?

Never mind that it is poorly insulated by today's standards. Or that it needs a new roof or that the plumbing and electrical systems are showing their age. People just buy them at four or five times what they originally cost and fix them up!

The home you are about to buy is not just for your comfort and enjoyment for today. It will be a major contributor to your comfort and **security** in your old age. Why? Because for most of us, the only real money we manage to save is the equity we build up in our home.

In many communities a home that cost $40,000 thirty years ago is worth between $150,000 and $200,000 today. You will have a chance to verify this when you get to the Step 4 Manual. It's like buying something and, as you use it and slowly wear it out, receiving an annual savings. And, 30 years later you sell it, and pocket $100,000 to $150,000 for your trouble.

If you had the slightest doubt in your mind about whether or not buying a home was a good idea, think about what you just read. Your only regret should be that you didn't do it sooner.

Do You Have What It Takes?

What do you think is the most important thing you need in order to buy the home of your dreams? Your answer is probably "money." Yes, money is important. And it is true that most people don't have all the money they need to buy a home. What if it turns out that you can't quite qualify for a loan? What are you going to do? Give up and go back to renting for the rest of your life? Not if you've got what it takes. And just what, exactly, is that? What does it take to become a home owner? Two things: you need **Knowledge** and **Motivation**.

Knowledge

EhomeOne is dedicated to the proposition that everyone can, and should, own their own home. EhomeOne developed this Guide as one way of providing the information you require to become a home owner. The program is designed to help you every step of the way. But the **knowledge** gained won't do any good unless you supply the second ingredient.

Motivation

This is where you come in. It's your dream. Only **you** can make it happen. If you are a typical first-time home buyer you may be feeling just a bit intimidated by the task ahead. You know it won't be easy. In fact you may have tried and failed before. Staying motivated is like trying to stay on a weight-loss program Most of us fail. And each time we try again it gets harder until, finally, we just give up.

But not this time. The stakes are much too high. You *need* to buy your dream home as soon as possible. Not just for the joy it can bring you now but for the comfort and financial security it can bring you in the future. So here's the deal. You supply the motivation and our COACH will provide the knowledge. Together we can turn your wonderful dream into a REALITY.

Exactly how are we going to do that? It's quite simple, really. Most of the time, when people fail it's because they try to go it alone. To succeed, a person needs **help, support** and **encouragement.** By providing these three essential ingredients coupled with your motivation our COACH knows that success is just a matter of time.

The **help** will come through this **Homebuyer's Guide**. It has been carefully designed to lead you, step by step, down the road to the front door of your very own home.

However, more importantly, to provide the support you need in your quest for home ownership, EhomeOne has assembled a team of skilled professionals. With these helpers by your side you will find the road ahead much easier to travel. Because of the expertise that EhomeOne's personnel possess it is important and critical to utilize the array of services they have to offer. Your coach will possibly also be your loan officer, so that they will be familiar with all aspects of your home purchase.

A Word About Worksheets

This will be your first encounter with the **Worksheets Manual** of this Guide located in the last section of the program. It contains a series of numbered **Worksheets**. The corresponding number of each Worksheet appears inside a large square, like this:

Worksheet 7

It is a good idea to print a copy of all of the worksheets before you begin.

Worksheet 1

What I Need In My Home

The very best way to get ready to take that first giant leap is to fill out Worksheet No. 1. Fill it out carefully, and send it to EhomeOne immediately. Answer each question honestly as you can.

This Worksheet is designed to assist you in determining the type and dimension of a house you can afford.

This Worksheet may force you to make necessary realistic choices. You may be forced to consider a different neighborhood because the size house you need is too expensive in the neighborhood you like best.

Or, because of other practical considerations, you may have to settle for an older home for now instead of the new one you really want. Also, much will be said later in this Guide, and by other members of your team, about the importance of not "getting in over your head" with your first purchase. There is no point in going through all the trouble to buy a home only to find that you really can't afford to keep it.

Everyone at EhomeOne will do everything possible to help you make the most of your first purchase no matter how modest it might be. So, when you do move up, you will be able to maximize your gain and take as big a leap as possible into your next Dream Home.

Searching for a home, on the other hand, is very serious business. To succeed you will need some very sound advice and some very careful planning, from professionals such as those at EhomeOne.

Sound Advice and Careful Planning

You may be one of those fortunate people who is always well organized. A person who has a place for everything and everything in its place. You have an appointment book, for example, so you are never late…

On the other hand, you may be more like the majority of us and lack some of these skills. You will find that, throughout this Guide, the assumption is always made toward the weaker side. In other words, the Guide is designed to assume you do not know a particular thing rather than that you do. The Guide is filled with instructions and information on many topics. Pick and choose as the need arises. If you already know a good way to deal with a particular situation or problem, fine. If not, the information in the Guide can help you.

That much said, it is very important that you keep track of your progress. You can easily accomplish this if you:

1. Set up and use a weekly appointment calendar;

2. Maintain a Log or Diary.

Worksheet 2

Your Weekly Appointment Calendar

Remove the Master and make 16 copies. Fill in two months of weekly calendar pages (about 8 sheets). Start today. Fill in the entire week, starting the Sunday before today. For example: If today was August 12, you would fill in Sunday August 10 through Saturday August 16. This would be your first week on the program. Print the word "START" in the square representing today.

Notice there is a circle labeled "Week Number." Put a number "1" here. This is your first week on the Program.

If you keep track of every week by number starting with the first week, you will have a record of the 60 days it takes you to cover each part of your journey toward home ownership.

Worksheet 3

Keeping A Log or Diary

A **Log**, or **Diary** is an excellent way to record important events as they happen. Worksheet No. 3 is a Blank Log page that can be copied and used for this purpose. Even if you have never kept a log or diary before, try it!

You don't have to keep elaborate notes. And don't worry about grammar, punctuation, or even spelling. This is your own personal record of what is happening step-by-step as you move down the road. As long as it makes sense to you, it's okay.

As you work your way through the Guide you will find numerous suggestions on how and when to make additional notes in your **Log**. When you begin house-hunting, for example, you will learn how to combine notes in your **Log with a Home Inspection Worksheet**. These two tools plus a local map will make house-hunting seem like a walk in the park. Without them, after seeing five or six homes, everything will become a jumble in your mind.

Worksheet 4

Time To Buy Master List

You can wait to acquire these items one by one, as they are needed, or purchase them all at one time. If you look around the house you may discover that you already have many of these things. Also, the Worksheets Manual of this Guide contains many of the materials you will need. For your convenience, a complete list of all the "Time to Buy" items is listed on Worksheet No. 4.

The Introduction said that this Guide was designed to provide you with all the **knowledge** you needed to become a home owner. The question is, how can you keep all the knowledge and information you are receiving organized?

You aren't even past the Introduction yet and already you have filled out two complete Worksheets and been introduced to three more! You also have your Appointment Calendar and Log pages to worry about.

Wouldn't it be great if you could have everything in one place? All the information at your fingertips when you needed it? And, even better, have a place where you could put things and know you'll be able to find them when they are needed? Well, there is an easy way to do just that.

Setting Up Your Personal Binder

From now on, every time you complete a Worksheet or acquire any new information, or are given any documents, place them in a Binder. You will have a place for all the names and phone numbers of the people you are going to meet as you continue down the road toward your Dream House. Consider your Personal Binder a very important piece of baggage. Keep it safe and handy. You will be using it almost on a daily basis. So, simply punch holes in the pages you printed and put them where they belong.

Worksheet **5**

Important Names and Numbers

Make at least two copies of this Worksheet. You're not going to have so many names that you need to worry about alphabetizing them. What you need is a one or two page list of all the people connected with your quest for home ownership.

Start with your coach at EhomeOne. Your coach is a very important person on your team. You need to be in touch with them on a regular basis. As you proceed toward your goal, your coach will be available to help all along the way.

As you become acquainted with each new member of your team, add them to your list. Notice that the Worksheet gives you the option of filling out the information or attaching a business card.

How This Guide Book is Organized

Traveling down the Yellow Brick Road

Think of your Guide Book as a road map down the yellow brick road to your Dream Home. To make it easier for you this Guide has divided your trip into five parts. Your first stop will be …

Part 1: Applying For A Mortgage

This part will offer and provide tips on what is required when applying for a mortgage and what not to do.

Part 2: What Types Of Loans Should You Apply For

To ease you through the "jungle" of mortgage options, FNMA, FHA, VA and RHS loans, Lock-ins, P&I payments, Fixed and Adjustable Rates, Amortization Schedules, credit reports, etc., etc., etc., you need a real expert by your side. A companion, someone you can trust. That person is called a Loan Officer. EhomeOne has taken the difficulty out of this process by affiliating with a lender specializing in loans to First Time Home Buyers.

They will help guide you through this first, and most difficult, part of your journey. It is here that you will discover why it is so important that you obtain a loan commitment before going on to …

Part 3: Looking For Your Dream House

Once you're out of the "jungle" the road gets easier. But there are still some bumps and curves ahead of you. This part will offer tips and assist you in locating your home. To help you through this leg of your journey you will need a second companion, called a **Real Estate Agent**.

This person, like our Loan Officer, can be a big help and will do everything possible to keep you on the straight and narrow. Again, YOUR COACH takes the guess work out of finding this valuable ally. When you locate the house of your dreams you will move on to …

Part 4: Homeward Bound

Now the fun begins. You've found your dream home. All you have to do now is work your way through a Title Search, an Appraisal, Title Insurance, Final Walk-through, etc., etc., etc., But not to worry! Once again you can enjoy the help of your coach and Broker, as well as the expertise of yet another companion, an **Escrow Agent**.

With his or her help, getting a home will probably be much easier than you imagine. Again, the Guide contains concrete instructions on how to work with your Escrow Agent or Title Company.

This section also deals with how to organize your paper work and how to keep track of important dates and documents.

Once you are in your dream home you may think the adventure is over. Actually, it's just beginning! Your final destination in this Guide is …

Part 5: Living The Dream

The Guide suggests once you purchase your home you seek out a fourth person, namely an **Accountant** or other **Tax Consultant**.

You may not realize it now but careful tax planning and record keeping can make the transition into an even bigger (and better?) Dream Home much easier and probably more profitable. Here again the Guide will provide you with valuable tips on how to maintain records and keep your home in top condition.

A final word before you move into Part 1. At the end of this Introduction you will find a page labeled: **EHOMEONE STEPS TO HOME OWNERSHIP.** This page is a summary of the steps you need to complete by the end of this Introduction. It is very important that you mark all the steps that apply to you as "Completed," before moving on to Part 1.

And yes, there will be a summary page at the end of each of the remaining Manuals of this Guide. The steps are numbered in order. By the time you take those last steps in the Step 6 Manual, you will be in your Dream Home! Remember, your COACH outlines your commitments and responsibilities. Completing the steps after each section of this Guide will demonstrate that you have kept your part of our bargain.

And Now, Let The Adventure Begin …

EHOMEONE STEPS TO HOME OWNERSHIP
(Days 1 – 4)

		Check When Completed
Step 1. Complete Worksheet No. 1	Page	[ ]
Step 2. Complete Worksheet No. 2	Page	[ ]
Step 3. Make Copies of Worksheet No. 2 Fill in 2 months of Weekly Calendar pages	Page	[ ]
Step 4. Make Copies of Worksheet No. 3 Fill in Log Entries	Page	[ ]
Step 5. Look at Worksheet No. 4 Purchase items needed	Page	[ ]
Step 6. Set Up Your Personal Binder Place Calendar & Log in Binders Put Worksheet No. 1 in Binder		[ ]
Step 7. Start Worksheet No. 5 Fill in Names as needed	Page	[ ]

e HomeOne

Step 2

Tips On Applying For A Mortgage

The 60 Day Take Action
Homebuyer's Guide

Table of Contents

As mentioned in the Step One Manual, the first and most important goal you need to accomplish is to *qualify for a loan.* You say you already know that you don't qualify? Don't worry, there's a plan for everyone. As you work your way through this Guide you will see that it contains strategies for every type of loan, as well as every type of person and situation.

And, because you have chosen to be one involved with EhomeOne, one of the major stumbling blocks to obtaining a loan has been eliminated for you. That is, finding a Loan Officer that can work with you and deal with your specific loan situation, because EhomeOne has affiliated with a lender that is licensed to provide loans in all States.

You wouldn't have invested money in this program if you weren't motivated. And motivation is the main quality you need to display. Motivation and confidence. You **can** find, and buy, the home of your dreams. You have already taken that first, big step. You joined EhomeOne and have worked your way through the Introduction. Now you need to prepare for your first contact with your EhomeOne loan officer.

Getting Ready for the Loan Process

Get ready? What's to get ready? You're probably "chomping at the bit" and can't wait to start looking at houses and signing papers.

On the other hand, you may be one of the many people who already knows what it's like out there. You have tried to get a loan in the past and were turned down. You've already "been there, and done that!" For you, having to go through yet another loan qualifying encounter is not a very pleasant thought.

But, no matter what side you fall on, newcomer or old hand, there is absolutely no substitute for being prepared. It is the best way to maximize your chances of getting through this most difficult part of your journey toward home ownership. Take your time, prepare yourself, and "look before you leap". These are major themes that you will encounter throughout this Guide.

Notice how many times the word "you" comes up in this Guide? It's because you are the person that concerns this Guide most. In order to help you prepare for your first venture into the financial world, it's high time you found out exactly who "you" are. Are "you" Single? Married? A Student? A Veteran? An Hourly-Rated Employee or Self-employed? Have you owned a home in the past three years? Laying out the answers to these and other important questions is the first step you need to take toward qualifying for a loan.

Discovering Exactly Who "You" Are

In order to answer this question it will be necessary for you to pull together some background information. The material you gather now will be used time and time again. So do the best you can and be as accurate and thorough as possible.

Worksheet **6**

Personal Data Form

Fill out both pages of this Worksheet. If you intend to purchase your home solely on your own, just fill out the Buyer portion of the form. A Co-borrower can be a spouse, significant other, relative or friend. Have that person fill out the Co-buyer portion of the Worksheet only if they will be co-owners with you.

> **Tip:** If you don't have the credit then find someone who does and make them a partner. Relatives usually are good choices. Good friends also may be candidates. You don't need the cosigner to help you with the down payment or the mortgage payments. You just need their good, established credit.

Record Keeping.

Now is a good time to talk about a simple procedure to keep track of all the personal data you will be collecting. You will be asked for this information over and over again. So the best thing to do is organize it inside your Binder. That way you will have everything at your fingertips no matter what is needed.

All of your **Personal Data** should be placed in your **Binder**. This page has numbered rows from one to thirty. The first entry, Row 1, is already filled in for you. It says, "Worksheet No. 6, Personal Data Form." A simple way to keep track of your documents is to number them.

To do this you need to buy a packet of "Color Coding Labels." Pick a light color such as yellow or light blue. Stick a label at the bottom of Worksheet No. 5, and print the number "1" on the label. As you accumulate more and more items just add their names to your Index page and number them in order.

While you're at it you might as well pick up a quantity of "Top Loading Sheet Protectors." You can find them in most stationery stores. They are made of clear plastic and have a reinforced edge that is three hole punched.

Do I Really Need Sheet Protectors?

No, but they make filing your important documents a lot safer and easier. Each Sheet Protector will hold one or more sheets of 8 ½ x 11 paper. There will be many documents that shouldn't have holes punched in them and others that will be odd-shaped and difficult to store. Make an entry in your **Log** noting that you have completed Worksheet No. 6 and set up your Binder.

> **Tip:** It is better not to carry one-of-a-kind documents, such as a Birth Certificates and Marriage Licenses, in your Binder. Place a copy in the Binder and leave the original in a safe place such as a safety deposit box. Some originals are very difficult and time consuming to replace.

You may think that some of the suggested record keeping data gathering is unnecessary. Not true. Your next task is going to make contact with our **Loan Officer** and begin the process of qualifying for a loan.

"Wait a Minute. Why Contact My Loan Officer Now?
Shouldn't I Be Out Looking For a House To Buy First?"

Good question. This is the way many people go about buying their first home. But think about it. Say you go out and look at several houses. You find one in a nice neighborhood, it's the right size and has everything you're looking for. Great! Chances are you are working with a Real Estate Agent, too. He or she prepares an offer for you. It's accepted by the seller, Great, again!

But you still have to find and qualify for a good mortgage to cover the purchase price, minus any down payment required.

And now the fun begins. You contact us, fill out a loan application, and obtain a credit report. At this point anything can happen.

So, why spin your wheels looking at homes you can't afford when you can be out looking at homes you know you can afford?

Imagine how much more confident and secure you will feel when negotiating the price of your dream home knowing your lender has already approved the amount you plan to offer. There is no charge for obtaining a pre-approval letter from us.

Tip: There's usually a time limit on the pre-approval letter, even if it doesn't say so. Typically such letters are good for around 30 days. After that, it might be necessary to go through the process again to verify that your financial status hasn't changed.

Tip: Having the pre-approval letter made out just before you make an offer and for just enough money to make the deal is a good idea. (We as the lender can fax it to your agent.) If the seller thinks you can qualify for a bigger mortgage than you offer, the letter may encourage that seller to counter your offer for more money. Keep the sellers guessing about how big a mortgage you can get.

Tip: Today in real estate there are a whole bunch of different letters that are called "prequals," or prequalifying letters. These range from a true lender's commitment to a letter from a broker stating an opinion regarding the borrower's ability to get financing. Savvy sellers, and their agents, read the fine print in these documents to determine what they actually do and don't say. So, make sure that you have a lenders commitment letter, such as those EhomeOne's affiliate lender will issue, as your prequalifying letter.

Doing all this is really quite simple thanks to EhomeOne. Just follow the directions in this Guide, keep EhomeOne involved in the process, and you'll zip through all the preliminary paperwork in a jiffy.

Don't let yourself get sidetracked. Of course looking at houses is more fun than putting together loan applications. But the surest and shortest way to your destination isn't to go cross-country but to stay on track and keep going in the direction you're headed.

Where Do I Find the Right Loan Officer?

Alright. The preliminaries are over. You are now ready to move ahead and see about getting qualified for a loan. It's time to sit down with the first professional on your Dream Team.

While you are welcome to use the lender of your choice, when you purchased the EhomeOne Homebuyers Program you automatically became eligible to apply for a loan through EhomeOne, a leader in loans to First Time Homebuyers. EhomeOne has researched and identified the various governmental down payment assistance programs available to Homebuyers, and EhomeOne can, based upon your particular situation, identify those programs best suited for you. EhomeOne has formed an important alliance with a company in which you may purchase a house with no down payment. Thousands of Homebuyers have successfully utilized and taken advantage of this powerful program. There is a booklet in your materials describing in detail this program. Contact EhomeOne to begin and complete the process. The sooner you do this, the sooner you will become qualified.

Your First Contact With Our Loan Officer

This first contact should be a very interesting and informative one. Our Loan Officer will want to accomplish at least the following: First, obtain a current copy of your **Credit Report** and discuss the entries or any problems. Second, help you fill out a **Loan Application**.

Examining Your Credit Report. If you are already familiar with how credit reports are organized you know that they contain a list of your accounts along with coded comments about your payments. These comments are reported by your creditors, usually on a monthly basis. If you have several charge accounts, credit cards and items such as an automobile purchased on credit, your report can be several pages long.

Don't be surprised if there are errors on your Report. There are over 400 million credit files nationally. With so much information on file, it is no wonder that mistakes are sometimes made. One of the most important jobs our Loan Officer can do for you is to analyze your report and help you clear up any wrong information reported.

Be sure to note any corrections that you need to make. Follow up is very important here. Don't let even a minor problem on your Credit Report go uncorrected.

