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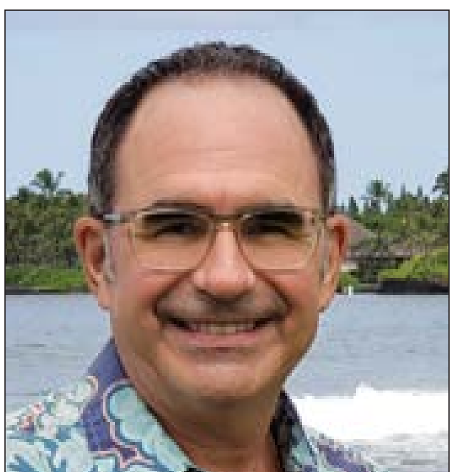
RE Journal Member Spotlight



Bruce Pratt

I'm a transplant from Virginia, having moved to the Big Island of Hawai'i in 2013. I'm the Pastor/Director of Kona Coast Fellowship, a real estate agent with Hawai'i Life Real Estate Brokers, and a real estate investor and co-founder of the West Hawai'i REIA. I've done flips, I have some buy and holds, and I've more recently gotten into private lending. I'm also a founding board member of Hawaiian Housing Initiative, a non-profit focused on providing affordable housing for Hawai'i.

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

I've been married to my wife Khristine for 27 years, and I lived my whole life in central Virginia before moving to Hawai'i. I spent 20 years as a computer programmer/analyst/consultant before

Continued on Page 14

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Interest Rates, Inflation and the Federal Reserve

By Chris Kuehl, Ph.D.

This is hardly the place to launch into a history of the central bank, but it is a pretty interesting one. Once upon a time the central banks of the world were nothing more than a tool of the current political leadership in a given country and, as one would expect, they were expected to support the goals and aspirations of whoever was in charge at the time. That generally meant the banks were expected to focus on economic growth at all costs. In other words, inflation threats were ignored until they became so serious it started to affect the overall economy and business community. The fact is that politicians do not like being told that the economy needs to slow down as a means by which to tame inflation, as this means fewer jobs and reduced revenue for the government.

After a series of disastrous inflation spikes that ruined many a government, it was determined that central banks needed to be independent of the political leaders so that they could follow the ebbs and flows of the economy rather than the desires of the politicians. The U.S. Federal Reserve is such an independent body with a Board of Governors whose members are nominated by the President but approved by the Senate. Their terms do not match the terms of the President or Senators and the decision-making

Continued on Page 9

Funding Real Estate With an IRA

What You Need to Know Before You Begin

By Kent Kinzer

Many investors don't realize it's possible to purchase a variety of assets – including real estate – in an IRA or other retirement account.

Known as a self-directed IRA, this funding source could open up a world of opportunities for investors who have cash sitting in their retirement accounts.

As you discover how to use self-directed IRAs for real estate investing, it's important to understand that there are rules unique to this type of investing, including how you pay for expenses, who can benefit from the investment, and more.

Seven Things You Must Know About Investing in Real Estate IRAs

1. Your IRA cannot purchase property owned by you or a disqualified person.

One of the most common questions about investing in real estate in an IRA is: "Can my IRA purchase a property that I currently own?"

The answer is always no.

IRS regulations don't allow transactions that are considered "self-dealing," and they don't allow your self-directed IRA to buy property from or sell property to any disqualified person, including yourself.

Other disqualified persons to your IRA include parents, grandparents, children (those individuals up and down your family tree), as well as your fiduciary.

2. You cannot have "indirect benefits" from property owned by your self-directed IRA.

Can your self-directed IRA purchase a vacation home for you to occasionally use? Can you rent office space for yourself in a building that your self-directed IRA owns?

No.

The purpose of the IRA is to provide for your retirement at some future date. It's not intended to benefit you (or any other disqualified person) today. If your IRA engages in a transaction that, in some way, benefits you or a disqualified

Continued on Page 6

Together, We Can Keep Our Industry Strong!

By Rebecca McLean

During challenging times, stability and continuity are critical to all organizations. While maintaining focus on our mission can be difficult in the face of a crisis and major disruption, effective leaders understand the importance of doing so. Even though they have had to adapt their mode of operations in many ways, REIAs have been able to stay true to their mission of supporting the industry and our members. We need leadership now more than ever.

As we continue to face complex problems in a changing landscape, leadership development and support are a hot commodity. There are no schools, textbooks, or executive coaching programs that can provide a step-by-step approach for dealing with a pandemic … at least not one like what we've experienced with COVID-19. That's why I want to take this platform to express my pride in and gratitude for the leaders of the local REIAs. We cannot express our gratitude enough for your support during these unprecedented times. It has been with your support and the support of our members that we have been able to be a strong advocate and needed information source for our industry during the COVID-19 crisis. Your support is vitally important for REIAs to continue to offer the benefits and services that are so vital to members.

While our local REIAs underwent major adjustments as a result of COVID-19 concerns, the work of our associations over the last six months serves as a testament to the dedication and value of our organizations. REIAs across the country have hosted programs and events for their members as well as acting as resource centers for the membership. The REIAs endeavored to provide programming and communication that was timely, accurate and unbiased. Membership engagement has been crucial and has helped as we have reached out to be a voice for our industry with the many legislative concerns.

The year 2020 has presented many challenges to everyone on both a professional and personal basis. Mass shut-downs and restrictions have caused many investors to re-evaluate their business models and pivot their businesses to allow them to continue to prosper as best as possible during the COVID-19 health crisis. We strive to assist you in your pivot and in reaching your goals. Even six months into the pandemic, National REIA continues to monitor the CDC guidelines and works to provide the best resources available.

National REIA has also continued on during the pandemic with virtual events, frequent online updates and meetings, regular communications, legislative and industry news, and resource collaboration and curation. From current information about COVID-19, to updates on economic impact, resources for financial help in the form of PPP loans and grants, legislative updates to our members and ongoing forums for the REIA leaders, National REIA has been there for you leading, supporting, and communicating. For those of you that are continuing to struggle through this pandemic, please know that we're fighting for you. The work to support our industry and move us forward has continued.

Our focus during this pandemic continues to be around providing resources for our members across the country so they are better positioned to survive this pandemic and come out successful on the other side. National REIA and our local associations are dedicated to making sure our programing is engaging, meaningful, and relevant so that our members see the value.

I know we are all ready to move back into a "normal" existence. I certainly look forward to seeing you in person at a meeting or event. We all want to get back to business. Until the time that we can be together and get back to "business as usual" you can trust that National REIA and our local associations will be there for you, supporting you every step of the way. Together, we can keep our industry strong!

