

Real Rules For

Real Estate

How to Buy and Sell Real Estate for a profit

Real Rules for Real Estate

1. Buy Local

- It is imperative that you buy locally. This ensures that you are familiar with the environment, traffic, proposed changes affecting the neighborhood, sales patterns, area quirks, politics, problems, number of children in the area, ethnic diversity, conflicts, lawsuits, schools, shopping, freeway access, churches, parks, upward (or downward) trends.

2. Buy the Cheapest House in the Neighborhood

- It is best to buy the lowest priced property (at an additional discount) in any neighborhood. Almost all potential buyers want to live in affluent neighborhoods when their budget dictates otherwise.
- I would not buy a 900K home for a 50% discount in a 300K area. I would be very happy to buy a 300K home for 350K in a 900K neighborhood.

3. Establish True Value

- Most real estate agents are satisfied with three comparables. Appraisals usually include three comparables to support their estimates of fair value. The most common comps are those that emphasize similarity of the house structure and style, rather than location. Also, comps must be "recent" (not too far back in years of sales activity) and must actually have been successfully sold.
- Many appraisers will use comps from different neighborhoods, far from the subject property, in order to be as "similar" as possible to the property in question.
- Factors such as (a) different square footage, (b) pool, (c) garage, (d) solar, (e) two-story vs one-story are reasons for using (more) similar comps from outside the local neighborhood. FYI...The appraiser may not know about potential sales (or expired listings) if they were "FSBO" (For Sale By Owner).
- I require twenty comps, rather than accepting faith in three. If twenty comps are not available, then I want to go back year-by-year in the same neighborhood, adjusting for

differences in sq. footage, pools, garages, outrageous listings that expire, FSBOs, and yearly appreciation. Twenty comps gives me accuracy and confidence that supercedes what typical "Real Estate Agents" and appraisers have to say about any specific property.

- My twenty comps also give me purchasing support for my purchase offers and ultimately for my sale (resale) of that property. I might even use my data to convince an appraiser of the value when I resell it – thereby making the appraiser try harder to validate my stated price. If I give the appraiser a copy of my resale contract, he also has more reason to agree with my value.

4. Get a "Hungry" Purchasing Agent

- Get a "hungry" real estate agent to locate your comps; one that is aggressive and will work hard for you. Find someone with an optimistic personality and sales ability and good language skills. Experience and years of service are not always the key...*hungry* is the answer.
- To be successful at getting the right agent, you need to interview ten or more agents to find a truly motivated (and able) person who is persistent enough to get complete contracts. It is also important that you declare your intentions regarding (a) twenty comps and (b) the cheapest house, so that they understand your minimum requirements. You need to tell them that you are prepared to make an offer (or more) per day until you secure an acceptance. They need to agree that they can have many offers rejected, yet "stay the course" until successful.
- One saying that I firmly believe is, "You may have to process ninety-nine 'NO!' responses before you get one 'YES!'" If in fact, someone agrees to your first offer, you may not have gotten that attractive a deal.
- Be sure to tell the agent that:

A. Fixer-uppers are okay	D. Anything regarding color is okay
B. Layout is okay	E. Built-ins/lack thereof are okay
C. Any bad finance terms are okay	F. Flexible close and escrow whenever
- The key is to get the property cheap. Then get further reductions for repairs, financing, problems, late move-outs, holding time, history, or rumors.
- Your offer of flexible close of escrow and occupancy can simplify negotiations for further discounts, payoff holdbacks, and rent payments.

5. Live In the Property

- These rules may apply to other types of property; however, in this instance, they are specifically discussed for residential properties. The key of this discussion is to understand that it is best to actually live in the first property you acquire.
- If this is your first real estate transaction, you are expected to have serious doubts about your potential for success. The fear that is associated with such a large purchase is natural. This fear will gradually be reduced with each successive purchase, but do not make a second purchase until you sell the first one and long after "Buyers Remorse" is a memory.

- Living in your first investment property eliminates much worry regarding damage to a vacant house, property management, holding time costs, and allows you to increase value by continuous repairs and improvements. A lived in appearance and aroma can have positive effects with a buyer.

6. Holding Costs

- Look at the average holding periods of other properties sold (twenty comps) and be sure to reduce your price offers according to the following example:

▪ Value of Property	200,000
▪ Discount	30,000 (15%)
▪ Hold Time	12,000 (6 months @ 2000)
▪ Improvements and Repairs	10,000
▪ Sales Costs	<u>15,000</u>
▪ Offer Price	\$133,000

- In the above example, hold time of six months at 1% of purchase price per month is typical. Your area comps may be different, but 1% of value is a good standard rate per month. Now, if you are living in the property, you might argue that you do not have holding costs, but that's a bad argument. If it was vacant, you would have to clean, carpet, paint, arrange movers, get utilities, expect vandalism, and undergo other unexpected expenses. After that experience, you will never ignore holding cost estimates again. Besides, you are doing this as a "business" and the rules are your Business and Operations Management philosophy. It is simply a business plan: ignore it and you will risk failure.
- **FYI:** *You may be able to reduce costs in all of the various estimated areas...*
- For example: hold time may be small, repairs may be less expensive than expected, and maybe you can "trade" for improvements from friends or relatives.
- If you buy title insurance with a "resale provision," some companies only charge 10% of the second (your resale) title insurance fee. If you use the same escrow company, 50% of the resale escrow fee would be reasonable. You must get title and escrow discounts in writing prior to your purchase completion. If you are lucky enough to resell the property yourself, you have "earned" the (savings of) sales commissions. Another way to look at it is to realize you could have been earning income selling another house, or a car, or working, selling motor homes, with the same time and effort, and been "paid" a commission to do so. Do not think for one minute that selling your own house "saves a commission." That implies that you are willing to work for free.
- I don't recommend that you sell your own properties without a real estate agent. It is almost always easier to get a higher price and a faster sale, selling things that belong to someone else. People easily believe sales pitches from agents that provide a selection of properties, that can say negative, as well as positive things about various properties, thereby taking pressure off of only having one property to sell.

- Agents are also in excellent negotiating posture to relate offers and counter offers, enticing alternative methods and compromises. Buyers and sellers without agents come to a finish quickly and have very little areas of negotiation.
- There is one exception to the need for a real estate agent, and that is if you are living in the property and do not care how long it takes to sell.

7. **Repair and Improvements**

- The best fixer-upper is the one you sell before you fix it up. I've seen many investors that refuse to show or sell their investment simply because they haven't done the work yet. They are determined to do the actual work, foregoing the same profits until a later date. If you do end up doing repairs and improvements, be sure to only work on areas that will improve value (sales price) at a 2 to 1 Return on Investment or more, such as:

❖ **Return on Investment: 10 to 1 return**

- Entrance Door, Doorbell
- Porch, Porch Light
- Entry Flowers, Steps
- Mailbox, Doormats, Entry Décor

❖ **Return on Investment: 6 to 1 return**

- Windows, Rear Entry
- Entry Walkway, Front of House
- Gate, Driveway, Garage Door
- Interior and Exterior Paint

❖ **Return on Investment: 3 to 1 return**

- Front Lawn, Front Fence Repairs
- Entry Tile
- Replace Worn Carpet, Kitchen Upgrades
- Improve Floor Tile

❖ **Return on investment: 1 to 1 return**

- Rear Yard, Move Interior Walls
- Convert Garage to Living Area, Convert Patio
- Change Colors or Styles of Tile, Carpets, Kitchen Cabinets, and Patios

❖ **LESS RETURN THAN YOUR COSTS**

- Swimming Pool, Jacuzzi, Fountains, Closets, Barbecues
- Rear Landscaping, Fencing, Change Colors, Lawn Furniture
- Heaters, Air-Conditioning, Rear Fences, Intercoms, Screens

- Only repair or improve in neutral colors or earth tones. Many buyers already have colored furniture and accessories and may not like the colors you've chosen. Mixing colors of any kind with earth tones and shades of white are usually acceptable to the majority of buyers. They can resolve to make do and later to modify over time.
- Generally, emotions and first impressions will allow or restrict sales. Most purchase decisions are made by the time prospects are just inside the front door. Very few buyers change their minds from a negative first impression (that sometimes occurs in the first sixty seconds).

8. **Get a Good Selling agent**

- Usually good purchasing agents (Rule #4) are not automatically good selling agents.

- The purchasing agent should be proficient at easily acquiring twenty comps, documenting potential properties and FSBOs, new properties on the market, potential foreclosures, potential listings, difficult sellers, unusual properties, desperate sellers, and crime properties. They are specifically “in a rut,” doing many of the above things.
- Selling agents usually have a better knowledge of chain of title, escrow procedures, traditional financing requirements, appraisal procedures, zoning and governmental requirements, property taxes, earthquake and flood zone issues, truth-in-lending disclosures, open houses, and toured properties.
- It is highly recommended that you find an agent that has many of the above qualities, abilities, knowledge, and has motivation, and salesmanship.
- By way of these rules (#1 to #10), you can be reasonably assured that you will have success. While it may be difficult to find a “willing and able” agent, it is well worth the effort to interview many agents before committing to a single agent to perform this plan. Do not use more than one agent at a time for either buying or selling. They will trip over the same properties and will stop working with you.
- Many (certainly the majority) of agents are content to accept whatever “easy” business that comes their way. Usually, this means friends and neighbors and friends of neighbors. Almost all agents become either a “Listing Agent” or a “Buyers Agent,” thereby getting into a pattern that narrows performance and opportunities. Most all agents are trained in traditional bank financing, and many cannot understand or participate in seller financing or creative financing. Many agents have such strong opinions, that they eliminate discussion of discounts, repairs, twenty comps, or flexible financing. Some even dismiss the idea flexible appointments and showings! Find someone else to earn all the commissions on your purchases and resales.
- You must find an agent to pursue your goals, your way, using these rules. When you find the right agent, they will ask you for a copy of these rules, guaranteed! Hide this last statement and start interviewing agents and find out for yourself. Almost all agents will be profoundly enthused or dismayed by the rules. Very few will be non-committal.

9. Buy and Resell Mathematically

- The basic idea is to avoid emotional decisions; leave emotional decisions to others, keeping potential profits for yourself. This does not mean treating anyone unfairly. In fact, my motto is to treat others as you would have them treat you. Always imagine how you would feel in their position. Instead of limited options, present multiple options, making them (and you) even happier. I am happier when they are happier, and I am sure unhappiness is universal, as well.
- They may not be very happy if I simply offer a discounted price for their property, so purchase prices are negotiable. Following is an example:

- Property value as determined by comps minus repairs: \$200,000.

	Offer #1	Offer #2	Offer #3	Offer #4	Offer #5
Purchase Price	140,000	160,000	180,000	185,000	200,000
Existing Loan	80,000	80,000	80,000	80,000	80,000
New Loans	All Cash	N/A	N/A	N/A	N/A
Owner Will Carry	0	50,000	75,000	90,000	110,000
Cash Down	60,000	30,000	25,000	15,000	10,000
Close of Escrow	Anytime	Anytime	Anytime	Anytime	Anytime
Occupancy	Anytime	Anytime	Anytime	Anytime	Anytime

- Note how much flexibility is available. In fact, too much! Keep in mind that your agent usually presents the offer to the owner and the owner's agent. It is best to offer number one initially and to suggest verbally that they counter offer with something like offers 2, 3, 4, or 5.
- The best time to make a profit on a real estate transaction is when you buy it. This is much better than waiting until the resale occurs. If you acquire the property at a significant discount, you make a profit going in, and can still make money going out. At the very least, you are getting somewhat of a guarantee that there will be an ultimate profit.
- MYTH #1: Buy, hold until value increases, then sell. While it may be true, you end up holding a property for a period of time. **AVOID HOLDING TIME!** If you bought it for 85% of the true value, **SELL IT NOW**, hopefully for 110% of the true value.
- MYTH #2: Buy a fixer-upper; fix it; then sell it. You have allocated a budget for repairs and improvements and a period of time (hold costs) to finish your project. But, why wait? **SELL IT NOW**, and be happy to reduce the price by (almost?) the budget allocated. Get the same (or more) profit now...
- MYTH #3: Save money by repairing or selling yourself. Just because you have some skills to repair or make improvements yourself, or can get materials for free, or are a "Born Salesman," does not change the value price of your offer, or price (wages) you are willing to work for. Would you rather be working "for free" on your repairs or get paid \$85.00 per hour working on a real job?
- MYTH #4: Buy and then wait for gradual appreciation. Prices do not necessarily gradually change. They can instantly go down, such as when industry has a layoff, or a plant closes, an earthquake occurs, or a military base closes or is deployed for war. They can also go up instantly. Such is the case when the only three houses in the neighborhood that were priced at: (a) \$200,000, (b) \$210,000, and (c) \$220,000 are now priced at (b)

\$210,000, (c) \$220,000, and (d) \$221,000. It is very possible that the sellers of (b) and (c) will increase their listing price when you make them aware of your listing price. At the very least, they may become much more firm on their price, now realizing that they are compared to you!

NOTE: *The property (a) is the property you bought, then changed the price from being the cheapest to being the most expensive.*

- **MYTH #5:** You cannot sell for higher than true value. Terms, flexibility, and emotions determine price. If all of the competition requires 60 day closes of escrow, and you will close quickly, you can usually sell at a 2% higher price. If all of them require new financing (and qualifying) and you don't, you can usually sell for 3% more. If you offer browns, whites, and neutral colors, and they have red or yellow or other bright colors, you can usually sell for an additional 2%.
- **MYTH #6:** The washer, dryer, and fridge affect the price. Always ask to include items like the washer, dryer, refrigerator, lawn mower, pool equipment, and patio furniture when buying. You can always give up that request during a counteroffer. Many times, they have no further need of those items and are burdened by their disposal, anyway. NEVER (initially) offer those items on the resale listing. Quite often, buyers already plan to buy those items or already have them. Find out, then offer to sell them with the deal or include the items, instead of lowering your price.

10. Be Flexible

- Flexibility includes close of escrow date, occupancy dates, interest rates, down payment amounts and payment dates, length of owner-carried balloon financing, structured principal payments, contingencies, the ability to refund deposits, and even the size of deposits. Be prepared to show credit reports, resume, asset lists, and/or references. Basically, be prepared to prove that you can complete the transaction and that you are a completely safe buyer that virtually eliminates any seller risk.
- Before you make any offers, have assurances that you have ready cash and are prepared to close escrow immediately. Be absolutely sure that you can keep future payments current for at least 12 months in advance. Be sure that you can get the repairs and improvements done within your budget. Have a few thousand dollars available for unexpected events or emergencies. Have more than one resource available for each repair. Do not expect to rent the property! Remember one thing... "Renters are scum!" Repeat that to yourself as often as necessary. Remember, you should be living in your first property. However, never rent your properties, unless you are prepared to hire a full time property manager and you have at least 16 units or commercial investments. Less units are simply an aggravation and more trouble than they are worth.

BLENDING INTEREST RATES –

Sometimes it is agreeable to pay extremely high interest rates, points, and other fees; especially if there is already a large loan at a low rate.

For instance, you may be able to get a huge discount on the property, or eliminate other costs like commissions, fees, closing costs, late charges, foreclosure fees, penalties, etc.

For Example:

Fair Market Value: 400,000
Purchase Price: 280,000

Great: -or-

Cash Down Payment: 10,000
1st Mtg. Balance: 260,000 Assume 6% Existing Loan
2nd Mtg. (New): 10,000 Hard Money 18% Loan

Really Good: -or-

Cash Down Payment: 10,000
1st Mtg. Balance: 250,000 Assume 6% Existing Loan
2nd Mtg. (New): 20,000 Hard Money 18% Loan

Good: -or-

Cash Down Payment: 10,000
1st Mtg. Balance: 230,000 Assume 6% Existing Loan
2nd Mtg. (New): 40,000 Hard Money 18% Loan

Sorta Good: -or-

Cash Down Payment: 10,000
1st Mtg. Balance: 220,000 Assume 6% Existing Loan
2nd Mtg. (New): 50,000 Hard Money 18% Loan

Sorta BAD: -or-

Cash Down Payment: 10,000
1st Mtg. Balance: 140,000 Assume 6% Existing Loan
2nd Mtg. (New): 130,000 Hard Money 18% Loan

If there is only a small amount of money subject to the large fees and interest rate, and/or there is a huge amount of money subject to a low rate of interest, it usually makes for a very sweet arrangement.

You need to do the math to determine if it is bad, good, or VERY GOOD! I emphasize the good potential, because I have found it to be *so very good* so many times.

The BLENDED RATE of the various *Good* examples range somewhere between 6.42% and 8.19% for the first year and usually decline each year, BUT are completely reduced to 6% upon payoff of the hard money loan. The *Sorta Bad* example blended rate is about 11.72% interest.

You may have to shop around for the lowest hard money rates, fees, and conditions of the loan.

Hard money lenders usually don't care much, if at all about your credit score. They do care about making fees, fees, and more fees like PREPAYMENT PENALTIES and POINTS and JUNK FEES.

Junk Fees are creative charges that are usually unnecessary and just a way to bloat up your loan costs. Shop around, ask about ALL LOAN COSTS and FEES to select your lender. Then after selection, ask for a written description prior to final decisions.

Your Example:

Name:

BUYER INFO & WANT FORM

Source:	Date
Contact Phones:	Real Estate IQ Attitude
Address:	Flexibility
Est. Price: Payments: Sq Ft	Area of town preferred:
Bedrooms Baths Stories Condo Y/N	
Garage Carport Pool Y/N Lot Size Pets <input type="checkbox"/>	
View <input type="checkbox"/> Big Kitchen <input type="checkbox"/> Big Yard <input type="checkbox"/> Office <input type="checkbox"/> Storage <input type="checkbox"/>	
Special Features	
	We Will Call Dates:
How long looking:	
Now Selling	
Price How long owned years	
Amount of cash available immediately	
From	
Can Qualify for	
Will Do Balloon Payment <input type="checkbox"/>	
Why Buying	
When Needed	
Existing Residence: Own <input type="checkbox"/> Rent <input type="checkbox"/> Parents <input type="checkbox"/> Other <input type="checkbox"/>	
1st Loan Balance PMT PITI <input type="checkbox"/>	
Lender	Schools:
2 nd Loan Balance PMT PITI <input type="checkbox"/>	
Lender	Work Travel Time:
Equity Credit Line Amount Used	
Are all payments current	Public Transportation:
Appliances Needed:	
Working with another Agent Named:	
Agent Info:	
Real Estate IQ, Attitude, and Flexibility should be each rated on a scale of 1 to 10, average person starting point of 5. So a 1-5-5 is a small real estate knowledge person, but otherwise average. A 9-1-1 would be a knowledgeable person that is difficult & inflexible.	CALL DATES – In 'We Will Call Dates': Insert "CC" if CLIENT intends to call "MM" if Message left on Machine "MK" if left with Kid "MS" if left with spouse

Buyer's Qualification Worksheet

Fill in boxed areas only; shaded cells are automatically calculated.

Desired Home Purchase

List Price	<input type="text"/>	
% to Be Financed	<input type="text"/>	%
Term of Loan (Yrs.)	<input type="text"/>	
Interest Rate	<input type="text"/>	%
Monthly Payment		\$0.00
Est. Annual Property Taxes	<input type="text"/>	
Est. Annual Insurance Premium	<input type="text"/>	
Est. Homeowners Assn. Fees	<input type="text"/>	
Total Annual Costs	\$0.00	
Monthly Costs		\$0.00
Monthly Cost of Homeownership		\$0.00

Buyer's Financial Resources

His Gross Monthly Income	<input type="text"/>	
Her Gross Monthly Income	<input type="text"/>	
Total Monthly Income		\$0.00
Monthly Debt Payments		
Auto Loan(s)	<input type="text"/>	
Other Recurring Payments	<input type="text"/>	
TOTAL	\$0.00	

Qualifying Ratio Calculation

Ratio Based on Housing Expense	0.00%
[This percentage should fall at or below 28% for conventional loans.]	
[This percentage should fall at or below 29% for HUD/FHA loans.]	
Ratio Based on Income	0.00%
[This percentage should fall at or below 36% for conventional loans.]	
[This percentage should fall at or below 41% for HUD/FHA loans.]	
Min. Mo. Income Needed to Qualify:	\$0.00

Maximum Offer Worksheet

Selling Price \$ _____

(Minus)

Repair Costs \$ _____

Carrying Costs \$ _____

Maintenance \$ _____

Closing Costs (Buy) \$ _____

Closing Costs (Sell) \$ _____

Sales Commission \$ _____

Misc. Expense \$ _____

Purchase Price \$ _____

(Equals)

Total Costs \$ _____

(Minus)

Target Profit \$ _____

(Equals)

Maximum Offer \$ _____

Buy vs. Rent Comparison Worksheet

Fill in boxed areas only; shaded cells are automatically calculated.