> **Tip:** Remember, what you don't tell the lender, the lender may find out through credit checks. Better to be up-front and keep an explanation handy than to have an unhappy surprise later on.

Perhaps you are wondering why this Guide did not recommend that you obtain a copy of your credit report before contacting us. There are two reasons for this:

1. There are three national reporting agencies:

Experian, Trans Union and Equifax.

Each of these companies gets their information from hundreds of local bureaus across the country. Each bureau receives its information from the retailers, banks and other creditors with whom you do business. But each agency doesn't necessarily receive exactly the same information.

So the only way to make sure that you receive all the information being reported, would be to obtain copies from each of these three agencies. Most Lenders, on the other hand, make use of Credit Reporting Companies that consolidate all the reporting agencies into one report. This makes it much easier for your Loan Officer to help spot problems and make necessary corrections for you.

2. On the other hand, you should be aware that requesting your credit report may work against you. Lenders know that if a person is constantly applying for a new credit they are probably a bad risk. So they have a rating system. The more times a credit report is requested in a given period, the lower the score. Working with a qualified loan officer will minimize this negative effect on your credit report.

Credit Scoring.

More and more lenders are relying on credit scores as the main determining factor in the approval process. Like it or not, the scores are here to stay. Credit scores are a mathematical scorecard of the information held by each of the three major bureaus. Knowledge is key in keeping credit scores as high as possible. There are five factors that effect the credit score.

1. Payment History.

Approximately 35% of the score is based on this category.

Late payments can be a 'score-killer'. Overall a good credit picture can overcome an occasional late payment or two, but having perfect credit doesn't always mean a perfect credit score. The system differentiates between 30, 60, & 90 day late payments. Also, many persons having multiple student loans that were consolidated for payment purposes may show multiple late payments even though they make one payment to the lender direct. If the one payment is late, but they had four consolidated loans, the system will show this one late **four times!** Generally, the following types of credit accounts would be reported:

- Credit Cards
- Student Loans
- Bank loans including personal & auto
- Mortgage loans with banks or mortgage companies
- Public Records including judgments, tax liens, etc.
- Bankruptcies
- Collection accounts and/or charge off's

Note: The most recent credit history (two years) seems to be the most valuable to the scores.

2. Amounts Owed.

The high credit limit versus the current balance on credit card accounts can impact the scores greatly. If there are five credit cards all paid in a timely fashion, but they have been charged up to the high credit limit or near, the scores will be lower than if there was only owed 50% or less of the high credit limit. Persons with too many open credit accounts with high credit limits can be construed as a risky borrower and the scores can be impacted also. A possibility may be closing accounts, which are not being used and maybe leave only one or two open for emergencies.

Approximately 30% of the score is based on this category.

3. Length Of Credit History.

The length of time accounts have been established can be a big factor, as a long history of prompt repayment will render a higher score than would be receive on several accounts opened only for a short time.

Approximately 15% of the score is based on this category.

4. New Credit

With the ease of rate shopping for credit cards on the Internet, etc. people are opening new accounts and switching balances sometimes frequently. However, opening several new accounts within a short period of time does represent a greater risk. This would be especially true for persons with only recently opened accounts and not a long period of credit history to support their willingness to repay debt.

Multiple inquiries or applications for credit can cause scores to decrease slightly. Inquiries should be kept to a minimum. However, phoning the bureau's directly and requesting a copy of your credit report will **not** affect your score, as it is a 'consumer-initiated inquiry'.

New credit counts for approximately 10% of the score.

5. Types Of Credit In Use.

The score will be construed from the mix of credit accounts carried and how many of each. Each individual's credit profile will be different, so it is very hard to guess how many accounts would be construed as to many.

Approximately 10% of the score is based upon this category.

Summary: When a lender pulls an In File report, the score will be four or more reason codes as to why the scores might have been negatively impacted. They might include: too many inquiries, number of accounts with delinquencies, proportion of revolving balances to revolving credit limits is to high, length of time accounts have been established, etc.

Most lenders have a minimum score requirement for their different types of loans. A 620 score or better is a minimum general requirement for a standard mortgage. Many of the 'stated income' mortgages require a higher score of 680 and some even 700 or above. The three scores are evaluated by throwing out the high and low and using the middle score in mortgage lending. A local bank may only pull one bureau and use that score alone for an auto loan, etc.

What If I Don't Have a Credit History? Three words: Don't get discouraged. You may be one of those people who always pays cash instead of using credit cards or installment loans. Or you may have just completed your education and are just starting to develop credit on your own.

> **Tip:** In such a case, just rely on other, less traditional credit information, such as: rent payments, utility bills, telephone bills, tax payments and/or other regular payments made by you. By checking these sources we can establish how good a credit risk you really are.

> **Tip:** The most important of all these payments is the one you make each month to your landlord. After all, if you are making regular payments on your rent each month and the payments are always on time, you probably are a good risk for a home loan.

Filling Out the Loan Application. The complete loan application is actually a packet of 15 to 20 pages. Don't be put off by its size. The top page just lists documents and information needed by us.

> **Tip:** When filling out a mortgage application, of course, do not lie about anything. However, when explaining income it usually pays to emphasize length and continuity. For example, you're a teacher who has gotten their first job in years just a month ago. The lender is bound to wonder if you will succeed at the work. However, if you note that you were a teacher with five year's experience a decade ago before leaving the field to help raise children, it puts your application in a whole new and better light.

> **Tip:** If possible, it usually is a good idea to pay off any short-term debt (such as from credit cards) *before* applying for a mortgage. That way you increase your income (less is set aside to pay for the short-term debt), and you may have a better chance of qualifying. On the other hand, the more

of your available cash you use to pay off debt, the less you will have available for a down payment and closing costs. Again, it's a trade-off.

The main document in the loan package is called a Uniform Residential Loan Application. It is a 4-page, legal size form approved by **Fannie Mae, Freddie Mac, VA** and **HUD.** You and our Loan Officer will fill this out together. So, you need to contact us immediately to begin completing the application. You will learn more about Fannie Mae and the other lending services a little later on in this Guide.

The rest of the loan package consists of verification forms and disclosures. You will be asked to sign a number of forms requesting verification of your employment, bank deposits, etc. Read all the forms and disclosures carefully before signing. Ask questions of our Loan Officer about any statements you don't understand.

Before you leave your first contact with our loan officer be sure you know what is supposed to happen next. Have they asked you to supply any additional information? Do you need to deal with any of your creditors, pay off any bill? Take notes in your **Log**. You want to leave this conversation with a clear idea of exactly what you and our Loan Officer have to do next.

It may take several phone conversations to decide what type of loan program is best for you. What you are looking for are answers to some very specific questions, such as: "Can I qualify for a loan?" "If so, for how much?" "What type of loan is best suited for me?" EhomeOne's loan officer will provide all the answers.

> **Tip:** Don't move your money around between accounts before applying for a loan. To ensure quality control and eliminate potential fraud, it is a requirement on most loans to completely document the source of all funds. Moving your money around even if you are consolidating your funds to make it "easier," could make it more difficult for the lender to properly document.

> **Tip:** Unless you have to don't change jobs shortly before applying for a loan. For most people, changing employers will not really affect your ability to qualify for a mortgage loan, especially if you are going to be earning more money. For some homebuyers, however, the effects of changing jobs can be disastrous to your loan.

Learning about your loan options. The reason you need answers to the questions just asked is that you (and just about every other homebuyer in the country) probably can't afford to pay cash for your home. Almost everyone borrows a large part of the cost. These funds are secured by pledging the property as security for repayment. The document that is used to pledge these funds is called a **mortgage.**

A second document called a **mortgage note,** or **promissory note** is the one that actually contains the terms and conditions of the loan. It states the amount of the monthly payment, when it is due, and the total number of payments to be made.

In some States buyers are asked to sign a **Note** and **Deed of Trust.** In this case title is conveyed to a trustee rather than to the borrower. You will learn more about these documents in the Step 5 Manual. For now, you and our Loan Officer need to decide which loan option is best for you.

EHOMEONE STEPS TO HOME OWNERSHIP
(Days 5 – 12)

		Check When Completed
Step 8.	Buy Sheet Protectors Store Documents in Protectors	[ ]
	Make Entry in Log	[ ]
Step 9.	Complete Worksheet No. 8	[ ]
	Store in Section 8 for Future Reference	[ ]
Step 10.	Call our Loan Officer Discuss Credit Report	[ ]
	Complete Loan Application	[ ]
Step 11.	Complete Worksheet No. 9	[ ]
Step 12.	Obtain Loan Commitment, or Study Loan Options And Creative Financing Programs With our Loan Officer	[ ]

* Note: Place an "N/A" (not applicable) next to each box if you do not need to complete the Step.

10 Mistakes That Keep You From Getting RICH In Real Estate Investing

How To Get Rich The Right Way

Real estate investing is an exciting way to make money. It is one of the best ways to make money without tying yourself down to a regular job. There you have it: wealth and freedom, in a single package!

Truth is, throughout recorded history, more fortunes and more wealth have been founded on real estate than on any other wealth-builder. Land is a lot more stable than the stock market, a lot more dependable than e-commerce, and a lot less time-consuming than everyday traditional commerce. What is not to like?

Yes, there is money to be made. That means you can't afford to keep hitting your head against the wall when the gateway to riches is 10 simple steps away! With our 10 points, you will enable yourself to avoid mistakes, pitfalls and obstacles that try to pull you down away from success.

These 10 things remove roadblocks to success, both the **imagined roadblocks** and **the real roadblocks**. Make no mistake, both can trip you up. Imagine the increased sense of confidence and assurance as you see how easy these roadblocks are to overcome!

Avoid the myths of investing: It's so easy to fall for the myths, those untruths that people accept as fact, that keep you from succeeding because they keep you from trying. The myths are lies, but worse, they prevent you from taking action to change your life. In our 10 Things, we will explode these myths for you, such as:

- It takes money to make money — *all right, it takes money, but not your money! We'll show you ways to get the money for whatever you need.*
- The only way to make money is to buy rental units, but they're expensive, so I can't afford it — *starting out, it is more important to you to turn properties quickly to make a profit; the profit capitalizes your business so you can afford the rental properties — which do provide a nice long-term, residual cash flow.*
- Investing is something I need to do on my own, and that means a big time investment and a lot of work for me — *you won't go anywhere without help, and that's why we will teach you how to assemble a team of professionals and specialists – your own* ***Power Team*** *– to make sure it gets done and gets done correctly.*
- The only way to invest in property is avoid Realtors and go after "Sold By Owner" deals — *some FSBO (For-Sale-By-Owner) deals are great, but they might make up only 10% of the possible deals out there; we teach you to broaden you field and go after those sellers who want to sell badly, whether they use a Realtor or not; the more deals you have to consider, the greater the likelihood that one of them will make you a ton of money!*
- Buying houses well below market value is dangerous because the house is probably not structurally sound and I'll go broke fixing it up — *clearly you need to select the right house to buy, but that's what we show you in how to judge a property, what to look for, what needs fixing and what doesn't, so you do only enough to make the property desirable but don't spend your profit down the rathole.*

10 Things That Are Keeping You From Getting Rich in Real Estate will help you see things as they really are, not as they "appear" to be ***to the untrained eye***. Once you learn to see things from a successful investor's point of view, you can erase the feelings of risk and the lack of confidence that hold you back. These principles put you in the confident frame of find of the educated and experienced professional.

What scares most people as they consider real estate investing as a moneymaking opportunity is that it seems so mysterious, and besides, the stakes seem so high. We're talking about hundreds of thousands of dollars here.

Of course, just as the dawn helped us allay our childhood fears of monsters in the closet, the light of day—good, relevant and accurate information, helps us overcome those feelings that keep us from taking action with real estate investing. The following information does just that. We will look at things that you might perceive as problems, show you how many other people in the past have dealt with that and overcome it. We work from this viewpoint:

- It's good to learn from your own mistakes.
- It's better to learn from the mistakes of others (it's less painful).
- It's ***best*** to learn from the ***success*** of others.

What follows is information that focuses on the success of the most successful real estate investors. No one person knows everything, so we have gathered good information from a variety of sources and present here as a whole — a whole lot of good stuff that will get you off to a good start and help you avoid the mistakes that cost you money.

Remember this, you lose money if you invest foolishly, but you also lose **money (that would rightfully be yours)** if you fail to act upon opportunity.

We want to look at mistakes you might make and fears you might experience, then consider the right way to do it. Most often our fears are based on misinformation, so here we will look at the myths that some people believe. These myths are based on untruths, but they can paralyze you to inaction if you believe them. Fear of making mistakes is one of the most dangerous of fears, but knowing how to do it right means you not only avoid the mistakes but the fears, as well.

You see, every successful Investor has learned to overcome these 10 things — every successful investor has to identify and avoid these 10 "perceived" roadblocks. Finally, you can have the **RIGHT** roadmap to success. It's here, in one package, for you.

We'll tell you the **TRUTH** about real estate investing, and you will learn the **TRUTH** about becoming wealthy in real estate.

Learn what the REAL RISKS are!

You'll know you're doing it right when:

- You know what to do
- You know what not to fear
- You know what to avoid
- You know what to ignore

Do you want to get rich in real estate? Of course you do. Read on!

Here are 10 mistakes that could prevent your success:

1. **Trying to do it all by yourself**
   (The Power-Success Team)

   Myth: This investing thing is something I do best on my own
   Why would you want to? You only make it harder on yourself.

   No man is an island — no woman is, either. There are experts whose expertise allows you to work on finding deals rather than wasting time learning things that make you an unneeded expert. There are people to whom you can delegate simple tasks to so you can focus on tasks that make you more money.

Here are people who should make up your power team:

Real Estate Agent — an agent has access to the Multiple Listing Service (MLS) that contains details on at least 90% of all the houses for sale in your area. Using an agent gives you access to many more deals than you could find on your own — sellers who are motivated enough to sale that they are willing to pay for help — as well as data on past sales so you can figure out how properties really are worth.

Mortgage Brokers — a broker is different from a mortgage lender. The broker doesn't make the loans, he or she has dozens of contacts with lenders and can tailor your financing package to your needs, whether a mortgage, a piggyback combination or hard money (don't worry about the terminology – we get to it later).

A Real Estate Attorney — This is all about asset protection; you don't want to amass your empire only to lose it to frivolous lawsuits. In certain states, attorneys rather than title companies do the closings, so you want your own on your team.

An Accountant — The accountant should know real estate and tax law. This is not just to get your taxes done at the end of the year, this is so you can strategize with someone who understands the impact of income taxes and capital gains on what you want to do.

An Appraiser — Appraisers compute the market value of a property, usually for the lenders. Although you will use comparable sales reports to figure the future market value of projects for yourself, the appraiser can help you get a buy-fix-&-sell project moved quickly by getting the information you need for FHA financing for your buyers.

A Banker — This is not just the manager of a local branch. This should be a vice president level executive with lending authority. If borrowing a quick $10,000 on your signature allows you to take advantage of a great opportunity, you will be grateful for the time it took to cultivate this relationship.

A Title Company — A title company can provide you with property reports on properties you are looking at so you know in advance if there are problems with the title. In return, you let them handle your closings in most states.

A Handyman — The handyman will act as the general contractor for your rehab projects, someone you have tested and can trust to do good quality, honest work in a timely fashion. He can do estimates of costs for you to save you time on the front end and to ensure profitability. He can also oversee the sub-contractors.

Sub-Contractors

- A painter
- A flooring (carpet, tile & linoleum) person
- A roofer

If you get them on your team, you can work it so that they get paid when the property sells – when you get paid, rather than at completion of the job.

A Mentor — You should always expand your network of other investors. Find (or found) a local real estate investors organization and join. These can be great allies for quick contract flips, joint ventures, funding, and other deals. Plus, you can learn a lot from people who have been doing it successfully. Modeling the actions of a Mentor how you learn from the success of others.

2. Going after the wrong properties
(Property Evaluation)

Myth #1 — You have fewer problems if you look for nice properties in good neighborhoods

We'll never tell you to spend your time in urban war zones amongst all the crack houses, but there are a few basic facts to keep in mind:

If you want to turn properties over quickly (meaning fewer costs to you), consider this. What will sell quicker, a 4-plex or a single-family residence? Obviously, the single-family house. More people are buying them, creating higher demand. Now, what kind of single family house sells quicker, a luxury home on a lakefront with 2 wooded acres, or a simple 3-bedroom starter home in a modest blue-color neighborhood? Clearly, the latter. There are many more people who can afford the modest home. In any community there are more car mechanics and carpenters than doctors and lawyers. Besides, high-priced homebuyers tend to be pickier. Everything has to be just right. A young couple buying their first house is just happy to be there. It's a lot easier to get it sold that way.

Starting out, stay away from the upscale neighborhoods. The properties in your middle to lower-middle income areas retain their value very well because of the demand, and it's actually easier to find distressed situations or ugly houses there, too.

One word of advice: don't get emotionally attached to the process. You won't be living in these houses or neighborhoods, so don't turn up your nose. On the same token, don't let the cute charmer with the white picket fence seduce you into paying too much.

Myth #2 — If a house is ugly, it will be hard for me to turn it around quickly

In fact, this would be true, but for one thing. You won't let it remain ugly. It should be ugly only when you buy it. The people who will buy it want a pretty house. But the law of supply and demand states that products in high demand (like pretty houses) go up in price. You need to buy low and sell high.

When looking for a house, remember the old Clint Eastwood movie, *The Good, the Bad and the Ugly*. As a rule, good houses cost too much for you to invest in. Bad houses have structural problems and become hugely expenses. Ugly houses just need some paint, maybe a couple of new doors, new carpet, and they're good to go. Now you can fetch a good-house price for what you paid an ugly-house price to buy.

Myth #3 — I can figure out how much a property by looking at what other properties are selling for now

It might be a good idea to evaluate property the way you drive your car defensively: figure that all other sellers don't know what they're doing. The ***only*** way to know how much a property is worth is to see how much it just sold for. The fact that you might be looking at properties that are for sale right now means you simply pick some proxies to stand in for your "subject" house: houses that are just like it, same size, in the same neighborhood, same style, approximate same age. If you know what these houses sold for within the past 6 months or so, your subject house will likely sell for about the same price. This information is available as comparable sales reports. Your real estate agent can supply you with these "comps."

An analysis of comparable sales reports results in a figure that we refer to as the "Future Market Value (FMV)." This is what you logically will be able to sell the house for after you have made a few minor improvements.

3. Forgetting that the money is earned when you acquire
(How to Make an Offer)

Myth #1 — Your profit comes from selling the property

A very basic principle of real estate investing states:

You make your money in real estate when you acquire; you may collect it later, but you earn it when you get it, or in the way you get it.

This means that you are most careful while evaluating and analyzing the property before you ever buy. The point is, if you acquire the property correctly, you will always be able to make money. Even if the market goes stagnant, even if interest rates go way up, you can make money. Sometimes acquiring it correctly means you don't even pay for it, but you still make money. It would be hard not to make money if it costs you nothing, right?

Myth #2 — If you find the right house, the rest takes care of itself

The truth is, it is much better if instead of looking for a particular property, you look for highly motivated sellers. If the seller is motivated enough, no matter what property you are dealing with, you stand a chance at a good deal. If the seller has little motivation, we suggest it would save time and effort to find a brick wall to beat your head against, rather than trying to negotiate with the non-motivated seller.

Let's look at motivated sellers a moment.