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

NREIA Legislative Update

Let us not become weary in doing good, for at the proper time we will reap a harvest if we do not give up.
— Galatians 6:9

The depth of the impact of COVID-19 spread from the restaurant and entertainment industries to the housing industry with a stroke of the pen. On August 8th, President Trump announced an executive order detailing how HUD should further assist renters and those struggling to pay FHA-backed mortgages. In addition to the multiple specific requests of HUD was a single reference to the CDC and the National institute of Health instructing them to address eviction issues to reduce the spread of COVID-19.

Over the next couple weeks HUD in its various capacities began rolling out additional assistance programs, or extending existing foreclosure bans, primarily for single-family homes.

These steps were consistent with the CARES Act and did not raise much concern among those in the housing industry. Everyone understood that these were in reaction to, and due specifically to Congress (the House and Senate) not being able to come to terms with an agreement they have been working on since May.

In the meantime, for several months, property owners and managers have been working with residents through the toughest of circumstances. From job losses to reduction in hours, to things as simple as ongoing maintenance done in a social-distance complying fashion. While states with eviction moratoria in place we're starting to have anecdotal stories of increasing non-payment, most residents (over 90 percent!), have been diligent in paying or communicating and developing workouts to resolve back rent.

Since May the National Real Estate Investors Association has been helping raise federal awareness of the need for rental assistance for struggling tenants.

On September 1st the White House shared a CDC rule that was to be promulgated as of September 4th in the Federal Register. The stunning news that the CDC would ban all evictions for non-payment across the entire country baffled the industry. Indeed, even the 37-page emergency rule, which precludes and does not require public comment, lacks any evidence detailing a correlation between those who are evicted for non-payment and the spread of COVID-19.

The waiver developed and dictated by the CDC for use by any resident who claims not to be able to pay, holds the meager and highly suspect proposition of being charged with perjury, should evidence be found contrary to the resident's claims. In contrast, property owners and managers face civil and criminal fines and punishments of up to $100,000 and a year in jail per violation if the resident does not die. The fine more than doubles if there is a death of the resident. Interestingly, there is no requirement that the death is related to COVID-19 or caused by COVID-19.

Additionally, the organization pursuing the eviction could be liable up to $250,000 with no loss of life, and doubling if there is a loss of life. This means that a husband and wife partnership could face a year in jail each, $100,000 in fines each, and their partnership or LLC face another quarter million in fines.

As this is an election year and tensions are already running high, I will forgo casting aspersions and blame. Instead, I will leave that for the impending lawsuits that challenge the constitutionality of this state-level contractual issue.

In the meantime, property owners and managers need to be extremely careful on how they move forward with evictions. Or for that matter, how they are recording their business in general.

On September 4th the National Real Estate Investors Association hosted an introductory discussion on this issue and the link to the recording as well as a summary can be easily found on www.RealEstateInvestingToday.com.

Needless to say, this is a developing issue, that may or may not terminate on its scheduled sunset of December 31st, 2020. It is absolutely critical to stay informed at this time. There will most likely be clarification updates at the national level, state and local translations and implementations of the original rule and additional follow-up rules. Please stay plugged-in and attentive to your local association's updates. Local courts and precedent will make this rule apply differently sometimes judge by judge, as well as region by region. And, as was noted with the potential penalties, you do not want to lose your business because of an inappropriate filing.

Additionally, in a reiteration of statements by the two attorneys that co-hosted our national webinar, please make sure your lawyer is aware as well. Some courts may not allow filing which does not seem to be banned by the CDC, while others may not allow set-out, depending on state terminology.

It has been pointed out that the CDC rule clarifies that residents are still responsible for their rent and any late fees or penalties and interest, and are to make payments up to the full rent as they are able. How that ability to pay is determined will likely be the result of not only a judicial ruling, but a factor of the relationship you have with that resident.

In any case there are a few principles that applied to everyone:

First: document everything. If a resident communicates verbally, write up the conversation, and put it in their file, whether they are telling you about going on a vacation, or reduced hours at work. You do not know when those conversations and printed emails and printed texts may come in very handy should a CDC waiver show up later in the year.

Second: Communicate with your residents! This principle is one we have been mentioning from the beginning of this crisis, and is a good best management practice overall. Working through difficulties together is not only the best principle, it is a human necessity during this crisis. And while we may not be able to be in person as much as we would like, many times property owners and managers are the first ones to know of a senior struggling, a single mom overwhelmed, or of kids wondering where their next meal will come from. Real estate investor associations have always been very charitable; it is part of the blessing of being a successful entrepreneur. Thus, even at this dark hour when we are facing the potential for scams that could overwhelm our very businesses that we must, yes, must (!) fully engage with our business, our community and our residents.

Most of you are fully aware of resources in the community that you can share with those in need, share them now more than ever. Remember, real estate investing is a people business. You have made it this far because you've been successful with people — yes, you may be able to swing a hammer or manage a spreadsheet, but it comes down to people. Those who survive the next several months will be those who engage with their business, engage with people and engage with life.

Paying Attention

By M. Jane Garvey

As I have talked to, listened to, and read about the experiences of investors from many parts of the country it is clear that all of our experiences are unique to location, type of property, and our strategies. It seems like this is more the case this time than in previous national or global crises.

In the Chicago area, there have always been parts of the area where values are going up, others where they are going down, and others where they are holding steady. This seems to be true in times that are proclaimed "good times" and "bad times." It is important to recognize that this sort of phenomena and diversity offers opportunity.

As the COVID-19 crisis has worn on, we have seen a glut of property on the market for sale in the denser parts of our area, and way too little inventory in suburbia. We can explain this using several different factors:

Professionally

People have been working from home – so businesses are realizing they do not have to be paying for high priced office space in dense urban markets. They are finding that working from home is very feasible and the commute is no longer a money and time issue.

Personally

People working from home are realizing that they may need more space so that they have a separate home office, larger yards so their children can play outside and are at less risk participating in other activities. Many are finding that housing and other costs in suburbia are less so they can buy more and still spend less.

Safety Factor

We can't ignore the rioting and looting in some areas that have destroyed businesses, jobs, homes and the confidence in the politicians. These factors are all driving a move to suburbia and beyond.

If you are trying to buy single-family homes in suburbia, you are probably having a hard time finding something that you could consider a good deal. There is a lot of competition. It is a great time to use techniques designed to find properties that the rest of the world doesn't know are for sale. The good news is, when you do find a property and get it for the right price, fixing it and reselling it can actually provide a decent return because there are many owner-occupants looking for these homes and driving demand in the suburbs. Prices in suburbia and parts of rural America are climbing at the moment. Areas with other amenities, outdoor recreation, lower taxes, and in some cases warmer weather are experiencing a boom.

The buy, fix, and sell investor can pivot fairly easily in a market like this to an area with increasing prices. At the same time, they need to pay attention to the overall economic realities that this boom for suburbia may come to a screeching halt when it comes time to pay the piper for all of the COVID-19 relief spending. Wholesalers can still benefit by pivoting to suburbia, without taking as much risk during a time like this. Other strategies that allow you to control property without owning, it like lease options, will also bring the risk down.