Costs of Rental Housing

Monthly Rental Payment	<input type="text"/>	
Total Annual Rental Payments		\$0.00

Costs of a Home Purchase

Sale Price	<input type="text"/>	
% to be Financed	<input type="text"/>	%
Amount to be Financed	\$0.00	
Fixed-Rate Financing:		
Term of Loan (Yrs.)	<input type="text"/>	
Interest Rate	<input type="text"/>	%
Monthly Payment	\$0.00	
Annual Cost of Loan		\$0.00
Other Costs of Homeownership:		
Annual Property Taxes	<input type="text"/>	
Annual Insurance Premium	<input type="text"/>	
Annual Homeowners Assn. Fees	<input type="text"/>	
Est. Maintenance & Repairs (10%)	\$0.00	
Total of Other Costs		\$0.00
Est. 1st-Year Interest Paid on Mortgage*	\$0.00	
Homeowner's Effective Tax Rate	<input type="text"/>	%
LESS: Est. Tax Reduction for Interest Paid*		\$0.00
LESS: Appreciation in Property Value (est. 2.0%)		\$0.00
Net First-Year Cost of Homeownership		\$0.00
Net Savings/(Expense) from Home Purchasing		\$0.00

* Tax calculations and interest payments are only rough estimates.
A lending institution and the IRS should be consulted for more
reliable figures, rates, and amortization calculations.

CALCULATIONS:

Cash-on-Cash: $\text{Net income (NIBDS)} \div \text{by total project cost.}$
(Net Income Before Debt Service)

Debt Coverage Ratio:

$\text{Net Income before Debt Service (NIBDS)} \div \text{by Debt Payment.}$

Front-End Ratio: $\text{PITI} \div \text{Gross Monthly Income}$

Back-End Ratio: $\text{PITI} + \text{Debt Payments} \div \text{Gross Monthly Income}$

Return on Investment (ROI): % original money is returned.

Rate of Return (ROR): An annual % return on monies.

VALUE:

$\text{NET} \div \text{Rate of Return} - \text{or} -$

$\text{Gross Income Multiplier} - \text{or} -$

$\text{Cash on Cash Return} - \text{or} -$

$\text{Net Spendable Multiplier}$

Example: \$1 @ 9%=\$11.11 at time of sale.

CASH FLOW ANALYSIS			
Projected Gross Income			26,640
Vacancy & Credit Losses	minus		999
Effective Gross Income	equals		25,641
Other Income	plus		150
Gross Operating Income	equals		25,791
Fixed Expenses	minus		1,000
Variable Expenses	minus		500
Reserves	minus		750
Net Operating Income	equals		23,541
Debt Service	minus		17,000
Cash Flow Before Taxes	equals		6,541
Tax Liability	minus		1,500
Cash Flow After Taxes	equals		5,041

Capitalization Rate:

$C=Y-I$ followed by $R=Y-(MC)$

C= constant or a coefficient

Y=desired yield to equity (or cash invested)

M= % of loan-to-value

i=interest rate of financing

MC=Mortgage Constant

R=resulting Cap (capitalization) rate

Example:

75% LTV

interest=8.5%

Will buy ONLY if Yield=13%

(CAP) R=

$C=Y-I$ or $C=13-8.5$

therefore $C=4.5$

Then

$R=Y-(MC)$ or $R=13-(.75 \times 4.5)$

Therefore, $R=13-3.38$ or 9.62% (cap rate)

Another way:

LTV = .75

% Equity (E) down (invested) = .25

Desired Rate of Return on (E) aka ROE=.25

Annual mortgage constant (MC) 7% 30 yrs=7.98

So:

$LTV \times MC = C2$ $.75 \times .0798=5.99$

$E \times ROE = C2$ $.25 \times .15=3.75$

Cap Rate = $C1+C2 = 9.74$

FINANCE FUNCTIONS & EXAMPLES

Date of Loan	12/1/2005	enter on formula line as a formula like "=DATE(2005,12,1)"
Loan Amount	\$10,000.00	
Annual Rate	12.0%	enter data styled either as .07 -or- 7%
Length of Loan in Years	3	
Number of All Payments	36	12 x #Years=Monthly -or- # of Loan Years=Annual
Amortized Payment	\$332.14	shown as negative if you do not use a "minus" sign you can show (reverse) as POS by using a "-" before formula like=-PMT(B6/12,B7*12,B5,0,0) that reverses from NEG to POS

FUTURE VALUE:

FV(rate, nper, pmt, pv, type)

Displays the **FUTURE VALUE** of a series of equal payments "pmt", at a fixed rate "rate" for a specified number of periods "nper". The 4th & 5th arguments ("pv" & "type") are optional. For example, =fv(.08,3,10000) determines the future value of three \$10000 payments at the end of three years at an interest rate of 8%.
=-FV(0.08,3,10000)
=-FV(0.08/12,12*3,10000/12)

Examples of Payments - Annually: \$32,464.00
-or- Monthly: \$33,779.63

PRESENT VALUE:

PV(rate, nper, pmt, pv, type)

Displays the **PRESENT VALUE** of a series of equal payments "pmt" at a fixed rate "rate", for a specified number of periods "nper". The 4th & 5th arguments ("pv" & "type") are optional. For example, =pv(.08,3,10000) determines the current value of three payments of \$10,000 at 8% interest.

Examples of Payments - Annually: \$25,770.97
-or- Monthly: \$26,593.17

PAYMENT:

PMT(rate, nper, pv, fv, type)

Displays the **PAYMENT** per period needed to repay a loan "pv", at a specified interest rate "rate", for a specified number of periods "nper". The 4th & 5th arguments ("fv" & "type") are optional. For example, =pmt(.08/12,36,10000) determines the monthly payment needed to repay a \$10,000 loan at a less than 1% monthly rate (8% year) for 36 months (3 years).

Examples of Payments - Monthly: \$313.36
x 36= \$11,280.96
-or- Annually: \$3,377.88
x 3= \$10,133.64
-or- Three Year/One Payment Balloon= \$12,597.12

=PMT(0.08/12,12*3,10000)
=313.36*36
=PMT(0.08/12,3,10000)
=3377.88*3
=((10000*1.08)*1.08)*1.08

Data Entry Errors:

The terms need to be compatible in term (either months or years). You may need to use a MINUS sign to show a POSITIVE number. Example, =-pmt(.08,36,10000) will show POSITIVE rather than negative. Caution: Commas in data entry will destroy results!

Cash-flow Analysis Formula

Projected Gross Income	
Less	
Vacancy & Credit Losses	
Equals	
Effective Gross Income	
Plus	
Other Income	
Equals	
Gross Operating Income	
Less	
Fixed Expenses	
Less	
Variable Expenses	
Less	
Reserves	
Equals	
Net Operating Income	
Less	
Debt Service	
Equals	
Cash-flow Before Taxes	
Less	
Tax Liability	
Equals	
Cash-flow After Taxes	

== CONTRACT TO CLOSING ==

- ☐ _____ 1. Contract signed and dated
 - ☐ _____ 2. Escrow account opened and earnest money deposited
 - ☐ _____ 3. Seller orders termite inspection
 - ☐ _____ 4. Property inspection ordered by the Buyer. Original termite certificate to title company
 - ☐ _____ 5. Buyer arranges insurance for home and provides information to lender and Title Company
 - ☐ _____ 6. Loan application made
 - ☐ _____ 7. Copy of inspection to Buyer and Seller. Buyer provides Seller with repair priority list.
 - ☐ _____ 8. Lender orders appraisal
 - ☐ _____ 9. Completed appraisal
 - ☐ _____ 10. Seller/Buyer negotiates then orders repair work
 - ☐ _____ 11. Buyer is approved by Lender
 - ☐ _____ 12. Other inspections if needed or requested by Buyer
 - ☐ _____ 13. Closing officer orders survey
 - ☐ _____ 14. Survey approved by Title Company
 - ☐ _____ 15. Repairs complete and approved by Lender and Buyer
 - ☐ _____ 16. Contingencies removed
 - ☐ _____ 17. Closing date set
 - ☐ _____ 18. Confirm closing figures with Closing Officer. Buyer must bring check to close
 - ☐ _____ 19. Closing
-

--- --- CLOSING COSTS

Listed below are some typical closing costs you may incur as part of your loan transaction. When you apply for a loan, you will receive a Good Faith Estimate of closing costs and settlement charges, and a booklet that will explain these costs.

Appraisal Fee	This is a one time fee that pays for an appraisal. The appraisal is made by an independent fee appraiser.
Credit Report Fee	A one time fee that covers the cost of the credit report.
Document Preparation Fee	There may be a separate fee that covers the preparation of the final legal papers.
Loan Discount	A one time fee used to adjust the yield on the loan to what market conditions demand. It is often called "points".
Loan Origination Fee	The lender's administrative costs in processing the loan are covered by this fee.
Miscellaneous Title Charges	The title company may charge fees for a title search, title examination, document preparation, recording fees, a settlement or closing fee, and notary fees.
PMI Premium	You might be required to pay an up front fee for mortgage insurance, depending on the amount of your down payment. Lenders may also require monies be places into a reserve account held by them.
Prepaid Interest	Depending on the time of month your loan closes, this per diem charge may vary from a full month's interest to that of a few days. If your loan closes at the end of the month, you will have to pay interest only for a day or so.
Taxes and Hazard Insurance	You may be required to reimburse the seller for property taxes, depending on the month in which you close. You will also need to pay a year's hazard insurance premium up front. Also, you might be required to put a certain amount for taxes and insurance into a special reserve account held by the lender.

Who Pays What?

An Estimated Guide to Closing Costs

(Closing Costs Are Always Negotiable)

The SELLER can generally be expected to pay for:

- ♦ Real Estate Commission
- ♦ Document preparation fee for Deed
- ♦ Document transfer tax
(\$1.10 pr \$1,000.00 of sales price)
- ♦ Any City Transfer/Conveyance Tax
(according to contract)
- ♦ Any loan fee required by buyer's lender
- ♦ Payoff of all loans in seller's name
(or existing loan balance if being assumed by buyer)
- ♦ Interest accrued to lender being paid off,
Statement Fees, Reconveyance Fees and
any Prepayment Penalties
- ♦ Termite Inspection (according to contract)
- ♦ Termite Work (according to contract)
- ♦ Home Warranty (according to contract)
- ♦ Any judgments, tax liens, etc. against
the seller
- ♦ Recording charges to clear all documents
of record against seller
- ♦ Tax pro-ration (for any taxes unpaid at time
of transfer of title)
- ♦ Any unpaid Homeowner's dues
- ♦ Any bonds or assessments
(according to contract)
- ♦ Any and all delinquent taxes
- ♦ Notary Fees

The BUYER can generally be expected to pay for:

- ♦ Title insurance premiums
- ♦ Escrow Fee
- ♦ Document preparation (if applicable)
- ♦ Notary Fees
- ♦ Recording charges for all documents in
buyer's name
- ♦ Termite inspection
(according to contract)
- ♦ Tax pro-ration
(from date of acquisition)
- ♦ Homeowner's transfer fee
- ♦ All new loan charges (except those
required by lender for seller to pay)
- ♦ Interest on new loan from date of funding
to 30 days prior to first payment date
- ♦ Assumption/Change of Records fees for
takeover of existing loan
- ♦ Beneficiary Statement Fee for assumption
of existing loan
- ♦ Inspection Fees (roofing, property
inspection, geological, etc.)
- ♦ Home Warranty
(according to contract)
- ♦ City Transfer/Conveyance Tax
(according to contract)
- ♦ Fire Insurance Premium for first year

SALES CONVERSATIONS:communicating!

READ BETWEEN THE LINES ON THE PHONE during typical conversations:

BUYER: I saw your ad and would like to know more about your property?

PURPOSE OF BUYER: He has probably circled many ads and **WANTS TO ELIMINATE MOST OF THEM!** He called to find something imperfect and be able to **CROSS YOU OFF!** He expects you to give him an answer that is **NOT** perfect or to try to **SELL** him and he is reluctant to give you his number or other personal information.

PURPOSE OF SELLER: TO GET AN APPOINTMENT! To **NOT** give him ANY reason to cross you off!

How to accomplish BOTH purposes: Help him accomplish his purpose of **CROSSING OFF ADS!** Ask him what specifically he wants. If he resists, tell him you want to **HELP HIM ELIMINATE** unwanted properties, and will be happy to tell him where he can get exactly what he is looking for.

TYPICAL QUESTIONS that need to be handled:

- What are the colors of the house?
- How big is the property?
- How many bedrooms does it have?
- How big are the closets?
- What kind of landscaping does it have?

SAMPLE ANSWERS: ALWAYS answer with a **QUESTION!**

- What colors do you want?
- How much property do you need?
- How many bedrooms do you need?
- How much storage do you need?
- What kind of landscaping do you want?

What is the difference between a QUIT CLAIM DEED and a GRANT DEED?

What is a CMA? Comparative Market Analysis

Where do you get one and how much does it cost?

What is a TEASER rate? Starting temporary rate or payment.

What is the difference between ADJUSTABLE RATE MORTGAGE and GRADUATED PAYMENT MORTGAGE?

What makes a property sell easily?

What makes it easy for a BUYER to buy from you?

How many HOURS per week does it take to use our plan?

What are the differences between a Promissory Note and a Secured Note?

Is NO CREDIT the same as BAD CREDIT?

Do you need a credit report or history to buy a house?

If you are in the middle of a divorce or lawsuit, can you buy a house?

Is an APPRAISAL more valid than a MARKET ANALYSIS?

Who orders a HOME INSPECTION and pays for it?

Who orders a "WALK-THROUGH" and when?

Discount Mortgage Worksheet

N I PV PMT FV

Payments Balance

1
2
3
4
5
6

60

Yield _____ %

Interest
Rate _____ %

Assumed Rent \$ _____

Old Rent \$ _____

New Rent \$ _____

All
Loans

LTV = _____ = _____ %
Value

Why the Discount?

\$ -
\$ -
\$ -

\$ - Total

Years Payment

30 \$ _____
25 \$ _____
20 \$ _____
15 \$ _____
10 \$ _____
9 \$ _____
8 \$ _____
7 \$ _____

Notes

STEPS TO ASSUME A 'DUE-ON-SALE' LOAN –

- 1) Get preliminary agreement to purchase property (from typical example name 'SMITH').
- 2) Get Lender, Loan, & Payment information.
- 3) Get Social Security & Drivers License Information.
- 4) Create a trust that names (ONLY) the 'SMITH' children as beneficiaries and yourself as FIRST TRUSTEE. You can name a 'SMITH' family member as SUCCESSOR TRUSTEE. This trust is designed to ONLY hold the property as a single asset upon closing.
- 5) Call the Lender. Ask if it is OK for the extended family of 'SMITH' to make all past due and future payments to eliminate any chance of future late payments. Explain that the 'SMITH' family has had a tough time lately, and the relatives want to make it safe for them and reduce potential problems by paying everything from a family trust. Lender may ask for a copy of the trust. Say "Sure!" and then ask for a letter from the bank approving the arrangement. If requested, send the copy of the trust to the lender immediately. Some lenders may not ask for a trust copy and will quickly agree to send you a letter of confirmation. The letter from the bank completes the elimination of the Due-On-Sale clause.
- 6) Be sure to instruct escrow that vesting from 'SMITH' should be to: "SMITH FAMILY TRUST, [yourself], TRUSTEE". Do NOT allow them to put [yourself] in front of the trust name if you want privacy. The trust name MUST be the first words to eliminate alphabetical and name searches.
- 7) Do NOT record the trust unless you want to, or they require it. If you record the trust, try to record it at a different time than the escrow recordings, to be less associated with the other sequential recorded documents.
- 8) Close escrow of the transfer of the house from 'SMITH' to the 'SMITH FAMILY TRUST' concurrent with the 'Resignation of Trustee and Beneficiary Clarification' that contains the resignation and elimination of all 'SMITH' power and benefits (replaced with your children as beneficiaries).
- 9) Future transfers of the property should be done by transferring the TRUST (that owns the property) rather than the PROPERTY transferred away from the trust.
- 10) Be aware that some special language may be required (or may NOT be allowed) to gain agreement of the lender such as a statement explaining occupancy and future plans.

- 11) After all steps completed, make the trust all powerful and all protective, and then make it irrevocable for asset safety.
- 12) Make multiple backup copies and distribute them to many different locations and filing spots to protect against fire, earthquakes, theft, floods, or other loss.
- 13) Note that property taxes should NOT change in most jurisdictions, although sometimes it is necessary to negotiate with the tax assessors office.
- 14) You can safeguard against late charges and potential foreclosures (for non-payment) by giving the original borrower the ability to step back in cure defaults. Subsequent controllers too. This usually only comes up when the seller has excellent credit. A Security Deed of Trust is effective.
- 15) Note that many times you can save on title insurance, transfer taxes, escrow fees, and other normal sales fees on future transfers since you are in such strong control and are actually transferring the trust (with control and benefits) rather than the unprotected property. It is similar to buying a corporation (that owns assets) rather than buying asset(s) from a corporation.
- 16) Verify and be comfortable with the differences (or lack of) in your tax positions with your tax preparer. Some potential differences and resulting positions have never been litigated and professionals may have unusual, strange, or different opinions about tax status. Their opinions may vary greatly from each other. The strongest concerns of the government usually revolve around:
 - a) Who has 'control'.
 - b) If taxes were paid on resulting profits by 'someone or some entity'.
 - c) Occupancy (another form of control).
- 17) You will need the re-enforcement, support, sales ability, and negotiating ability of your agent (and probably the agent of the other party also) to process this solution. That will probably be extremely difficult unless the other party is highly motivated or desperate.
- 18) Note that the ORIGINAL borrower on the loan will remain obligated and responsible for the loan. It will probably remain on his credit report. This may actually help him to improve his credit or count against him (for having too much debt if he applies for another loan). **THE KEY: Again, distress properties and motivated parties usually overcome this barrier.**

EVOLUTION OF THE HOUSE — LIVING AND STYLE CHANGES AT TYPICAL HOMES

<u>Year 1800</u>	<u>Year 1900</u>	<u>Year 1950</u>	<u>Year 1960</u>	<u>Year 1980</u>	<u>Year 2000</u>	<u>Year 2010</u>
2 Story 2000 Sq. Ft. 40 to 1000 Acres Rustic Farm Farmhouse Barn Shed Root Cellar, Attic Smoker Farm Animals Buggy Buckboard Flatbed No Pets 4 Bedrooms Small Closets Outhouse Big Kitchen Pantry, Canning Dining Room Entry & Parlor Porches School 5 Miles Shopping 10 Mi. Travel 5 Mi. Mass Transit: Ship 2 Weeks Entertainment: Neighbors	2 Story 2000 Sq. Ft. 10 to 100 Acres Ranch Farmhouse Barn Shed Basement Attic, Silo Smoker Farm Animals Buggy Buckboard Flatbed Pet – Dog 4 Bedrooms Small Closets Outhouse Big Kitchen Pantry, Canning Dining Room Parlor Mud Room Porch School 4 Miles Shopping 5 Mi. Travel 10 Mi. Mass Transit: Train 7 Days Entertainment: Neighbors Civic & Town	1 Story 1300 Sq. Ft. 1 Acre Mass Economy Box / Roll 1 Garage 2 Sheds Attic Dog Run 1 Car Fish Boat Pet – Dog 3 Bedrooms 1 1/2 Bathroom Small Kitchen Nook Living Room Sewing Room Stairs School 1 Mile Shopping 3 Mi. Travel 50 Mi. Mass Transit: Air 14 Hours Entertainment: Movies & TV Sports	1 Story 1400 Sq. Ft. 1/2 Acre Modern or Western Carport 2 Sheds Basement Bomb Shelter Dog Run 2 Cars Ski Boat Pet – Dog Cat – Bird 3 Bedrooms 2 1/2 Bathroom Small Kitchen Nook Living Room Hobby Nook Small Porch School 1 Mile Shopping 2 Mi. Travel 500 Mi. Mass Transit: Air 6 Hours Entertainment: TV & Movies Sports	Tri-Level 1 or 2 Story 1800 Sq. Ft. 1/2 Acre Spanish 2 Garage 3 Cars 1 Motorcycle Drag Boat Pet – 1 Dog – Fish 2 Cats – Hamsters 3 Bedrooms Walkin Closet 2 1/2 Bathroom Medium Kitchen Pantry Nook, Sew Room Living Room Family Room Guest Room Small Entry School 1 Mile Shopping 1 Mi. Travel 500 Mi. Mass Transit: Air 5 Hours Entertainment: TV & Movies Games	1 Story 2200 Sq. Ft. 1 1/2 Acre Ecology or View 3 Garage Shed Safe Room Computer Room 3 Cars 1 Motorcycle 2 Other Scooters 2 Jetskis Pet – 2 Dogs Cat – Lizard 4 Bedrooms Big Walkin Closet 3 1/2 Bathroom Big Kitchen Pantry Dining Room Living Room Great Room Guest Room Entry School 1 Mile Shopping 1 Mi. Travel 3000 Mi. Mass Transit: Air 5 Hours Entertainment: TV & Video Internet	2 Story Multi-Level 2200 Sq. Ft. 1/2 Acre Energy or Ecology 3 or 4 Garage Basement Music Room Study Room 2 or 3 Cars 1 or 2 Motorcycles 3 or 4 Scooters 10 Toys Pet – Dog Cat – Fish 4 Bedrooms Walkin Closet 4 1/2 Bathroom Big Kitchen Pantry Dining Room Media Room Great Room Office Double Entry School 1 Mile Shopping 1 Mi. Travel 7000 Mi. Mass Transit: Air 4 Hours Entertainment: TV, Internet Video, Games

Finder's Fee Agreement

Date _____
at _____ (City), _____ (State)

in consideration of services to be rendered by

_____ (Finder), _____ (Client)

hereby employs finder to refer to client a prospective:

() Buyer

() Seller

1) Finder agrees not to participate in or conduct any negotiations with prospects. Finder is/is not a licensed real estate agent.