1. The seller may be in distress. There could be a divorce going on, someone may have died, they may have tax or general financial problems. Maybe the company transferred the primary wage earner to Philadelphia or Boise and if they don't sell the house now they are stuck. Distress simply means that the person is in trouble and has to sell quickly.
2. Sellers can be motivated without distress. You might find an investor who wants to divest himself of a couple of properties in order to free up capital for a larger project. Or it might be some guy who's retiring after 30 years at the plant, and he has a couple of rentals around town, but he also has the Winnebago all packed up and ready to hit the highway, and he doesn't want to be stuck in town babysitting the rentals. They are both motivated, but not distressed.
3. The motivation may come from the house. It might be distressed — might be shabby, ugly. Why do you suppose someone might be trying to sell a house that needs work before it looks good? Maybe they can't afford to do anything, or they don't have time, or they don't care, or they're simply lazy. Point is, if the house is ugly, they have to sell if for less. That's market economics, the law of supply and demand — most people want to buy a pretty house.

Myth #3 — If your offer is $10,000 less than the house is worth, you could make a $10,000 profit

First of all, which worth are we talking about here? Is it how much it may be worth in the mind of the owner? Is it the market value as the house sits right now? In reality, the only value you are concerned with at this point is how much the house will be worth when you sell it. By then, with a little rouge and lipstick (cosmetic touches) it will be worth more than now. It might even be worth more than the current owner thinks, but, as you might recall, you never trust that any seller knows what he or she is doing.

Second of all, let's not forget all the expense associated with buying a house. You have closing costs, and you'll need to pay for insurance, utilities and property taxes while you hold the house, to say nothing of the cost of the rouge and lipstick. Since we don't recommend using your own money, there will be an interest expense, as well. Be sure to subtract these costs from the expected future market value (FMV) before you set an offer amount.

4. Not making enough of the right kind of offers
(Performance Goals)

Myth #1 — You don't need to mess with goals, just get out there and do it.

Let's understand clearly what a goal is. A goal is simply a statement of what you really want. At its best, it's an expression of your burning desire. If you don't know clearly what you want, it's not likely you'll expend enough energy to get it.

Here is a good definition of success: **"Success is the progressive realization of a worthy goal."** This simply means that you make progress toward making real a valuable desired achievement or state of being. Then you are successful.

Quite often, we hear people enter into real estate investing expressing goals like: "I plan to be making $10,000 a month within six months and be a millionaire within a year." Our response is, "OK, those are worthy goals, but how are you going to get there. It's not going to happen just because you make a wish. What are you going to **do** to make it happen?"

Describing what you will do to make it happen is a ***performance goal***. With good, valid performance goals, you know in advance what you should be doing to achieve what you desire most.

Here is a possible performance goal: 4+10+2+2. Now here's what that means:
Over the next 4 weeks, gather information about 10 properties each week, then inspect two of those 10 each week, then make at least two offers on properties you have seen.

Myth #2 — If you make the right kind of offers, you never get turned down

If you subtract all the costs of obtaining and fixing the house up from the FMV (future market value), you will end up with a figure that is no more (and probably less) than 75% of FMV. That being the case, expect that 19 out of 20 offers will be rejected. Then if 1 out of 10 is accepted, you will be pleasantly surprised.

Remember this about your offers. If everybody accepts your offer, you are being far too generous. You will also lose money, because those costs you subtract out are real — they have to be paid. Besides, you don't want to depend on being able to sell the house for more than it's worth.

5. Stretching yourself too thin until you are cash poor
(Quick Turns For Capital)

Myth #1 — You want to focus on rental units first to build a long-term income stream

The obvious choice when you buy a house is to either sell it for a profit or hold on to it and rent it out for long-term cash flow. Both of these choices are good. You should really do both.

But here is a bit of information about rental properties: they require overhead. You pay for the purchase, but then you have ongoing expenses for taxes, insurance, a share of utilities, maintenance, repairs, upgrades, and advertising. Overhead requires cash. If your business has the cash to pay for these expenses, then you have no worries. Otherwise, it will have to come out of your pocket. That might just make you prisoner to a job you don't enjoy so you can afford to hold onto the rental properties until they can support themselves.

A smart alternative would be to focus first on activities, techniques and projects that make you money up front. Do a few contract flips, a couple of lease-options (read all about these in our program, Big Money Real Estate), buy, fix and sell a house from a highly motivated seller, and put all your profits back into the business. A half dozen such deals should net you about $40,000.

With $40,000 at your disposal, now you could find a nice 4-plex that brings in $600 per unit ($2,400 total) a month in rent. The seller wants $240,000, because that is market value, but is motivated enough to accept your $210,000 offer. You put $40,000 down, finance $170,000, which will require monthly mortgage payments of less than $1,300. Add to that $250 a month for property taxes, $50 for insurance, $50 for water and sewer (you let the tenants pay electric and gas), and your total monthly outlay is $1,650 or less, depending on the interest rate you get. In other words, you just added nearly $800 a month to your cash flow. If you discover that the going rate on rent is really

$650 for this size apartment, you can make that an even $1,000 a month — acquired without a long wait and with normal rent rates!

Myth #2 — You'll never make money unless you buy properties

In reality, you can make money on a property without owning it, so long as you have control of it. Our program, Big Money Real Estate, focuses on various techniques of doing this. Without going into a lot of details, it all stems from the type of contract you use to acquire the right to buy the house. That right to buy gives you control. With that right, you can now assign that right to someone else for a fee, or you can tie up the house over time until someone wants to buy it from you. Since you don't own it until they give you the money for it, you really never bought it. Yet you still made money!

6. Using too much of your own money
(Funding Sources)

Myth #1 — The biggest obstacle to overcome in buying property is the down payment

You would be surprised how many people believe that you have to pay 20% of the price of the house as a cash down payment. In an area where the average home price is $100,000, that means people would have to accumulate $20,000 in their savings account before they could even think of buying a house. Given that the U.S. has the lowest personal savings rate in the developed world, that would be highly unlikely. The good news for you when you want to sell a starter home to newlyweds Jim and Suzy is that various first-time homebuyer plans make the down payment a minor issue for many people.

First time buyer plans don't work for an investor, however, so we need to consider other strategies. Fortunately, investors have available a variety of options: certain lenders provide a percentage of what the property is worth rather than the purchase price, so if you can negotiate a price below that percentage, the lender provides everything you need; sometimes the seller is so motivated that you can get seller financing for at least enough to cover the down payment.

You see, the down payment is simply the difference between what the lender disburses and what you are paying for the property. The seller is going to get the full sales price at closing, so the down payment doesn't matter to the seller. It matters to the lender for two reasons:

a. The lender wants the borrower to have something at stake in the transaction, so in case times get tough down the road, the borrower is less likely to say, "I don't care about the house" and walk away from it without making any more payments. A $10,000 out-of-pocket down payment from the borrower's own hard-earned funds creates a real commitment.

b. The lender wants to reduce its exposure. Exposure is the amount the lender stands to lose if the loan goes bad and the house goes into foreclosure. As a rule, a house in foreclosure becomes worth about 80% of what it was worth before. Everyone knows the bank needs to get rid of it. Whatever is paid down lessens the potential loss.

However, many mortgage lenders are more liberal than a commercial bank and are willing to go easy on your out-of-pocket commitment if they can lessen their exposure. If the seller takes back a second mortgage for 75% of the sales price, the lender's exposure is minimal. If you buy the house for 75% of what it's worth, the lender's exposure is likewise minimal.

Myth #2 — It takes money to make money

All right, this is actually true. But it doesn't have to be ***your*** money! We operate on the principle of **OPM,** which stands for other peoples' money. Everywhere you go, there are lots of people with money — more money than they really need to live, really. These people with money invariably want more money (you don't think they suddenly become content just because their cash in the bank reaches a certain level, do you?).

How do you get your hands (legally) on other people's money?

What do people who have lots of money really want? Among other things, they want more money. Now think a minute. Would these people who have money but want more rather keep working to get more money, or would they rather put their money to work for them?

Let's suppose you find a deal that will return 30% on somebody's money in a four-month period. That would be a 90% annualized return. Do you suppose some of these people looking to get more money without having to work hard might want a piece of that?

With that in mind, let us look at a very important principle:

Money always flows to good deals, and it flows even faster to great deals.

7. Trying to be a plastic surgeon instead of a beautician
(How to Make an Ugly House Beautiful)

Myth #1 — House that you can get well below market price have very expensive problems that must be fixed.

Let’s not forget that you’re not looking for a particular house, you’re looking for a highly motivated seller. We had a client once, who in the space of two weeks picked up two houses at half price. In one case, the seller was under divorce court order to sell the house and split the equity with his former spouse — he figured that if there were no equity, he wouldn’t have to give her anything. The second seller had already purchased his retirement condo in Arizona and had no interest in enduring another northern Indiana winter.

This is again the concept of the good, the bad and the ugly. You don’t want bad houses. They are money pits. We want to do what Glamour or Cosmopolitan Magazines do — you know the feature? They grab some woman off the street who is having the worst hair day of her life, take a picture of her scowling with no makeup, and then do the makeover. You get the before and after pictures. After, she’s smiling and looking like a fashion model. Have you noticed they never bring in a plastic surgeon? It’s all rouge, lipstick and hairspray. So the houses you want to deal with are at worst ugly, so that a little rouge and lipstick will take care of it. If you do reconstructive surgery on a house, it costs a lot, it takes time (and time is money when you’re paying interest on a loan), and it’s a hassle. Go for cosmetic fixes.

Myth #2 — If I want to sell this house, I have to make it good as new

There are certain things that people will not pay more for in a house. Most of these are things not easily seen. If you go through and change over all the plumbing to the latest materials, it will make everything work well, but you will spend a lot of money that will not be reflected on the sales price. Windows are the same way. Sure, who wouldn’t like double-pained windows with nice vinyl frames throughout, but that’s something a buyer would say about: “I’m glad this house has all new windows,” but the buyer will not be glad enough add $3,000 to the price of the house.

Focus on the things that they see that don’t cost much. For example, enough paint to do the whole interior of a 3-bedroom house will cost less than $100, but not only will it get the house sold quicker, but for a better price, too. If the front door is trashy, the whole house looks trashy. Where do they get the first impression from, anyway? A new steel front door with a half-moon window runs about $130, and makes the entrance look like a million bucks. Take a look at the interior doors, too. Vintage 1970s interior doors are ugly, are probably split — maybe the previous occupant’s kids punched holes in them too. Nice replacements with 6-panels will cost about $35 a piece. You should get new hardware with them. At $10 a knob, it’s money well spent. Dented up knobs with paint splatters on them don't make good impressions. Another minor cost that gives a good bang for the buck is new switch and outlet covers. Buy them by the box and they cost less than a quarter a piece, but it makes every room look better.

Myth #3 — Put most of your fix-up efforts in the living room and bedrooms, since people spend most of their time there

Here is the watchword of fix-up: Kitchen, bath and code. The code part is imposed by your local government. If the wiring is deficient, you have to fix it. The kitchen and bath reflects the priorities of the person who will have the most to say about which house to buy — the wife and mother.

This doesn't mean you have to automatically replace the kitchen cabinets and cupboards. If they are solid, just paint them white or off-white, especially if they came from the '70s and are an ugly and oppressive dark brown. If you want to paint the insides, spring for the rental on a paint sprayer. Otherwise you have a very ugly job ahead of you. Another touch for the kitchen is the faucet. If the kitchen is the heart of the home, the faucet is the heart of the kitchen. Watch the sales at your local home improvement centers. You can get a Delta, Price Pfister or Moen faucet that normally goes for $160 for $60 in clearance or as last-year's model. Material for kitchen counter tops is not expensive. If the counter tops are ugly but painting the cupboards would help them, go ahead and get tops.

As for the bath, a new vanity would only cost a little over $100. On the other hand, if there is enough storage in the bathroom elsewhere, a pedestal sink will open things up a lot and make it seem roomier. Rather than leaving a big gap or leaving up an ugly shower curtain, invest $50 in a nice curtain rod and quality curtain (with ruffles). You might not guess the wife-and-mother's favorite color, but seeing the curtain will allow her to visualize what she could do with the room.

The final word on any improvements you make on the house: **Fix before you replace.** It costs a lot less.

8. Not getting started
(Letting Your Fears Control You)

Myth #1: If you don't have your business completely organized, you have no business going out to find properties

This is an excellent place to insert a very important fundamental principle of success, whether it be in real estate or another endeavor:

DST = Do Something Today!

Maybe you don't have everything organized the way you would like, but that doesn't mean you can't research the market. Before you have even done a single deal, you don't have to be organized with a corporation, a registered business name, a business license or even a business card. No government entity requires you to get a license or register a fictitious name in order to go out and look at properties. If you go out today and see what's there, your common sense will tell you that certain prospects are better than others. By the time it is time to do something about it, you will have learned what to do be reading further into our information.

This principle should stay with you from now on. Every single work day, you should do something for your business. Are you working two jobs just to stay ahead? That means you will need to organize yourself, and maybe sacrifice some personal time. If you don't do that, how are you ever going to get out of the two-jobs-just-to-keep-up rut? As a favorite proverb puts it, **"He who sits cross-legged with his mouth open waiting for a roast duck to fly in is going to have a long hunger."** In other words, which white knight is going to come along and pull you out of the rut? Even if all you can get together is a half hour a day, use it effectively for your real estate investing, and it will be the best time-investment you ever made, because that half-hour a day will grow to full days in time.

If you have plenty of time — maybe you're unemployed or retired — you need to organize yourself and discipline yourself to spend much more than a half-hour a day. The law of the harvest states that as you sow, so shall you reap.

Myth #2: You need to know a lot about finance and real property before you can start looking.

One of the most exciting techniques that we teach is how to gain control of a property without owning it. Once you have control of a property, you can make money off it. That certainly requires no knowledge of finance, if you do it right. You just know how to perform a service that others are willing to pay you for.

Of course, if you want to buy a property, you will be getting money to do so from other people. Even then, there is no need to be an expert in financing and real property. One important key here is to focus on what you do know.

You do not need to have a profound knowledge to get started. You will, of course, want to acquire knowledge as you go. In so many ways, knowledge truly is power. But there are many things you can do without a lot of advance knowledge, and ***many*** of these increase your knowledge base. Do them and you will know about real property and finance:

1. Check out areas to work in. Your best bet is a middle to lower-middle-income neighbor of homogenous type houses (mostly the same kind). You certainly don’t need to look in the war-zone areas, but even in the cities there are neighborhoods surrounding these war-zones (you might call them the ‘hood) where people live because they can’t afford any better. They still need a place to live. If you are not sure about the crime rate in a given area, the police department can give you more information. In essence, the easiest kind of property to turn over — either to sell or to rent, is a modest, no-frills, starter-home-type house.

2. Cruise through modest neighborhoods looking for “For Sale” signs, write down the name, address and phone number, then call about the house. Find out how big it is (square footage and number of bedrooms and bathrooms), how much the seller wants for the house, and how long it has been for sale. This is market research. You will soon have a good idea of values in that neighborhood. Now when a great deal comes along, you will be able to recognize it in contrast to the average!

3. Talk to a rookie real estate agent (less than one year in the business). A rookie is less set in his or her ways, still flexible, and, most important, likely very hungry. You don’t want to answer a lot of questions about yourself (you don’t have the answers, yet), so if they ask about where you get the money or whether your credit is good enough to finance a property, let them know you represent an investors group — you are the point person assigned to find properties, but that the money will come from private sources within the group.

9. Spending too much in marketing what you sell
(Exit Strategies For Quick Sales)

Myth #1: Negotiating is a matter of me taking advantage of someone or someone taking advantage of me.

One of Stephen Covey's *Seven Habits of Highly Effective People* is the concept that every deal should be a ***Win/Win*** situation. Napoleon Hill, of *Think And Grow Rich* fame, put it this way: "I fully realize that no wealth of position can long endure, unless built upon truth and justice; therefore I will engage in no transaction which does not benefit all whom it affects."

Both these gentlemen have long been considered gurus of success by many successful people. It appears that the old adage, "what goes around, comes around," really applies here. As Covey explains it, you don't want a Win/Lose situation, because if you lose enough, you're out of business. A Lose/Win situation means one fewer person who will do business with you in the future, and word does spread.

Negotiating simply means you work toward accomplishing your goals while helping the other party accomplish their goals.

Myth #2 — If I want to sell a house, I should not use a Realtor to save money

If you have a real estate agent or two or three on your team, and one of them helped you find this house you are now selling, it would be a slap in the face not to use the agent to sell it, too. How enthusiastic will the agent be in the future if you cut him or her out of your deals to save some money?

Using an agent to sell the house doesn't mean you have to sign a listing agreement and commit to a 6 or 7% commission. If the property goes on the MLS, the listing agent has to split the commission with the buyer's agent. If it doesn't appear on the MLS, there is no such requirement. Therefore, offer the listing to the agent without putting it on the MLS. You might want to offer 3.5% or 4% for selling it without the MLS. Meanwhile, you will be running a marketing campaign yourself based on putting up a lot of signs and fliers and networking with everyone you can.

Of course, if you bought the house without agent's assistance, you can sell it without the agent, as well.

Myth #3 — To sell a house, all I can do is put up a sign in the front yard and put classified ads in the newspaper

One of the most productive strategies in terms of getting a good response is to advertise a starter home as for sale on a rent-to-own basis with a set amount showing as a deposit. The deposit reflects what the house would rent for. Any renters who are currently paying about that will respond. The rent-to-own tells them, “hey, I can buy this place. I just have to keep on doing what I’ve been doing.” The details of this strategy are to be found in our program, Big Money Real Estate, but they involve you helping the buyer obtain FHA financing, performing sweat equity for a portion of the down payment, and renting for only a brief period before you close the sale.

There is a strategy that gets big results quickly with very little expense on your part.

10. Not maintaining the momentum
(Long-Term Strategies, Planning For Success With Goals)

Myth #1 — I can’t even get started until I get my business set up and all my ducks in a row

Clearly, there is much for you to learn. However, at the same time, you will never know everything there is to know about real estate, nor should you. To succeed in real estate, you have to go out and make deals. If all you do is keep learning and preparing, nothing will ever happen.

It is clear that knowing what you are doing leads to confidence. However, sometimes we just have to stretch our comfort zone or we never grow. That might involve situations where you fake it until you make it. This is not the same thing as hypocrisy; you’re not pretending to be something you’re not. You have simply visualized in your mind what you want to have happen, and then you play your role in what you desire to have happen.

To begin with, the best thing to do to get started is to start small. You can then build upon what you already know and continue to progress beyond that. Let’s remember the words of perhaps the greatest coach in history, John Wooden, who said: “***Don’t let what you cannot do interfere with what you can do.”*** Nobody expects you to go right out and acquire a 100-unit apartment complex or an 8-story commercial building first thing. Simply do what you can do, keep learning, keep your eyes open, and take little actions.

Myth #2 — Don’t waste time planning a long-term strategy, you need to get out there doing it

Obviously, we’re not going to tell you to sit around planning and never get into the game. But there is no reason not to have a direction while you are doing the work.

Here is a sample long-term plan that would be very productive. Let's say you undertake to acquire 6 new properties a year. In the first year you would struggle to do this and may fall short. Year by year, however, you become more skilled at picking deals, better at negotiating, and you network that brings you deals gets bigger. After 10 years, you might own 60 properties. If during this time, you balanced evenly properties that you sell right away for profit with those you hold on to for the long-term rental cash flow, you would now own 30 rental properties which were partially financed by the profits made by the quick turns. Of course, most of these rental properties will be multiple units, since you flipped most of your single- family homes on quick turns. Besides, multiple units are easier to manage. More tenants in one location. Therefore, let's assume these 30 rental properties represent 60 rental units.