Residential housing providers are having very different experiences depending on the market segments they are serving. Those that own rentals in urban areas with lower-income residents may be finding that the number of non-paying residents has grown as restaurant and hospitality jobs have been cut. Depending on the area you are in, eviction moratoriums may be making it difficult to reclaim your property from non-paying residents so that you can re-rent or sell it.

Housing providers whose residents are in other segments of the job market where job losses haven't been as much of an issue may be having a whole different experience. Many of them are seeing properties rent more quickly and for more rent than they were a year ago. As the population shifts the imbalance in supply and demand will offer opportunity for those who are prepared and paying attention.

There are parts of the country seeing refugees flooding in from urban areas and areas where political shifts have made it dangerous to own property. The areas the urban refugees are headed are seeing shortages of rental housing, increasing rents, and even building booms. With these building booms you will find local infrastructure is being stressed, so taxes are likely to increase in these areas in order to accommodate the growth. It is important that you pay attention to what is happening with the laws in the areas where you are investing.

One of the other things we are seeing is that interest rates are very low. People who buy properties based on low cap rates need to be careful that their acquisitions will still make sense as cap rates rise and values go down. Will you be able to refinance if you buy using a commercial loan with a five- or seven-year balloon? Due diligence, taking a long-term view, and having backup plans in place are all extremely important in this environment.

You need to pay close attention to the markets you invest in. Watch what is happening, analyze it, talk to other seasoned investors at your local associations about what you are seeing and try to make some smart decisions. Opportunities abound, but you need to be in the right place at the right time and not overstay the opportunity.

Jane Garvey is President of the Chicago Creative Investors Association.

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Editor
Brad Beckett
brad@nationalreia.org

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Publisher
John Triplett
john@rentalhousingjournal.com
Editor
Linda Wienandt
linda@rentalhousingjournal.com
Advertising Manager
Terry Hokenson
terry@rentalhousingjournal.com


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9 Things I Learned the Hard Way in Real Estate Investing

By Lou Gimbutis

Why is it that so many of us with the entrepreneurial mindset tend to learn best through the medium of pain? Was it indeed a fundamental truth that Mark Twain voiced when he said: "A man who carries a cat by the tail learns something that he can learn in no other way"?

Contemplating goals for another year and looking back over the good and the bad of yesteryear, I decided to try an interesting thought experiment: What if Dr. Emmet Brown, from "Back to the Future," were to be so kind as to lend me his time machine, and I had the opportunity to go back and spend 10 minutes with the Lou Gimbutis of 2004?

If such an event were to happen, I would have absolutely no lack of words of wisdom with which to fill the 10 minutes. I would find myself somewhat more open-minded, a tad more energetic, and as excited as a kid at Christmas over my new Quick-Turn Real Estate toy (I still am on the last count). I'd find my younger self about to embark on a remarkable journey, and about to make some colossal mistakes in the process.

Here are nine things I'd cover with myself that would make life a heck of a lot easier over the 50 or so deals that I'd be about to do:

1. Cash reserves

If Dr. Brown gave me only 10 minutes with my former self, I would spend eight of them hammering cash reserves. Yes, it's that important. As you're building your financial tower, a neglected foundation of solid cash reserves can very quickly and very easily cause the other two pillars of strength it contains — cashflow and equity — to come crashing to the ground with uncanny ease at the onset of the first, inevitable storm.

At the height of my momentum, I was responsible for making payments on 13 single-family houses. To some, that may not sound too bad. To a 28-year-old guy with very little cash reserves, who'd never made more than $27,000 in a single year in his entire life, it can be pretty stressful. Every month on the first, I was responsible for making 13 house payments (15 counting second mortgages).

After the first of the month, it'd be time to sweat bullets over the six or so

Continued on Page 20

Funding Real Estate With an IRA: What You Need to Know *... continued from Page 1*

person, this is considered an "indirect benefit."

3. IRA investments are uniquely titled.

You and your IRA are two separate entities. As such the investment needs to be titled in the name of your IRA — not to you personally. All documents related to the investment must be titled correctly to avoid delays.

The correct title for most real estate IRA investments is:

"Equity Trust Company Custodian FBO (for benefit of) [Your Name] IRA"

4. Real estate in an IRA can be purchased without 100 percent funding from your IRA.

You can purchase property in more ways than just an outright purchase of the full amount from your account. These other options include using undivided interest and partnering with others. You can also finance an investment with your IRA, but it must be structured properly.

5. IRA investments that use financing must pay UBIT.

Your self-directed IRA can purchase real estate using financing as long as the loan is non-recourse. If you do use financing, unrelated business income tax (UBIT) applies. You can find more information in IRS Publication 598, found at irs.gov.

6. Expenses must be paid from your IRA.

All expenses related to property owned by your self-directed IRA (maintenance, improvements, property taxes, condo association fees, general bills, etc.) must be paid from your IRA.

7. Real estate IRA income must return to your IRA.

All income generated by property owned by your self-directed IRA must be paid into your IRA.

Final note:

You can find more information on these rules in IRS Publication 590. As always, it's important to do your due diligence and consult with your tax or financial professional before making any investment.

Special Self-Directed IRA Offer for National REIA Members Only

Now that you have a grasp of the rules involved in self-directed real estate investing, take advantage of this opportunity to get started. Equity Trust Company, a leader in self-directed account custodians, is a national sponsor for the National Real Estate Investor Association (NREIA) and is offering NREIA members and its affiliated chapter members a special introductory self-directed account offer.

NREIA members can open an Equity Trust account for a discounted rate of $99 and receive bonuses worth $720 or more:

- National REIA GOLD Level membership (includes priority processing and an experienced client service team dedicated to members) for one year
- Digital download of the book Self-Directed IRAs: Building Retirement Wealth Through Alternative Investing, which debuted at #1 on Amazon
- More wealth-building education

Visit www.trustetc.com/nationalreia or call 844-732-9404 to learn more.

Kent Kinzer is Senior Marketing Manager, New Business Development at Equity Trust Company.

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Stop, Drop & Roll: Fire Safety Must-Haves

By Julia Buerger, Senior Merchant, The Home Depot

A fire ranks among a homeowner's worst fears. With October's Fire Prevention Month observance coming up, there is no better time to catch up on the latest fire-related home innovations and safety best practices.

Upgrade Smoke Detectors

Our research shows that only 25 percent of consumers are aware of the recommendation to replace smoke alarms every 10 years. After 10 years the sensors inside the alarms wear down, and even if the alarm still chirps when you test it or replace the battery, the sensors may be compromised. During a rehab, check all fire alarms to see if they need to be replaced. If they do, choose a multipurpose alarm that will serve them well for a decade.