2) Finder hereby delivers to client the following prospect:

Name _____

Address _____

Phone _____

Comments _____

as compensation for the finder's referral, client agrees to pay finder as follows:

() \$ _____

() _____ % of the purchase price.

() other _____

Should the prospect or property not result in a transaction involving client within _____ months of the date of this agreement, client shall owe finder no compensation.

Additional terms and conditions: _____

Finder's signature client's signature:

Finder Date

Client Date

HOW TO FIND A GOOD REAL ESTATE AGENT:

- A) Referrals
- B) Notice which agent name appears in your village often
- C) Ask your Escrow Agent for referral
- D) Ask your mentor or Hard Money Lender for referral

Interview your Agents and Select the Best –

Basic Requirements:

- A) Is FULL TIME as agent
- B) Works with Fixer-Uppers
- C) Has EXPERIENCE
- D) Has SALES ABILITY
- E) Can do CREATIVE FINANCE and OWC
- F) Can do PRE-FORECLOSURES
- G) Can work through MANY Rejections and Counter-Offers
- H) Understands TAX LIEN SALE FORECLOSURES
- I) Can NEGOTIATE and COMMUNICATE well
- J) Willing to ALWAYS do 20 COMPS
- K) Will be Honest, Loyal, and Dedicated to the mission

BE PREPARED TO BUY –

- 1) Know where the CASH will come from for the DEPOSIT
- 2) Know where the CASH will come from for the DEPOSIT
- 3) Know where the CASH will come from for the DEPOSIT
- 4) Know the VILLAGE or the TARGET area
- 5) Know the TARGET property
- 6) Know the (minimum) 20 COMPS
- 7) Know the REASON SELLING
- 8) Know the MAXIMUM PRICE you will agree to
- 9) Know the EXIT PLAN
- 10) Know that you can (and will) WALK AWAY if not satisfied

Now FIND OUT:

"How much would it take for ALL CASH to buy the property?"

Then write up an offer!

BUDGETING YOUR PAYMENT ABILITY –

INCOME

\$ _____ Net
\$ _____ Increase after tax benefit for being an owner
\$ _____ Increase after eliminating voluntary deductions

LESS EXPENSES

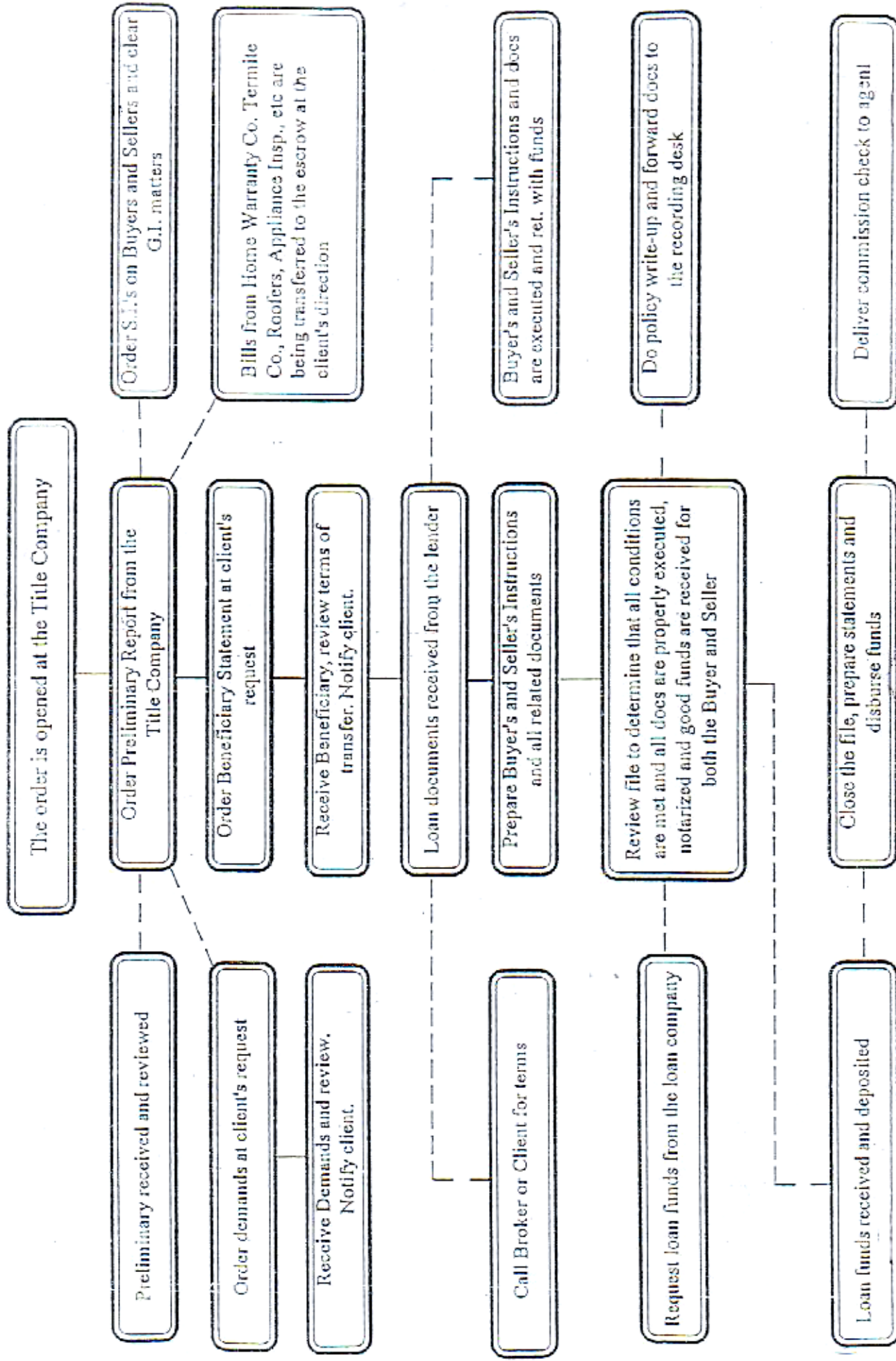
\$ _____ Rent
\$ _____ Utilities
\$ _____ Phones
\$ _____ Cable
\$ _____ Vehicle / Transportation
\$ _____ Food
\$ _____ Clothing
\$ _____ Child Care / Support
\$ _____ Schools
\$ _____ Medical / Insurance
\$ _____ Clubs / Sports
\$ _____ Recreation
\$ _____ Entertainment
\$ _____ Repairs
\$ _____ Long Term Loans
\$ _____ Credit Cards
\$ _____
\$ _____
\$ _____
\$ _____
\$ _____ Misc.
\$ _____ TOTAL EXPENSES

\$ _____ INCOME available for Monthly Payments

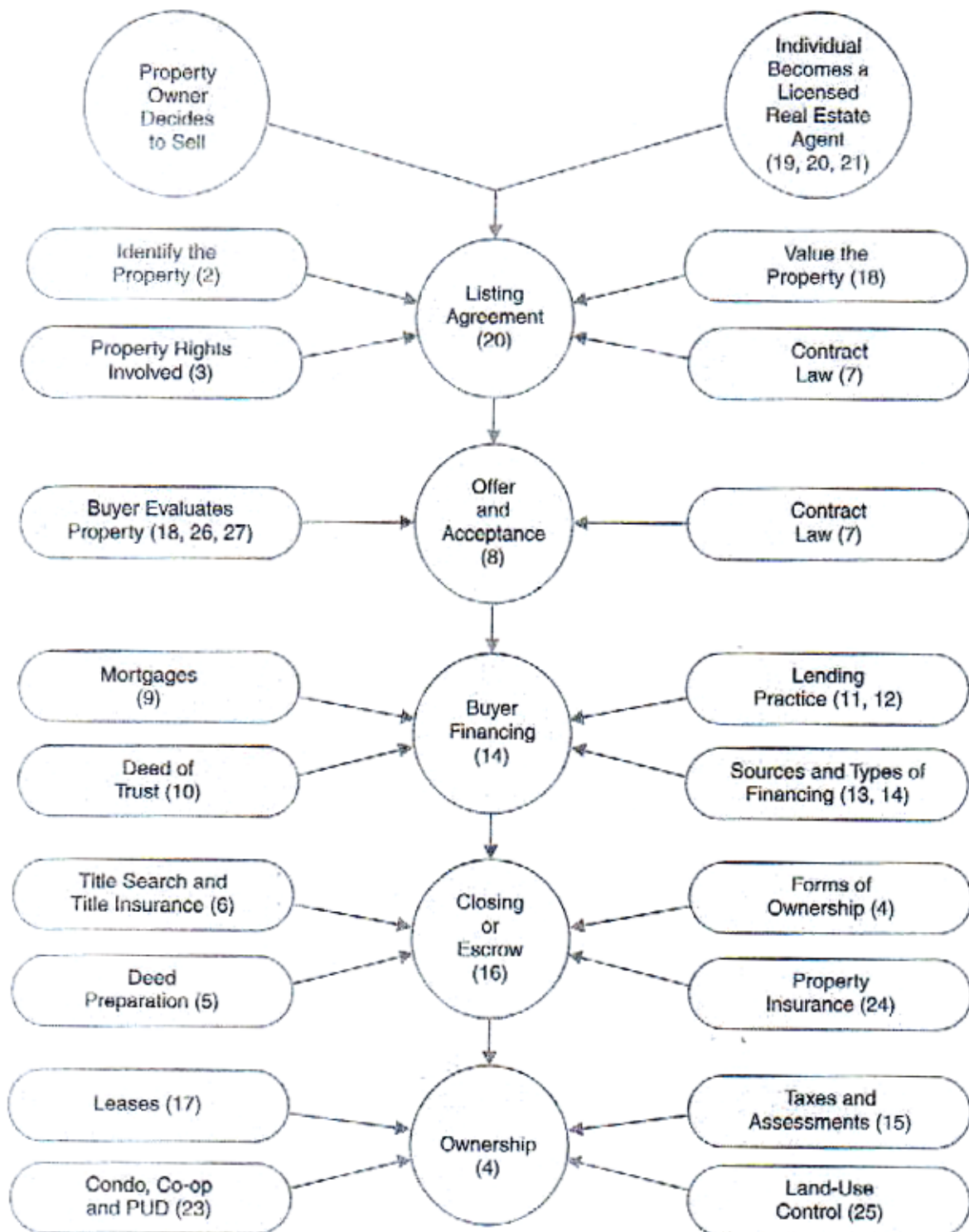
REMEMBER –

It is ALWAYS best to eliminate (or severely reduce) the amount of outstanding credit card debt you may have. It is so important, that you should put off any contemplated real estate investment until AFTER you control any credit card debt.

THE ESCROW PROCESS



An overview of a real estate transaction.



REAL ESTATE FORECAST - Multi-Units

Rental Inventory	Period1	Period2	Period3	Period4
Floor Plan # 1	9	8	9	10
Vacant:	1	2	1	0
TOTAL # 1 UNITS:	10	10	10	10
Floor Plan # 2	8	9	10	10
Vacant:	2	1	0	0
TOTAL # 2 UNITS:	10	10	10	10
Floor Plan # 3	7	7	8	9
Vacant:	3	3	2	1
TOTAL # 3 UNITS:	10	10	10	10
Total Rented:	24	24	27	29
Total Vacant Available:	6	6	3	1
Total Units:	30	30	30	30

PRICE LIST:	
Floor Plan # 1	777
Floor Plan # 2	888
Floor Plan # 3	999
AVERAGE:	888

INCOME

	Period1	Period2	Period3	Period4
Floor Plan # 1	6,993	6,216	6,993	7,770
Vacant Lost \$:	777	1,554	777	0
TOTAL # 1 if Rented:	7,770	7,770	7,770	7,770
Floor Plan # 2	7,104	7,992	8,880	8,880
Vacant Lost \$:	1,776	888	0	0
TOTAL # 2 if Rented:	8,880	8,880	8,880	8,880
Floor Plan # 3	6,993	6,993	7,992	8,991
Vacant Lost \$:	2,997	2,997	1,998	999
TOTAL # 3 if Rented:	9,990	9,990	9,990	9,990
Gross Potential Income (GPI) \$:	26,640	26,640	26,640	26,640
Total Vacant Lost \$:	5,550	5,439	2,775	999
Effective Gross Income (EGI) \$:	21,090	21,201	23,865	25,641

INITIAL STARTUP COSTS:

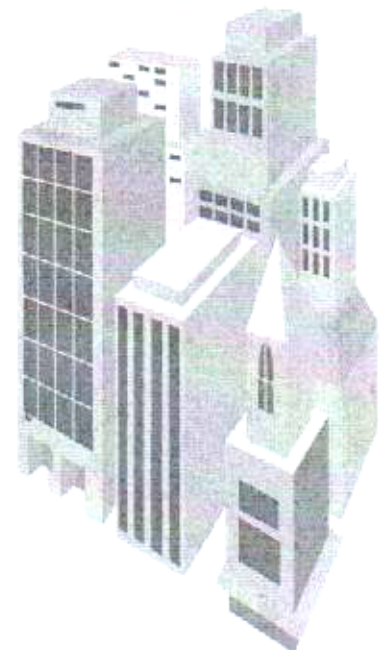
125,000

COMMON AREA EXPENSES

	Plan1	Plan2	Plan3
Security	30	28	26
Legal	50	45	40
Management Fee	30	44	55
Insurance	11	11	11
Repairs	35	36	37
Web Support	22	25	33
Utilities	10	10	10
Electric	22	33	44
Water & Sewer	10	10	10
Refuse	5	5	5
Windows/Sweeping	10	10	10
Pest Control	4	4	4
Landscaping & Common Area	10	10	10
Security	25	25	25
Real Estate Taxes	9	10	11
Total CAM (paid by tenants):	283	306	331

NET:	Period1	Period2	Period3	Period4
Gross Income	21,090	21,201	23,865	25,641
Expenses - Other (not CAM)				
Net Income Before Debt Service (NIBDS)	21,090	21,201	23,865	25,641
Debt Service	17,775	17,775	17,775	17,775
Draw by Investor		2,000		
Draw by Investor				
Draw by Investor				
NET CASH FLOW:	3,315	1,426	6,090	7,866

Debt Service:	
1st Mortgage	15,555
2nd Mortgage	999
3rd Mortgage	777
Equipment Loan	444
Taxes	
TOTAL:	17,775



PROJECT FORECAST

Rentals		Sales UNITS by Period				
Distributed Source:	Jan	Feb	Mar	Apr	Total	
Studios	5	5	5	5	20	
1 Bedroom	2	2	2	2	8	
2 Bedroom	2	2	3	2	9	
3 Bedroom	2	3	2	3	10	
Manager Qtrs	1	1	1	1	4	
	0	0	0	0	0	
	0	0	0	0	0	
Vacancies	2	1	1	1	5	
TOTAL UNITS:	14	14	14	14	56	

SALES INCOME by Period		Jan	Feb	Mar	Apr	Total
Distributed Source:						
Studios		3,750	3,750	3,750	3,750	15,000
1 Bedroom		1,800	1,800	1,800	1,800	7,200
2 Bedroom		2,200	2,200	3,300	2,200	9,900
3 Bedroom		2,700	4,050	2,700	4,050	13,500
Manager Qtrs		1,500	1,500	1,500	1,500	6,000
		0	0	0	0	0
		0	0	0	0	0
Vacancies		0	0	0	0	0
GROSS SALES:		11,950	13,300	13,050	13,300	51,600
GROSS COSTS:		11,550	11,410	11,550	11,550	46,200
NET PROFIT:		400	1,890	1,500	1,750	5,400
PROFIT PER UNIT:		29	135	107	125	96

PER UNIT COSTS:	1 to 10	11 to 25	26 to 99	100 to 300	301 plus
Security	50	50	50	50	50
Legal	50	50	50	50	50
Office Staff	50	50	50	50	50
Materials-Raw	50	50	50	50	50
Materials-Suppliers	50	50	50	50	50
Repairs	100	100	100	100	100
Web Support	50	40	50	50	50
Utilities	10	10	10	10	10
Insurance	25	25	25	25	25
Advertising	25	25	25	25	25
Interest	277	277	277	277	277
Repair Fund	55	55	55	55	55
Misc.	33	33	33	33	33
TOTALS:	825	815	825	825	825

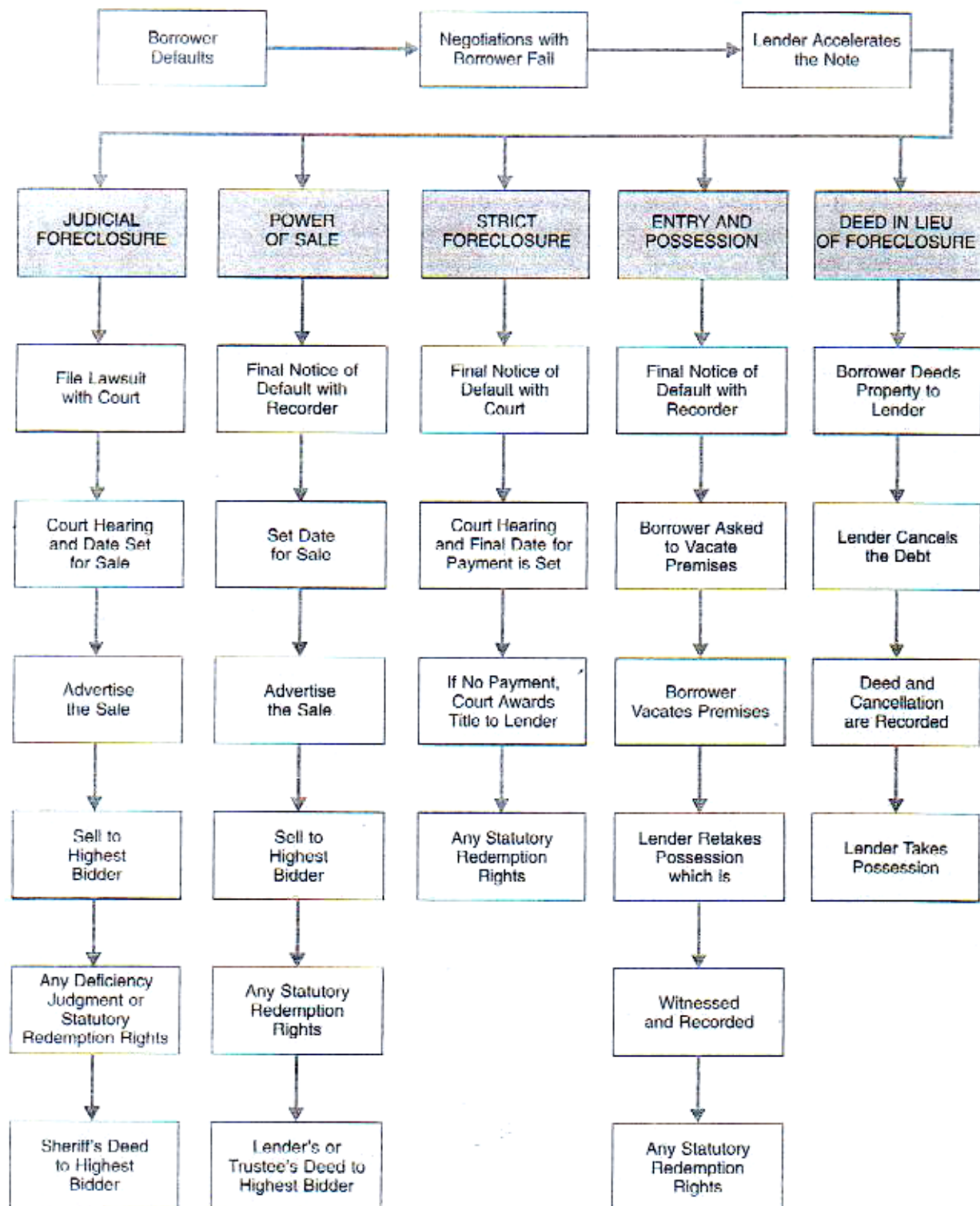
PRICE LIST:	
Studios	750.00
1 Bedroom	900.00
2 Bedroom	1,100.00
3 Bedroom	1,350.00
Manager Qtrs	1,500.00
Vacancies	0.00
AVERAGE:	933.33



INITIAL DESIGN COSTS:
35,000.00



An overview of mortgage foreclosure.