At this time, you could then sell half of your rentals. The income you realize in the sale would then go to pay off all loans on the remaining properties that you keep. Now you own 15 rental properties, 30 units, free and clear. Let's further assume that after you pay insurance, taxes and the water and sewer bill, you receive $500 per month clear cash flow per unit. There are 30 units. $500 times 30 is $15,000. Would you be able to scrape by on $15,000 a month in today's dollars? Yes? Then you can buy a yacht and spend all your time in the Caribbean. No? Well, you don't have to because you can still buy more singles houses to flip on a quick sale and more rentals to increase you monthly cash flow. The point is, now you can afford to. You have plenty of money.

There is a strategy for you. Now you work out for yourself what you want to accomplish. If you don't know what you want, you're not likely to get it. A clear picture of what you want gives you something to work for.

Let's wrap this up

If you acquire real property correctly, you will always make money off it. You don't need to be a super salesman with lots of connections in the local market. You just need to have bought it or acquired control well enough that it is attractive to a lot of people when you offer it.

Is it really that easy?

If real estate investing were all that easy, everybody would be doing it and it would not be so lucrative. We will never tell you this is easy. You will work for everything you make. ***However***, it is very simple. There are certain principles that just work. If you apply these principles, you are simply imitating or emulating successful real estate investors. Our program, Big Money Real Estate, describes the techniques, strategies and actions of highly successful real estate investors. All you have to do is replicate what they do, and you should enjoy the same kind of success. This is simple cause and effect.

Innumerable investors have gotten started in real estate at a time when they were broke, unemployed and had mediocre credit. Somehow, it was possible.

How so? Here is a concept that has great power for someone lacking money:

"You can have anything desire in life by helping enough other people get what they want."

What is it that people want? ***Nearly everybody*** wants a place to call home. You can help them get that! Many people would like to get their hands on a fixer-upper — a house that needs work — because they can do the work (they are good at it and enjoy it), then sell the house for a tidy profit because it looks so nice. You can help them get what they want. You don't provide them the house, instead you provide them the opportunity to buy the house. Other people don't want to do any work, but they want to put money into an investment that will make them a profitable return on their money. You put together the deal for them to invest in, and you make money for yourself. That saves you from the need to have any money until you get paid for your service.

In short, don't let a fear of not having any money paralyze you into inaction. There are ways to make money starting from nothing. The key is to know what you want, create a burning desire inside, then take action. Emerson told us, "Nothing great was ever achieved without enthusiasm." The clarity of your dream and your goals, coupled with a burning desire, a passion for what you want, will create the enthusiasm you need.

e HomeOne

Step 3

Tips On Loan and Financing Options and How to Repair Your Credit If Necessary

The 60 Day Take Action
Homebuyer's Guide

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Worksheet 7

"Where Do I Go From Here?"

You have come to a crossroad. By now you should have enough information to answer the first question: "Can I qualify for a loan?" If the answer is "yes," you will be heading in one direction. If the answer is "no", you will need to take a temporary detour, by contacting your coach.

Once you have contacted your coach you will know where to turn in this Guide to continue your quest for home ownership. One of the alternative directions discussed below will be right for you.

Conventional Loans. This type of loan is offered through Banks, Savings and Loans, Credit Unions and Mortgage Companies. It is the most widely used form of financing available, hence the term Conventional financing.

If you qualify for this type of loan it means you have very good credit and have saved some money for a down payment. Congratulations! You have accomplished something that is very difficult to do in today's fast-paced society. Your reward is that you can expect the lowest interest rates and the best terms available.

In the past, in order to obtain this type of loan you would have had to save at least 20 percent of the sales price as a down payment. This placed a huge burden on most potential home buyers and often delayed their ability to purchase a home by many years. Today, however, most Conventional lenders offer mortgage loans with as little as 5 percent down. Here's why.

Fannie Mae. Most Conventional financing is done under standards set by the Federal National Mortgage Association (FNMA), commonly known as Fannie Mae. Fannie Mae is a private company set up by the federal government to purchase loans from banks. When the lender sells ITS mortgage note to Fannie Mae, they receive back most of their original funds. This frees up the money and allows the lender to issue a new loan.

Perhaps you've wondered how this system works. It's really quite simple. Banks encourage customers to put their savings into the bank by offering them a profit (interest) on their money. Some people think the money just sits there, waiting for the customer to return and draw it out. But, of course, it doesn't work that way.

In order to stay in business the bank has to make a profit. It does this by lending out most of the money on deposit at a higher interest rate. To protect itself and its customers, the bank usually takes back security. If you happen to be requesting a loan to buy a house, the bank requires that you pledge the house. You give the bank a mortgage or deed of trust as security for repayment of the loan. It's a great system! But like most things in life, this system isn't perfect.

Private Mortgage Insurance (PMI). Standard Fannie Mae guidelines require that you, the borrower, put up 20 percent of the purchase price of your home in cash. If you pay any less than this amount, Fannie Mae requires you to purchase private mortgage insurance. If you default on the loan for any reason PMI pays it off.

This insurance is added to the loan and increases the total amount of money that is paid each month. If you are obtaining a Conventional loan, be sure to ask our Loan Officer how much this insurance will cost.

This insurance **protects the lender**, not the borrower. As a result, it does not replace any of the other insurance you need, such as life or hazard insurance.

> **Tip:** You can remove the cost of PMI once you build up at least 20% equity in your home. You build equity each month as you make your regular mortgage payment. Also, your home is probably going up in value. This combination of regular payments and market increase in value means that you could reach that 20% equity in a relatively short time.

Be sure to discuss this with our Loan Officer. Find out how you can go about dropping the PMI and lowering your payments when you reach 20% equity in your home.

At this point you may have discovered that you qualify for a conventional loan. If so, you can dispense with reading the rest of this part of the Guide. But before you leave and begin your house hunting, there is one other program you need to know about, the FHA program described below.

Time to Move on.

Well, here you are. You have qualified for a conventional loan. There is no need to continue reading the rest of this part of the Guide. Instead, you can proceed immediately to break new ground. Move on to the **Step 4 Manual.**

If, on the other hand, you do not qualify for a conventional loan you need to continue reading.

Government-Insured loans. The government provides three different federally insured programs for homebuyers. In order to obtain one of these loans you need to deal with a lender that has been approved to handle them such as EhomeOne's affiliate lender. Each of these programs is discussed in the following pages.

FHA Loans.

The Federal Housing Administration (FHA) Mortgage Insurance Program is operated by the U.S. Department of Housing and Urban Development (HUD). The main advantage to an FHA loan is that you can purchase a home with a down payment as low as 3%. This percentage is based on the FHA appraised value or the purchase price, whichever is lower.

In order to obtain an FHA loan not only must the lender be approved, but the home being purchased must meet certain minimum HUD standards. FHA mortgages also have a maximum loan limit which varies depending on the cost of homes in a given area. If you are planning to obtain an FHA approved loan, our Loan Officer will go over the guidelines that you must follow.

VA Loans

If you are a veteran you may qualify for this type of government guaranteed loan. The program is administered by the Department of Veteran's Affairs (VA). In order to establish whether or not you qualify you need to check with our loan officer.

There are several benefits to a VA loan. First and foremost is the fact that **no down payment is required**. In addition, most lenders will allow the seller to pay all of the closing costs of the loan. This means that you can purchase a home with practically no money at all! Of course, your monthly payments will be higher than they would be if you had put 3% to 5% down.

But this may not be true when you consider that a VA guaranteed loan may have a lower interest rate than a conventional or FHA loan. Also, it is usually easier to qualify for a VA loan because the guidelines are not as strict.

If you decide to apply for a VA loan the first thing you need to do is obtain a copy of your **Report of Separation**. This is commonly referred to as Form DD 214. You will have received a copy of this document when you were discharged. If you looked for a copy when you filled out Worksheet No. 7 but couldn't find it, you need to contact the VA regional office in your area right away. It can take quite a while to obtain a new copy. In fact, that is one of the drawbacks to a VA loan … it can take a lot longer to get through the loan process and close the transaction than with a Conventional or regular FHA loan.

State-sponsored Veteran's Loans.

Many states provide home loan programs for veterans who were residents during their tour of military duty. For example, California has a Cal-Vet program for their residents. Check with our Loan Officer or call the state office of veteran's affairs.

Other Options.

If you qualify for any of the above described government insured programs then you are ready to move on to the **Step 4 Manual.**

Don't worry if none of the loan programs described so far applies to you. Like most jungle roads, this one also has many twists and turns. But there are no dead ends here if you stay motivated. For example, you may qualify for one of your City or State special assistance programs.

First-time Home Buyer Assistance Programs. Many cities and states sponsor programs for first-time home buyers that are designed to help them qualify for home ownership. These programs include assistance with down payment and other costs as well as lower interest rates. Our Loan Officers specialize in these programs and will be able to help you locate them.

Another type of financing, and one which may not be familiar to you, is called **Creative Financing**. As its name implies, this method of securing a home is not one of your traditional loan programs. All Creative Financing requires the help and cooperation of the Seller. If you can convince the Seller that you are a good risk and can make the monthly payments necessary to purchase a home, one of the following programs may work for you: **Lease-Option** and **Owner Carryback.**

There are many situations where it is in the seller's best interest to work with a potential buyer in order to solve a problem. Consider this Lease/Option example:

The sellers are an older couple. They own their home free and clear. Their children are grown so they would like to sell their home and buy something smaller in Arizona.

They have had their home on the market for several months with a "For Sale By Owner" sign in the front yard. They have rejected several offers below their asking price and refused to hire any local real estate agents. Now, time is running out. It's the end of the summer and they would like to relocate before the cold weather sets in.

You come along on one of your house hunting expeditions. You like the home. It's the right size, in the right neighborhood and has the qualities you are looking for. What might you do?

Talk to the sellers. Be honest with them. Explain that you have a good, steady income and that you have been paying rent on time over the past year. Suggest that you won't quibble over the price, even though you feel it is above the going price for homes in the area. But, you don't have much of a down payment and can't qualify for a loan right now.

Ask if they would consider a Lease-Option. Below is a suggested list of terms and conditions that you and the seller might consider:

1. Sign a three-year (36 month) rental lease agreement with an option to buy the home at the end of the lease period.

2. You will pay the going rate for rentals in the area plus 15%. Example: Rent is $700 – you agree to pay $805 per month.

3. You pay first and last month's rent plus a cleaning deposit equal to another month's rent for a total of - $2,415.00 to move in.

<u>If you exercise your option at the end of 36 months:</u>

1. The last month's rent and the cleaning deposit go as a credit toward the purchase price, a total of $1,610.00
2. The 15% above the base rent times 36 months ($3,780.00) also goes as a credit to you.
3. The Purchase Price is fixed at the amount agreed to at the start of the lease.

<u>If you DO NOT exercise your option at the end of 36 months:</u>

1. You lose the 15% override on your monthly rent.
2. The Seller (Owner) uses the cleaning deposit to repair normal wear and tear.
3. You vacate the house and the Owner is free to put it back on the market.

(NOTE: THE ABOVE SUGGESTED TERMS ARE FOR ILLUSTRATION ONLY. CONSULT YOUR REAL ESTATE AGENT OR AN ATTORNEY FOR THE PROPER DOCUMENTS AND LANGUAGE TO BE USED IN A TRANSACTION OF THIS TYPE IN YOUR LOCATION.)

Advantages to You.

The advantages to you are obvious: You are living in a home you would have purchased, if you could; you have 36 months to work with our Loan Officer to solve your qualifying problems; and you have a credit of $5,390.00 toward your down payment when you exercise your option.

Advantages to the Seller.

These may not be so obvious, so you should point them out to the Seller:

1. The Sellers can move right away.
2. If you exercise your option at the end of 36 months the Seller receives their asking price.
3. The extra 15% cash flow can be used by the Seller during the lease/rental period (the Seller never has to pay back this money, only give you credit if you buy).
4. The Seller has a "tenant" in his home who is motivated to take good care of it, since it may soon be theirs.

What if the Sellers say they need their cash out of the house in order to buy something in Arizona? Ask them to consider borrowing against their equity. They can take out a small loan on their house for a down payment and pay it off when you exercise your option.

You can see why a Lease-Option program is often called a "win-win" situation for both the Seller and the Buyer.

There is one other important benefit to you that should be discussed here. It is referred to as Equity buildup. By fixing the purchase price at today's value you are the one who will receive any appreciation that accrues over the next three years. In fact, if you have a lease-option with a "fixer upper" you may find that by making repairs, the value of the property has increased by 10% to 15% above your cost!

Tip: In such a case you might consider selling the property right after you buy it. You may find a willing buyer who offers to pay the new value of 10% to 15% above your cost. You could sell this house and buy another one, using the equity you acquire in the sale!

Sound complicated? It's not, really. And people do this all the time. Again, it's a "win-win" situation for everybody.

> The original Sellers get all their money.
>
> The new buyer now has a home that they want without having to go through the expense and inconvenience of first fixing it up, since you have already done this for him.
>
> And you, through your effort and determination, have made a nice profit for your trouble. Now you can go on to the NEXT house and perhaps come even closer to the Dream Home.

But what happens if, at the end of the lease-option period, you still have a problem coming up with enough money to purchase the home? In that case you might consider yet another bit of creative financing.

Seller Carryback.

In this situation the Buyer has a portion of the down payment and can obtain a loan, but not for the full amount to pay off the Seller. The Seller is then asked to carryback a portion of the Sales Price.

For example: say the sales price is $100,000. You have $5,000 cash for the down payment but the lender will only give you an $85,000 loan. You are $10,000 short. You ask the Seller to take back a second mortgage of $10,000 and the Seller agrees. That is, the Seller carries back a portion of the sales price.

> **Tip:** For practical purposes, creative financing means seller financing.

Tip: Many lenders of first mortgages have specific rules regarding second mortgages. If they will allow you to use a second mortgage for a portion of the down payment, they may require that the second mortgage must be for a term of at least 5 years, although a few will allow as short a term as 3 years. Their reasoning is that if the second is for any shorter, when it comes due, your house will not have appreciated sufficiently to allow you to refinance. You may need to pay off the second mortgage and not be able to secure cash to do it. As a consequence, the seller/lender of the second mortgage might foreclose, which could threaten the stability of the first mortgage.

Tip: Look for a seller who doesn't need all the cash out of a property in order to move on to another. If the seller needs cash, the deal can't be made no matter how you butter it up. Remember that most sellers are selling only to buy again somewhere else.

Tip: Beware of "balloon payments" on seconds. This results when the mortgage is not fully amortized – when the monthly payments do not fully pay off the principal. At the end of the term, you could end up owing a substantial amount of money. For example, if you borrow $10,000 at 10 percent, interest only, for 7 years, at the end of the term, you still owe $10,000! (Remember, the mortgage was for "interest only," meaning that the monthly payments covered only the interest.)
Some seconds have payments which only partially return all the principal. This is frequently the case with a mortgage that is "amortized for 15 years, due in 5." That means that the monthly payment is high enough to pay back the loan in 15 years. But you owe it all back in 5 years. When the fifth year comes around, most of your principal is still owing. Now you must either dig deep into your pockets or refinance.

Now, what do you want to do? Do you want to stay on that side of the street and continue to mingle with the tenant crowd, or do you have enough gumption to look carefully both ways and then cross over to the other side?

Working to Qualify For Home Ownership.

Okay. So you have to take a temporary detour. Don't feel bad. Remember, only 65.7% of Americans own their own homes. That may sound like a big number but, put another way, over one out of every three families in this country are renting. Now **that** is a big number. And, at the moment, you are still standing on the same corner with all the other Renters.

Gumption

The dictionary defines gumption as: *courage and initiative; enterprise and boldness.* That really does say it all, doesn't it?

EhomeOne believes you have those qualities. If you didn't, you probably wouldn't have joined this Homebuyer's Program. You've come this far, now here's what you have to do to get the rest of the way:

First, you need to understand exactly why you are unable to qualify for a loan at this time. A number of potential reasons are discussed below, along with suggestions on how to correct the problem. Study each of them. Which one(s) apply to you? Try to resolve the problem as quickly as you can. Continue to work closely with our Loan Officer.

Remember we want to help you get qualified. Follow our advice and keep in touch on a regular basis.

Lack of Funds.

This is a very common problem. If you have good credit but lack sufficient funds to qualify for a loan, consider applying for our Zero Down payment assistance program through our non profit affiliate, which, if you qualify means you can purchase a house with no money down. The booklet provided with your materials explaining in detail this program.

> **Tip:** Have you considered asking a family member to provide a gift to be used to pay a portion, or all, of your closing costs. Also, maybe asking a relative to consider being a co-guarantor, or co-signer on the loan?

Worksheet 8

Income and Expense

This two-page Worksheet is designed to help you determine your monthly **income** and **expenses**. Your lack of funds may simply be the result of too many expenses and not enough income. One way to cope with this problem is to prepare a monthly **Budget**.

Worksheet 9

Monthly Budget

This Worksheet will help you to lay out a monthly budget. Even if you have never worked within a budget program before, it would be a good idea to try it now. A budget will help you to spot areas where you are spending more than you should. Perhaps you have too much credit card debt. Maybe you can cut some corners on long distance calls or gas and electric bills to trim costs.

Before you can do anything to increase your funds, you need to know what is coming into your household and what is going out. Then you need to figure out how you can **increase** what you save and **decrease** what you are spending. It is hard work. You will need to make sacrifices. But the rewards of home ownership will more than compensate you for your effort. And remember, the longer you wait the harder it is going to be to accumulate the funds you need. So dig in now. Do what you have to do.

Poor Credit

Your credit problems may be the result of a one-time catastrophe such as a major illness in the family, the temporary loss of a job, or a divorce. Usually creditors will work with you if you have made a sincere effort to resolve the credit problems. And, we have some loan programs for people with credit problems.

Work with our Loan Officer. You were given this advice earlier and it still holds true. A few phone calls to creditors, some letters of explanation and the paying off of those debts that have gone to collection will do wonders. That is why it is important to maintain contact with our loan officers, who are committed to helping you with a loan.

On the other hand, maybe you just don't pay the bills. Maybe you simply have too many credit cards and are living beyond your means. Or maybe you are an impulse buyer and have your rental space littered with athletic equipment, extra TV's, etc. You need to **change your habits.**

> **Tip:** Pay your bills on time. Nothing messes up your credit quicker than late payments. Yet these often result from carelessness or forgetfulness. Keep all bills in a special spot and make it a point to pay them at least once a week. This is probably the simplest yet most effective step you can take toward repairing your credit.

> **Tip:** The basic method of correcting bad credit is two-fold. First, you have to write a letter explaining the problem and why it wasn't your fault. Second, you have to submit documentation proving what you say.

It is far from hopeless. It only becomes hopeless when you despair, when you give up. But you don't want to do that, do you? Nobody else wants you to either. Certainly not the staff at EhomeOne. We are pulling for you. We **want** you to succeed.

If you have completed all the Worksheets and gathered all the documents requested, you only need to sit down quietly and examine them. Look at Worksheet No. 1. This reflects your practical side. Take a hard look at Worksheet No. 7. This will help show who you really are, as a potential home owner. And the Worksheets that follow tell you where the money is coming from and where it is all going.

Worksheet 10

Questionnaire

Answer the first six questions on this Worksheet. If the answers are a definite and unqualified "Yes," then complete the form. Follow the suggestions outlined on this Worksheet, then proceed to the next Worksheet.

Debt Reduction

EhomeOne has formed an important alliance with a debt arbitration company that will assist you in negotiating with your creditors in reducing your debt. Call EhomeOne for details

Also, contact EhomeOne about a program that you can follow on a month-to month basis for twelve months, and you will get out of the Jungle and onto the High Road, where you really belong.

And just think. One year from now you can take all these Worksheets, crumple them up and throw them into the fireplace while you sit and sip champagne in your Dream Home.