The Kidde Intelligent Wireless Combination Alarm is a smoke and carbon monoxide alarm that connects wirelessly to other intelligent alarms. This gives each house maximum safety without the need for an expensive rewire. We worked directly with Kidde to make sure this alarm includes everything residents need – it detects both smoke and carbon monoxide, uses a sealed lithium-ion battery that last 10 years and features a Smart Hush button that temporarily silences nuisance alarms. It can even be connected to smart phones so residents can receive alerts while away. This combination alarm is only available at The Home Depot. Options like this are particularly useful for vacation or rental properties that may go unoccupied for long periods of time.

If alarms aren't due for an upgrade, check to see if the batteries need to be replaced. Not all batteries are the same, so invest a little more upfront for a product that will last longer and help protect against preventable disasters. For example, Duracell's Optimum technology is extremely long lasting and has a feature that guarantees batteries for 10 years in storage.

Home's Hidden Threats

Fire threats are just as likely in hidden interior areas as they are in the visible ones. Insulation, electrical outlets and drywall are examples of behind-the-wall home components that can spark fires if outdated or incorrectly functioning. If you are just starting the building process or are in the early stages of rehabbing, it's the perfect situation to recommend these upgrades.

Electrical outlets are a major culprit for home fires. In fact, a recent study found that electrical receptacles are at the root of 5,300 fires each year, resulting in 40 deaths and more than 100 consumer injuries on average. To offset these risks, pros should consider installing receptacles that offer additional electrical protection. AFCI-ready properties in particular stand to benefit from dual-function AFCI/GFCI alternatives which identify and prevent common electrical risks more capably than most standard breakers.

There are several behind-the-wall preparations that can contain the damage and preserve key structural elements if a fire does occur. When installing pipes, cables and duct penetrations, an insulating foam sealant can close gaps and prevent the spread of harmful gasses and toxic smoke. Also, in fire-prone areas, such as attics and kitchens, it's best to apply heavy-duty insulation capable of withstanding high-intensity temperatures.

Extinguisher Checkups

Portable fire extinguishers put out a fire 94 percent of the time they are used, according to the Fire Equipment Manufacturer's Association. Similar to alarms, take a moment to check through the home to make sure all their extinguishers are functional. All extinguishers should be easy to access, at the recommended pressure level, clean and in good working order, according to the U.S. Fire Administration. If they need to be replaced, choose a multipurpose option like an ABC-rated fire extinguisher, which can handle a variety of fires, including electrical, wood, fabrics, plastics, paper and flammable liquids.

Help decrease risk, increase safety and extinguish concerns by updating and replacing dated fire safety equipment and devices.

Julia Buerger is a merchant for The Home Depot, Senior Merchant at The Home Depot - Garage/Household Organization, Moving, Storage, & Decor.

How Do I Get Started Investing in Real Estate?

By Christian Bryant

One of my favorite responsibilities as President of NWREIA & PAROA is mentoring real estate investors. Roughly 90% of my new clients are either people that I have helped for free in the past or people they refer.

I have helped hundreds of investors over the years and find new investors share similar questions or problems. There are three main hurdles that all investors must get over and in my experience the majority struggle with at least one of them. In my opinion, these hurdles are also the three most important skills of every real estate investor.

First is the ability to have a conversation and be likeable. An investor's net worth is directly related to their network. Growing up I was an introvert. I was the kid who was friends with everyone in school but never outgoing, stood on the sidelines during dances, and was ultimately happiest alone with my thoughts. It was simply what made me feel comfortable. When I got into sales about ten years ago I realized that I had a problem. My natural state in a room full of professionals that I don't know is to be quiet and just get through it. To be successful, though, I needed to learn how to "work a room" and have a pleasant conversation with complete strangers.

At first I took to reading a few books on how to be personable. Many of those books are very good reads and worth the investment. It finally "clicked" in my brain when I realized that the key is to relax, focus on the other person and listen. Without getting personal you ask about their work, their family, their goals, etc. Then sit back and truly listen to what they are saying. Fight the urge to interrupt and respond thoughtfully. The only thing that you should have running in the background of your mind during the conversation is trying to figure out how you could help them. Then it just comes down to the basics, being respectful and remembering your manners.

The second hurdle that new investors struggle with is simply getting started. Let's face it, committing to your first deal is nerve wracking. You could lose all your money. You could go into massive debt. You could get sued or taken advantage of. At some point, you must take an educated leap into that first deal. Most people that talk about getting into real estate investing continue talking about it their whole life. The first question to ask yourself is, what happens if you never even try? Maybe you're financially safe, but how many life goals will you be giving up on? How many years will you be adding to your retirement age? To me these thoughts are much more terrifying than the thought of failure or debt.

Remember that I said take an "educated" leap. Real estate investing is a risky business and much can go wrong. Do not skip your research and due diligence prior to committing to a deal. There will be a point, though, where you must take that leap. Trust in your analysis, education, and the advice that you received from your mentors.

The third hurdle is what I contend is the only major difference between the 5% who make a sizable living and those who struggle. That is the realization that this is not a hobby! Here's a little tough love for you: either fully commit to making this happen or move on. When you are an investor you must treat it like a real job. The dream is of course to be able to work 10-20 hours a week on your portfolio, but that typically only happens after years of hard work. In the beginning, you need to commit as much free time as possible. The amount of time obviously varies for each person. but whether it's five or 80 hours a week, keep moving forward. Eliminate time-wasting activities and fill that time with self-education, attending networking events, real estate investing classes, and searching for or analyzing your next potential deal.

If you feel ready to tackle these three hurdles the next step is deciding what your first investment will be. Typically, your financial situation will determine this. If you have some money to invest then you of course have more options. I suggest picking something that you are interested in and focus on that as your first. If money is tight or non-existent then you may want to consider starting with something like lease option deals, which don't require a cash investment and won't rely on your credit. There really is a first deal for every level of investor, which means there's no excuse to hold back.

Get out there and get started! What are you waiting for?

Christian Bryant is President of IRC Enterprises (specializing in Property Management, Evictions, & Residential/Commercial Sales for Investors) and is President of Northwest REIA, in Portland, Oregon. For more information please visit www.IRCEnterprises.com.

Interest Rates, Inflation and the Federal Reserve ... continued from Page 1

process is consensus based. The body that makes the important decisions regarding the Federal Funds Rate is the Open Market Committee and it is composed of the members of the Board plus four of the regional Fed Presidents that rotate in for one-year terms. They are selected to the role of regional President by a local board. The point of all this description is to demonstrate that the Fed is truly designed to be independent.

Since the central banks were formed, they have had dual mandates: maintain a lid on inflation and promote job growth. These can often be mutually exclusive goals. If one opens up the flood gates to push growth, there will be significant issues with inflation. If the decision is made to get inflation under control, the impact on growth will be swift. The primary tool used to adjust between these two goals has been the Federal Funds Rate. Raising interest rates will clamp down on inflation and lowering them will result in growth. At least that is the way it is supposed to work. The problem is that this system has not worked as it should for the better part of a decade and the Fed (as well as most of the other central banks) are now engaged in a radical rethink.