Hazards & Concerns –

Occasional Flooding
Potential Landslide
Asbestos
Mold
Insulation
Lead Paint
Ceiling Coverings
Beam Cracks
Foundation Cracks
Structural Defects or Damage
Duct Wrapping
Leaks
Shingles
Former Meth Lab/House
Formaldehyde
Radon Gas
Carbon Monoxide
Improper Ventilation
Chemicals
Ground Contamination
Water Well Area & Safety
Septic Area & Safety
Electrical Lines & Boxes
Other Utility Services & Boxes
Grounded Outlets, Fixtures & Water Areas
Lightning Rods
Access
Neighborhood
Neighbors
Noise
Smell
Nearby Businesses
Traffic

Down Payments and Effects on Risk and Profits

RETURN ON INVESTMENT (According to size of Down Payment %)					
	Appreciation Compounded	CASH	10% Down	20% Down	50% Down
10.00%					
10.00%	\$110,000.00	\$10,000.00	100%	50%	20%
21.00%	\$121,000.00	\$21,000.00	210%	105%	42%
33.10%	\$133,100.00	\$33,100.00	331%	166%	66%
46.41%	\$146,410.00	\$46,410.00	464%	232%	93%
61.05%	\$161,051.00	\$61,051.00	611%	305%	122%
77.16%	\$177,156.10	\$77,156.10	772%	386%	154%
94.87%	\$194,871.71	\$94,871.71	949%	474%	190%
114.36%	\$214,358.88	\$114,358.88	1144%	572%	229%
135.79%	\$235,794.77	\$135,794.77	1358%	679%	272%
159.37%	\$259,374.25	\$159,374.25	1594%	797%	319%

Chart assumes appreciation of 10% on \$100,000 over 10 years

The ultimate 10 year profit of 1594% return on the original 10% Down Payment are my preferred goals.

A 50% Down Payment yields only 319% on the same property although debt and payments due are then lower.

As the above table indicates, there is a tremendous difference in profits because of small (versus large) cash down payments. The above chart is an extreme yet real example of leverage.

Risk of 10% is certainly less than 50%, but the remaining balance owed is inversely riskier. I prefer the risk of using less cash down payment and maintaining higher payments due on the higher debt.

10 YEAR BALLOON - (No interest payments)									
Amount:	\$10,000								
% Rate:	8.00%								
Year1	Year2	Year3	Year4	Year5	Year6	Year7	Year8	Year9	Year10
\$10,800	\$12,567	\$14,693	\$17,138	\$19,990	\$23,316	\$27,196	\$31,722	\$37,000	\$43,157

HOME BUYERS ASSISTANCE PROGRAMS

PROGRAM NAME/ LOCATION	GEOGRAPHICAL RESTRICTIONS	INCOME RESTRICTIONS	PHONE NUMBER/ WEBSITE	DESCRIPTION	BENEFITS/TYPE OF ASSISTANCE	FIRST-TIME HOME BUYER
AmeriDream Inc. Gaithersburg, MD	Available in most parts of the U.S.	None, but the price of a single-family unit must be less than \$333,700, and multiunit properties must be less than \$641,650	866-263-7437 www.ameridream.org	Administers gift funds to home buyers purchasing a home in the AmeriDream Down Payment Gift Program	Down payment gift is generally 2%–10% of purchase price	yes (not only first-time home buyers)
The Genesis Program Austin, TX	Available in most parts of the U.S.	None	512-231-0270 www.thegenesisprogram.org	Administers gift funds to home buyers so they can purchase eligible Genesis properties	Up to \$22,500 for down payment and/or closing costs	yes (not only first-time home buyers)
U.S. Department of Housing and Urban Development Washington, DC	Available in most parts of the U.S.	None, but borrower must have good credit and have sufficient income to cover mortgage, down payment, and closing costs. Borrower must also meet sufficient appraisal value requirements.	202-708-1112 www.hud.gov	Administers a variety of programs targeting low- and moderate-income home buyers	A variety of loans are available to low- and moderate-income families through its programs as well as its HUD homes	yes (not only first-time home buyers)
Fannie Mae Washington, DC	Available in most parts of the U.S.	Home loan amount must be equal to or less than \$337,700	800-732-6643 www.fanniemae.com	Purchases home loans from its lending partners, enabling them to offer other home loans	Offers a variety of products for those who have been underserved in the mortgage market and/or have less than perfect credit	yes (not only first-time home buyers)
Freddie Mac McLean, VA	Available in most parts of the U.S.	None for the majority of the low down payment products	N/A www.freddiemac.com/homeownership	Purchases home loans from its lending partners, enabling them to offer other home loans	Offers a variety of products for those who have been underserved in the mortgage market and/or have less than perfect credit	yes (not only first-time home buyers)
The Nehemiah Program Sacramento, CA	Available in most parts of the U.S.	None, but borrower must purchase a Nehemiah participating home, occupy the home, and use an eligible loan program	877-634-3642 www.getdownpayment.com	Administers gift funds to buyers purchasing a Nehemiah participating home	Gives down payment and/or closing costs gifts that are 1%–6% of final contract sales price or a flat gift no greater than 6%	yes (not only first-time home buyers)
NeighborWorks Washington, DC	Available in 48 states in the U.S.	Income limits vary according to market	N/A www.nw.org/network/home.asp	Administers funds for community building and to help low- and moderate-income families become homeowners	Gifts vary with each program. The program offers "full-cycle lending" home education before buying the home, as well as education on maintaining the home to prevent defaulting.	yes (not only first-time home buyers)
Countrywide Financial Nationwide branch locations	Branches in most parts of the U.S.	Criteria varies according to credit score, rental history, and income	800-556-9568 http://my.countrywide.com	Mortgage lending institution	Low and no down payment loans including the 80/20 program that gives two mortgages to cover 100% of the cost of home (under \$500,000)	yes (not only first-time home buyers)
Wells Fargo Home Mortgage Nationwide branch locations	Branches in most parts of the U.S.	Criteria varies according to credit score, rental history, and income	877-937-9357 www.wellsfargo.com/mortgage/	Mortgage lending institution	Low and no down payment loans including the No Money Down Plus program, ideal for home buyers who have excellent credit, but little savings	yes (not only first-time home buyers)

INSPECTIONS

Real estate contracts often contain contingency clauses that allow buyers to inspect the property physically (usually at their expense). This inspection provides a comprehensive review of the infrastructure of the property.

Which inspections to order is usually a matter of observation and knowledge of what is critical to a particular region or area. Below is a list of the three most common types of inspection:

STRUCTURAL PEST CONTROL

- To determine any active infestation by wood destroying organisms
- Section I on the report will be items that need immediate attention because of active infestation and lenders usually want the work performed prior to funding the loan.
- Section II on the report will be items that could cause infestation and, if not corrected, could cause damage.

PHYSICAL INSPECTION

- This inspection encompasses roof, plumbing, electrical, heating and any other accessible area of the structure.
- A detailed report will be written with recommendations, for repair or for further inspection by a specialist.

GEOLOGICAL INSPECTION

- An inspection of the soil conditions and the stability of the ground beneath the structure performed by a Geotechnical Engineer
- You can elect to go to the city records and research the property and its proximity to the known fault lines.

SOME OTHER COMMON INSPECTIONS

- | | |
|---|--------------------------------|
| ➤ Water Conservation | ➤ Contractors Home Inspection |
| ➤ Well and Septic | ➤ Chimney Inspection |
| ➤ Seismic | ➤ Heating and Air Conditioning |
| ➤ Hazardous Materials | ➤ Structural Engineering |
| ➤ Zoning and Building Permit Compliance | ➤ Energy Audit |
| | ➤ Geotechnical |

INTEREST RATE CALCULATOR x EACH \$1,000 = Payment

\$1,000.00	5 Years	10 Years	15 Years	30 Years	Monthly Interest Only	Annual Interest Only
3.00%	\$17.97	\$9.66	\$6.91	\$4.22	\$2.50	\$30.00
3.50%	\$18.19	\$9.89	\$7.15	\$4.49	\$2.92	\$35.00
4.00%	\$18.42	\$10.12	\$7.40	\$4.77	\$3.33	\$40.00
4.50%	\$18.64	\$10.36	\$7.65	\$5.07	\$3.75	\$45.00
5.00%	\$18.87	\$10.61	\$7.91	\$5.37	\$4.17	\$50.00
5.50%	\$19.10	\$10.85	\$8.17	\$5.68	\$4.58	\$55.00
6.00%	\$19.33	\$11.10	\$8.44	\$6.00	\$5.00	\$60.00
6.50%	\$19.57	\$11.35	\$8.71	\$6.32	\$5.42	\$65.00
7.00%	\$19.80	\$11.61	\$8.99	\$6.65	\$5.83	\$70.00
7.50%	\$20.04	\$11.87	\$9.27	\$6.99	\$6.25	\$75.00
8.00%	\$20.28	\$12.13	\$9.56	\$7.34	\$6.67	\$80.00
8.50%	\$20.52	\$12.40	\$9.85	\$7.69	\$7.08	\$85.00
9.00%	\$20.76	\$12.67	\$10.14	\$8.05	\$7.50	\$90.00
9.50%	\$21.00	\$12.94	\$10.44	\$8.41	\$7.92	\$95.00
10.00%	\$21.25	\$13.22	\$10.75	\$8.78	\$8.33	\$100.00
10.50%	\$21.49	\$13.49	\$11.05	\$9.15	\$8.75	\$105.00
11.00%	\$21.74	\$13.78	\$11.37	\$9.52	\$9.17	\$110.00
11.50%	\$21.99	\$14.06	\$11.68	\$9.90	\$9.58	\$115.00
12.00%	\$22.24	\$14.35	\$12.00	\$10.29	\$10.00	\$120.00
12.50%	\$22.50	\$14.64	\$12.33	\$10.67	\$10.42	\$125.00
13.00%	\$22.75	\$14.93	\$12.65	\$11.06	\$10.83	\$130.00
13.50%	\$23.01	\$15.23	\$12.98	\$11.45	\$11.25	\$135.00
14.00%	\$23.27	\$15.53	\$13.32	\$11.85	\$11.67	\$140.00
14.50%	\$23.53	\$15.83	\$13.66	\$12.25	\$12.08	\$145.00
15.00%	\$23.79	\$16.13	\$14.00	\$12.64	\$12.50	\$150.00
15.50%	\$24.05	\$16.44	\$14.34	\$13.05	\$12.92	\$155.00
16.00%	\$24.32	\$16.75	\$14.69	\$13.45	\$13.33	\$160.00
16.50%	\$24.58	\$17.06	\$15.04	\$13.85	\$13.75	\$165.00
17.00%	\$24.85	\$17.38	\$15.39	\$14.26	\$14.17	\$170.00
17.50%	\$25.12	\$17.70	\$15.75	\$14.66	\$14.58	\$175.00
18.00%	\$25.39	\$18.02	\$16.10	\$15.07	\$15.00	\$180.00
18.50%	\$25.67	\$18.34	\$16.47	\$15.48	\$15.42	\$185.00
19.00%	\$25.94	\$18.67	\$16.83	\$15.89	\$15.83	\$190.00
19.50%	\$26.22	\$19.00	\$17.19	\$16.30	\$16.25	\$195.00
20.00%	\$26.49	\$19.33	\$17.56	\$16.71	\$16.67	\$200.00
20.50%	\$26.77	\$19.66	\$17.93	\$17.12	\$17.08	\$205.00
21.00%	\$27.05	\$19.99	\$18.31	\$17.53	\$17.50	\$210.00
21.50%	\$27.34	\$20.33	\$18.68	\$17.95	\$17.92	\$215.00
22.00%	\$27.62	\$20.67	\$19.06	\$18.36	\$18.33	\$220.00
22.50%	\$27.90	\$21.01	\$19.44	\$18.77	\$18.75	\$225.00
23.00%	\$28.19	\$21.35	\$19.82	\$19.19	\$19.17	\$230.00
23.50%	\$28.48	\$21.70	\$20.20	\$19.60	\$19.58	\$235.00
24.00%	\$28.77	\$22.05	\$20.58	\$20.02	\$20.00	\$240.00
24.50%	\$29.06	\$22.40	\$20.97	\$20.43	\$20.42	\$245.00
25.00%	\$29.35	\$22.75	\$21.36	\$20.85	\$20.83	\$250.00
25.50%	\$29.65	\$23.10	\$21.74	\$21.26	\$21.25	\$255.00
26.00%	\$29.94	\$23.46	\$22.13	\$21.68	\$21.67	\$260.00
26.50%	\$30.24	\$23.82	\$22.53	\$22.09	\$22.08	\$265.00
27.00%	\$30.54	\$24.17	\$22.92	\$22.51	\$22.50	\$270.00
27.50%	\$30.83	\$24.53	\$23.31	\$22.92	\$22.92	\$275.00
28.00%	\$31.14	\$24.90	\$23.71	\$23.34	\$23.33	\$280.00
28.50%	\$31.44	\$25.26	\$24.10	\$23.76	\$23.75	\$285.00
29.00%	\$31.74	\$25.63	\$24.50	\$24.17	\$24.17	\$290.00
29.50%	\$32.05	\$25.99	\$24.90	\$24.59	\$24.58	\$295.00
30.00%	\$32.35	\$26.36	\$25.30	\$25.00	\$25.00	\$300.00

Investment Property Classifications:

Residential	Industrial	Office	Retail	Recreational
Condos	Single-Tenant Buildings	Single- Tenant Buildings	Single-Tenant Buildings	Amusement Parks
Patio Homes	Public Warehouses	Multi-Tenant Buildings Suburban	Multi-Tenant Buildings	Marinas
Apartments	Frozen Food Warehouses	Low-Rise Buildings	Strip Centers	Cinema Complexes
Timeshare	Mini-Storage Incubator	Mid-Rise Buildings	Neighborhood Centers	Golf Courses
Single Family Homes	Office Buildings	High-Rise Buildings	Power Centers	Timeshare Vacation Homes
Subdivisions Master Planned Communities	Manufacturing Plants	Office Condos	Regional Malls	
	Distribution Facilities			

ASSETS THAT COULD HELP PURCHASE REAL ESTATE -

\$ _____ Cash
 \$ _____ Stock
 \$ _____ Bonds
 \$ _____ Life Insurance
 \$ _____ Notes & Debts Receivable
 \$ _____ Loans to others
 \$ _____ Sale of Antiques
 \$ _____ Sale of Vehicles
 \$ _____ Sale of Toys
 \$ _____ Sale of Hobby / Collectables
 \$ _____ Coin Collection / Stamps / Guns
 \$ _____ Equity in Real Estate
 \$ _____ Equity in a Business
 \$ _____ Borrowing from friends
 \$ _____ Borrowing from Relatives
 \$ _____ Borrowing from BANK / INVESTOR
 \$ _____ Borrowing from HARD MONEY LENDER
 \$ _____ JOINT VENTURE Partner
 \$ _____ Credit Cards
 \$ _____ TOTAL ASSETS

**Rate of Return:
(Low Down Payment=LEVERAGE)**

	Buy Price	Re-Sell	Yield	Rate of Return (ROR)
Price:	\$100,000	\$120,000	\$20,000	20% on Price
Down Payment:	\$20,000		\$20,000	100% on Investment

**Rate of Return:
(HIGH Down Payment)**

	Buy Price	Re-Sell	Yield	Rate of Return (ROR)
Price:	\$100,000	\$120,000	\$20,000	20% on Price
Down Payment:	\$50,000		\$20,000	40% on Investment

**Rate of Return:
(All CASH=No Leverage)**

	Buy Price	Re-Sell	Yield	Rate of Return (ROR)
Price:	\$100,000	\$120,000	\$20,000	20% on Price
Down Payment:	\$100,000		\$20,000	20% on Investment

Net/Net/Net=Tenant responsible for all operating expenses, taxes, and misc. expenses. Includes assessments, water and sewer, insurance, utilities, security, window washing, trash, mgmt. costs, admin., reserves for equip., supplies, materials, tools, maint., upkeep, replacement, landscaping, parking, and common areas. Does not include depreciation, loan payments, executive salaries, or broker commissions.

Current Opportunities

Property Owners: _____

Address: _____

City, State, and Zip: _____

Legal description: _____

A.P.N. No./Zoning Info: _____

Terms and Conditions: _____

Delinquent Amount: _____

1st Trustee: _____

2nd Trustee: _____

Value of Property: _____

Comparative Pricing Average: _____

Equity Interest Offer:\$ _____

Date Accepted: _____

Date: _____

Proposed Deed Date: _____ Actual Date: _____

Title Company: _____

Broker: _____

Escrow Company: _____

Potential of Property: _____

Investment Required:\$ _____

Return on Investment (ROI);\$ _____

Net Profit: _____

Investor Qualification

Reviewed by -

Date: _____

Attorney: _____

CPA: _____

R/E Agent: _____

Name: _____

Firm: _____

Legal Counsel: _____

CPA or Qualified Financial Advisor: _____

Banking Information No. 1: _____

Contact: _____

Banking Information No. 2: _____

Contact: _____

Banking Information No. 3: _____

Contact: _____

By signing this document, we hereby give Wedgefords Pacific Properties, LLC and their Officers, agents, and affiliates authorization to perform a complete due-diligence on our members and organization. We acknowledge that we are completely responsible for adhering to all local, state and national governance agencies including, but not limited to the Securities Exchange Commission (SEC).