An Impossible Dream? Never! What do you have to lose by trying? Nothing. And what do you have to gain? Only the American Dream, that's all. So move forward with enthusiasm knowing that you are getting closer with every step you take.

EHOMEONE STEPS TO HOME OWNERSHIP
(Days 5 – 12)

		Check When Completed
Step 8.	Buy Sheet Protectors store Documents in Protectors	[ ]
	Make Entry in Log	[ ]
Step 9.	Complete Worksheet No. 8	[ ]
	Store in Section 8 for Future Reference	[ ]
Step 10.	Call our Loan Officer Discuss Credit Report	[ ]
	Complete Loan Application	[ ]
Step 11.	Complete Worksheet No. 9	[ ]
Step 12.	Obtain Loan Commitment, or Study Loan Options And Creative Financing Programs with our Loan Officer	[ ]

* Note: Place a "N/A" (not applicable) next to each box if you do not need to complete the Step

EHOMEONE STEPS TO HOME OWNERSHIP
(Days 13-14)

		Check When Completed
Step 13.	Complete Worksheet No. 7	[ ]
Step 14.	Complete Worksheet No. 8	[ ]
Step 15.	Complete Worksheet No. 9	[ ]
Step 16.	Complete Worksheet No. 10	[ ]

*Note: Place a "N/A" (not applicable) next to each box if you do not need to complete the Step.

e HomeOne

Step 4

Tips on Locating And Buying a Home

The 60 Day Take Action Homebuyer's Guide

Table of Contents

Alright!

You are qualified to buy a home. You should also have a pretty good idea about how much you can afford to pay for one. So it's time to start the second leg of your journey. It's time to go looking for your Dream Home. "Should I step right out and find myself a good Real Estate Agent?" The answer to this question is an unqualified "yes".

Fortunately, as a member of the EhomeOne Program you already have someone on your team.

The actual person who will be "house hunting" with you may be the Broker, or a salesperson working in the Broker's office. The Guide will refer to this person as your Real Estate Agent, or Agent, from now on.

Prior to your first contact with our Loan Officer you spent a fair amount of time collecting information and documents. You even had a list of questions to ask. All this preparation should have helped to make you more comfortable. As a result, that first meeting was probably a lot less stressful and much more productive than it might otherwise have been.

The same thing holds true with regard to your Real Estate Agent. The better prepared you are, the more likely you are to be comfortable and relaxed.

With that in mind, it's time to discuss the business at hand. You need to find your Dream Home. As mentioned, it's called House Hunting. Maybe you are one of those people who really enjoys driving around neighborhoods on the weekend looking at all the Open Houses. But for most people house hunting is a real chore. Especially after working all week. Besides, what do you do with the kids, if you have them? Take them along sure, maybe once or twice. But it probably won't be much fun and you won't cover nearly as much ground. No. The better thing to do is to spend a little time thinking through a plan of action.

Contact EhomeOne

The first thing you need to do is to contact EhomeOne. We will direct you to a qualified Real Estate Agent in your area who specializes in finding homes for the First Time Homebuyer. Real estate agents are paid a commission by the seller, so there is no cost to you in utilizing their services. They are, however, your agent and will represent you throughout the home buying process. They will meet with you and discuss the type of home and your price range, and then make arrangements to visit and view these homes with you.

Homes. Homes. Homes.

Next, if you look through the real state section you will find three types of homes listed:

NEW HOMES: For Sale in Subdivisions
RESALE HOMES: For Sale by Owners
RESALE HOMES: Sold By Real Estate Agents

NEW HOMES: For Sale in Subdivisions. Have you looked around your area to see if there are any new subdivisions? Usually a subdivision has several furnished models to look at and a sales office complete with sales agents and brochures. They run large, color ads in the newspaper with maps showing the location of the models. You will soon learn more about the pros and cons of buying a new home in a subdivision.

RESALE HOMES: For Sale By Owner (FSBO's). These homes, as the name suggests, are being sold by the owners. A FSBO lets you know that there is no Real Estate Agent involved. Notice that, compared to homes for sale through real estate agencies, there aren't very many FSBO's. You will want to look at some of these anyway, just for the experience. You will get your chance on your very first outing.

RESALE HOMES: Sold By Real Estate Agents. Here is where your Real Estate Agent really shines. Again, we will assist you in locating the Real Estate Agent in your area.

Use your Agent, like our Loan Officer, to help guide you in the right direction. They are experts in their areas. But they are only members of **your** team. You must listen to their advice and then decide what is the best course of action for you.

When you see a home, or homes, that interest you, contact your affiliated Agent. He or she will be able to provide all the additional information and help you will need, at that time.

Tip: Pay attention to the original listing date of the homes you inspect; Sellers tend to be more flexible in the price the longer the home is on the market.

Your First Excursion. The purpose of this first "field trip" is to give you some hands-on experience looking at homes. Don't misunderstand, it's not that you haven't done this before. Chances are you have had a good deal of experience looking at houses. But you will see, as you prepare for this activity, that EhomeOne's idea of "looking" at houses is a bit different.

Tip: Try not to look at more than three or four homes at a time. Have your sales agent show you the best values on the market first, then go from there.

Naturally, You are Going to Need a Few Things:

A Map of the local area. An automobile club map, one from a local gas station, is fine. If you live in a fairly large town or city, you may be able to get a map from the local Board of Realtors, or the Chamber of Commerce. What you are looking for is a map with all the street names listed. If schools and parks are also noted, that's even better. You are better off to get two copies of the same map, if you can. Usually the street names are on the other side, so you have to keep turning the map over. Also, the street names are usually printed in very small type. Cut out the street names and take them to a copy shop. Have them enlarged about 20%. This will make the streets much easier to read.

A set of "read-through" felt pens. The kind used for highlighting. They will come in handy to mark the maps and Worksheets. Get a set with four or five different colors, if possible.

Homemade Location Stickers. Use the ½ inch color coding Labels you bought earlier. Draw two lines with a pencil, as shown. This will divide the circle into 4 pie-shaped parts. Print the numbers 1, 2, 3, and 4 inside the circle, as shown. You are going to cut this circle into four parts and use each wedge as a pointer on your map.

A Clip Board. You are going to be filling out an inspection form at each home you visit. A clip board will make this much easier to do.

Tip: Take lots of Notes – If something seems strange to you make a note of it. Ask your sales agent about it. However, you should know that most agents are not contractors and may not know much about the condition. Also, this can serve as a reminder to have your home inspector check it out if you decide to purchase. (Remind them to look at the item).

Locating Prospects on Your Map

For your first Excursion you need to spot at least four houses to visit. You should look for one Subdivision, one FSBO and at least two homes that are listed by Real Estate Companies.

Spread your map out on a table so you can see the entire area. If you have lived in the region for any length of time you probably have a pretty good idea where you would like to look for homes.

Even though this is just an exercise, try not to pick locations that you know are outside your price range. There's no point in spending your time looking at homes priced beyond your reach.

Start with a Subdivision. Read the ads carefully. Are there any that say, "Entry Level?" Usually the ad will give the price range as well as the size of the models. When you find one you like, locate it on the map. Stick the wedge marked "1" on the map so the point touches the location.

Open Houses.

If you have a weekend paper look to see if there is an Open House Section. Usually the paper will list all the Open Houses that are advertised that week. Houses should be listed by area with the lowest priced ones first.

Check the prices and locations. Some newspapers even have a code you can dial by phone to hear information about a particular listing.

Have you noticed how you are constantly being reminded to check the prices? This is one of the biggest advantages you have gained by getting pre-qualified. Instead of blindly driving around neighborhoods looking for homes you might be interested in, you are now able to zero in on homes you know you can buy!

As you locate each house you want to see, place one of the wedge-shaped, numbered stickers on the location. The idea here is to make a permanent record on the map of each house you visit. That's why it might be a good idea to get a few more maps. You can use one in the car to spot locations and one can stay at home on the wall.

Don't get frustrated with all this preliminary preparation. There really is a good reason to do what you are doing. Once you have completed this first outing you will be in a much better position to judge the value of this exercise. And you will also be able to talk more intelligently to your coach.

Worksheet 12

Home Inspection Worksheet

This Worksheet is the one that was mentioned way back in the Introduction. The statement was made that the combination of your **Log,** this **Home Inspection Worksheet** and a local **map** would make house hunting "seem like a walk in the park." Let's see if this Guide really knows what it's talking about. After this first trip is over, you be the judge.

If you haven't already done so, you need to make several copies of this Worksheet. At least one for each house you are going to visit. If you intend to co-purchase your home with a spouse or other party, it is very important that you begin this house hunting business together.

Have you studied the **Instruction Sheet** that accompanies Worksheet No. 12? Did you remember to attach a blank sheet of lined paper to each Worksheet for notes? If so, it's time to combine reading with writing. It's time to head out to your first location, a New Home Subdivision. If you are going with another person, and if this person will be purchasing a home with you, each of you should have your own clipboard and Worksheets. Later, you can compare notes and see how much you both agree or disagree about what you saw.

> **Tip:** Evaluate the floor covering carefully. They will show high use and are expensive to replace. If the home is currently furnished remember that when the furniture is removed, high traffic areas may show considerable wear. Fading may also be a problem. Check vinyl flooring for tears and cuts. The vinyl layer is very thin and easily marred. Always look under throw rugs that have been placed over the floor covering. Is something being hidden?

> **Tip:** Also be aware of animal smells. The smell of animal urine is just about impossible to really get out of the carpet and the padding. If you have to replace some, remember that the replacement carpet will not match in color. Even if it is from the same manufacturer and is the same "color", it will not have had the same exposure to wear and fading. At a minimum the entire room will have to be replaced. Keep this in mind when you evaluate the price of the house.

Looking At New Homes.

You can begin your evaluation of the neighborhood as you drive toward the subdivision. Note the location of any schools, parks or shopping areas. Look at other homes as you drive by. Is the whole area new? Are there older, established homes nearby?

When you reach the subdivision, take a moment to look at the exterior surroundings. Does the style appeal to you? Are there a variety of elevations or are all the homes more or less alike? What about the landscaping.

Pick up a brochure and look through all the available models. Fill out as much of your Worksheet as you can. If you aren't sure how to answer a particular part of the Worksheet, put a small mark there with your colored felt pen. Try to get the question answered by the sales agent when you go back to the sales office.

There is probably no need to fill out a Worksheet for each model. The brochure and other sales material you pick up will provide you with all the information you need.

Before you leave the subdivision drive around and look at some of the finished "Production" homes. Is landscaping included? If so, how does the landscaping compare to what you saw at the model complex?

There will be a real estate agent at the main model complex. Explain that you are only at the "looking" stage. If you see a home in a subdivision that you are very interested in, call all this information to your coach.

Park for a few minutes and write down your impressions on the note paper you attached to the Worksheet. The impressions will fade quickly, when you start to look at other houses. The notes you take now will help to jog your memory when you get home and begin to compare one house you saw with another. Finally, be sure to put the date and time you see each home. In case you forget to number a Worksheet, this will remind you when you saw a particular house in relation to the others.

Are You a Camera Buff?

There is probably no better way to record your impressions than to take pictures as you go along. Take at least one picture of the front and back of each home you visit. Print the File Number and date on each picture and attach them to the Note page.

Your Rating System.

Remember to complete the rating section on each part of the Worksheet. Just place a number from 1 to 5, depending on your overall feeling.

This rating system is a subjective one. That is, you are rating the house and the neighborhood based on how you personally feel about them. For example, if you really like the exterior elevations, write the highest number "5". Someone else might have an entirely different impression. But that's not important. There are no right or wrong answers here. What's important is what **you** think, how **you** feel. So complete this last part of the Worksheet before you leave each house you visit.

Tip: Buying a house whose style is uniquely individual will probably minimize rather than maximize its resale value because the house will appeal to a somewhat more limited number of potential buyers.

Tip: If you think you may need more space in the near future, be sure the house and lot will allow for expansion.

Tip: Redoing a kitchen is likely to be expensive. So be sure of what you need and want before you buy.

Tip: A light-colored roof reflects heat and is best in areas where air-conditioning is the greater energy user. In colder weather climates, a dark roof is preferable because it absorbs more heat. In temperate climates, a middle-range shade is best.

Tip: Wood floors suggest warmth, quality and good taste and are an asset when it comes time to sell a house

Tip: Most home shoppers prefer a combination of ceramic tile and vinyl wallpaper as a covering for bathroom walls, creating a positive effect on the house's resale value. Ceramic tile is usually installed wherever water comes in contact with the wall.

Tip: Pay attention to floor plans. Changing layouts of rooms later, can be costly.

Tip: Even if the quality of a school district doesn't matter to you now, remember it might someday to another buyer.

Visiting a FSBO.

This should be quite a contrast from what you just experienced in the new home subdivision. Chances are you will be looking at an older home in a more established neighborhood. Try to find out how long the current owners have been there. If it is an older home, how much renovating have the current owners done?

Tip: FSBO's are not always a great value. The main objective of most FSBO sellers is saving a real estate commission for themselves, not giving the buyer a bargain!! If you are not a great negotiator and don't know the property values well, you may get stuck. It is not uncommon to hire a real estate broker as your buyers agent to negotiate with the FSBO owner on your behalf. Often the real estate broker will work for a flat fee of $500 or $1000 since you have found the property.

You need to check out this neighborhood just as you did the first one. Look for schools, parks, shopping. Check out other homes nearby. If you have any strong feelings about the area be sure to note them.

More than likely you will not be given a lot of written information about the house. So it is very important that you fill out all the spaces on the Worksheet. Ask when the home was built. If it is more than 20 years old, ask if the roof is the original or a replacement.

Carpets. Pay particular attention to the condition of the flooring. Next to the house itself, the carpet and vinyl represent the largest single cost. As stated before, if the occupants have pets, particularly cats, you need to note this. Later on, if you decide to buy the house, you may want to negotiate the replacement of the carpets.

Although it's not on the Worksheet, you may want to ask about financing. Does the seller want all cash? Is there an assumable mortgage? Would the seller consider taking back a second? Do you like the house?

Looking at Houses Being Sold by Agents

Is it in your price range? If so, you need to talk to your coach before you say you have just begun to look at houses and are not yet ready to buy.

Once again, one of the main reasons that you are out looking at houses now is you learn now about neighborhoods and home prices will be very helpful when you call your coach.

Unlike the FSBO you just visited, there will be an Agent in each of these homes representing the seller more than likely, and the Agent will have a flyer detailing the particulars of the homes being shown. Chances are the Agent will want you to "sign in" on a guest register, or fill out a form so he or she will have a record of who you are. As with the FSBO, you need to explain that you are just looking.

When you are finished move on to the next house on your list. Remember to evaluate the neighborhood as well as the house. Don't leave until you are satisfied that you have all the information.

You are out looking at a particular house and you spot another house that interests you while you are "cruising" around. This expression defines a very common situation that occurs when people go hunting. If it happens to you, by all means, stop and look. It may turn out that the house you originally went to see was not to your liking but you found another one nearby. Just take another Worksheet and record the information. Be sure to give this house a new number all its own.

As you become more familiar with the various areas of your community you should begin to color in the map. Use one color to represent the neighborhoods you like best, another to appealing to you. As the number of homes you look at increases, you will begin to accumulate a lot of information.

Worksheet 12

Summary of Homes Visited.

Be sure to fill out this Summary Page as you go along.

Your First Evaluation.

Now that you have had a chance to study new homes in a subdivision and compare them to resale homes, what do you think? Dollar for dollar, which type is the better deal for you? Did you find that there were more young families in the entry-level subdivisions? Is this important to you?

These are vital questions to ask yourself. If you think you might buy a new home then you need to discuss this with your coach. Most subdivisions are set up with their own in-house sales staff. The developers usually do not pay high commissions or put their homes on the multiple listing services. (You will hear more about the MLS very shortly).

But even so, your coach is the best person to help you determine a purchase. Because of his or her background and knowledge of real estate, your coach may be able to suggest an alternate area that will suit your needs even better.

Also, your coach may be able to suggest a better financing arrangement with the developer. This is especially true if you are willing to buy a home from "standing inventory." That is, a home that is already built but not yet sold.

That is why **timing** and **knowledge** are so important here. The COACH wants to make sure you gain as much knowledge as possible before you commit to a purchase of any home. This is especially true if you are considering either a FSBO or a new home in a subdivision.

Your coach's advice can be a very great help to you here, but only after you have completed some preliminary investigations on your own.

Remember, you are the person in charge. You need to decide which type of home is best for you, not a Loan Officer or coach. These people are important members of your team but **you** are the Team Captain.

Maybe you haven't considered a new home as a possibility until now. Maybe you have been spending all your time looking at resale homes. Take another look at Worksheet No. 1 How do the new homes stack up, compared to the resale homes you just saw?

Pros and Cons.

As you no doubt have discovered by now, looking for the "right" home means considering trade-offs. No single home you look at is going to possess all the goodies you are looking for. This is especially true when comparing a new home in a subdivision to an older home in a more established neighborhood.

On the Con side, the "new" home you buy may bear little resemblance to the "model" you originally looked at and loved. You may have seen a beautifully furnished home filled with **upgrades** (that's a code word for "expensive").

You can easily add $5,000 to $10,000, or more, with upgrades such carpets, appliances, patios, decks, fencing, and landscaping. That is why you need to take a careful look at production homes. You know, the ones that people buy, not just the models that everyone walks through.

New subdivisions are sometimes located far from the center of town. This could mean that shopping, schools, and city services such as police and fire protection, are further away.

On the Pro side, new homes are usually more efficient. You can expect double-pane windows, better wall insulation and up-to-code electrical and plumbing systems. These improvements translate into lower energy bills and more comfortable surroundings.

Tip: Expect lower maintenance costs with a brand new home.

Also, the home you select may not be built yet. This means you can choose carpet colors, types of appliances, etc. You may even be able to make some changes to the basic plan. Other advantages include not having to worry about lead- based paint, radon, or termites.

Usually a new home will come with a warranty against builder and manufacturer defects. And, generally, a new home in a new neighborhood appreciates faster than an older one in an older neighborhood.

Confused? Don't be. What you are experiencing now is exactly what every other potential home buyer has had to face. This is the first major decision you need to make regarding which home to buy. Do you want to consider a New Home, or a Resale?

If you aren't sure, plan to spend another weekend, or two, doing what you just did. Talk to your Agent and Coach. Look around. Consider a few more FSBO's and homes advertised by real estate agencies.

If it turns out that you decide to buy a new home in a subdivision, you can proceed immediately to the Step Five Manual of this Guide. That's right. There will be no need to spend any more time looking at houses or cruising neighborhoods.

On the other hand, if you have made the decision to continue looking at resale homes instead of buying a new one, then it's time to focus with your coach.

A Meeting of the Minds

In order to succeed in your house hunting endeavor you and your coach need to have a clear idea of exactly what you are looking for. You are qualified, so you know what you can afford. You have Worksheet No. 1 to study. You have at least one house hunting expedition under your belt. At this point it should only be a matter of boiling down what's out there to two or three prospects.

The Multiple Listing Service (MLS)

Of all the programs and systems invented to help agents and buyers find the right house the Multiple Listing Service is, without question, the very best. Imagine being able to do the following:

pick a geographic area within a city

select a price range

indicate the number of bedrooms and bathrooms desired

select the lot size

indicate the type of unit: condo, single-family detached, mobile home.

(These are only a few of the categories that can be combined and searched.)

Then, when you have finished listing your preferences, simply ask the computer to print out every house for sale that matches!

Hopefully, the list will not be too long. Find the listings in the MLS book and take a look at the pictures of each house. Pick your top four choices and go look at them with your Agent. Continue this process until you find the one that is the right type and size for you and MAKE AN OFFER.