There are at least three fundamental questions to be addressed. The first is whether there is going to be a future threat from inflation sufficient for the Fed to worry about. The second is whether the Fed could do anything about that if it wanted to. The third is whether the Fed even has the tools to stimulate the economy these days.

There are many factors that drive inflation. The three that are at the top of the list have been wage inflation, commodity inflation and the inflation of the money supply. None of these are manifesting as they would be expected to. Just a few months ago the unemployment rate stood at a record low of 3.5 percent and yet there was no wage inflation. The Phillips Curve states that there should be but it was nowhere to be seen. Now the unemployment rate is over 10 percent and that certainly mitigates against higher wages. There has been no surge in commodity prices either – even when demand was strong. Oil prices stayed down and at one time hit record lows. Metal prices, farm prices – all of them have remained low despite some temporary spikes. One would have assumed that dumping trillions of dollars into the economy would have created the inflation that comes with an expanded money supply but it hasn't. What has been accounting for this?

The primary issue is lack of demand. The latest surge of spending by governments trying to stimulate the economy has coincided with a lockdown recession. The decisions to close businesses and restrict others has meant that people have fewer options available to them as far as spending is concerned. Even before this crisis there was reduced demand due to simple demographics. The Baby Boomer has long been the spending machine and now they are at the point in their lives when spending slows. The Millennial and the Gen-Z consumer has not picked up the slack. The Fed has put a lot of money in the hands of the banks but they are not lending aggressively as the economy is weak and there has been both reduced demand and fewer qualified borrowers. The bottom line is that inflation has simply not emerged nor is it likely to any time soon.

This leads to the decision by the Fed to declare their intent to leave interest rates very low and for an extended period of time. There has been an expectation that rates would go up when the rate of core inflation reached 2.0 percent to 2.5 percent, but now the Fed has indicated they will not automatically move interest rates up in the event inflation hits that level. There has not been a replacement goal suggested so it becomes anybody's guess what level would trigger a response.

At this point there is nothing on the horizon that would indicate any rise in inflation. None of the triggers are active and until there is full recovery from the pandemic-inspired recession there is little to move them. The Fed has all but stated that rates will remain where they are for the next year or more. That can always change but this is the pattern for now.

A bigger question is whether the Fed or any other body can do much to spur growth. It has been assumed that lowering rates would trigger lending and borrowing but rates have been down for years and that has not occurred to the extent expected. The fiscal side has dumped money in the economy through a variety of spending efforts and reduced taxes and there has been tepid response at best. The best description of the consumer these days is tired. Most markets are saturated (there are almost two cars for every household in the U.S.).

Consistently low rates will have long-term implications for investors as well. Bond yields will remain low and that will mean low mortgage rates as well. The dollar will weaken to a degree but since every other nation has low rates, the dollar is not all that adversely affected. Returns on investment will be reduced and that pushes investors away from bonds and towards riskier equity markets and even commodity markets.

It was once the case that strategies needed to take account of both high and low inflation periods and therefore high and low interest rates. This is not the case for the immediate future as there is little or no chance of rising interest rates or rising inflation.

Chris Kuehl, PhD., is an economist and Managing Director of Armada Corporate Intelligence. Visit www.armada-intel.com for more information.

Seven Rules on Screening, Hiring and Working with Lawyers

By Bradley S. Dornish, Esq.

I am not only a real estate investor and lawyer marketing my law firm to others. I am also a consumer of legal services from other lawyers, and I help my clients to find lawyers in other states and other areas of practice, even in Pennsylvania, to help me to help them. From over 20 years of giving and getting legal advice, I have developed a perspective on how to screen, hire, and work with lawyers, and how not to do those things. These comments apply to hiring any lawyer, anywhere you need one, in the United States at least, and in any discipline of law. For that matter, some of the comments apply to hiring other professionals as well.

Rule 1: Don't Be the First

My first rule is that you don't want to be the lawyer's first case in the type of law or type of problem you have. Lawyers all practice law, and over time we develop experience in particular types of problems and areas of the law. That way, we don't learn how to handle a tenant case, draft a will or negotiate a contract while doing it for you, on your dime.

I would not be the lawyer you would want to hire for a DUI or a contested divorce. I've never represented anyone in criminal court, haven't had a DUI of my own, and know the process only from information provided to me by others. I have been divorced, didn't like the process at all, and hated paying huge legal fees for what seemed to be a small amount of work. After my own experience, I stopped referring clients to the lawyer I had recommended for years. So, as sympathetic as I might be on these types of cases, I don't do that kind of work, know the applicable law like the back of my hand, know the procedures, the rules and the judges who handle those cases, or even know the lawyers likely to be on the other side that well.

If you want a lawyer to help you with a certain kind of case, find a lawyer who has handled that kind of case recently for other clients, ideally one who does that work successfully for many other clients on a regular basis. This will result in a lawyer or law firm who or which doesn't have to invent or reinvent the wheel while billing you for their time, and who is comfortable doing the work you need done. For documents, it is easier to draft a document, from a will to a contract to a pleading in a court action, using a template you have used over and over again and modifying it to fit a particular case, than it is to draft the same from scratch. Going to court, it is more comfortable for a lawyer to evaluate, prepare for and try the same types of cases he or she has tried in the past, than a completely different kind of case.

How do you know what kind of experience a lawyer has in your area? Check out his or her website, firm brochure or other advertising materials, to start. Pay attention not only to the fact that the type of work you want is described there, but also to how many other types of work are there, and how many other lawyers are listed. If a lawyer practicing alone markets himself or herself as an expert in divorce, criminal law, personal injury law, real estate law, bankruptcy law and immigration, you should wonder how much time he or she actually spends in each of those areas. Handling one personal injury or bankruptcy case at a time doesn't bring with it the efficiencies of handling twenty of the same kind of case at the same time, or the expertise that comes from having handled hundreds of similar cases.

Next, search online for any indication the lawyer devotes time to the area of law in which you have a problem. Teaching other lawyers continuing education in that area of practice means a lawyer has to know what he or she is teaching at least as well as or better than the lawyers taking the class, or they wouldn't pay for the class. Teaching non-lawyers means the lawyer has to be able to explain the legal issues or concepts involved in a way that non-lawyers can understand. Writing articles on a particular area of the law or lecturing on that area to non-lawyers are also good indications that the lawyer devotes at least some of his or her time to the area of law in which you need help. Any combination of these things can be helpful in choosing the right lawyer.

Finally, if you are going to court, look up the lawyer in that court system or others nearby and see if he or she has other pending cases in that area of law, and even if they have been successful in other similar cases. Many local courts allow you online free access, or inexpensive access to the court records. Search the lawyer's name and see what cases come up. If you are filing for Chapter 7 bankruptcy, does the lawyer have other Chapter 7 bankruptcy cases pending or recently concluded? By the way, you can also check the local court to see if that lawyer regularly sues other clients for fees.