Name: _____

Company: _____

Signature: _____

Date: _____

MORTGAGE LOAN CHECKLIST

In order to expedite the mortgage loan process, please be sure that you bring everything you need to make your appointment as smooth and efficient as possible.

- ☐ Sales Contract (On the purchase of your new home)
- ☐ Copy of Sales Contract and certified copy of Closing Statement (On the sale of your present home)
- ☐ Copy of driver's license and Social Security Card (FHA only)
- ☐ Residence History
 - Past 24 months of residence with complete addresses
 - Length of time you lived at each residence
 - Name of landlord and their address (if currently renting)
- ☐ Employment History
 - Employers for the past two years with complete addresses
 - Dates of employment for each place
 - Most recent two years of W-2's
 - Most recent two years of tax returns (with all schedules and signed in blue ink)
 - Year-to-date profit and loss statement and current balance sheet (if self-employed only)
 - If there have been any gaps in your employment, be prepared to explain
- ☐ Loans and Credit Cards
 - Creditor's names and addresses
 - Account numbers
 - Current total balances you owe
 - Monthly installments, payments and how many months are left to pay
- ☐ Accounts
 - Name and address of each financial institution
 - Three months of bank statements for all accounts
 - All account numbers
 - All current balances and values
- ☐ Current Real Estate
 - Property addresses
 - Estimated market values
 - Outstanding loan balances
 - Amount of monthly payment
 - Amount of monthly rental income, if applicable
- ☐ Personal Property
 - Net cash value of your life insurance
 - Year, make and value of your automobiles
 - Value of your furniture and other personal property
- ☐ If applicable for the following:
 - Divorce papers
 - Certificate of eligibility & DD214 (VA Only)

Loan Comparison Worksheet

Fill in boxed areas only; shaded cells are automatically calculated.

Desired Home Purchase

List Price	<input type="text"/>	
% to Be Financed	<input type="text"/>	%
Amount To Be Financed	<input type="text" value="\$0.00"/>	

Fixed-Rate Conventional Loan

Term of Loan (Yrs.)	<input type="text"/>	
Interest Rate	<input type="text"/>	%
Monthly Payment	<input type="text" value="\$0.00"/>	
Annual Cost of Loan		<input type="text" value="\$0.00"/>

Adjustable Rate Mortgage (One-Year ARM)

Term of Loan (Yrs.)	<input type="text"/>	
Initial Interest Rate	<input type="text"/>	%
Periodic Cap	<input type="text"/>	%
Lifetime Cap	<input type="text"/>	%
1st Year Max. Monthly Payment	<input type="text" value="\$0.00"/>	
1st Year Annual Cost		<input type="text" value="\$0.00"/>
2nd Year Max. Monthly Payment	<input type="text" value="\$0.00"/>	
2nd Year Annual Cost		<input type="text" value="\$0.00"/>
3rd Year Max. Monthly Payment	<input type="text" value="\$0.00"/>	
3rd Year Annual Cost		<input type="text" value="\$0.00"/>
4th Year Max. Monthly Payment	<input type="text" value="\$0.00"/>	
4th Year Annual Cost		<input type="text" value="\$0.00"/>
5th Year Max. Monthly Payment	<input type="text" value="\$0.00"/>	
5th Year Annual Cost		<input type="text" value="\$0.00"/>

The Bottom Line After Five Years

Cumulative Cost of the Fixed Rate Loan	<input type="text" value="\$0.00"/>
Cumulative Cost of the One-Year ARM	<input type="text" value="\$0.00"/>
Difference	<input type="text" value="\$0.00"/>

TYPES OF LOANS

Adjustable Rate Mortgage	<i>Adjustable rate mortgages have an interest rate that is adjusted at certain intervals based on a specific index during the life of the loan.</i>
Balloon Payment Loan	<i>A fixed rate loan that is amortized over 30 years but becomes due and payable at the end of a certain term. May be extendible or may roll-over into another type of loan.</i>
Buy-Down Loan	<i>Buy-Down loans are fixed rate loans where the interest rate and the payment are reduced for a specific period of time by paying the interest up front to subsidize the lower payment.</i>
Community Homebuyer's Program	<i>A fixed rate loan for first time buyers with a low down payment, usually 3-5%, no cash reserve requirement and easier qualifying ratios. Subject to borrower meeting income limits and attendance of a four hour training course on home ownership.</i>
Conventional Loan	<i>Conventional loans are sometimes more lenient with the appraisal and condition of the property. When you are buying a "fixer upper" you may need to use a conventional loan. Homes purchased above the FHA loan limit of \$152,350 are usually financed with conventional loans.</i>
FHA Loan	<i>FHA loans are insured by the <u>Federal Housing Administration</u> under H.U.D. They offer a low down payment and are easier to qualify for than conventional loans.</i>
Fixed Rate Loan	<i>A fixed rate loan has one interest rate that remains constant throughout the life of the loan.</i>
Graduated Payment Mortgage	<i>A fixed rate loan that has payments starting lower than a standard fixed rate loan, which then increases by a predetermined amount each year for a set number of years</i>
Mortgage Credit Certificate	<i>A first time homebuyer program subject to purchase price and income limits and limited to Alameda, Contra Costa, San Mateo and Santa Clara counties. It is actually a special tax credit and assists the buyer in qualifying for many loan program.</i>
Non-Qualifying Loan (Assumable)	<i>Non-Qualifying loans are preexisting loans which can be assumed by a buyer from the seller of a property without going through the qualifying process. The buyer pays the seller for their equity and then starts making payments.</i>
VA Loan	<i>VA loans are guaranteed by the Veterans Administration. A veteran must have served 180 days active service. The maximum VA loan is currently \$203,000 with no down payment.</i>

MAXIMUM PROFIT WORKSHEET

The examples below allow you to calculate your **net profit** on each style of sale:

MINI-ANALYSIS Potential Net Profits based upon value of at least **\$375,000**

	OFFER #1	OFFER #2	OFFER #3	OFFER #4	OFFER #5
New Selling Price	395,000	390,000	385,000	380,000	375,000
Cash Down	15,000	25,000	30,000	60,000	125,000
Existing 1 st	200,000	200,000	200,000	200,000	200,000
Repairs	25,000	25,000	25,000	25,000	25,000
Owner will carry: Pay us on a NOTE	145,000	125,000	105,000	70,000	0

Original Cost	350,000	325,000	300,000	285,000	275,000
Gross Profit	45,000	65,000	85,000	95,000	100,000
Closing Costs Buy	3,000	3,000	3,000	3,000	3,000
Closing Costs Sell	4,000	4,000	4,000	4,000	4,000
Sales Commission	23,700	23,400	23,100	22,800	22,500
6 Months Interest	18,000	18,000	18,000	18,000	18,000
Minus your rent	-18,000	-18,000	-18,000	-18,000	-18,000
Misc Expense	6,000	6,000	6,000	6,000	6,000
NET PROFIT	8,300	28,600	48,900	59,800	64,500

Note will be paid to Seller at **9%** interest, amortized monthly, or in full on **120th** month.
Negotiable (check the math), but higher or at least as high as I am paying similar notes.

There will be still be normal closing costs (unless you can reduce or eliminate them).

Closing and Occupancy dates are not very important to me.

There are no conditions or contingencies on these offers.

NOTE:

The above analysis is effective to determine various selling prices, cash, and terms.

Consider variations of:

1. Terms of NOTE.
2. Higher Interest Rate vs: interest paid out.
3. Estimated \$ of REPAIRS (Charged to SELLER/Purchase Price).
4. CLOSING COSTS (Normal, 50/50, or ALL to Seller/Buyer, or Specific items.
5. Number of months to hold the property until sale.
6. Personal housing expense that you would normally additionally pay out.
7. Negotiated REDUCED commission, or ASSIGNMENT of carryback.
8. Included Items.
9. Early or Late Occupancy.
10. Storage and Parking places.
11. Elimination of Escrow, Title Insurance, and other fees.
12. Installment Purchase or Lease Option Agreement.

MINI-OFFER FORMAT – AS A BUYER

A cover letter on nice stationery should have short paragraphs something like:

(Date)

Dear Seller,

(page 1)

I understand you want to sell your property. I know that you want more than I am prepared to pay. I am an investor and have all cash available. If we can agree to a sale on your property today according to the attached OFFER #1 or OFFER #2, we can open escrow tomorrow, resolve the details, and release money to you immediately.

If you refuse these offers, I will consider your counter offers. Please respond as soon as possible, as I am considering other properties.

Respectfully yours,

(personal signature)

Joe Investor, Trustee

There will be TWO of these pages, each with a single offer. (Offer 1 or 2)

MINI-OFFER Samples based upon a property valued at \$400,000

	OFFER #1	OFFER #2	OFFER #3	OFFER #4	OFFER #5
Purchase Price	350,000	325,000	300,000	285,000	275,000
Cash Down	5,000	25,000	30,000	40,000	50,000
Existing 1 st	200,000	200,000	200,000	200,000	200,000
Repairs	25,000	25,000	25,000	25,000	25,000
Owner will carry on NOTE	120,000	75,000	45,000	20,000	0

Note will be paid to Seller at 7% interest, amortized monthly, or in full on 60th month.

There will be normal closing costs. Closing and Occupancy dates are not very important to me. There are no conditions or contingencies on these offers.

(end)

NOTE: I usually select a "High" and a "Low" like Offer #1 and Offer #5

Do NOT put more than one of the above offers on a page. Do NOT put more than three offers in a Mini-Offer presentation. Do not MASS PRODUCE offers or send by mail.

This method is effective when presented in-person by a qualified sales-smart-agent.

Counter offer can adjust:

1. Terms of NOTE: Payment Amount or Interest Rate or Term or Balloon.
2. Estimated \$ of REPAIRS: Charged against SELLER/Purchase Price.
3. CLOSING COSTS: Normal, 50/50, or ALL to Seller/Buyer, or Specific items.
4. Negotiate the AGENT to carry his commission, or REDUCE his commission.
5. Included Items
6. Contingencies
7. Conditions

MAXIMUM PROFIT WORKSHEET – AS A SELLER

The examples below allow you to calculate your **net profit** on each style of sale:

MINI-ANALYSIS Potential Net Profits based upon value of at least **\$400,000**

	OFFER #1	OFFER #2	OFFER #3	OFFER #4	OFFER #5
New Selling Price	415,000	410,000	405,000	400,000	395,000
Cash Down	25,000	35,000	50,000	80,000	145,000
Existing 1 st	200,000	200,000	200,000	200,000	200,000
Repairs	25,000	25,000	25,000	25,000	25,000
Owner will carry: Pay us on a NOTE	155,000	135,000	105,000	70,000	0

Original Cost	350,000	325,000	300,000	285,000	275,000
Gross Profit	45,000	65,000	85,000	95,000	100,000
Closing Costs Buy	3,000	3,000	3,000	3,000	3,000
Closing Costs Sell	4,000	4,000	4,000	4,000	4,000
Sales Commission	23,700	23,400	23,100	22,800	22,500
6 Months Interest	18,000	18,000	18,000	18,000	18,000
Minus your rent	-18,000	-18,000	-18,000	-18,000	-18,000
Misc Expense	6,000	6,000	6,000	6,000	6,000
NET PROFIT	28,300	48,600	68,900	79,800	84,500

Note will be paid to Seller at 9% interest, amortized monthly, or in full on 120th month.

Negotiable (check the math), but higher or at least as high as I am paying similar notes.

There will be still be normal closing costs (unless you can reduce or eliminate them).

Closing and Occupancy dates are not very important to me.

There are no conditions or contingencies on these offers.

NOTE:

The above analysis is effective to determine various selling prices, cash, and terms.

Consider variations of:

1. Terms of NOTE.
2. Higher Interest Rate vs: interest paid out.
3. Estimated \$ of REPAIRS (Charged to SELLER/Purchase Price).
4. CLOSING COSTS (Normal, 50/50, or ALL to Seller/Buyer, or Specific items).
5. Number of months to hold the property until sale.
6. Personal housing expense that you would normally additionally pay out.
7. Negotiated REDUCED commission, or ASSIGNMENT of carryback.
8. Included Items.
9. Early or Late Occupancy.
10. Storage and Parking places.
11. Elimination of Escrow, Title Insurance, and other fees.
12. Installment Purchase or Lease Option Agreement.

MOVING CHECKLIST

OLD RESIDENCE

Changing Address

- ☐ *Forward address at post office*
- ☐ *Credit card accounts*
- ☐ *Publications*
- ☐ *Bank accounts*

Utilities to Cancel

- ☐ *Telephone, check for refund*
- ☐ *Gas & Electric, check for refund*
- ☐ *Water, check for refund*
- ☐ *Garbage*
- ☐ *Propane*
- ☐ *Cable, check for refund*

Moving Preparation

- ☐ *Defrost refrigerator*
- ☐ *Auto transportation needs*
- ☐ *Pet transportation needs*
- ☐ *Travel cash or checks*
- ☐ *Hand carry jewelry and valuables*
- ☐ *Leave keys*
- ☐ *Leave garage door openers*

Medical Services to Obtain

- ☐ *Medical records*
- ☐ *Dental records*
- ☐ *Veterinarian records*

- ☐ *School transcripts for kids*

NEW RESIDENCE

Changing Address

- ☐ *Ask postman to hold mail for your arrival*

Utilities

- ☐ *Telephone; new number _____*
- ☐ *Gas & Electric*
- ☐ *Water*
- ☐ *Garbage*
- ☐ *Propane*
- ☐ *Cable*

Government Licenses & Services

- ☐ *Apply for state driver's license*
- ☐ *Register car*
- ☐ *New address on driver's license*
- ☐ *Register to vote*
- ☐ *Register children in school*

Medical Services

- ☐ *New doctor*
- ☐ *New dentist*
- ☐ *New veterinarian*

THE PRELIMINARY REPORT

The preliminary report indicates the type of title insurance offered by the title company. It also indicates the exclusions and exceptions from coverage under which the policy will be issued...

REVIEWING THE PRELIMINARY TITLE REPORT

- The preliminary report should be reviewed immediately with special attention to the following areas...
- Verify the property address. The plat map and legal description must match the address.
- Verify the ownership vesting. Make sure the names on the report are the same as the names on the purchase contract.
- Read the informational notes for important facts about the property
- Carefully review the exceptions: bonds, deeds of trust, current taxes, Mello-Roos assessments, CC&R's and easements.
- Look for surprises. If you can't locate an easement, if an unexpected deed of trust appears, etc., call your escrow officer right away. Let your title company be the problem solver. Top notch escrow officers and title companies go out of their way to resolve problems quickly and accurately.

REAL ESTATE PROFIT PLANS

PROFIT PLANS Page 1



- ☐ Buy at discount, then sell at premium.
- ☐ Buy mobile home, live (almost) free, sell at same price as purchased.
- ☐ Buy a shack (at a discount) in expensive neighborhood, sell at premium.
- ☐ Buy property with abnormally low interest rate. Sell at higher rate and/or price.
- ☐ Buy ALL of the cheapest houses in the neighborhood. Then price ALL as highest.
- ☐ Create Handicap-friendly house or condo. One level, ramps, wide hall, safety bars in bathrooms.
- ☐ Create assisted living residence. Many master bedrooms.
- ☐ Buy a discounted, cheap, SMALL house in an expensive neighborhood, then severely increase square footage with a single room addition, and severely increase price.
- ☐ Buy a house, convert to duplex.
- ☐ Buy fixer-upper. Selectively and gradually fix while actively selling.
- ☐ Buy a house on a larger-than-normal lot, then sell same house at same price (or higher) on small portion of lot, thereby getting remainder of lot(s) for free.
- ☐ Buy vacant land. Build one large room (& one bath) with slant roof. Dig small septic tank, put in generator, water tank, sell at double your price.
- ☐ Buy vacant land. Buy used mobile home. Combine. Minimal fix-up. Dig small septic tank, put in generator, water tank, sell at double your price.
- ☐ Buy large acreage. Sell a portion at same price as large portion. Remainder is free.
- ☐ Get someone to agree to a Distress Sale. Then sell your position for a higher price.
- ☐ Get someone to agree to a Owner Will Carry. Then sell your position for a higher price.
- ☐ Get someone to agree to a Lease/Option at a discount on today prices with a portion of the monthly payment applied to purchase price. Then eventually sell for a higher price.
- ☐ Get someone to agree to a Lease/Option at a discount on today prices. Then sell your position for a higher price.
- ☐ Get someone to agree to a l-o-n-g Lease/Option. Then sell your position.
- ☐ Subdivide into many pieces. – or – Subdivide by friendly foreclosure.
- ☐ Rezone to a more profitable type of zoning.
- ☐ Change actual use within same zoning.
- ☐ Buy distressed property from reluctant seller at a severe discount, with a “Buy Back” option to seller. This allows seller to save himself with small net proceeds, yet he still has time to sell property to another buyer at a higher price within a limited time. You are saving him from disaster. Rarely will he be able to find a better buyer within time allowed.
- ☐ Shared Ownership – When you are selling, allow a buyer to use less down payment (or less Owner-Will-Carry) to share ownership with you until he eventually decides to sell. Your “share-partner” would have occupancy and you would simply wait for your HUGE profit. Be sure to own the property in a trust that you control (even though his beneficiaries would have half interest). If he fails to maintain payments, simply evict him and change the beneficiaries. Contract language needs to be specific and automatic remedies.
- ☐ Probate Properties – Buy properties that are in probate or that are newly owned by heirs. They are usually available for huge discounts.
- ☐ Annuity – Buy properties that require a future net proceeds amount at a discount by using an annuity as a portion of the purchase price. The annuities are available at a huge discount and have tax advantages for the heirs of the seller.
- ☐ Condemnation – Buy properties that are most certainly in an area that condemnations are taking place. Put a “friendly mortgage” on it to a friendly company. Sell to the government condemnation for a few thousand higher than all combined mortgages.

- ☐ Purchase on "Purchase Agreement" that is actually a long escrow, with limited up-front cash requirements. Obtain Deed at beginning, if possible.
- ☐ Aging-In-Place Home(s) – Build duplex in middle of two lots, for later sell-off of one unit as family size is reduced.
- ☐ Rent-To-Own – When you have a few properties to rent, start renting them with a payment credit towards purchase. You can allow them to apply credits to any of your properties and require them to use your favorite broker and escrow.
- ☐ Buy a new (unbuilt) house – Put a REFUNDABLE deposit down on a hot new neighborhood and sell your position when sales are almost done.
- ☐ Buy a BUSINESS and get FREE property – Buy a failing or closed or vacant farm, industrial, manufacturing,, corner store, or retail business. Then either convert the use of the property or close the biz & sell equipment.
- ☐ Loan small amounts on HIGH Equities – Make a simple loan on a property that has high equity, and hope they don't pay so you can take the property.
- ☐ Special Financing #1 – Such as ZERO percent (1st year), or NO DOWN PAYMENT (on Purchase Contract, no Deed until paid), or TRADE almost ANYTHING for your Down Payment.
- ☐ Special Financing #2 – Use gradually increasing payments.
- ☐ Special Financing #3 – Use gradually increasing interest rate.