Making an Offer

This is the big moment. This is what you have been waiting for and working so hard to accomplish. In most parts of the country agents present an offer using a standard, state-approved Purchase Agreement and Deposit Receipt. Contact your coach to review your offer before you submit it.

> **Tip:** Sellers are often hung up on price. Offer them full price and they may give you generous terms.

In the past, Purchase Agreements were often written for the benefit of the seller, since the seller was the one paying the commission. But now many states have adopted mandatory language and provisions that must be included in every real estate sales contract. Most of these provisions are included to protect the interests of the buyer.

> **Tip:** Whenever possible, leave yourself a way out of a purchase agreement. You never know what's going to happen and you might need it.

The National Association of Realtors (NAR) publishes a standard Purchase Agreement that is eight pages long. If this is the document your Agent intends to use, ask for a copy to study. Make notes and ask your coach questions about any statements you do not understand.

A Few Things You Need to Know About Making an Offer

In order to be valid, a contract must include a deposit. This deposit is often referred to as **Earnest Money.** These funds are generally placed in an escrow account pending acceptance of the offer. If the offer is accepted these funds remain in escrow and are applied to the down payment at closing. If the offer is rejected, the deposit is returned.

> **Tip:** If you're worried about getting your deposit back, put up a smaller deposit. If the seller insists on a large deposit, offer to increase the deposit at a later time.

In many states the seller must provide the buyer with a **Disclosure Statement**. If you are making an offer on an older home the seller must also provide disclosures about lead-based paints and asbestos. Your coach should be thoroughly familiar with all of these documents.

> **Tip:** If you want it included in your purchase, you must write it in the contract for purchase. Verbal agreements are not enforceable in Real Estate transactions. So let's look at a few things that are pretty common. Also, if the seller doesn't want to sell the item, it can become a negotiating point.
>
> Drapes and other window and door coverings. Always ask for them in your purchase contract. Think about it. Even if you don't like them, you will still not have to incur the extra expense of replacements until later. Also, will they fit at the seller's new residence? Probably not.
>
> Appliances and Lighting fixtures. Describe in detail if you want the one presently in the home. Use the make and model (number if available) when filling out your purchase contract. It has happened that large side-by-side refrigerator units are replaced with used, apartment sized units and also nice foyer and dining room fixtures are replaced with cheap builder grade items.

If you plan to obtain a FHA approved loan, an Appraisal and other inspections may be required shortly after the offer is accepted.

Assuming your offer is accepted, you are finished with this part of your journey. You are ready to proceed to the Step Five Manual, where you will be Homeward Bound. Meet you there.

EHOMEONE’S STEPS TO HOME OWNERSHIP
(Days 15 – 30)

		Check When Completed
Step 18. Purchase “First Excursion” Items Locate Prospects on Your Map	Page	[]
Step 19. Complete Worksheet No. 12 Look at New Homes Visit a FSBO Look at Resales by Agents	Page	[]
Step 20. Start Worksheet No. 13 Evaluate Houses Visited	Page	[]
Step 21. Go Through MLS Listings Visit Prospects	Page	[]
Step 22. Make an Offer	Page	[]

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Step 5

The Closing Process

The 60 Day Take Action Homebuyer's Guide

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As you may recall, this Guide suggested that traveling toward your Dream Home would get easier as you moved along. Not only are you older (but not too much, one hopes) and wiser, but you should have acquired several new friends to help you along the way.

In fact, if you decided to buy a new home in a subdivision, the list of people ready and willing to help you will have grown quite rapidly. Not only will you have the cooperation and expertise of the subdivision real estate agent (representing the seller), but more than likely an Escrow Agent and decorator, as well.

Closing

The Closing, or Settlement, as it is referred to in some parts of the country is the final step you will take to acquire your home. This process varies from place to place. You need to learn how closings are conducted in your area. Your coach and/or Loan Officer can help you here. Depending on your location you may wish to consult an attorney who practices real estate law.

Record Keeping

By now you should have become accustomed to putting important forms and documents in your Binder.

You are now at the beginning of **Escrow information and Documents.** The first page in this Section is labeled INDEX. Once your offer is accepted you need to place all your important escrow documents here. You should have the following:

Purchase Agreement Signed by you, the seller and the Real Estate Agent(s). Also, depending on your location you probably have several other signed documents attached to the Agreement. List each one on the INDEX page, by number.

Preliminary Title Report. Again, depending on your location, your lender will expect a title search to be made on the property. The report will show if there are any "encumbrances" on the title, such as, liens filed by creditors or tax liens filed by the IRS.

In addition to these two very important documents you will receive a variety of other papers during the time your escrow is open. Most of these papers will be generated either by your lender or the escrow agent. By the time escrow closes you will have signed or been shown copies of the following:

The HUD-l Settlement Statement
Truth-In-Lending (TIL) Statement
The Note
The Mortgage (or Deed of Trust)
The Deed

These documents are discussed in more detail below. You will receive copies of the Note and the Mortgage, or Deed of Trust. You will also receive the Deed to the property. This will be an original and should be put in your safety deposit box or other safe place. Put a copy in your Binder.

The Settlement Agent

Closings are conducted by a Settlement Agent. This can be a lending institution, title insurance company, or attorney. In most cases a Title Company is the responsible party. Regardless of who conducts the closing, it is always a person or institution not a party to the real estate contract itself.

Opening Escrow

Once an offer is accepted, an **escrow** is opened. An escrow is the temporary holding of money and documents by a third party. In those states where title insurance is issued and notes and deeds of trust are used, the third party is a Title Company. Usually the Title Company will assign a particular person, an Escrow Officer, to handle the transaction.

If you have never been through an escrow before, the Escrow Officer can help to minimize some of the stress you may be experiencing. Like your Real Estate Agent and Loan Officer, the Escrow Officer is really there to act as your guide during this final phase of acquiring your home. Contact EhomeOne and we will recommend a title company in your area.

Title Companies perform a number of important services. They examine public records to determine whether there are any mortgages, liens or other claims against the property. Title Companies also issue policies of title insurance. These policies protect the lender against losses that could arise from errors in the title. You can obtain title insurance to protect you, the buyer, as well. Discuss title insurance with your Escrow Officer.

Closing Costs

As a first-time home buyer you may not realize that buying a home includes a variety of costs besides the purchase price. These costs, such as title insurance and property taxes must be paid at the time the transaction is “closed” and before title is passed from seller to buyer.

Depending on the type of loan you have obtained and the terms of your purchase agreement, your costs can vary. Regardless of who pays, settlement costs at closing can range from 2% to 4% of the purchase price.

In the past, buyers and sellers were often unaware of all the settlement charges and fees that had to be paid. This created confusion and frustration at the closing. Today, however, things have changed for the better. First you will receive an estimated closing statement prepared by the lender. Generally you will receive this estimate soon after your loan application is processed.

The Settlement Statement (called the HUD- I Settlement Statement). Federal law now requires that you be given a final settlement statement at the closing. The Title Company, or other settlement agent prepares this document which must be signed by both you, the buyer, and seller. It will spell out all the funds accumulated and disbursed by the Escrow Agent. Below is a brief description of the important documents you will receive through escrow.

Truth-in-Lending Statement. This document is also required by law. The main item disclosed is the annual percentage rate **(APR)** of the loan. This Statement also discloses finance charges, the total amount financed, and the total payments required

The Promissory Note. This is a document prepared by the Title Company and signed by the buyer. The note is your legal promise to pay the lender. Terms, such as when and where payments are to be made, are stated on the note. Also, the note may contain an "acceleration clause" which states that the entire amount will be due if you sell the home without the written consent of the lender.

Mortgage. (or Deed of Trust in some areas) is the document that secures the note. The Mortgage or Trust Deed is **recorded**, which means the document is copied, usually at the county recorder's office, and becomes a matter of public record. If you do not pay the loan, that is, if you **default,** the lender can foreclose and sell the property.

The Deed. This is a document that must be signed and notarized by the Seller and delivered to the Settlement Agent. It transfers ownership from the seller to you.

Staying Informed

Hopefully enough has been said in this Guide to convince you that **You** are the person that needs to maintain control. Don't just sit back and expect everything to happen on its own. If time goes by and deadlines are approaching, call your coach or Loan Officer or Escrow Officer. Stay informed. Prod a little here and there, if it seems necessary to you.

In spite of their professionalism, your team members are busy with many other clients. Without being a pest, you need to let it be known that you want to stay on top of things.

Storage Envelopes. When escrow closes you will receive copies of all the important documents discussed. You will also have accumulated many other papers that need to be saved. One way to minimize the chance of losing these valuable documents is to place them all in a paper or plastic envelope and store them in a safe place. If you do not currently have one you should rent a safety deposit box at your local bank for this purpose.

Worksheet 14

List of Contents

Make a copy of this Worksheet and fill it out. Be sure to list all the items being stored in the envelope. Put a number "1" in the circle. Make a copy of this Worksheet and place it in Section 8 of your Binder. Tape, staple or glue the original to the front of the storage envelope.

As time goes on you will be acquiring other important papers relating to your home. For example, if you bought a new home in a subdivision, you will be given instruction manuals on all of the appliances, warranty certificates on the carpet, roof material, and many other items in the home. If you purchased a home through the EhomeOne program you are also provided a free home warranty, the certificate for which should be placed in this envelope. Place these in another storage envelope. Label this one as **List of Contents** on the envelope, the other should be placed in your binder.

Find a safe place in your home to store both your Binder and the storage envelopes. It can be a filing cabinet or a drawer you set aside. You will continue to refer to these materials so try to make it a convenient spot.

In the final Step of this Guide you will learn more about why it is so important to keep all your papers organized and in a safe place. Your willingness to take a few moments now to properly handle them will pay big dividends when you go to pay your taxes or sell your home.

Worksheet 15

Things to Do Before the Big Day

Utilities And Other Services. You can save yourself a lot of time and potential grief by dealing with certain aspects of moving prior to your actual departure. For example, you should contact your local utility company, garbage collector, newspaper, telephone and cable TV company as soon as your moving date is decided. Worksheet No. 15 will help you to organize this part of your move. Notice this Worksheet is divided into two parts:

1. Things to do before moving from your current location.

2. Things to do before moving into your new home.

Try to check off every item that pertains to you, prior to the Big Day. You will have more than enough to keep you busy when that day arrives. Fill in the location and phone numbers that pertain to you. Ignore the ones that don't apply. If there are other services that you think of that are not on the list, add them at the bottom. You should fill this Worksheet out a few days before the close of escrow. Make copies and be sure to put one copy in your Binder for future reference

Some items, such as changing locks, should be done on the very day escrow closes. Other services like the telephone company may need to be contacted several days prior to the close in order to avoid a lapse in service.

Cleaning House

This is another one of those things that need to be considered in advance. If the house is new you probably don't have a problem. But if the seller, or a tenant, is moving out on one day and you plan to move in shortly after, then you may have a problem.

Discuss this issue with your coach. Maybe they can determine a settlement figure to be set aside to cover cleaning. Better to plan ahead than to find, when you do move in, that bathrooms, kitchen cabinets and carpets should have been given a thorough cleaning.

Carpets, especially, pose a serious problem. If the previous occupants had cats, for example, you may decide that cleaning is a must before you occupy. Hopefully you and your coach will have discussed the installation of new carpet, if it was necessary. But, if you didn't address the issue before, it definitely needs to be considered now.

Taking Stock

If you have not yet done so, now is probably a good time to take a good look at all your possessions. If you have been in your present location for a long time, you may have accumulated a lot of furniture and fixtures that you won't need in your Dream Home. Some items won't fit and others may be too worn out.

Now would be a good time to give away, or otherwise dispose of, all those things that you really don't want. You might consider a garage sale, or having "stuff" picked up by a local charity. Many organizations will be happy to pick up your discards and re-distribute them to the needy. Be sure to get a receipt for income tax purposes.

Don't Forget The Keys!

It seems like a simple thing but you would be surprised how many Sellers forget to bring keys. Actually, you may want to contact a locksmith and have all the locks re-keyed. If so, try to arrange to have this done on escrow closing day.

Most of All, Don't Forget to Celebrate

The day escrow closes and you take possession of your Dream Home is a BIG day. So often in life, there are just too many things to be done on such a day to take time to savor the savor the moment.

You, and others close to you, have all worked very hard for this day. It is worth taking the time to gather up those friends and relatives and maybe have dinner somewhere. Celebrate! All of you have certainly earned it. And even if you did it all by yourself, all the more reason to take some time and reflect on your accomplishment.

When you turn the page tomorrow, it will be moving time!

EHOMEONE'S STEPS TO HOME OWNERSHIP
(Days 31 – 45)

		Check When Completed
Step 24. Record Keeping: Start Section 6 in Binder		[]
Add Document names to INDEX		[]
Step 25. Meet with Title Officer (Settlement Agent) Add name and phone no. to Directory		[]
File copies of Estimated Closing Costs		[]
Step 26. Create Storage Envelopes		
Fill Out "List of Contents" For #1 (Worksheet No. 14)	Page	[]
Step 27. Begin Worksheet No 15	Page	[]
Go Over Potential Problems With Agent		

Celebrate!

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Step 6

Tips On Moving Into Your New Home and The Tax Benefits Of Home Ownership

The 60 Day Take Action
Homebuyer's Guide

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If you are a first-time home buyer and have not experienced the peculiar state of mind about to be described, you are in for a surprise. There is a short period of time just before leaving your tenancy as a renter, and settling in as a new homeowner, when you generate mixed feelings. You are elated that, finally, you have reached your goal. But, at the same time there is a sense of sadness and apprehension about leaving the comfort of your present surroundings.

Don't worry. This half-in, half-out feeling won't last long. Why? Because, before you can actually savor the joy and sense of peace that comes from being a **Homeowner,** you must first **Move.**

Making Your Move

Whether moving across town or across the country, moving is generally a big job. It is a long and tiring experience that just about everyone dreads. Even if you have professional help, the process of packing and unpacking is a tedious one.

In the Step 5 manual, you were given two suggestions designed to help ease the burden of moving. First, it was suggested that you complete Worksheet No. 15. Second, the suggestion was made that you part with as many "unessential" items as possible. The fewer the belongings, the lower the cost of moving, both in money and energy. If you have passed that point, the serious part of moving is just ahead of you.

Do-It-Yourself, or Professional Mover? Have you considered the cost of your move? Even if you are moving only a short distance, doing it all yourself may not save you any money. Consider the cost of renting a truck and loading and unloading all your possessions. Do you have insurance to cover the cost of damage that might be incurred during the move?

> **Tip:** Perhaps hiring a small moving company with one driver and helper will not cost much more. Chances are, they will have insurance. If you have a lot of boxes and heavy furniture to move, and if your move must be completed quickly, your **back** may decide it's not worth it. Ten or twelve hours of lifting and hauling is not the same as working out in a gym. Shop around. Talk to your friends and relatives. Compare prices, including possible lost time at work due to sore muscles or a sprained back. Make sure you are really saving money before you decide.

If, on the other hand, your move is a relatively short one and you have plenty of time, do-it-yourself moving may be the answer. "Plenty of time," means at least a week or two. Also, if you are an old hand at moving you won't need much advice. But if you're a first-timer and are doing your own packing and moving, consider this hard earned advice:

Boxes. Collect as many as you can in advance. Supermarkets are a good source. Boxes are easier to stack if they are all the same size.

Labeling. Very important. Label each box with a large marking pen. Do you have any of the stickers you used earlier? If so, put one on each box you need to open as soon as you move. For example: canned goods and kitchen utensils. They will be easier to separate from the boxes you intend to store or leave in the garage for a while. There is more discussion about Labeling under Worksheet No. 16, below.

Truck Rental. Depending on the time of year, you may need to reserve a truck in advance of your moving date. Check early to make sure you can get the equipment at the time you need it.

Packing Special Items. You may need to rent padding, blankets, and special cartons to protect items such as mirrors, pictures and delicate china. If possible, plan to move these items, and other easily damaged articles in your car rather than the truck. Moving a TV or computer even a short distance in the bed of a truck can cause serious damage unless great care is taken in packing.

Tip: Paint cans, paint thinner, and other volatile substances, especially those stored in glass jars, should be given away or otherwise discarded. Considering their modest replacement cost, you are far better off without them.

Pets. Animals, such as large dogs, can pose a problem. It is suggested that you check the community into which you are moving for regulations on pets. It is a good idea to do this earlier rather than later.

Tip: Many neighborhoods have **CC&R's**, that is, legal restrictions which govern the size and type of pets allowed.

Insurance. Do you have it? Better check with your insurance agent. Does your policy cover damage to items during their move? You will read more about insurance a little later in this Guide.

Worksheet 16

"An Inventory of My Possessions"

This suggestion may not be for everyone, but if you've always wondered what you own and how much it is worth, now is a good time to find out. Let's assume you have discarded all that "stuff" you didn't really need and are currently left with only your "valuables." In that case you would be well advised to take an Inventory. Not only will an Inventory help you to find things quickly when you arrive at your new location, but it is what your insurance agent needs to establish the value of your possessions.

Worksheet No. 16 is designed to make this as easy for you as possible. Read and follow the instructions that accompany this Worksheet. Make as many copies of the "master" as necessary. When you finish your Inventory you will have a complete list of all your belongings, by category. Later, you can fill in the "value" column and determine their combined worth.

Meeting Your New Neighbors

Have you taken the time to meet your new neighbors? You should. Especially the ones on either side of you and directly across the street. If you are moving little-by-little over a period of several days, the sooner you become acquainted with the "folks next door," the better. Not only will they be a valuable source of information for you, but they can keep an eye on things when you're gone.

Some neighbors tend to be more stand-offish than others. Don't be afraid to make the first move. Introduce yourself and any others who will be moving with you. It may be just the right thing to do. By being warm and friendly yourself, you will most likely generate the same feelings in others.

Further in this Manual you will find more suggestions on how to settle into your new surroundings, once you are completely out of your former location.

When you carry out that last box and close the door for the last time, everyone at EhomeOne hopes you will be saying good-bye to all the landlords and all the rentals, forever.

Now you are ready to take up residence in your new home and savor the joys and rewards of home ownership.

Your little interlude is over.

Congratulations, again. Finally, you're Here! Maybe *now* is the time to celebrate.

The move is over and the dream lives on. The COACH hopes your transition from tenancy to home ownership is a relaxed and easy one. Above all, we hope this is a happy time for you.

This last Part of the Guide contains suggestions on what to do during the first few days and weeks after you move.

If you purchased an older home, you are probably anxious to roll up your sleeves and start making improvements. Our suggestion is, don't be in too big a rush. Throughout this Guide you have been urged to move forward at a steady, but moderate, pace. There is good reason to continue with the strategy.

It is worth repeating that, if you are a typical American, purchasing a home may be the largest investment you will ever make. You need to do everything you can to protect this investment, while you are enjoying it. Painting the exterior or remodeling the kitchen are improvements worth making, especially in an older home. However, there are two short-term goals you need to pursue first. They are:

1. Obtaining adequate insurance to protect your investment;

2. Making sure that your home is safe and secure.

Insurance

Prior to close of escrow, your Lender required that you purchase homeowner's insurance. Now that you have moved in, you should check with your Insurance Agent to determine if you have adequate coverage. EhomeOne has formed an alliance with an insurance company to give our clients preferred rates. Contact EhomeOne for details. Does your current policy include a rider to cover inflation? As your house appreciates in value, you need to be covered for the increase. Also, does your policy cover personal belongings?

Other coverage you might want to consider is Personal Liability and Hazard Insurance. Personal Liability protects you in the event someone is injured on your property and sues you for you for damages. Hazard Insurance covers fire, theft, and weather related damage.