Rule 2: Check the Ratings

My second rule is that other lawyers who practice in the same area of law are likely to know more about the skills and experience of another lawyer in that area of practice and location than you do. Martindale Hubbell is a private, peer review rating system where lawyers who practice a certain type of law in a certain locale are asked to grade both the professional expertise and ethics of other lawyers in the same type of practice and locale. The ratings are anonymous, but screened through the company to reduce the chances that lawyers who practice together in big firms can get together to rate each other highly, or that friends can help friends get better ratings.

The current ratings include unrated, C, B and A for legal ability in the area of practice, and V for the highest ethics. According to the firm's websites, Martindale.com and lawyers.com, the ratings are being changed to AV Preeminent, BV Distinguished, and Peer Review Rated. Statistics on the different ratings do not appear presently on the website, but previous information indicated that only about 5 percent of practicing lawyers held the AV peer rating, while another 15 percent held the BV peer rating. Even if these numbers each increase with the new rating scale, they are valuable tools in finding a lawyer whom other lawyers believe has strong legal skills and ethics. I use the Peer Review Ratings to search only for lawyers who have AV or BV ratings when helping a client to find a lawyer outside my geographic or practice area.

If you put trust in other ratings systems for lawyers, consider that the best ratings come from the largest number of responsible sources being asked to evaluate on a clear set of standards. I have never been asked to participate in evaluating lawyers for any other rating program, and my rating at Martindale was not affected by whether or not I chose to place a paid listing in their directory each year. One of the other ratings systems on lawyers discloses right on its website that the ratings are based on the input of the marketing directors for each participating firm. Another solicits ratings only from those already rated.

Rule 3: Look for Lawsuits

My third rule is based on the old quote from Abraham Lincoln, loosely paraphrased, that you can please all of the people rarely, most of the people most of the time, and some of the people all of the time, while a few people are impossible to please. Knowing this, I check the lawsuits filed against clients by the lawyer being considered, lawsuits filed by the lawyer against other clients, and public disciplinary actions against the lawyer.

I wouldn't rule out a lawyer because a client or two over many years sued him or her, because the lawyer sued one or two clients, or even because a disciplinary action was started against the lawyer. Any of these events can recognize that you can't please everyone all of the time, and the longer a lawyer is in practice and the larger that practice, the more likely someone will be unhappy, or the lawyer will be unhappy with them and sue for fees. But when either type of action or disciplinary proceedings become commonplace, this indicates that the lawyer is not pleasing a lot of clients a lot of the time, and you should proceed with caution.

When I had a fee dispute with my divorce lawyer, and questioned the hours charged and resulting amount of fees for a small part of the process, instead of negotiation and amicable resolution, I was sued for the fees. When I got online and checked, I was surprised at the number of such other suits the lawyer had against other clients, including more than one of the clients I had referred to the lawyer. Had I looked at the court website and seen all of those actions in the Court of Common Pleas, I would not have hired that lawyer, let alone referred good clients of mine. I won't make that mistake again.

The disciplinary board of the PA Supreme Court also recently went online, and you can search lawyers at PAdisciplinaryboard.org. The information shows public censure, suspensions and disbarment, as

Continued on Page 22

Liability Issues as a Property Owner

By Susan Gropp

Let's start off with an explanation of liability. Liability insurance is sometimes referred to as third-party insurance. This coverage helps protect you from lawsuits from third parties asserting that you have damaged their property or caused injury to them. Liability is the state of being responsible for something, especially by law. An act or a failure to act may result in you being responsible for damages for someone else's property or for an injury to someone else. Liability insurance is independent of the coverage for physical damage to your property, such as a fire.

There are two coverages in the Arcana policy related to the property damage of a third-party or an injury to a third-party. There is your coverage for $1 million for general liability. This coverage is for situations where a hazard on the property causes a qualified third-party to be injured or their property to be damaged. For there to be coverage under the general liability policy, you must have committed an act of negligence against a qualifying third-party. For example: you are notified of an issue with a stairway, the hazard is not addressed, and a person falls on the stairway sustaining an injury. You now have a liability problem. Injuries related to worker's compensation are not covered under your Arcana liability policy.

The second coverage is called medical expenses. It provides coverage up to $5,000 for medical bills for a person who is injured on your property. This coverage is available regardless of liability. In other words, you do not have to be liable for this coverage to be utilized. If a person is walking on your sidewalk, reading their cell phone, and not paying attention to where they are going, this coverage is still available to settle their injuries. Injuries related to worker's compensation are not eligible for this coverage. Persons who normally occupy the property are not eligible for this coverage.

There are several liability pitfalls for property owners. One of the most common issues encountered involves trees and wind. Strong winds start and before you know it, a tree is on top of a neighbor's house, fence, or a tree limb has fallen on a car; usually the tenant's car. Now everyone is looking at you to make them whole. After all, it was your tree. Now you ask the question, am I responsible for the damages? The short answer is, it depends upon multiple factors.

We will start with the location of your property. Different states will have a different view of liability based upon their case law. The general rule of thumb is that if the tree is alive and healthy, and the wind blows over the tree or a healthy limb breaks loose, that is an act of God. You are typically not liable for acts of God. Where you will encounter problems is if the tree is dead or diseased. The same is applicable for a tree limb. If the tree or limb is diseased or dead, there is a good chance you are liable for the resulting damages. There is one other important factor regarding liability. You need to be put on notice of the condition of the tree or limb.

You must be given the opportunity to correct the problem.

The easiest way to mitigate this issue is to ensure that the trees on your property are cared for properly and pruned. While you do not incur any out-of-pocket expense for a liability claim, there is no guarantee that the tree will not fall the other direction and land on your house. Then you are looking at the cost of your deductible at a minimum. The best advice we can give is to maintain your property and respond promptly to maintenance requests from your tenants. Obtain these requests in writing so that you have documentation of these maintenance requests and store the requests in a safe place.

Liability is a complex issue and this article is in no way meant to do anything more than provide a brief overview of liability coverage. It is not intended as legal advice, as that should be obtained from an attorney. Notify your carrier promptly if you are presented with an assertion of liability. Please feel free to call with any questions you may have regarding your Arcana policy.

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

Susan Gropp is Executive Vice President and a partner at Arcana Insurance Services, LP. She is over the underwriting and claims divisions.

What's Your Why (and is it Enough)?

By Whitney Nicely

Recently I got the terrible news that a business mentor of mine in the virtual world passed away. This amazing woman, known by most as the Six-Figure Chick, taught me so much about business in a million different ways. While she was not really into real estate investing, she had such an incredible vision for building something bigger than herself. She was not in business only for the money. In fact, the only time I know of where she did something "extravagant" with the $100,000 she brought in every single month was when she bought a new "Beemer" and paid cash for it on the spot. She lived to build a legacy; something intangible that will outlast her short-lived life. Money is not enough, so what is your "why?"