Buy a discounted property, then create a UNIQUE PROPERTY by adding or building:

- | | | | |
|---|--|---|---|
| <input type="checkbox"/> Enclosed Pool | <input type="checkbox"/> Hot and/or Cold Jacuzzi | <input type="checkbox"/> Waterfall | <input type="checkbox"/> River or Stream |
| <input type="checkbox"/> Reflecting Pool | <input type="checkbox"/> Solarium | <input type="checkbox"/> Atrium | <input type="checkbox"/> Sauna |
| <input type="checkbox"/> Vegetable Garden | <input type="checkbox"/> Rock Garden | <input type="checkbox"/> Desert Landscape | <input type="checkbox"/> Roof Garden |
| <input type="checkbox"/> Skylights | <input type="checkbox"/> Stained Glass | <input type="checkbox"/> Etched Glass | <input type="checkbox"/> Treehouse |
| <input type="checkbox"/> Hobby Shop | <input type="checkbox"/> Storage Shed | <input type="checkbox"/> Root Cellar | <input type="checkbox"/> Wine Cellar |
| <input type="checkbox"/> Bomb Shelter | <input type="checkbox"/> Safe Harbor Room | <input type="checkbox"/> Hidden Room | <input type="checkbox"/> Attic Room |
| <input type="checkbox"/> Swing Set | <input type="checkbox"/> Swing or Hammock | <input type="checkbox"/> Play Set | <input type="checkbox"/> Doll House |
| <input type="checkbox"/> Trampoline | <input type="checkbox"/> Tool Shed | <input type="checkbox"/> Car Lift | <input type="checkbox"/> Gun Racks |
| <input type="checkbox"/> Attic Fans | <input type="checkbox"/> Water Purification | <input type="checkbox"/> Solar Cells | <input type="checkbox"/> Solar Heater |
| <input type="checkbox"/> Trellis | <input type="checkbox"/> Flower or Ivy Arches | <input type="checkbox"/> Bar-B-Que | <input type="checkbox"/> Dog House |
| <input type="checkbox"/> Dog Run | <input type="checkbox"/> Rabbit/Chicken Coop | <input type="checkbox"/> Bunkhouse | <input type="checkbox"/> Playhouse |
| <input type="checkbox"/> Greenhouse | <input type="checkbox"/> Entertainment Built-ins | <input type="checkbox"/> Cameras | <input type="checkbox"/> Emergency Lights |
| <input type="checkbox"/> Outside Shower | <input type="checkbox"/> Mud Room | <input type="checkbox"/> Sun Room | <input type="checkbox"/> Heated Walkways |
| <input type="checkbox"/> Covered Sidewalk | <input type="checkbox"/> Underground Room | <input type="checkbox"/> Unique Fans | <input type="checkbox"/> Motion Detectors |
| <input type="checkbox"/> Music Room | <input type="checkbox"/> Study | <input type="checkbox"/> Library | <input type="checkbox"/> Pantry |
| <input type="checkbox"/> Computer Room | <input type="checkbox"/> Workshop | <input type="checkbox"/> Aviary | <input type="checkbox"/> Root Cellar |

Built-ins:

- | | | | |
|--|---|--|--|
| <input type="checkbox"/> Desks | <input type="checkbox"/> Intercom | <input type="checkbox"/> Internet | <input type="checkbox"/> Sound Systems |
| <input type="checkbox"/> Vanities | <input type="checkbox"/> Murphy Beds | <input type="checkbox"/> Bunk Beds | <input type="checkbox"/> Bookcases |
| <input type="checkbox"/> Laundry Sink | <input type="checkbox"/> Magazine Racks | <input type="checkbox"/> Light Dimmers | <input type="checkbox"/> Laundry Chute |
| <input type="checkbox"/> Shower Sauna | <input type="checkbox"/> Closet Organizers | <input type="checkbox"/> Heat Lamps | <input type="checkbox"/> Blow Dryer |
| <input type="checkbox"/> Instant Hot Water | <input type="checkbox"/> Revolving Shelves | <input type="checkbox"/> Wall Safe | <input type="checkbox"/> Gun/Pill Safe |
| | <input type="checkbox"/> Built-in Bar-B-Que | <input type="checkbox"/> Vacuum | <input type="checkbox"/> Loft |

COST vs: RETURN – Repairs & Improvements

3	Front Landscaping	
3	Front Gate	
3	Front Fence	
2	Front Sidewalk	
2	Front Driveway	
3	Roof Repair	
9	Front Door	
9	Front Doorknob & Lock	
9	Paint Front of House	
9	Doorbell	
4	Entry Tile	
3	Interior Paint / All	
3	Carpet / Living Room & Hall	
2	Kitchen Paint	
1	Kitchen Stove	
0	Refrigerator	
0	Microwave	
2	Dishwasher	
0	Trash Compactor	
3	Garbage Disposal	
2	Kitchen Counters	
1	Kitchen Cabinets & Drawers	
3	Kitchen Window	
0	Hall Closet	
2	Stair Handrail	
3	Hall Bathroom Fixtures	
3	Hall Bath Mirrors	
2	Hall Bath Lighting	
2	Master Bedroom Floor	
2	Master Bedroom Closet Shelves	
3	Master Bedroom Mirrors	
4	Master Bath Fixtures	
4	Master Bath Mirrors	
3	Master Bath Lighting	
3	Master Bath Floor	
0	Other Bedroom Closets	
0	Other Bedroom Floors	
0	Other Bedroom Mirrors	
0	Window Coverings / Drapes / All	
0	Screens / Exterior / All	

0	Paint Rear & Sides	
9	Mailbox	
1	Driveway Markers	
1	Rear Landscaping	
1	Swimming Pool	
1	Jacuzzi	
5	Porch Swing	
0	Storage Shed	
2	Hammock	
0	Garage Interior Finish	
3	Wind Chimes	
2	Patio Enclosed	
9	Stained Glass Window	
6	Etched Glass	
4	Fogged Glass	
2	Rear Fences	
1	Rear Walkways	
1	Gazebo	
5	Trellis	
5	Weather Vane	
1	Carport into Garage	
2	Side Gates	
0	Rear Gates	
0	Built-in Bar-B-Que	
0	Built-in Vacuum	
0	Intercom	
3	Trees	
1	Garden / Cactus / Rock	
1	Garden / Vegetables	
2	Playhouse	
1	Greenhouse	
1	Trehouse or Fort	
0	Dog Run	
0	Trampoline	
0	Horse Corrals	
9	Handicap Bars / Ramps	

Number on left equals **HOW MANY \$** you will get in return for **EACH \$** spent. Varies a bit according to **Quality of Residence**.

Address

Renovations

Punch-Out Checklist

Property Address _____ Date _____

- 1) Address: house numbers and on mailbox Good/Poor/ \$ _____
- 2) All plate and switch covers should be on Good/Poor/ \$ _____
- 3) Appliances: work and have knobs Good/Poor/ \$ _____
- 4) Attic: door and good condition Good/Poor/ \$ _____
- 5) Baseboards: missing, good condition Good/Poor/ \$ _____
- 6) Breaker box: door cover Good/Poor/ \$ _____
- 7) Carpet: no stains, good condition Good/Poor/ \$ _____
- 8) Ceiling fans: good condition, work properly Good/Poor/ \$ _____
- 9) Closet doors: handles, work properly Good/Poor/ \$ _____
- 10) Countertops: no crack or broken laminates Good/Poor/ \$ _____
- 11) Door locks: work and have keys Good/Poor/ \$ _____
- 12) Door stoppers: for all, doors hit walls Good/Poor/ \$ _____
- 13) Doorbell: good condition, no open wires Good/Poor/ \$ _____
- 14) Doors and knobs: work properly, good condition Good/Poor/ \$ _____
- 15) Drywall: no holes or cracks Good/Poor/ \$ _____
- 16) Exterior paint Good/Poor/ \$ _____
- 17) Exterior water spigots: handles, work properly Good/Poor/ \$ _____
- 18) Fireplace: screen, doors, vent, works properly Good/Poor/ \$ _____
- 19) Garage door: opener, works, good condition Good/Poor/ \$ _____
- 20) Garbage disposal: works properly Good/Poor/ \$ _____
- 21) GFI outlets: "reset"(rooms w/ water) Good/Poor/ \$ _____
- 22) Hardwood: resurface, good condition Good/Poor/ \$ _____
- 23) Heating and A/C: turn on, check temp Good/Poor/ \$ _____
- 24) Hot water: check Good/Poor/ \$ _____
- 25) Interior paint Good/Poor/ \$ _____
- 26) Kitchen cabinets: handles, good condition Good/Poor/ \$ _____
- 27) Landscaping: overgrown trees, grass Good/Poor/ \$ _____
- 28) Lights and fans: work properly, no open wires Good/Poor/ \$ _____

- 29) Lights: globes, switches Good/Poor/ \$ _____
- 30) Mirrors: towel bars, medicine cabinets, etc Good/Poor/ \$ _____
- 31) Odor: cats, dogs Good/Poor/ \$ _____
- 32) Patio: deck, stains, cracks, screen enclosure Good/Poor/ \$ _____
- 33) Plugs and switches with no open wires Good/Poor/ \$ _____
- 34) Pool: professional check, leaks, tile Good/Poor/ \$ _____
- 35) Pressure washing: drive, garage, curb, exterior Good/Poor/ \$ _____
- 36) Roof: clean Good/Poor/ \$ _____
- 37) Roof: leaks or missing shingles Good/Poor/ \$ _____
- 38) Screens: missing or ripped Good/Poor/ \$ _____
- 39) Showers and tubs: drains, tiles, handles Good/Poor/ \$ _____
- 40) Sinks and toilets: work properly, no leaks Good/Poor/ \$ _____
- 41) Tile or vinyl: no cracks or curling Good/Poor/ \$ _____
- 42) Trash removal: inside and outside Good/Poor/ \$ _____
- 43) Tub and sink surfaces: no nicks or scratches Good/Poor/ \$ _____
- 44) Vanity doors: handles, good condition Good/Poor/ \$ _____
- 45) Vents: clean and covered Good/Poor/ \$ _____
- 46) Wallpaper: replace, remove, good condition Good/Poor/ \$ _____
- 47) Washer/dryer hook ups: intact, no open wires Good/Poor/ \$ _____
- 48) Water stains: no evidence on ceiling or walls Good/Poor/ \$ _____
- 49) Windows: open, close, lock Good/Poor/ \$ _____
- 50) Wood rot: soffit, fascia or body of the house Good/Poor/ \$ _____

Additional Remarks: _____

Total Estimated Renovations \$ _____

SELLER INFO FORM

Source:		Date	
Property Address:		Real Estate IQ	
Bedrooms Full Baths Half Baths		Attitude	
Garage Carport Lot Size		Flexibility	
Appliances Included / / /			
Special Features			
		We Will Call Dates:	
Why Selling			
Price How long owned years			
Amount of cash needed by Seller immediately			
Terms			
Will Seller accept Balloon Payment			
Where is Seller going to move to			
How many days on market Listed Unlisted			
Existing Finance:			
1 st Loan Balance PMT , PITI			
Lender			
2 nd Loan Balance PMT PITI			
Lender			
Equity Credit Line Amount Used			
Are all payments current			
Appraisal Amount			
3 Comp Amount			
20 Comp Amount			
Agent Info:			
Real Estate IQ, Attitude, and Flexibility should be each rated on a scale of 1 to 10, average person starting point of 5. So a 1-5-5 is a small real estate knowledge person, but otherwise average. A 9-1-1 would be a knowledgeable person that is difficult & inflexible.	CALL DATES - In 'We Will Call Dates': Insert "CC" if CLIENT intends to call Insert "MM" if Message left on Machine Insert "MK" if left with Kid		

Estimate of Seller's Net Proceeds of Sale

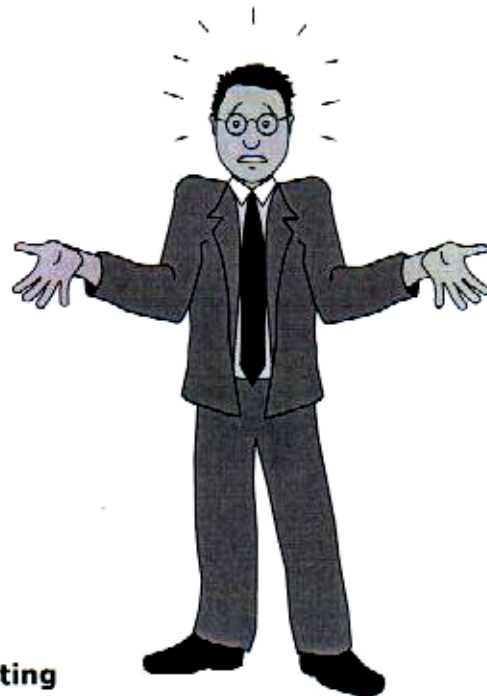
Fill in boxed areas only; shaded cells are automatically calculated.

Sale Price:		
Pre-Closing Repairs:		
Costs to Close:		
Pay off 1st Mortgage		
Pay off 2nd Mortgage		
Other Estimated Closing Costs		
Brokerage Fee		
Title Insurance		
Mortgage Discount Points		
Origination Fee		
Deed of Trust		
Document Preparation		
Taxes		
Buyer's Closing Costs		
Closing Fee		
Assessments		
Property Survey		
Property Inspections		
Termite Inspection		
Notary Fees		
Underwriting Fee		
Tax Service Fee		
\$ Escrowed for Repairs		
Other Items		
Sum of Costs to Close		\$0.00
Estimated Net Proceeds to Seller:		\$0.00

SELLERS VS: BUYERS MARKET

It is extremely important to be able to know the difference between a SELLERS or a BUYERS marketplace. As you get involved with more than one property at a time, it becomes important (perhaps critical), that you can see the evolution between the two market postures. Some events, such as national disasters, earthquakes or terrorism, can create almost instant reversals. But generally, you should be able to forecast movements and trends based upon the following:

- 1) Consumer Confidence Index
- 2) Direction of Interest Rates
- 3) Manufacturers Inventories Up/Down
- 4) New Home Starts
- 5) Vacancy Rates
- 6) New Car Inventories
- 7) Bankruptcies
- 8) Layoffs and Hiring Up/Down
- 9) Countrywide Unemployment
- 10) City/Countywide Unemployment
- 11) Major Stock Index Changes
- 12) Typical Negative/Positive News Reporting
- 13) Major Company Expansion/Contraction Announcements
- 14) Average "DAYS to SELL" vs: Previous Months/Years
- 15) Various Consumer Indexes
- 16) Gas/Oil Prices Up/Down
- 17)
- 18)



Did you hear
the joke about the round pyramid?
It was pointless.

Confidence and Optimism by the 'Middle Class' creates many BUYERS. Fear and Negative Opinions will severely reduce buying. The important thing is NOT whether it is a BUYER or SELLERS market, but more importantly, is it starting to change from one to the other!

THE ONLY IMPORTANT RULE:

If the trend is INCREASED CONSUMER CONFIDENCE, there soon will be more BUYERS. If the trend is LESS, there will be soon be fewer than today.

SOURCES FOR MONEY \$



You should line up sources of money for the down payment, holding costs, fix-up costs, and contingencies, PRIOR to making offers to purchase. It is extremely important to be able to know that you have enough cash readily available to quickly complete the purchase. You need the confidence and safety for the seller and the investors, as well as for yourself to not only complete the purchase, but complete the eventual sale. Do NOT go in underfunded and risk the investment for all of the parties. Always protect and consider all others to the transaction, as if you were in each of their positions. There is no reason to be greedy or put others at unfair risk. Be sure all parties understand the negative results of DUE ON SALE restrictions (in effect on almost all notes).

Generally, you should be able to locate money from some of these sources:

- 1) The Seller can hold a note (owner will carry, a.k.a. OWC).
- 2) Use the property itself for existing or additional note.
- 3) Investor(s) for a note and/or a percentage of the profit.
- 4) The real estate commission can be a note to the agent(s).
- 5) Family and/or friends.
- 6) High interest loan from "Hard Money" lender.
- 7) Unsecured loan from your bank or credit union.
- 8) Sweat equity, your services, your products, or your skills.
- 9) Trade (or a portion) of another property you own.
- 10) Borrow or trade equity in another property or asset you own.
- 11) Subordinate existing loan(s) to a new loan.
- 12) Refinance (some) of the existing loans.
- 13) Your credit union(s).
- 14) Mortgage companies.
- 15) Traditional banks, savings and loans, and thrifts.
- 16) Investment club you participate in or you create.
- 17) Partnership or Corporation formed for real estate.
- 18) Real Estate Investment Trust (a.k.a. REIT).
- 19) Credit cards or credit line.
- 20) Tenants and their deposits and future rents.
- 21) Your IRA(s) or other retirement accounts.
- 22) Your cash value life insurance policy.
- 23) New Buyer from you.
- 24) New Option Buyer.
- 25) Cram Down / negotiated reduction of existing Note(s).
- 26) Deposit from new renter.
- 27) Sell the building, fixtures, furniture, or personal property.
- 28) Sell the crop.



TITLE – OWNERSHIP VESTING

	TENANCY IN COMMON	JOINT TENANCY	COMMUNITY PROPERTY	OTHER ENTITY
Parties	Any number of persons. Can be husband and wife.	Any number of persons. Can be husband and wife.	Only husband and wife.	Flexible
Division	Ownership can be divided into any number of interests, equal or unequal	Ownership interests cannot be divided.	Ownership interests are equal.	Flexible
Title	Each co-owner has a separate legal title to his undivided interest.	There is only one title to the whole property.	Title is in the “community”, similar to a Partnership.	Flexible
Possession	Equal rights.	Equal rights.	Equal rights.	Flexible
Conveyance	Each co-owner’s interest may be conveyed separately by its owner.	Conveyance by one co-owner without the others breaks the joint tenancy.	Both must sign or get court resolution.	Flexible
Buyer Status	Purchaser becomes a tenant in common with the other co-owners.	Purchaser becomes a tenant in common with the other co-owners.	Purchaser can only acquire whole title of community; not just a part of it.	Flexible
Death	On co-owner’s death, his interest passes by will to his devisees or heirs. No survivorship rights.	On co-owner’s death, his interest ends and cannot be willed. Survivor owns the property.	On co-owner’s death, ½ goes on to survivor. Up to ½ goes by Will or succession to others. See attorney.	No effect or Flexible
Successor’s Status	Devisees or heirs become tenants in common.	Last survivor owns the property in severalty.	If passing by Will, tenancy in common between devisee and survivor results.	No effect Or Flexible
Creditor’s Rights	Co-owner’s interest may be sold on execution sale to satisfy a creditor. Creditor becomes a tenant in common.	Co-owner’s interest may be sold on execution sale to satisfy a creditor. Joint tenancy is broken, creditor becomes tenant in common.	Co-owner’s interest cannot be seized and sold separately. The whole property may be sold to satisfy debts of either husband or wife, depending on debt.	Protected from outsiders. Beneficiary is protected. Partners or stockholders may not be protected.
Presumption	Favored in doubtful cases except husband and wife. (See Community Property.)	Must be expressly stated and properly formed. Not favored.	Strong presumption that property acquired by husband and wife is community property.	Presumption based on historic ownership.
Privacy	Not Private	Not Private	Not Private	Private
Probate or Will required	Usually Required	May be required.	May be required.	Not required.

WHAT A TITLE COMPANY DOES ==

REQUESTS A TITLE REPORT AND POLICY

- Title report: A report showing the condition of title before a sale or loan transaction. After completion of the transaction, a title insurance policy is issued.
- Policy: Title insurance is insurance against loss resulting from defects of title to a specifically described parcel of real property. Defects may run to the fee (chain of title) or to encumbrances on the property.

DRAFTS A DEED OF TRUST

A deed of trust is drafted by the title company along with any other necessary documents.

- Deed of Trust: A document filed with the county showing a property is transferred to a trustee by the borrower (trustor) in favor of the lender (beneficiary) and reconveyed upon payment in full.

PAYS OFF EXISTING LOANS

The title company pays off existing loans when so ordered.

TAXES AND INSURANCE

The title company prorates the taxes and insurance upon instructions from the buyer and the seller.

COMPUTES INTEREST ON LOANS

ACQUIRES HAZARD INSURANCE

SIGNING OF DOCUMENTS

Assists the buyer and seller when signing documents.

RECORDING DOCUMENTS

The title company records the appropriate documents with the county office, giving public notice.

DISBURSEMENT

The title company disburses the documents and money to each party involved.