You don't want to become "insurance poor," but, now that you have a substantial investment, you don't want to be under-insured either.

Safety First

Security. It was suggested earlier that you change the locks on all your doors prior to moving in. Assuming you have done so, all that remains is to inspect the doors and windows from the standpoint of security. Adding dead-bolts and window locks may be all that is required.

> **Tip:** If you plan to be away frequently, you might want to invest in an electronic security system. Most insurance companies charge reduced premiums when such systems are added.

Finding and Eliminating Fire Hazards. This should be a family project. If there are other adults and/or children sharing the home with you, take them along on the tour.

> **Tip:** What has become of all the wrappings, packing material and boxes that were used to ship your belongings? Are they still in the garage, or in various locations around the house? If everyone helps breaking down the boxes and stuffing the rest of the packing material into garbage bags it shouldn't take long. If there is a recycling facility in your area, take as many trips as necessary to haul it all away.

Electric Wiring. Depending on the age of the home, this may or may not be a problem. Inspect outlets and electrical connections. Do you know where the main switch, fuse box, or breaker switches are located?

> **Tip:** If you normally run a lot of appliances and power equipment, you might want to have an electrician check your system. They can tell you whether or not additional circuits are needed. Overloading electrical circuits is a very common cause of fires in the home.

Flammable Materials. The best rule is to keep these substances to a minimum. It goes without saying that if you have small children in the house, you want to keep all such containers out of their reach.

Fire Extinguishers. If this is your first home, you probably don't own one yet. Shop around. Depending on the size of your home and the number of floors, you may need several. But don't delay. A simple grease fire in a frying pan or oven can be quickly extinguished with the proper equipment. Without it …

Smoke Detectors. Many states now require placing these devices inside the home prior to close of escrow. If your home is not so equipped, buy and install them right away. They are not expensive and, unlike older models, are battery operated.

Also Worth Noting

Medicine Cabinets. It's surprising how many homes do not come equipped with this most necessary storage area. If you lack cabinets in the bathroom(s), don't despair. Most home supply stores carry a large variety of cabinets that can be attached directly to the walls. No need to go through the inconvenience or expense of having one fitted into the wall.

Hot Water Heaters. They come in many shapes and sizes. Some run on gas, others on electricity. If your home was built in the last ten years, your heater is most likely glass-lined and covered with an insulating blanket. In older homes, this may not be the case. If you use a lot of hot water, check the setting. If the temperature is set too high, particularly in cold climates, the heater may be working overtime. If you suspect it needs adjustment or replacement, ask your gas or electric provider to come out and inspect it.

Garage Doors. Were you fortunate enough to have purchased a home with an attached garage? Does it have an automatic garage door opener? If the answers are "yes," count your blessings. If apartment dwelling is in your recent past, you know what a comfort it is to be able to pull into a garage.

Depending on its age, a garage door with or without an opener should be given a good going over. The older, one piece swing out type are usually spring loaded. That is, there will be two long, coiled springs, one on each side of the door. When working properly these springs take most of the work out of raising and lowering the door.

> **Tip:** If this is the type of door you have, you may want to consider exchanging it for a sectional door. Sectional garage doors, especially aluminum ones, are safer and easier to operate. A smaller motor can be used in the automatic opener and no dangerous springs are in the way. This would be a relatively inexpensive capital improvement that will benefit everyone in the household.

Income Tax Deductions

One of the many benefits of home ownership is being able to take advantage of the tax deductions allowed by the federal government. As a renter, none of these benefits were available to you. In order to take full advantage of them now, you would be wise to hire a **Tax Preparer.** Contact your coach who can recommend a good tax preparer. Consider this person as another addition to your Team. He or she will help you to prepare Form 1040, the so called "long form." This form allows you to itemize all your deductions. Following is a brief discussion of some of the significant tax benefits to which you are entitled:

Closing Costs. Your tax preparer will use the HUD 1 Settlement Statement to determine which of your closing costs can be deducted this year and which ones need to be capitalized . You will learn more about **capitalized** costs shortly.

> **Tip:** You may be entitled to other deductions for costs that were paid outside of escrow. For example, you might have paid a structural engineer to inspect the foundation, or roof. Show all your receipts to your Tax Preparer and let him or her decide if the expense is tax-deductible.

Moving Expenses. You may be able to deduct many of these expenses. It depends on whether or not the move is job-related. All you need are your receipts. Your Tax Preparer will take it from there.

Property Taxes. Not only are these taxes deductible from your federal return, they may also serve as a deduction on your state income taxes. Again, your Tax Preparer will know the answer.

Interest. This is an interesting one (pardon the pun). Uncle Sam allows you to deduct the accumulated interest you pay each year on your mortgage. During the first several years of a 30-year mortgage, most of your monthly payment goes to interest. Let's say you buy a home and obtain a $75,000 loan. The loan is amortized over 30 years, payable at the rate of 8%. In this case, your monthly principal and interest payment would be, $550.00.

An amortization schedule is a chart that shows how much of each monthly payment goes to repay the principal and how much goes to pay interest. On a $75,000 loan. You will pay a total of $6,600.00 during the first 12 months (12 x $550.00). However, $5,977.49 went to interest. That is, all but $622.51. Not a very good deal? It certainly wouldn't be, if you were paying $550.00 a month in rent. Rental payments, remember, are not deductible. Interest payments on your mortgage, however are.

What does all this mean to you, Mr., or Mrs., or Ms., average home buyer? If you are in the 20% income tax bracket, and you bought the house as described above, you would save $1,195.50 during the first year. That's almost $100.00 a month. And that's just on the interest!

By the time your Tax Preparer adds up all the deductions for which you now qualify as a home owner, your tax liability will shrink to a mere shadow of its former self.

Capital Improvements

Although they are not tax deductible in the year in which the work is completed, capital improvements are an important way of increasing both the value, and the basis of your home. When you first bought your property, the basis, or total cost, was calculated on the original purchase price plus all the capitalized costs.

Capital Improvements include such things as: a new roof, landscaping, patios and decks, garage doors and garage door openers, exterior painting and kitchen renovations. Be sure to keep all the receipts for both cost and labor. Once completed and paid for, you can add these expenses to the original base cost of the house.

Your tax preparer will go over your **Closing Statement** and show you which items are deductible and which items need to be **capitalized. Capitalized** costs are added to the base cost of the house. This figure is your basis. When you go to sell your home, someday, any amount you receive **above** this base price will be **taxable.** For example,

Original Purchase Price	$90,000
Capitalized Costs at Closing	2,700
Adjusted Tax Base	$92,700

Let's say you are Mr. Jones and you own the house in the above example. Ten years go by and you decide to sell. A new market appraisal establishes a value of $120,000. For this example let us assume a willing buyer purchases the house at full value. Your closing costs, including commissions, amount to $6,700. In that case,

Sales Price	$120,000
Closing Costs	-6,700
Adjusted Sales Price	$113,300
Your basis, Mr. Jones (orig. cost), is	-92,700
	=======
So you have a Capital Gain, of	$20,600

Capital gain income on the sale of your principal residence may not be taxable. Consult with your tax preparer on this question. But, consider what happens if, over 10 years, you keep track of all your capital improvements:

Paint exterior, add gutters	$6,200
Pour new patio	1,800
Renovate kitchen	10,000

Install new furnace	4,000
Total Cap. Improvements	$22,000

Now the picture is a little brighter. Instead of a possible taxable gain of $20,600, you now show a **loss** of $1,400!

Record Keeping

You can see how important it is to keep accurate records of all your home improvement expenses. An easy way to accomplish this is to continue to use the storage envelopes discussed in the Step 3 Manual.

Start a new envelope at the beginning of each year. Print the year on the front in large numbers. You can use copies of Worksheet No. 14 to list all the receipts and other information. Simply number each item as you receive it, starting with the number "1" When you take your information to your Tax Preparer, it will be a simple matter to decide which items are deductible during that tax year and which items should be capitalized.

Being A Good Neighbor

Another benefit of home ownership is becoming part of a neighborhood. Home owners tend to be a more cohesive group**.** They often form **Neighborhood Watch** groups and engage in social events such as **block parties**. There is more "pride of ownership," as well.

If there is a neighborhood watch committee in your area contact the Block Captain. Let your neighbors know that you are willing to participate in this worthwhile program. Your interest will be appreciated and you will get to know the community much faster.

EHOMEONE STEPS TO HOME OWNERSHIP

	Check When Completed
Step 28. If Making a Do-It-Yourself Move, Collect and Label Boxes	[]
Begin Worksheet No. 16	[]
Step 29. Meet the Neighbors	[]
Step 30. Discuss Insurance With Your Agent	[]
Step 31. Do a Safety Inspection of House	[]
Step 32. Contact a Tax Preparer	[]
Step 33. Set Up Record Keeping Files	[]

(Thank You.)

e HomeOne

GLOSSARY

Acceleration

The right of the mortgagee (lender) to demand the immediate repayment of the mortgage loan balance upon the default of the mortgagor (borrower), or by using the right vested in the Due-on-Sale Clause.

Adjustable Rate Mortgage (ARM)

A mortgage in which the interest rate is adjusted periodically based on a pre-selected index.

Amortization

A loan payment by equal periodic payment calculated to pay off the debt at the end of a fixed period, including accrued interest on the outstanding balance.

Annual Percentage Rate (APR)

The interest rate reflecting the cost of a mortgage as a yearly rate. This rate is likely to be higher than the stated note rate or advertised rate on the mortgage, because it takes into account point and other credit costs. The APR allows home buyers to compare different types of mortgages based on the annual cost for each loan.

Appraisal

An estimate of the value of property, made by a qualified professional called an "appraiser."

Assessment

A local tax levied against a property for a specific purpose, such as street lights or road improvements.

Assumption

The agreement between buyer and seller where the buyer takes over the payments on an existing mortgage from the seller. Assuming a loan can usually save the buyer money, since this is an existing mortgage debt, unlike a new mortgage where closing costs and new, probably higher, market-rate interest charges will apply.

Balloon (Payment) Mortgage

Usually a short-term fixed-rate loan which involves small payments for a certain period of time and one large payment for the remaining amount of the principal at a time specified in the contract.

Blanket Mortgage

A mortgage covering at least two pieces of real estate as security for the same mortgage.

Borrower (Mortgagor)

One who applies for and receives a loan in the form of a mortgage with the intention of Repaying the loan in full.

Broker

An individual in the business of assisting in arranging funding, or negotiating contracts for a client buyer who does not loan the money themselves. Brokers usually charge a fee or receive a commission for their services.

Closing

The meeting between the buyer, seller and lender or their agents where the property and funds legally change hands. Also called settlement. Closing costs usually include an origination fee, discount points, appraisal fee, title search and insurance, survey, taxes, deed recording fee, credit report charge and other costs assessed at settlement. The costs of closing are about 3% to 6% of the mortgage amount.

Commitment

A promise by a lender to make a loan on specific terms or conditions to a borrower or builder. A promise by an investor to purchase mortgages from a lender with specific terms or conditions. An agreement, often in writing, between a lender and a borrower to loan money at a future date subject to the completion of paperwork or compliance with stated conditions.

Construction Loan

A short term interim loan to pay for the construction of buildings or homes. These are usually designed to provide periodic disbursements to the builder as they progress.

Contract of Sale

A contract between purchaser and a seller of real estate to convey title after certain conditions have been met. It is a form of installment sale.

Conventional Loan

A mortgage not insured by FHA or guaranteed by the VA.

Credit Report

A report documenting the credit history and current status of a borrower's credit standing.

Debt-to-Income Ratio

The ratio, expressed as a percentage, which results when a borrower's monthly payment obligation on long-term debts is divided by his or her gross monthly income. (See "Housing Expenses-to-Income Ratio.")

Deed of trust

In many states, this document is used in place of a mortgage to secure the payment of a note.

Default

Failure to meet legal obligations in a contract. Specifically, failure to make the monthly payments on a mortgage.

Delinquency

Failure to make payments on time. This can lead to foreclosure.

Department of Veterans Affairs (VA)

An independent agency of the federal government which guarantees long-term, low-or no-down payment mortgages to eligible veterans.

Discount Point

See Points

Down Payment

Money paid to make up the difference between the purchase price and the mortgage amount.

Due-on-Sale-Clause

A provision in a mortgage or deed of trust that allows the lender to demand immediate payment of the balance of the mortgage if the mortgage holder sells the home.

Earnest Money

Money given by a buyer to a seller as part of the purchase price to bind a transaction or assure payment.

Equal Credit Opportunity Act (ECOA)

Is a federal law that requires lenders and other creditors to make credit equally available without discrimination based on race, color, religion, national origin, age, sex, marital status or receipt of income from public assistance programs.

Equity

The difference between the fair market value and current indebtedness, also referred to as the owner's interest. The value an owner has in real estate over and above the obligation against the property.

Escrow

An account held by the lender into which the home buyer pays money for tax or insurance payments. Also earnest deposits held pending loan closing.

Fannie Mae

See "Federal National Mortgage Association."

Farmers Home Administration (FMHA)

See "The Rural Housing Service."

Federal Home Loan Bank Board (FHLBB)

The former name for the regulatory and supervisory agency for federally chartered savings institutions. Agency is now called the Office of Thrift Supervision.

Federal Home Loan Mortgage Corporation(FHLMC)

Also called “Freddie Mac.” A quasi-governmental agency that purchases conventional mortgage from insured depository institutions and HUD-approved mortgage bankers.

Federal Housing Administration (FHA)

A division of the Department of Housing and Urban Development. Its main activity is the insuring of residential mortgage loans made by private lenders. FHA also sets standards for underwriting mortgages.

Federal National Mortgage Association (FNMA)

A tax-paying corporation created by Congress that purchases and sells conventional residential mortgages as well as those insured by FHA or guaranteed by VA. This institution, which provides funds for one in seven mortgages, makes mortgage money more available and more affordable. It is also known as “Fannie Mae.”

FHA loan

A loan insured by the Federal Housing Administration open to all qualified home purchasers. While there are limits to the size of FHA loans (see your loan officer), they are generous enough to handle moderately-priced homes almost anywhere in the country.

FHA Mortgage Insurance

Requires a fee (up to 2.25 percent of the loan amount) paid at closing to insure the loan with FHA. In addition, FHA mortgage insurance requires an annual fee of up to 0.5 percent of the current loan amount, paid in monthly installments.

Fixed Rate Mortgage

The mortgage which specifies that the interest rate will remain the same throughout the term of the mortgage for the original borrower.

FNMA

See Federal National Mortgage Association.

Foreclosure

A legal process by which the lender or the seller forces a sale of a mortgaged property because the borrower has not met the terms of the mortgage. Also known as a repossession of property.

Freddie Mac

See Federal Home Loan Mortgage Corporation.

Guaranty

A promise by one party to pay a debt or perform an obligation contracted by another if the original party fails to pay or perform according to a contract.

Hazard Insurance

A form of insurance in which the insurance company protects the insured specified losses, such as fire, windstorm and the like.

Housing Expenses-to-Income Ratio

The ratio, expressed as a percentage, which results when a borrower's housing expenses are divided by his/her gross monthly income. (See "debt-to-income ratio".)

Impound

That portion of a borrower's monthly payments held by the lender or service to pay for taxes, hazard insurance, mortgage insurance, lease payments, and other items as they become due. Also known as reserves.

Index

A published interest rate against which lenders measure the difference between the current interest rate on an adjustable rate mortgage and that earned by other investments (such as one, three, and five-year U.S. Treasury security yields, the monthly average interest rate on loans closed by savings and loan institutions, and the monthly average costs-of-funds incurred by savings and loans), which is then used to adjust the interest rate on an adjustable mortgage up or down.

Interim Financing

A construction loan made during completion of a building or a project. A permanent loan usually replaces this loan after completion.

Investor

A money source for a lender.

Lien

A claim upon a piece of property for the payment or satisfaction of a debt obligation.

Loan-to-Value Ratio

The relationship between the amount of the mortgage loan and the appraised value of the property expressed as a percentage.

Market Value

The highest price that a buyer would pay and the lowest price a seller would accept on a property. Market value may be different from the price a property could actually be sold for at a given time.

MIP (Mortgage Insurance Premium)

It is insurance from FHA to the lender against incurring a loss on account of the borrower's default.

Mortgage Insurance

Money paid to insure the mortgage when the down payment is less than 20 percent. (See "private mortgage insurance, FHA mortgage insurance.")

Mortgagee

The lender.

Mortgagor

The borrower or homeowner.

Non Assumption Clause

A statement in a mortgage contract forbidding the assumption of the mortgage without prior approval of the lender. Note: The signed obligation to pay a debt, as a mortgage note.

Origination Fee

The fee charged by a lender to prepare loan documents, make credit checks, inspect and sometimes appraise a property; usually computed as a percentage of the face value of the loan.

PITI

Principal. Interest, Taxes and Insurance. Also called monthly housing expense.

Points (loan discount points)

Prepaid interest assessed at closing by the lender. Each point is equal to 1 percent of the loan amount (e.g., two points on a $100,000 mortgage would cost $2,000).

Power of Attorney

A legal document authorizing one person to act on behalf of another.

Prepaid Expenses

Necessary to create an escrow account or to adjust the seller's existing escrow account. Can include taxes, hazard insurance, private mortgage insurance and special assessments.

Prepayment

A privilege in a mortgage permitting the borrower to make payments in advance of their due date.

Prepayment Penalty

Money charged for an early repayment of debt. Prepayment penalties are allowed in some form (but not necessarily imposed) in many states.

Principal

The amount of debt, not counting interest, left on a loan.

Private Mortgage Insurance (PMI)

In the event that you do not have a 20 percent down payment, lenders will allow a smaller down payment – as low as 5 percent in some cases. With the smaller down payment loans, however, borrowers are usually required to carry private mortgage insurance. Private mortgage insurance will usually require an initial premium payment and may require an additional monthly fee depending on your loan's structure.

Realtor

A real estate broker or an associate holding active membership in a local real estate board affiliate with the National Association of Realtors.

Recision

The cancellation of a contract. With respect to mortgage refinancing, the law that gives the homeowner three days to cancel a contract in some cases once it is signed if the transaction uses equity in the home as security.

Recording Fees

Money paid to the lender for recording a home sale with the local authorities, thereby making it part of the public records.

Refinance

Obtaining a new mortgage loan on a property already owned. Often to replace existing loans on the property.

RESPA

Short for the Real Estate Settlement Procedures Act. RESPA is a federal law that allows consumers to review information on known or estimated settlement costs once after application and once prior to or at a settlement. The law requires lenders to furnish the information after application only.

Second Mortgage

A mortgage made subsequent to another mortgage and subordinate to the first one.

Secondary Mortgage Market

The place where primary mortgage lenders sell the mortgages they make to obtain more funds to originate more new loans. It provides liquidity for the lenders.

Settlement

See “Closing.”

Settlement/Settlement Costs

See “Closing/Closing Costs.”

Simple Interest

Interest which is computed only on the principal balance.

Sweat Equity

Equity created by a purchaser performing work on a property being purchased.

Survey

A measurement of land, prepared by a registered land surveyor, showing the location of the land with reference to known points, its dimensions, and the location and the location and dimensions of any buildings.

Title

A document that gives evidence of an individual's ownership of property.

Title Insurance

A policy, usually issued by a title insurance company, which insures a home buyer against errors in the title search. The cost of the policy is usually a function of the value of the property, and is often borne by the purchaser and/or seller. Policies are also available to protect the lender's interests.

Title Search

An examination of municipal records to determine the legal ownership of property. Usually is performed by a title company.