As much as we all know how much fun it is to bring in money and make money, it is really not a motivator in and of itself. Money is temporary and fleeting. It comes and it goes, if we make it only about the things and the stuff. But, I cannot help but think how beautiful it is when the "why" behind the business is so much bigger. Cici, the Six-Figure Chick, was a shining example of a life that was lived for more than herself. She made sure that her houses were paid off, her husband was left with a solid foundation, and her mother had a home where she could rest her head safely. She lived for more than herself.

The more we can keep a handle on the limitations of money, the more we will be able to get out of it. Money creates a life of value and purpose, where we can invest in the lives of others and add beauty and goodness into the world. It is not enough for it to just sit and accumulate in the bank account, or to be turned into one toy after another. What value does that bring or add? Money can be a huge blessing to life, if we keep our focus on leaving a legacy. I know how tricky this can be, though. It is not bad or wrong to buy things or have "stuff," but the question is really about the deeper purpose and "why" behind the actions. What is the motivation? Is it to connect more deeply with other people, or to see yourself as better than everyone else? Do you feel some inner lacking as a person that you want to fill with cash? Or do you have a vision for a life of freedom that drives you through the most difficult life seasons?

Money is a tool. A tool is only helpful if you know how to use it. It is most helpful if there is a plan and a purpose for you to have it in the first place! What good is a hammer if there is not a project that requires a nail? What good is a screw without a screwdriver? Money works best with a plan and a purpose. So, what is your plan? Do you have a purpose bigger than to be able to buy things and do stuff? If not, what is stopping you? Without a purpose that is bigger than a momentary and fleeting experience, it is so much harder to dig in and push through those incredibly difficult times that come up! And they will come, you can be sure about that. It is just how life is. But, that does not mean that you need to crumble. Not at all.

Ask yourself why you are in this real estate world. What is it that keeps you going when the going gets tough? What is the vision that you have at the end of your journey or that you want to achieve throughout it? Can you put it into words yet? If not, I challenge you to get it crystal clear for you. Do the vision board or write the list; whatever it takes to anchor you in the confidence to hold strong to your dream and be firm in your determination. The journey is worth it when the destination is known. So, discover and focus on your why and you will surely be unstoppable.

Whitney Nicely rejected the southern girl path of working at her family's trucking business and embraced the life of an investor. Her first nine months made her over $140k, and set her on the path to empowering other women to break into the real estate "good 'ole boys club" and break down barriers while making some serious cash. She is the President of Knox REIA and was featured in the RE Journal's "Member Spotlight" in Spring, 2016. Learn more about Whitney by visiting SheBuysIt.com.

Member Spotlight - Bruce Pratt

... continued from Page 1

being called into the ministry at the age of 39. I became a pastor in Virginia and then accepted the pastorate of a church on the Big Island. I thought all I'd ever do is pastor a church, so real estate investing sort of came out of the blue.

Pratt came to the Big Island to pastor a church, and real estate investing "sort of came out of the blue."

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

When it comes to any sort of flipping, I restrict my efforts to the Big Island right now. I live in Kailua-Kona, but I've done almost all my work on the other side of the island near Hilo. Since it's about an hour and a half drive over there, I'm looking to do more deals on this side of the island. My buy and holds are all in northwest Florida, which is where we're thinking of retiring or at least semi-retiring one day. As for lending, we finally got our first Hawai'i project a couple months ago. Prior to that we were doing all our lending in Texas.

How did you get started?

I went to a three-day FortuneBuilders seminar with a friend who's been very successful with rentals. He didn't get involved, but my wife and I signed up. The last house Khristine and I owned in Virginia is what we like to call an "eight-year flip." We renovated every room in that house, and some twice. I learned how to hang drywall, mud, sweat pipes, lay tile, blow in insulation, you name it. We figured if we could do that for ourselves, why not do it for profit?

Describe a typical work week for you as a real estate investor:

It's been a very busy time as a real estate agent this year, so investing has taken somewhat of a back seat. When I'm involved in a project, I like to keep close communication with the general contractor, making sure we're hitting our milestones. I also try to check out the local market on a daily basis for possible deals. As a real estate agent, I have access to the MLS, though I seldom find the best deals there. I try to have at least one marketing campaign going, whether it's for distressed houses, probates, or even vacant land. I like driving for dollars and getting out to see potential properties as often as I can. Because of the drive time, though, I'm learning to do more desktop analyses. I also take time to network with other investors, contractors, and various professionals, such as lenders and financial experts.

How long have you been investing in real estate?

I started my first deal in 2016.

Tell us about your first deal:

A lady called me, saying she saw one of my signs. What's funny about that is I didn't have any signs out. I'm pretty sure she saw my Craigslist ad saying I buy houses in any condition. It was a 3-bedroom, 2-bath house on an acre. She and her husband bought it as a foreclosure and wanted to fix it up for their grown kids. Unfortunately for them, none of their kids wanted to live in the house. They had spruced up the outside, but the inside was a wreck. I purchased the house, using what ended up being a conventional loan. That worked out, because with the time it took to complete, I would have been in trouble if I'd used hard money. I hired a local contractor and we were off to the races. The house needed a new kitchen, new bathrooms, new flooring and interior paint. I underestimated the cost of the rehab, and it didn't help that the contractor took a lot longer to finish the house than he should have. He went great guns for the first half of the project and then started pulling his people to start working on his next projects. In the end I was able to sell the house for considerably more than I had initially planned, which helped me turn a profit on the project. Not a huge profit, but it was still a win.

How do you fund your investments?

I've used bank loans and private money. I've also procured a line of credit.

Do you have a real estate license?

I got my Hawai'i real estate license after I became an investor. There are plusses and minuses to having a license. It's great to not have to call an agent to get comps or help with research. There are some great websites and tools out there, but I've not found anything that is as accurate or up-to-date as the MLS. And the commissions are always nice when I purchase or sell a property for my company through the MLS (though that's not always the case with bank-owned properties.) It can be a drag though, being an agent when it comes to buying and selling your own properties. I don't know if it's this way everywhere, but agents don't have nearly the freedom that an average investor enjoys here in Hawai'i. Instead of being able to just use a simple, straightforward contract and get the transaction done, I have to follow the same protocol that I would if I were representing a real estate client. This definitely can slow things down, and it ends up costing me more.

What projects are you currently working on?

I'm not involved in any projects myself currently, but my wife and I are lending on three deals. One is a flip in Hawai'i and the other two are new builds in Texas.

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

Not nearly as much as I should. A couple hours per week, on average. Plus, whatever time I spend on watching the market.

Has coaching or mentoring played a part in your success?