WAIVER & RELEASE OF LIEN

STATE OF _____
COUNTY OF _____

TO ALL WHOM IT MAY CONCERN:

Whereas _____, the undersigned _____
has been employed by _____
to furnish _____

for the building at _____
City of _____, County of _____,
the undersigned for and in consideration of the sum of \$ _____ dollars
and other good and valuable considerations, the receipt whereof is hereby acknowledged,
do hereby waive and release any and all lien, or claim or right to lien, on said above
described person, entity, building, land, and premises under the statutes of the state of
_____ relating to Mechanic's Lien or any other claims, to include labor,
materials, damages, debt, or any other reason, furnished by, or which may be furnished
by, or relating to the undersigned _____.

Signed and dated _____

By _____

Witness _____

Witness _____

GLOSSARY and DEFINITIONS

ABSTRACT – A copy of all recorded documents throughout history of a property.

ACCELERATION CLAUSE – A provision that allows the lender to demand the balance of the loan immediately all due, if the borrower sells the home. If demanded, a foreclosure process is implemented. See also **FORECLOSURE**.

ACCOMMODATOR - A qualified independent 3rd party 1031 exchange intermediary.

ACCRUED – All amounts added up to date.

ADJUSTABLE RATE MORTGAGE aka ARM – A loan that changes the rate of interest according to specific national or international rates, adjusted periodically.

ADMINISTRATOR – Controller or decision making person. Person in charge of an estate or asset.

ADVERSE – Non-family member, non-employee, a uninvolved person.

AGENT – Licensed real estate sales person or broker that is a representative for a seller and buyer and is usually paid.

AGENCY – A legal relationship in which someone (principal) hires someone else (agent) to represent them to a third party.

AGING-IN-PLACE – The concept that homes (or an area) are designed to accommodate owners as they age, instead of prompting them to make drastic changes.

AGREEMENT FOR DEED aka AFD aka PURCHASE AGREEMENT aka INSTALLMENT SALE aka CONTRACT OF SALE – See **INSTALLMENT PURCHASE AGREEMENT**

AITD aka or AIDT – All inclusive Deed of Trust. A document that notifies the public that there is an obligation. Such obligations may be notified as a single obligation, but contain multiple obligations.

ALIENATION CLAUSE – See **DUE ON SALE**.

ALLODIAL – Historical title based on Treaty, rather than insured title.

ALTA POLICY – Additional extended coverage insurance policy protecting a lender.

AMORTIZATION or AMORTIZED– Principal and interest are paid together over the term of the note.

ANNUITY – Insurance policy that may be paid in many different ways. Some types pay immediately monthly and stop upon death. Others pay only at death. Many options.

APPLICATION FEE – A fee to cover some of the charges of the loan process.

APPRAISAL – A estimate of value performed by a licensed Appraiser that is selected by the Lender. Each Lender selects specific Appraisers they will accept. A fee is usually charged starting about \$300.

APPRECIATION – The rate of increased value above the original rate or amount paid.

APR – Annual Percentage Rate. Includes Fees and therefore may be higher than interest rate described in the Note. Also known as the true adjusted rate of interest.

ARBITRATION – A process or person that mediates between parties or settles disagreements.

ARREARS – The past, or the past due amounts.

ASSESSED VALUE – The value placed on property by the government as a basis to taxation. Usually a smaller portion and not fairly related to Fair Market Value.

ASSESSMENT – A tax levied by government.

ASSET – Value or equity in personal property or real property.

ASSIGNMENT – Transfer rights or interest from one to another.

ASSIGNEE – The recipient of rights or interest.

ASSIGNOR – The seller or giver of rights or interest.

ASSISTED LIVING – A monitored living arrangement, whereby caretakers help persons with exercise, daily needs, or health monitoring.

ASSOCIATION – A group of people that have a common goal or purpose.

ASSUMPTION – Taking over obligations, like payments on a Note.

ATTORNEY – A person skilled in Law to supercede Justice.

BALLOON PAYMENT– Refers to a single (usually large) payment, that usually includes all of the principal and interest due.

BANKRUPTCY – A court process of debt restructure or elimination that can take a single day or years.

BENEFICIARY – The person or entity that receives proceeds or benefits. Usually has no ownership or control.

BINDER – A Guarantee or insurance policy.

BI-WEEKLY MORTGAGE – A note payable every other week instead of monthly, resulting in faster payoff.

BLANKET MORTGAGE – A loan covering more than one property.

BLENDED INTEREST RATE – The interest rate after combining loan balances and interest.

BOND – A money (or pledge of an asset) to guarantee performance of an action.

BOOT – Cash that is included in a sale or exchange.

BORROWER aka Mortgagor – The person obligated to pay (usually a Note).

BROKER – A licensed person that supervises licensed sales agents. Broker is also a sales agent.

BUILT-INS – Permanently attached appliances, lights, intercoms, sinks, speakers, etc.

BUY DOWN – A up-front fee that reduces the interest rate.

BUYERS AGENT – An agent that is hired by the Buyer and has the Buyer as his primary concern.

BUYERS MARKET – Too many properties available for too few Buyers.

CAPITAL GAINS – The proceeds after deducting original purchase price, acquisition costs, financing fees, selling costs, improvements, from the selling price.

CAPITALIZATION RATE – The percentage rate applied to the income produced against estimated value of the property. Includes acceptable rate of return on the amount invested (yield) and return of the actual amount invested (recapture).

CARRY BACK – See **OWNER WILL CARRY**, aka **OWC**

CASA – An automated property valuation system created by Case Shiller Weiss, that many lenders and banks use to estimate home values online, at a lower cost than appraisals.

CASH BACK aka CASH OUT – Extra money refunded to Buyer upon a close of escrow. Less than **ZERO** cash down in a transaction.

CASH FLOW – Net spendable income from the investment after deducting all operating and fixed expenses. May be a *negative cash flow*, if expenses exceed income.

CASH FLOW vs: PROFIT – Profit may be good or bad or have no relation to the cash flow.

CASH RESERVE – Savings account (impound account) set aside for periodic costs like taxes, insurance, or repairs.

CERTIFICATE OF DEPOSIT aka CD – A savings account locked by contract for specific time.

CERTIFIED – Verified in writing by a third credible or licensed person or entity.

CHAIN OF TITLE – A history of conveyances and encumbrances affecting the title of real property.

CHattel – Personal property (sometimes) included in a sale of real property that is used as security for a debt.

CIVIL vs: CRIMINAL – Civil only has monetary or possession remedies. Criminal has threat of incarceration.

CLAIM – Lien or lawsuit.

CLOSE OF ESCROW aka COE aka CLOSING – The finish and disbursement of all of the transaction.

CLOSING COSTS – Costs paid at closing including escrow fees, title insurance, loan fees, prepaid items, impounds, broker commissions, taxes, attorney fees.

CLOUD ON TITLE – An outstanding or unexplained claim against the property.

CLUE aka COMPREHENSIVE LOSS UNDERWRITING EXCHANGE – See **CREDIT REPORT**.

COLLATERAL – The asset pledged to secure the debt.

COMMISSION – Fee charged from a broker, salesman, or agent.

COMMITMENT – A pledge or promise by a lender to loan money according to specific terms.

COMP aka CMA – Comparable Market Analysis. Compare one similar property to another. May not be exact, but may have adjustments in value for differences.

COMPOUND INTEREST – Interest calculated on both principal and accrued interest.

CONCURRENT – At the same time.

CONDEMNATION – See **EMINENT DOMAIN**.

CONDOMINIUM – Title held on individual unit and a percentage of common grounds.

CONSECUTIVE – One after the other.
CONSTRUCTION LOAN – A short-term loan to fund the cost of construction.
CONSUMER CONFIDENCE – The general feelings of optimism in future stability, money, jobs, sales, economy, etc.
CONTINGENT – Conditional. One event (such as a purchase) depending on another event (such as another house selling), to allow the performance of a contract.
CONTRACT – A legally enforceable agreement. In real estate, contains written understanding by all parties, consideration (like money), specific time for performance, delivery of copies, and acknowledgement (usually signatures).
CONTRACT FOR DEED – See **INSTALLMENT PURCHASE AGREEMENT**
CONTRACT OF SALE aka **AGREEMENT FOR DEED** aka **AFD** aka **PURCHASE AGREEMENT** aka **INSTALLMENT SALE** – See **INSTALLMENT PURCHASE AGREEMENT**
CONVENTIONAL LOAN – A secured loan on Real Property without governmental underwriting, governmental insurance, or governmental guarantees.
CONVEY or CONVEYANCE – Transfer ownership or some rights (or the Document).
COUNTER aka **COUNTER OFFER** – A modification of an earlier rejected Offer, that now makes it a new (combined) Offer.
CORPORATION – An association, company, club, foundation, institute, society, syndicate, limited organization that is permitted by government and chooses to be a corporation instead of another type of entity, such as a trust or partnership. An entity that has the same rights as a person, yet is usually separate from the individual. It is an artificial entity registered and permitted by government for a fee, that requires disclosures and re-registration annually, and may affect taxes, liquidity, transferability, or beneficial interest, and may be managed by a single person, or any size group. Usually formed to conduct business, rather than simply hold passive assets. Highly regulated. Invented and recognized since the 15th century.
COURIER – Delivery or agent of the Delivery company.
CO-SIGN – A second person pledging to guarantee actions or contracts of another person or entity.
COST APPROACH – Estimate of value to reproduce replacement cost of improvements (minus depreciation) added to the estimated land value.
COTTAGE – A small beach or resort studio or one bedroom “artist style” minimal residence; a group of cottages may also be clustered around a courtyard or mini-park.
COVENANT – Stipulation promising certain uses or non-uses of a property.
CRAM DOWN – A reduction by a lender in principal, interest, or conditions of an existing Note. Negative market conditions or values may convince a lender to make reductions, if asked (or demanded) by a payee. See also **MORATORIUM**.
CREATIVE FINANCING – Usually involves some form of Seller financing to a new Buyer. Or Seller is still obligated to existing loans. Or involves multiple loans, unusual payment amounts, interest, or deferral of principal.
CREDITOR – One who is owed payment.
CREDIT REPORT – ONLY AUTHORIZED: TransUnion: www.tuc.com 800-916-8800, Equifax: www.equifax.com 800-685-1111, and Experian: www.annualcreditreport.com 877-322-8228
- OR - www.myfico.com See also **FICO SCORE**. (unauthorized)
- OR - www.freecreditreport.com (unauthorized)
Check Systems: 800-428-9623
CLUE aka **COMPREHENSIVE LOSS UNDERWRITING EXCHANGE** – Database of insurance claims and lawsuits regarding real property. www.choicepoint.com 866-312-8076
TENANTS: 877-448-5732
EMPLOYMENT: 866-312-8075
HIGH RISK: www.choicepoint.com
MEDICAL: 617-426-3660
CREDIT CARD SOLICITATION OFFERS: www.optoutprescreen.com 888-567-8688
DO NOT CALL PHONE REGISTRY: www.donotcall.gov

DEALER – A government designated status or profession that may require a license or a different tax status usually based upon self statement or number of transactions.
DEBT SERVICE – The various periodic payments on a loan.
DEBT-TO-INCOME RATIO – The percentage of a borrower's debt divided by their monthly income.
DEED – Written Title to Real Property, when it has been properly executed, delivered, and recorded, that notices the public of true ownership.
DEED IN LIEU OF FORECLOSURE – A voluntary DEED for ease, costs, and convenience.
DEED OF TRUST a.k.a.TD – A document used in many states in place of a Mortgage to secure payment of a promissory note. NOT A NORMAL DEED OF OWNERSHIP.
DEED RESTRICTION – Limits imposed by title to the property that prevent certain uses or rights, such as 'no motorhomes' or 'no horses' (even though law may allow it). Cannot be enforced regarding race, religion, or disabled.
DEFAULT – Failure to meet obligations in a contract.
DEFECTS – Problems with a title, that are still on record, even if they are already cured.
DEFICIENCY JUDGEMENT – A personal judgement debt of the remaining amount owed a lender after a judicial sale.
DELINQUENCY – Failure to make payments on time.
DEMAND NOTICE – Payment Due Notice.
DEPOSIT – Consideration used to create a binding contract. May be refundable or not, as per contract.
DEPRECIATION – A decrease in value over time, sometimes estimated per a schedule.
DIRECT LENDER – A lender that has their own money to lend, rather than acting as an agent for investors.
DISCLOSURE – To make known or public. Real Property requires written disclosure.
DISCOUNT a NOTE – Reduce the amount due, usually for faster payment of the total.
DISCOUNT POINTS – A negotiable fee paid to the lender to secure financing for the buyer. Discount points are up-front interest charges to reduce the interest rate on the loan over the life, or a portion, of the loan's term. One discount point equals one percent of the loan amount.
DISCRIMINATE – Treat unfairly because of race, gender, or physical abilities.
DIVERSIFYING – Owning or investing in various types of assets.
DOUBLE ESCROW – A property that is sold again (or assigned) to another and closes escrow concurrent with the first sale. OR an illegal transaction that a licensed agent participates in whereby a purchase is made by the agent himself before allowing a legitimate buyer to complete his purchase. See also FLIPPING.
DOWER – A assumed ownership by a wife of assets titled to the husband. A dowry gives assets to the husband upon marriage.
DUE ON SALE aka DOS – A clause that a sale forcing immediate payment of the total loan principal, interest, and penalties. See also ACCELERATION CLAUSE, FORECLOSURE.
EARNEST MONEY – Money deposited with Escrow or Seller as proof of intent to buy. May or may not be refundable, according to contract.
EASEMENT – Right to do something on real property belonging to another. Usually a road, right of way, utility, or access to a mineral right.
EASY CREDIT – Usually means a combination of No Qualifying, No Tax Returns, or No Employment Verification.
ECONOMIC LIFE – Reasonable period of time a property should sustain original purpose.
EMINENT DOMAIN – The government may force a sale of real property from an owner for a public purpose. Used often to eliminate ghettos, create shopping centers, schools, roads, skyscrapers, parks, stadiums, streams, the Olympics, or factories.
ENCROACHMENT – A structure or fence or use that extends beyond property line.
ENCUMBRANCE – Anything that affects or limits the ownership of Real Property, such as Mortgages, Liens, Easements, or Restrictions of any kind.
ENDANGERED – A designation by government of any living (rare) organism that will prevent use of real property.
EQUITY – The value of the property minus all liens.

EQUITY GUARANTY – A guarantee that accrued equity will be protected for designated beneficiaries, regardless of lawsuits, divorces, wills, mechanics liens, property settlements, child support, inheritance, or other contracts.

ESCROW – A neutral company (or person within) that accumulates all deposits, cash, documents, loans, payoffs, inspections, instructions, taxes, etc. to exchange or deliver to the correct destinations upon full performance of the agreement. A fee is usually charged that is normally a percentage of the transaction value.

ESTOPPEL – A release such as a statement from a renter that he has no claims.

ESTATE – Vested benefits or use of real property.

EVICITION – A legal proceeding by a landlord to recover the possession of the property.

EXCLUSIVE – Usually regarding selling a house giving the agent a guarantee that he has the only right to sell the property for a set period of time for a fee. If agreement is ignored, the agent can still collect the fee (commission).

EXEMPT – Not included.

EXPIRED – No longer under contract with an agent or real estate company.

FAIR MARKET VALUE – True and extensive proof of price that a Buyer would pay in a normal transaction. NOT necessarily the same and superior to a Market Analysis or Appraisal. A lender will favor their own appraisal and ignore Fair Market Value.

FANNY MAE aka FNMA – Federal National Mortgage Association, a government chartered private company that buys large groups of mortgage loans from lending institutions, and obtains its money by selling securities in the open market to investors.

FARMING – See VILLAGING.

FEASIBILITY STUDY – An analysis of existing or proposed property with emphasis on attainable income, probable expenses, advantageous uses, and designs.

FEE SIMPLE – Absolute greatest possible estate or right of ownership of property.

FENG SHUI – Asian philosophy regarding alignment or geomancy. Some elements include colors, angles, numbers, style, directions, water, hills, flowers, doorways, views, and mirrors. Sometimes considered like a 'first impression' or 'karma'. May incapacitate parties to a transaction.

FHA – Federal Housing Administration.

FICO SCORE – aka Fair, Issac, and Company www.myfico.com

FIRST MORTGAGE – The loan (mortgage) that has recorded priority against a real property.

FIRST RIGHT OF REFUSAL – Usually the first right to purchase (or re-purchase), like an option.

FIXED RATE MORTGAGE aka FRM – The interest rate does NOT change over the term of the loan.

FIXTURE – Permanently attached, includes personal property permanently attached.

FLIPPING – A property that is bought and immediately re-sold or assigned to another (legal). - OR - A property that is illegally documented and sold at a huge inflated value by fake sales or false appraisal (illegal).

FLP – Family Limited Partnership.

FORECLOSURE – The legal process in which a lender forces the sale of real property to repay a debt (and missed payments, late charges, fees, expenses, and legal costs). Usually takes 121 days, but varies according to jurisdiction.

FRAUD – Failure to disclose relevant facts, deceive, take advantage of another, break the law. Licensed Agents are much more controlled and face much harsher penalties criminally, in addition to civil remedies. See also CIVIL vs: CRIMINAL.

FREDDIE MAE – Government loan fund.

FSBO – A property offered without an commissioned or listed agent "For Sale By Owner".

FUNCTIONAL OBSOLESCENCE – Defects in usability or not suitable for use as intended.

GOOD FAITH ESTIMATE – Required pre-closing disclosure of estimated closing costs.

GRADUATED PAYMENT MORTGAGE aka GPM – A loan that usually keeps the same interest rate, but starts off with lower payments.

GRANT DEED – A type of deed that warrants that title has not previously been conveyed or encumbered to another (except as noted in the deed), and will convey to the grantee any title to the property the grantor may later acquire.

GRANTEE – The party whom the title is conveyed.

GRANTOR – The person that conveys the title.

GROUP HOME – A common group (such as to age or disability) occupying a single residence managed by a specialist.

GUEST – A person visiting for a limited time, in most places three days. Has no "Renters' Rights".

HARD MONEY LOAN – Typically a non-bank lender or investor that will loan money fast at high interest and high fees for short periods of time, usually requiring excellent equity, usually NOT requiring good credit. Usually very expensive costs and interest.

HISTORICAL TRENDS – Such as past appreciation, or "Sellers' Market", or interest rates, or vacancy rates. All of which may NOT reflect future trends.

HOME EQUITY LOAN – A loan borrowed against and secured by the equity in a home. Not associated with the original purchase of the home, but perhaps for repairs, improvements, payoffs of other debts, or cash-on-hand.

HOME INSPECTION – Usually done by a licensed company, that checks for structure defects or wear and tear, then writes a report, usually for a fee of about \$250.

HOMEOWNERS EXEMPTION – A reduction in taxes, usually based upon occupancy or military service, disability, or previous home ownership.

HOMESTEADING – The process of obtaining ownership of land by living and working on the land. –OR– The classification of "homestead" may allow for lower property taxes and other benefits for special instances such as primary residence, military veteran, senior, or handicapped, or restricted liens, or restricted foreclosure of equity.

HUD – Department of Housing and Urban Development.

HYPOTHECATE – To pledge an asset as security.

IMPOUNDS – A forced savings account to accrue amounts necessary to pay taxes, insurance, or other occasional expenses.

INCOME CAPITALIZATION – Estimate of value based upon recap of income producing property by capitalization of the annual net operating income expected to be produced by the property during its remaining economic life.

INDEX – A published interest rate that often influences adjustable rate loans. Typically Federal Home Loan Bank index rate, Federal Reserve Board rate, Treasury rates, TCMS, LIBOR, or CD rates published in places like the Wall Street Journal.

INFLATION – The increase in money necessary to pay for goods and services that formerly cost less.

INTEREST RATE – The annual rate charge as profit for use of money. See also APR.

INSTALLMENT PURCHASE AGREEMENT aka INSTALLMENT CONTRACT – Deposit payments towards eventual ownership, whereby the title (Deed) is usually delivered at the end of all payments. May be taxed differently than earlier Deed.

INSTITUTIONAL LENDERS – Commercial lenders such as banks, savings and loans, credit unions, insurance companies, and finance companies.

INSURANCE – Title insurance, lender insurance, loan insurance, property loss, earthquake or flood insurance, etc.