Truth-In-Lending

A federal law requiring disclosure of the Annual Percentage Rate to home buyers shortly after they apply for the loan. Also known as Regulation Z.

Underwriting

The process of evaluating whether to make a loan to a potential home buyer based on credit, employment, assets, and other factors such as the quality of the property being purchased.

Usury

Interest charged in excess of the legal rate established by law.

VA Loan

A long-term, low, or no-down payment loan guaranteed by the Department of Veterans Affairs. Restricted to individuals qualified by military service or other entitlements.

Variable Rate Mortgage (VRM)

See "Adjustable Rate Mortgage."

Verification of Deposit (VOD)

A document signed by the borrower's financial institution verifying the status and balance of his/her financial accounts.

Verification of Employment (VOE)

A document signed by the borrower's employer verifying his/her position and salary.

WORKSHEET 1 What I NEED in My Dream Home

1. How many persons will be living in the home with you? _______________
   Adults? ________________ Children? ___________ Their ages ___________

2. How many bedrooms do you think you require? ________________________

3. Will you be living with adults who have special needs? Describe:
   ____

4. Are infants or very small children living with you? ______________________

5. Is it important to be near any of the following? Schools? ____ Shopping? ____
   Church? _________ Hospital? _________ Public Transportation? ____________

6. Do you need to be in a particular area of your city or town? Describe:
   ____

7. How many automobiles do you own? ________ Do you own a camper or other vehicle requiring storage? _____________________________

8. What size lot do you need? ____
   Any special requirements for outdoors? _________________________________

9. Is air conditioning important to you? _______ A fireplace? ________________

10. Do you need: Home Office? _________ Workshop? __________ Studio? ____
    Family Rec. Rm? _________

11. How long do you think you will stay in this home? ______________________

12. List any other special needs or family requirements. Attach pictures or other documentation you have to help describe what you need in your home. Add more pages, if necessary. ____
    ____
    ____
    ____

Worksheet 2 **Weekly Appointment Calendar**

Week No ________
Month __________
Year __________

Thursday ___
8:00 ________________
10:00 ________________
12:00 ________________
2:00 ________________
4:00 ________________
6:00 ________________
8:00

Monday ____
8:00 ________________
10:00________________
12:00 ________________
2:00 ________________
4:00________________
6:00 ________________
8:00

Friday ___
8:00________________
10:00________________
12:00 ________________
2:00 ________________
4:00________________
6:00 ________________
8:00

Tuesday ____
8:00 ________________
10:00 ________________
12:00 ________________
2:00 ________________
4:00 ________________
6:00 ________________
8:00

Saturday ___
8:00 ________________
10:00 ________________
12:00 ________________
2:00 ________________
4:00 ________________
6:00 ________________
8:00

Wednesday ____
8:00 ________________
10:00 ________________
12:00 ________________
2:00 ________________
4:00 ________________
6:00 ________________
8:00

Saturday ___
8:00 ________________
10:00 ________________
12:00 ________________
2:00 ________________
4:00 ________________
6:00 ________________
8:00

Worksheet 3 Log/Diary

Date	Comments

Worksheet **4** List of "Time To Buy" Items

Item No.	Description
1.	Color Coding Labels, ½ inch Diameter Circles
2.	Top Loading Sheet Protectors
3.	Local Map(s) of Area of Interest
4.	Set of Read-through Felt Pens
5.	Clip Board
6.	Paper or Plastic Storage Envelopes
______	____
______	____
______	____
______	____
______	____
______	____
______	____
______	____
______	____
______	____
______	____
______	____
______	____

Worksheet 5 Important Names & Numbers

EhomeOne Coach

Address ________________________

____

Phone _________________________

Fax___________________________

Pager _________________________

Paste Business Card Here

EhomeOne Loan Officer

Address_________________________

____

Phone ________________________

Fax___________________________

Pager ________________________

Paste Business Card Here

Broker

Address _______________________

____

Phone ________________________

Fax ___________________________

Pager ________________________

Paste Business Card Here

Title Company

Address _______________________

____

Phone ________________________

Fax ___________________________

Paste Business Card Here

Worksheet 6 **Personal Data Sheet**

Please Complete the following:

Buyer Name_____________________________ SS# _________________ DOB ____________

Co-Buyer Name__________________________ SS# _________________ DOB ____________

Residence ________________________ City ______________ County _________ State______

Home Phone__________________________ Buyer's Work Phone ________________________

Pager # ______________________________ Co-Buyer's Work Phone _____________________

Total Members Living in Household ___ Marital Status: Married ___ Separated __ Single__

Have you owned a home in the last three years? _______________________________________

Employment: (past two years)

Name of Employer	**Address**	**Dates Employed**	**Ending Salary**
________________	_________________	____ to ____	$____________
________________	_________________	____ to ____	$____________
________________	_________________	____ to ____	$____________
________________	_________________	____ to ____	$____________
________________	_________________	____ to ____	$____________

Other Sources of Income

Source	**Monthly Amount**

Annual Income – Last Year $_____________

Annual Income – Last Year $ _____________

Other Sources of Income

Source	**Monthly Amount**	**Type of Acct**	**Est. Balance**

Worksheet 6 Personal Data Sheet (cont.)

Landlords:

Name of Landlord	Address	Monthly Rent	Date Rented
________________	________________	$____________	_____ to ______
________________	________________	$____________	_____ to ______

Debts (credit cards, loans, auto loans, student loans)

Name of Creditor	Type of Loan	Monthly Pymt	Est Balance

Declarations: (yes or no)

A. Any outstanding judgments?____________ ______________
B. Bankruptcy? ____________ ______________ Discharged ________
C. Non-payment of rent? ____________ ______________
D. Foreclosure of property? ____________ ______________
E. Open collections? ____________ ______________
F. U.S. Citizen? ____________ ______________
G. Permanent Resident Alien? ____________ ______________

Document List:

1. Last full month paycheck stubs.
2. Two years Tax Returns, complete, signed with W-2 Forms.
3. Self-employed Buyers:
   Last two years Tax Returns, Current Profit and Loss Statement and Balance sheet.
4. Last three months of Bank Statements. If you don't have them, request them from your bank immediately.
5. If you owe Alimony, Child Support or Separate Maintenance Payments, a complete copy of your Final Divorce Decree and Property Settlement Statement.
6. If you have had a Bankruptcy within the past 7 years, bring filing papers, Schedule of Assets and Discharge Papers.
7. DD214 (VA only).

Worksheet 7 "Where Do I Turn From Here?"

	YES	NO
1. Have good credit and down payment money. I qualify for a CONVENTIONAL Loan.	_____	_____
2. I have some credit problems and minimal down payment. I qualify for a GOVERNMENT INSURED Loan.	_____	_____
3. I am a Veteran and qualify for a VA Loan.	_____	_____
4. I live in a rural area and earn a relatively low income.	_____	_____
5. I have the ability to qualify for a home loan but lack the cash for a down payment and closing costs.	_____	_____
6. I do not have either the down payment or closing costs and have problems with my credit.	_____	_____

Worksheet 8 Monthly Income and Expenses

List all current, monthly income for yourself and any co-borrowers. Consider all sources of income during the past 12 months if they are likely to continue for at least three years.

Income:	**Average Monthly Amount**
Gross pay (before taxes and other deductions)	$
Overtime/part-time/seasonal/commission income	$
Bonuses/tips	$
Dividends/interest earnings	$
Business or investment earnings	$
Pension/Social Security benefits	$
Veterans Administration benefits	$
Unemployment compensation	$
Public assistance	$
Alimony/child support/separate maintenance income	$
Other	$
Total Monthly Income	**$**

Worksheet 8 Monthly Income and Expenses (cont.)

Use this worksheet to calculate your current monthly expenses. By comparing your non-housing expenses with your gross monthly income, you can see how much you have left for housing related expenses. Remember that when you are a homeowner, your housing expenses will include your monthly mortgage payment, property taxes and homeowner's insurance, condominium fee (if applicable), utilities, and maintenance costs.

Expenses:	**Average Monthly Amount**
Current Housing Expense	
Rent	$
Utilities (if paid separately)	$
Current Non-housing Expenses	$
Food	$
Clothing	$
Day care/tuition	$
Car loan	$
Car insurance	$
Gas and oil	$
Car repairs	$
Health care	$
Credit card payments	$
Installment loan payments	$
Student loan	$
Alimony/child support	$
Entertainment	$
Taxes	$
Telephone	$
Insurance	$
Total Monthly Expenses	**$**

Worksheet 9 Monthly Budget

Net Monthly Income

Total Gross Monthly Income		$______________
Minus Payroll Deductions	--	$______________
Total Net Monthly Income		$______________

Monthly Expenses/Savings

Current Rent or Monthly Mortgage Payment		$______________
Property Taxes and Insurance (if not included in mortgage payment)	+	$______________
Average Monthly Utilities	+	$______________
Allowance for Maintenance Expenses	+	$______________
Non-housing Expenses	+	$______________
Savings (Emergency Fund)	+	$______________
Total Monthly Expenses and Savings		$______________

Remaining Discretionary Income

Total Net Monthly Income		$______________
Minus Total Monthly Expenses and Savings	--	$______________
Funds Available for Short and Long Term Investments		$______________

Worksheet **10** Questionnaire

	YES	NO
1. Do you want to own a home of your own?	____	____
2. Are you willing to spend the next several months working to establish and/or improve your credit rating?	____	____
3. Do you intend to co-purchase your home with a spouse or significant other?	____	____
Is this person also committed to home ownership?	____	____
4. Are you prepared to "tighten your belt" and make a serious attempt to reduce your monthly expenditures?	____	____
5. Are you prepared to make a sincere effort to save a minimum of $100 per month starting this month?	____	____
6. Even if you have not done so in the past, are you willing to set up budgets and Worksheets to keep track of your payments and monthly obligations?	____	____

If you can answer "yes" to the above questions then your dream of home ownership is alive and well. In order to reach this goal you need to move forward with the instructions on this form.

Turn over a new leaf **today:**

If you don't have a savings account, open one up today at your local bank.

Take a careful look at your Monthly Budget. It lists the obligations you must pay each month. How many are credit cards or charge accounts? This type of debt can really hurt you.

Add up the total amount of money you currently owe on credit cards. Check your monthly statements for the interest rate. It probably ranges from 15% to 21%. Now add up the total amount of interest you paid last year. You will find this number on each statement sent to you in December. Is the total interest you paid last year $1,000 or more? If so, you may have found the down payment money for your Dream Home. STOP using the cards. Double up on the payments. Force yourself to pay cash whenever possible. If you don't have the money, maybe you can get along without the purchase. The interest money you save plus the $100 per month you are putting away is all you may need to buy your home.

Worksheet 10 Questionnaire (cont.)

Do you tend to over-spend at Christmas and other holidays? Try budgeting only half the amount you spent last year. Your friends and relatives will understand, especially if they know you are seriously saving for a home of your own.

Do you write a shopping list before you go to the grocery store? Do you know how much you spend a month on groceries? Try saving every receipt for one month. Add them up. Can you shave 20% off the monthly total? If so, you can put away another $30 to $50 a month toward your home.

Do you tend to eat out a lot, rather than cooking at home? Dinner for two at a nice restaurant can cost $25 to $50. No one expects you to turn into a hermit but maybe you should look at your entertainment costs. A reduction of 20% still leaves 80 cents on the dollar, to play with. And the savings could add up to another $500 a year.

Do you see where this discussion is heading? The moral is, you don't save money in big chunks. Unless you get lucky and win the lottery, of course. It accumulates in small bits and pieces – 10% here, 20% there. Once you get into the habit, you will be surprised at how quickly your savings will grow.

Worksheet No. 9 tells you how much you owe each month, and to whom. Worksheet No. 11 is a record of how much you actually pay each month. If you spend one hour each month updating these two Worksheets, you will soon see if you are making any headway. Your goal is to reduce the amount you spend each month on expenses, and put the money you save into your savings account. It sounds simple enough, doesn't it.

Saving money is a very important part of turning your dream into reality. But it's only half the program. The other part involves repairing any flaws in your credit.

Worksheet 11 Monthly Budget Reports

Month________________ **Year**__________

Payment	Company	Account #	Date Paid	Amt. Paid
Rent				
Utility #1				
Utility #2				
Utility #3				
Phone				
Phone				
Ins. Auto				
Ins. Medical				
Ins. Misc.				
Credit Card				
Credit Card				
Credit Card				
Credit Card				
Loan – Car				
Loan – Misc.				
Loan – Misc.				

Other Obligations____

Notes: ____

Worksheet 12 **Home Inspection Worksheet**

Date:______________ By:_________________________ No:__________________

Street Address:____

Nearest Cross Street____

Occupied ____ Vacant ____ FSBO ____ Asking Price:___________________

Residence Type: Single-Family, Detached ____ Duplex ____ Condo____ Other_____

Single Story____ Two Story____ Split Level______

House Size______Sq.Ft. Lot Size:______Sq.Ft or % acre

Exterior: Yes or No / Rating: 1 = Poor, 5 = Excellent

Siding: Wood_____/____ Stucco ____/____ Metal ____/____ Other_________

Roof: Tile _____/____ Composition____/____ Shake ____/____ Other_______

Interior:

Walls: Dry wall ____/____ Paneling ____/____ Wall Paper ____/____

Flooring: Vinyl (A), Tile (B), Carpet (C), Wood (D)/ Condition (1 – 5)

Kitchen___/___ Bath___/___ Living___/___ Dining ____/____ Bathrooms ______

No. Bedrooms ____ No. Baths: ___ Laundry, Yes___ or No___ Location:________

Appliances:

- Stove/oven____
- Refrigerator___
- Ice Maker ____
- Disposal______
- Dishwasher____
- Microwave____
- Ceiling Fans___
- Washer _______
- Dryer ________
- Other_________

Interior Features:

- Fireplace _______
- Wood stove_____
- Wet bar ________
- Tile counters ____
- Formica ________
- Cable Wired_____
- Phone jacks _____
- Garden tub ______
- Air cond. _______
- Other __________

Exterior Features

- Garage _______
- Carport_______
- Fenced yard___
- Deck (___x___)
- Patio (___x___)
- Shed_________
- Land scaping:
  - Front_______
  - Back_______
- Sprinklers_____

Type of Heating: Forced Air ___ Radiators ___ Other _______ Fuel: Gas___ Oil ___

Sewer: City____ or Septic Tank_____ Water: City ____ or Well ____

Topography: Level Lot _________________ Hilly ________________________

Neighborhood:

Schools: Elementary ________________________________ Bus, Yes ___ No ___

Junior High________________________________ Bus, Yes ___ No ___

High Schools_______________________________Bus, Yes ___ No ___

Recreation/Parks____

Shopping:____

Worksheet 12 Home Inspection Worksheet – Instructions

Print several copies from the Master and number each sheet in order from "1" on. Later, you will use these numbers to fill in Worksheet 13.

You should find this Worksheet easy to use. Just put a "check mark" ? or a "yes" or "no" in the appropriate spaces. Fill in the spaces where information is asked with a few words as possible. Use the blank sheet you attached, if you need to elaborate.

Date:

If you put the year on Worksheet 13, you can just put the day and month here, 8/29, for example, and leave room for the time.

Map Location:

The Hor (horizontal) and Ver (vertical) coordinates should be right next to the Street Index of your Map. Putting these coordinates on your Worksheet will make it easier to locate the street a second time.

Rating System:

As mentioned, the Rating System is a subjective one. Put a number from 1 to 5 on the right of each item listed under EXTERIOR and INTERIOR. For example if the siding is "wood," and the paint is peeling and the wood seems to be pulling away from the wall, mark a "1". If the home is new, or the exterior has been recently fixed up and painted, give it a "4" or a "5."

Use this same system to rate the APPLIANCES and other features listed in the three boxes. It will help you to remember a particular house if, for example, you put a check mark beside the "Microwave" and only gave it a "1" or a "2". If you only check that the house has one, you won't be getting all the information you need. Maybe after the appliances and other extras are also in bad shape. It will help to remember this when you begin to compare one house against another.

Remember to label the Blank Sheet you attach to each Worksheet with the same number. In case the pages get separated, you can easily match them together again.

Have Fun.

Worksheet 13 Summary of Homes Visited

No.	Date	Address	Map Location	Rating*

*****On a scale of 1 to 5 (5 being the best), rate each home visited.

Worksheet 14 List of Contents

Notes: List the name of each document and give it a number before placing it into the Storage Envelope. When you have listed all of the documents you intend to put in an envelope, make two copies of this List. Attach one to the front of the Storage Envelope. Put the other one in Section 8 of your Binder.

No.	Name of Document	No. of Pages

Worksheet 15 Things To Do Before The Big Day

1. Things to do before moving from your current location:
(Note: If you are currently renting, check with your landlord before having utilities turned off. Perhaps it is only necessary to have the meters read to get a final bill and not turn off the service.)

Item	**Call or Visit (C/V)**	**Action Required**	**Date Accomplished**	**Completed**
Utility Co.				
Garbage				
Cable TV				
Post Office				
Newspaper				

1. Things to do before moving into your new home:
(Note: If you are a Do-it-Yourself mover and plan to move over several days, contact all the necessary services in advance to you will have lights and heat during your move.)

Item	**Call or Visit (C/V)**	**Action Required**	**Date Accomplished**	**Complete**
Change Locks				
Telephone				
Utilities				
Garbage				
Cable TV				
Newspaper				

Worksheet 15 **Things To Do Before The Big Day (cont.)**

Name of Company	Address/Phone No.	Date "Change" Sent

Worksheet 16 An Inventory of My Possessions

Room/Category (circle one) ______________________________

No.	Description of Item	Est. Value	Receipt Yes	Receipt No

Worksheet 16 An Inventory of My Possessions – Instructions

The Master Worksheet on the opposite page can be used to categorize all your possessions. Begin by labeling each page, depending on the "system" you choose. You can create a list of items in one of two ways:

1. List items based on room location. For example, label the first sheet "KITCHEN". List each item that you own which belongs in this room: appliances, silverware, dishes, kitchen tables or other kitchen furniture, etc.

   Other pages could be labeled: DINING ROOM, LIVING ROOM, BEDROOM 1, BEDROOM 2, BEDROOM 3, GARAGE, RECREATION ROOM. When you have made a page for each room, you should have covered most of your possessions. Label one last page MISCELLANEOUS, to cover any items that you did not place in a particular room, such as a vacuum cleaner.

2. The second way to create an Inventory is by category. If you decide to use this method, label pages as follows: APPLIANCES, ELECTRONIC EQUIPMENT, RECREATIONAL GEAR, EXERCISE EQUIPMENT, JEWELRY, FURNITURE, WORKS OF ART, POWER TOOLS, HAND TOOLS, GARDEN TOOLS AND EQUIPMENT, etc. Create additional categories to suit your particular needs.

   Regardless of which method you choose, you need to exercise good judgment. There is no point in trying to list every single item you possess. Unless the items are special, you probably wouldn't list such things as: clothing, bedding, toys, etc. Your main purpose in taking Inventory is to create a list to show your Insurance Agent. The second reason is to mark on your list where each item is located after you complete your move. You may store a number of things in a basement or garage. By noting this on your inventory sheet you will be able to locate them again without difficulty.

   Notice the last column, "Receipt, Yes or No". You should keep a receipt for any Item worth $100 or more. In case the item is lost or stolen, you will have proof of its value.

Safety Deposit Box. Keep all your receipts in a Safety Deposit Box. This is especially important for high ticket items such as jewelry, electronic equipment and art work. If you do not currently lease a Box you should make arrangements with your bank to acquire one as soon as possible. A loss due to fire or theft is bad enough, but loosing your proof of value could be a costly mistake.