INTEREST – A percentage a loan amount charged for use of money.

INTEREST ONLY – Principal is not paid along with the interest in payments of the note, leaving the principal to be paid later.

INVESTING vs: SAVING – Investing can give you higher returns, but less liquidity. Saving can give you more safety and more liquidity.

INVESTOR – Person or entity that controls real estate or notes or money.

INVOLUNTARY CONVERSION – A forced transfer of ownership that may allow for less personal income taxes or taxes under different rules or regulations.

JOINT TENANCY – Ownership by two or more owners.

JOINT VENTURE – A joining of two or more people or entities for a project.

JUMBO – Large loans in excess of 250,000 that have different lending rules.

JUNIOR LIEN – A lien of lessor priority (recorded later) than a prior recorded lien.

JUNK FEES – Extra costs to a borrower that create excess profits for a broker such as Warehouse Fee, Underwriting Fee, Processing Fee, Application Fee, Administration Fee, etc. Usually negotiable or cancelable.

KEYHOLE LOT – A lot behind another lot.

LAND CONTRACT – See **INSTALLMENT PURCHASE AGREEMENT**.
LANDLOCKED – A property that has no legal access or is surrounded by other landholders without an easement to access.
LAND PATENT – A real estate deed from the federal government usually related to minerals and mining.
LAND TRUST – A trust originated by the owner of real property in which real estate is the only asset. Because the interest of a beneficiary is considered personal property and not real estate, a judgement against the beneficiary is **NOT** against the real estate. Used for asset protection and for holding control anonymously.
LEASE BACK – See **SALE/LEASE BACK**.
LEASE OPTION – A formal written rent contract that has a purchase option possibility.
LEASE-TO-OWN – A formal written rent contract that has a portion of the payments applied to the purchase option possibility.
LENDER'S POLICY – Usually required by institutional lenders on 1st and 2nd mortgages that only protects the lender.
LESSEE – The tenant.
LESSOR – The landlord, owner, or property manager.
LETTER OF CREDIT aka LC – A binding guarantee by a bank protecting a transaction.
LETTER OF INTENT – Non-binding letter describing intent to create a contract.
LEVERAGE vs: CASH – Leverage allows control of much larger investments than cash, sometimes with less (or more) risk.
LIBOR – London InterBank Offered Rate based upon five London banks. See also **INDEX**.
LIEN – A claim against the property for the payment of a debt or other obligation.
LIFE ESTATE – A right existing only during a lifetime that cannot be transferred.
LIMITED LIABILITY COMPANY aka LLC – An entity that combines some corporate and partnership attributes.
LIMITED POWER OF ATTORNEY – Power for a single purpose. See **POWER OF ATTORNEY**.
LINE OF CREDIT – Pre-approved loan amount “ready-to use”.
LIQUIDITY – Ability to convert quickly to hard cash.
LIS PENDENS – A preliminary notice to the public of a pending legal action.
LISTING – Contract agreement that gives commission to a sales agent, whether or not the agent is involved with the sale for a certain period of time and other conditions.
LLC aka LIMITED LIABILITY COMPANY – A relatively new type of entity that has many abilities of a trust or corporation, but less cost than a corporation. Not universally regulated or defined or governed.
LOAN ORIGATION – A Lender (or their agent) creates a new loan and may charge a fee.
LOAN-TO-VALUE aka LTV – A percentage ratio (value) between the loan amount and the property value.
MAI APPRAISAL – A commercial appraisal primarily used in businesses or income properties with the appraisal fee that usually cost many thousands.
MARKET CHANGE – A change in buying or selling habits, or confidence in the future.
MARKET VALUE – See **FAIR MARKET VALUE**.
MECHANICS LEIN – A lien placed by a laborer or company for unpaid work or materials.
MICROFISH – A searchable film copy of documents recorded in public records that prove history, sequence, contents, dates, conditions, and replace the need for each original document.
MINERAL RIGHTS – The right to various minerals or mining such as water, precious metals, oils, gas, that is usually **NOT** included with most deeds.
MINING RIGHTS – The ability to recover or sell various minerals **NOT** including ownership or regular use of the land.
MINI-OFFER – Abbreviated non-binding offer to purchase or sell real estate like a Letter of Intent.
MLS – Multiple Listing Service – A service organized and maintained by **REALTORS** that usually only show properties under a agency listing commission contract.
www.mls.com –OR- www.rmls.com –OR- www.realtor.com
MOBILE HOME – A temporary residence usually identified by attached wheels taxed as personal property, **NOT** real property.

MORATORIUM – A temporary suspension of interest or payments.

MORTGAGE – A legal document that provides security for repayment of a Promissory Note. Usually described as a DEED OF TRUST or a TRUST DEED. See also TRUST DEED and NOTE.

MORTGAGE BROKER – A company that arranges loans usually with money from others. See also DIRECT LENDER.

MORTGAGEE – Lender.

MORTGAGEE'S TITLE POLICY – See LENDER'S POLICY

MORTGAGE INSURANCE – An insurance policy protecting a lender against possible loss, almost always required on highly mortgaged loans. Typically 80% LTV and higher.

MORTGAGOR – Borrower.

MULTIPLE LISTING SERVICE aka MLS – The computerized database of almost all properties listed by member brokers that details properties for sale and recent activity.

MULTIPLE OFFERS – Sometimes more than one offer will appear at about the same time. Some agents will present one, wait for acceptance or rejection, before presenting added offers. The first may not be the best. Most agents will present all at once.

NEGATIVE AMORTIZATION – The payments are lower than the interest rate, thereby increasing the principal amount owed over the loan term.

NET/NET/NET – After taxes, insurance, and all other fees.

NON-JUDICIAL FORECLOSURE – A special method of foreclosure that avoids court.

NON-REFUNDABLE – No refund.

NOTARY – A person licensed by government that verifies that a person signed a document, AND/OR that they took an oath regarding the document. A minimal fee is usually charged.

NOTE – Agreement to pay money or value.

NOTICE – Information that is public such as newspaper published, delivered to party, or recorded information.

NOTICE OF DEFAULT aka NOD – The preliminary notice to the public that payments or conditions have not been met and a foreclosure is now started.

NOTICE OF TRUSTEE'S SALE – Final advertised and posted step before the foreclosure auction.

NOTICE TO CREDITORS – A publishing or mailing to make the public aware that they must make their final demands for payment.

NOVATION – Substitution of Borrowers.

OPEN HOUSE – A showing to the general public of a property with the hopes of finding interested buyers or potential sellers. Usually lasts a few hours or a day.

OPTION – A right based upon a written contract with specific terms and period of time.

OPTIONER – The buyer or party that has received the right or option.

OPTIONEE – The seller or party that granted the right or option.

ORIGINATION FEE – A fee charged by the lender to prepare the loan.

OWNER WILL CARRY aka OWC aka OWNER FINANCING – A Note payable to seller usually created at time of seller sale.

OWNER'S TITLE POLICY – Insures the Buyer against loss due to any defect of the title not excepted to or excluded from the policy.

PAPER – A Note, Deed of Trust, Mortgage, AFD, Deed, or a combination.

PARTIAL RELEASE – Usually a portion of release of an obligation, or the security, or payment of principal. See also BLANKET MORTGAGE.

PARTNERSHIP – A General Partnership has more than one controller. Not very insulated as to disagreements. A limited Partnership has one controller and many non-controller partners. Usually very little input by each partner.

PATENTED LAND – See LAND PATENT.

PERMIT – Permission from government for a fee, sometimes after committee approval, sometimes after conditions, sometimes after delays and public discourse and court resolved disputes.

PITI – Loan payment that includes principal, interest, property taxes, and fire insurance.

PLANNING – A committee or agency of government that issues permits or approval of improvements or construction or land use.

PMI aka PRIVATE MORTGAGE INSURANCE – See MORTGAGE INSURANCE.

POINTS – Paid by the Buyer or Seller. One point is equal to one percent of the loan amount.

POWER OF APPOINTMENT – The power to appoint trustees, directors, managers, hire consultants, or employees.

POWER OF ATTORNEY aka POA – A legal written document and right that authorizes one person to act on behalf of another. Sometimes limited to specific acts (such as regarding only a certain real property).

PRELIMINARY TITLE REPORT aka PRELIM – A report of current status of title and obligations, easements, property taxes, items of record, sometimes referencing event history. Sometimes has obligations of Buyer or seller as individuals.

PRE-PAID EXPENSES aka PRE-PAIDS – Closing expenses that include taxes, hazard insurance, special assessments, and mortgage insurance.

PREPAYMENT PENALTY – A fee imposed only if a loan is paid off early, usually amount of six months interest or less.

PRE-QUALIFYING – A abbreviated approval process that can be done in advance of purchase.

PRIME RATE – The interest rate banks charge their best customers. See also INTEREST RATE.

PRINCIPAL – The amount owed to a lender, not including interest or fees. –or- The employer of an agent in an agency agreement.

PRIVATE MORTGAGE INSURANCE aka PMI – See MORTGAGE INSURANCE.

PROMISSORY NOTE – A written promise to pay. As opposed to SEE SECURED NOTE.

PROTECTOR – A tie breaker and arbitrator and emergency controller.

PURCHASE AGREEMENT aka AGREEMENT FOR DEED aka AFD aka INSTALLMENT SALE aka CONTRACT OF SALE – See INSTALLMENT PURCHASE AGREEMENT

PURE OPTION – Solely the option to purchase real property in absence of a lease agreement.

QUANTITY SURVEY – A method of cost estimation that considers a detailed count of all materials going into a structure together with the cost of labor to install.

QUIET TITLE – A deed created by a court to eliminate defects in title, verify claims, and resolve title conflicts.

QUIT CLAIM DEED aka QUIT CLAIM – A type of deed that gives up any rights the grantor may have or may not have WITHOUT WARRANTY or OBLIGATIONS. Usually the type of deed used in divorce, although many attorneys fail to create it after divorce decrees, leaving both parties unfinished. Often improperly used as a general purpose deed.

RATE – See INTEREST RATE.

REAL ESTATE INVESTMENT TRUST aka REIT – A investment entity usually created and managed by a company that operates similar to a stock investment. Requires more than 99 investors and distributions of annual income.

REAL ESTATE OWNED aka REO – Bank owned property, usually unwanted discountable real property.

REAL PROPERTY – Real Estate, NOT what is temporarily on it (such as a travel trailer or mobile home with wheels). Actual structures are REAL PROPERTY, but NOT the contents.

REALTOR – A licensed real estate salesman or broker that ADDITIONALLY belongs to the National Association of Realtors. Most do to participate in Multiple Listing Service.

RECONVEYANCE aka RECON – Elimination of secured obligation usually regarding a paid-off Note.

RECORDER – The office agency of government (usually the county) that creates and maintains public records. Documents of Real Property are not complete until recorded. A minimal fee is usually charged.

RECORDING FEES – Minor fees charged by the government to publicly record and manage public records and transfers and obligations.

REFINANCE aka REFI – A new loan to replace another loan(s).

REMODEL vs: ADD-ON – Most governments classify a remodel aka repair to need less approval or fees than a add-on. Definitions vary, but a repair is usually about 25% of existing structure at any one time.

RENT BACK – See SALE/LEASE BACK.

RENTER – A person that pays rent and does NOT have ownership of real property. Usually has “renters rights” if renting more than three days.

RENT-TO-OWN – Buyer gets credit of all or large portions of the rent towards purchase.

REQUEST FOR NOTICE – A recorded notice requesting notification of foreclosure proceedings, usually requested by junior lien holders.

RESTRICTION – Limitation such as “no trucks”, “no horses”, “no kids”, but can be almost anything except discrimination.

RESTRUCTURED – A loan that has different interest, payments, terms, or conditions.

REVERSE MORTGAGE – A monthly payment to the borrower deducted from the equity usually designed for seniors.

RIGHT OF REDEMPTION – The right to redeem or recover title to a property after legal actions have already started, sometimes after foreclosure or property transfer.

RISK – A potential for loss.

RTC aka RESOLUTION TRUST CORPORATION – Federal agency that oversees management and liquidation of assets of failed savings and loans and banks.

SALE/BUY BACK – A sale (usually a severe discount), that can be undone for a short period of time, thereby allowing the seller to attempt to locate a more profitable sale to a different buyer.

SALE/LEASE BACK – A method of sale allowing continuous possession by the seller.

SEASONING aka AGING – Allowing for payments or appreciation or performance over time to increase reliance on contract terms.

SECOND MORTGAGE – The loan (mortgage) that is recorded AFTER the currently first recorded loan against a real property. aka The 2nd remaining obligation that is recorded against a real property. Becomes a 1st upon payoff of existing 1st.

SECTION 8 – A government guaranteed rental program that has generated reliable rents to rental property managers.

SECURED NOTE – A Note that is publicly noticed by a recorded Deed of Trust securing real property.

SEIZURE – Confiscation by government for environment, debt, public use, Eminent Domain, taxes, or criminal acts.

SELLERS AGENT – Agent that is contracted and paid by the seller.

SELLERS MARKET – More Buyers ready to buy than properties available for sale.

SETTLEMENT – See CLOSING COSTS and CLOSE OF ESCROW.

SHARED APPRECIATION – A method of joint venture whereby a smart real estate broker will share in home ownership or value with a buyer by allowing the buyer to use his commission to purchase a home.

SHORT SALE – See CRAM DOWN.

SIMPLE INTEREST – Annual interest that is computed on principal WITHOUT consideration of accumulated interest and principal.

SPECIAL ASSESSMENT – A special charge by government to cover specific proportional cost of an improvement such as a street or sewer.

STARKER 1031 EXCHANGE – See 1031 EXCHANGE.

STRAW BUYER – A fake buyer allows his credit or name to be used by another (illegal).

STRIPPING – Borrowing all the equity you can from your house to invest in ventures.

SUBDIVIDE – Break into smaller parcels or pieces, usually requiring government approval.

SUBJECT TO – “As is” usually referring to paying an existing loan without disclosure that there is a different property owner, and in violation of the loan contract. Risky. See also DUE ON SALE.

SUBORDINATION – The act of allowing a junior lien or loan to be superior by agreement.

SUPPLY AND DEMAND – The principle that values rise as demand increases (more buyers are ready) or decrease as supply (more saleable properties) exceeds demand.

SURVEY – Measuring real property boundaries and dimensions as verified by a Surveyor, a measuring person that creates a written report and places markings on the real property; also a map or plat showing the results.

SWEAT EQUITY – Equity created by a purchaser's work on a property.

SYNDICATIONS – A group of investors, that form into an entity such as a REIT, LLC, partnership, or trust.

TAX ASSESSOR – Government agency or bureaucrat that determines property value and improvements in order to determine property taxes. Some jurisdictions only change taxes upon title transfer.

TAX CERTIFICATE – Proof that the property taxes were paid.

TAX DEED – A deed issued by the government to a buyer at a tax sale.

TAX LIEN – Obligation that may supercede loans, other liens, or equity.

TCMS – Rate of Treasury Constant Maturity Series. See also INDEX.

TEASER – A temporary reduction in interest rates or payment amounts. Common on vehicles and variable loans.

TENANT – Renter.

TENANCY-BY-THE-ENTIRETY – Joint ownership acquired by husband and wife during marriage. Upon death, the surviving spouse becomes the owner.

TENANT-IN-COMMON – Form of co-ownership by which each owner holds an interest in the property as if sole owner. No right of survivorship, but right of inheritance is granted.

TENANT-IN-COMMON TRANSACTIONS aka TIC – Investments like stocks or REIT, but that give individuals separate deed to individual assets (or portions). May soon be regulated by SEC.

TERM – Contract amount of time to complete conditions and payments.

TERMITE INSPECTION – Required by lenders to show property improvements are free of active termites and their damage.

TITLE – A actual recorded Document (or a publicly recorded copy). In Real Property means Ownership.

TITLE COMPANY – Insurance company that does business with Escrow Companies.

TITLE INSURANCE – The basic insurance policy that insures parties against title defects or errors. See also ALTA policy.

TITLE SEARCH – An examination of records and history to determine ownership and encumbrances affecting real property.

TRIPLE NET – See NET/NET/NET

TRUST – An entity that has the same rights as a person, yet may be designed to be separate from the individual. It allows for management of assets, income, taxes, liquidity, transferability, control, privacy, for beneficiaries. It is usually a private entity, requiring no permission from government, registration, or disclosure. May be used instead of a partnership or corporation. Usually holds passive assets. Not usually formed to simply conduct profit oriented business. Moderately regulated. Invented by Socrates, and protected by law more than any other type of entity or person.

TRUST DEED aka TD – Document that must be recorded that confirms the existence of a note or obligation on real property. See also DEED OF TRUST and MORTGAGE.

TRUSTEE – The manager or controller.

TRUSTOR aka GRANTOR aka SETTLOR – The creator of a trust.

TRUTH in LENDING - A group of laws that require lenders to disclose costs, interest, loan details, and deliver documents at specific times.

UNDERWRITING – The decision whether to make a loan or a guarantee to a potential borrower or seller.

UNLAWFUL DETAINER – A lawsuit to evict a tenant, occupant, or former owner that unlawfully remains in possession of real property.

TRW – A credit reporting agency. See CREDIT REPORT.

UNSECURED – No security, such as a promissory note.

UPSIDE DOWN - See CRAM DOWN or MORATORIUM.

USURY – The lending of money at a higher interest rate than is permitted by law.

VETERANS ADMINISTRATION aka VA – The Veterans Administration or a loan by them.

VARIABLE – Interest rate or payment that varies depending upon the contract. See **ADJUSTABLE RATE**.

VILLAGING – Working on a limited manageable area as to all activity. All information, houses for sale, sales, expired listings, schools, shopping, problems, structural defects, floor plans, employments, easements, conditions affecting the neighborhood. The expert of the neighborhood. The busybody and know-it-all that is aware of and perhaps steering trends.

VERIFICATION OF DEPOSIT aka **VOD** – A form required by most lenders from banks of a borrower confirming values.

VERIFICATION OF EMPLOYMENT aka **VOE** - A form required by most lenders from current and past employers of a borrower confirming income, term, position, and probability of continued employment.

WALK THRU – A Contractual Release document that the Buyer will execute upon his approved inspection of real property and improvements, and included items.

WAREHOUSE – Hold money for approved loan sometimes for a holding fee.

WARRANTY – A guarantee usually paid for by the seller and costs about \$350 that includes items like heating, cooling, and appliances stating they are in good working condition for one year.

WARRANTEE DEED – A deed that additionally guarantees (by the seller) good title.

WITNESS – A person that will testify that a signature is true, not statements of the document.

WRAPAROUND aka **WRAP** – A note and/or a deed of trust that is for the combined amount of the pre-existing mortgages (and is subordinate to them) allowing for a single combined payment (that may be for higher rate of interest). Needs extra scrutiny for conflicts and consequences.

YIELD – The return of investment and/or profits on investments. The total income produced by investment, usually expressed as an annual percentage.

ZERO aka **NOTHING DOWN** – May still require cash for impounds and closing costs, or allow for cash back of excess to buyer or seller. See also **CASH BACK**.

ZERO LOT LINE – A property that allows one side of the building to attach to a building on another property, such as a building that centers on two separately owned lots.

ZONING – A government agency or process that allows or disallows restrictions as to types of business, activities, or uses of property and improvements.

1003 – Credit loan application.

1031 EXCHANGE – A transfer sale exchange method that allows deferred federal taxes if all Internal Revenue Service rules are met. Very restrictive, but popular method. There are agents and associations that specialize in exchanges. Originally pioneered by the **STARKER** decision. See also **ACCOMMODATOR**.

CALCS:

$PITI \div \text{Gross Monthly Income} = \text{Front-End Ratio}$

$PITI \div \text{Debt Payments} \div \text{Gross Monthly Income} = \text{Back-End Ratio}$

VALUE:

$NET \div \text{Rate of Return} - \text{or} -$

$\text{Gross Income Multiplier} - \text{or} -$

$\text{Cash on Cash Return} - \text{or} -$

$\text{Net Spendable Multiplier}$