Mentors have been a big help to me in getting where I am today. The coaching I've received from FortuneBuilders got me off zero, to be honest. I was pretty stuck in analysis paralysis for quite a while, until a couple of my coaches called me out and said I needed to get it in gear. One coach told me that if I wasn't marketing, I didn't have a business. Ouch! Beyond them, I've come to know some great investors here in Hawai'i. What I love about the investor community is that most people operate from an abundance mentality, instead of a scarcity mentality. They don't see you as a competitor, but as a fellow investor. There's a willingness to

Continued on Page 15

Pratt says he is amazed at the ecosystem that has sprung up from the small koi pond he and his wife added to their front yard.

Member Spotlight - Bruce Pratt

... continued from Page 14

ABOVE: Interior, pre-renovation.

LEFT and BELOW: Interior of Kahakai property, after renovations.

share best practices and what they've learned that worked for them…or what hasn't worked. One other kudo for my coaches, and this is a big one. Shawn Tiberio, who gave me so much valuable coaching early on, told me that if there wasn't a REIA in my area I should start one. He gave me a lot of great advice in getting our West Hawai'i REIA off the ground. Mahalo, Shawn!

What are your current and future goals?

I'm gearing back up to start doing flips again in 2021. I'm also working with a general contractor friend to start some new builds. I'm watching the markets closely to see when this makes sense. Ultimately, Khristine and I are looking to build our buy and hold inventory and private lending capacity so that we have a comfortable retirement income. Success in the flip and new build arena will help us reach that goal much quicker.

What has been your top struggle in this business?

If I'm being honest, it would be consistency. Nobody is calling me up and asking me what I'm working on. I love that, but it takes focus to stay consistent.

What do you like most about what you do?

I like the freedom to determine what I do every day. Sure, the needs and demands of the business force your hand lots of the time, but I'm still in charge of my destiny. If I don't like the way things are heading, I have the power to change direction. I didn't have that when I was sitting in a cubicle programming computers.

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

My dad taught me two important lessons in business. He told me years ago, "Never burn bridges." It's absolutely true that there are some people you don't want to be in business with, because they aren't ethical. But when it comes to those stressful times and there are a lot of bucks at stake, don't let your anger or frustration wreck a valuable business relationship. Second, be willing to do the small things for people. My dad ran his own computer business, and I remember he personally delivered a $200 printer cable to this man one day. I gave him a hard time about that. Why would he waste his time on something so trivial? As it turns out, that simple act of humble service opened the door to a long-term contract that earned my dad's company hundreds of thousands of dollars. I've applied both of these to my real estate investment business and have been blessed by the results.

Back in the day I tried my hand as a stockbroker for a little while. A saying from that industry still guides me: "bulls make money, bears make money, pigs get slaughtered." Translated to real estate investing, you can make money in any market, up or down. But don't hang on to a property, thinking you're going to maybe make a killing. If you're offered a price that works with your numbers, take it and move on to the next deal.

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

Being part of a local REIA is critical to a new investor for a number of reasons. First, this is where you can make many valuable connections with other investors, tradespeople, real estate agents, financial experts, and other professionals. It's through this networking that you can find and finance deals, build partnerships, and ramp up your business much quicker than you ever could on your own. Second, a local REIA is going to be geared to your local market. Sure, you can find out a lot about economic and real estate trends from great sources on the internet, but they won't be able to drill down to the very neighborhood level like a REIA can. Third, there's great value in learning from the successes and mistakes of others. Whether its through a formal deal analysis at a REIA meeting, attending a mastermind session, or just in casual conversation, you can learn a lot about best practices, pitfalls to avoid, good (or not so good) contractors and vendors, and creative ways to finance your deals. And the opportunity to ask questions should not be underestimated.

What is your favorite self-help or business book?

The Bible. Whether you believe in God or not, it has a lot to say about money, people, and business.

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

We had this big blank spot in our front yard, so we put in a koi pond. We only have room for three koi, but it's amazing how this area which measures about 400 square feet has turned into its own ecosystem. All sorts of birds and lizards and geckos and bees other creatures either live there or come by for a drink or a bath on a weekly basis. Even though we live in a very sunny and fairly dry environment, the lava rock around the pond is covered with moss. It's fun and relaxing to tend to this little sanctuary and see how it changes on an almost daily basis. And since we have cane toads that hop in from time to time, I get the excitement of hunting them so they don't breed in my pond.

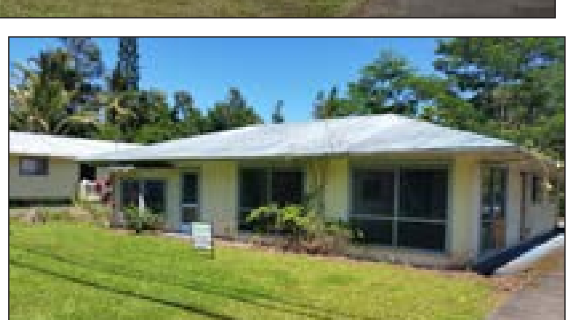
Does your business have a website?

www.holomuaproperties.com

Social media accounts?

https://www.facebook.com/bruce.pratt.96/

Before (lower right) and after (above) photos showing the exterior of Kahakai property that Pratt recently renovated.



How to Become a Master Strategist: Today's Key for Successful Landlords

By David Pickron

I have always had a lead foot. It is hard to admit but with my hard charging personality, I just want to get where I am going… fast. As a young man, to prevent countless tickets, I purchased a radar detector which allowed me to sense a police officer before he could see me. Police departments realized they were being outsmarted by this technology and needed to make a change, so they started using a different band which most consumer radar detectors did not have at the time. The private market reacted as they always do, and soon you could buy a radar detector that included the new bands used by law enforcement. This produced a battle between radar detector companies and police, with one making a move, only to be met with a counter move by the other.

We find ourselves in a similar tug-of-war when it comes to evictions, where the CDC has now made a move to stop all evictions nationwide in an attempt to limit CoVid 19 spread through homeless shelters or crowded family shelters. As landlords, we are being forced to react to what I personally believe is an overreach. After spending the last few days fuming about this decision and asking myself if I still live in a free country, I have gone through 4 of the 5 steps of grief (Denial, Anger, Bargaining, and Depression), and now am working my way to the 5th step; acceptance.

Acceptance of the fact that this is happening, but by no means rolling over when it comes to managing properties; it is time make a move and consider strategies to protect your investments. Every property is different and certain strategies might not work for your property. This is not legal counsel and I always recommend when you make a change to any process you run it by your local attorneys to make sure it is legal in your state. Please consider these as potential ways to better position in relation to your rental properties. The following are strategies many of my clients and I have discussed concerning our policies and criteria:

Strategy 1- Inspect your rental properties monthly

We are not targeting, merely being cautious as we might have to get our homes or apartments ready to sell in these uncertain times. Does the carpet need to be replaced? Are the filters to the cooling and heating system in good shape, helping to preserve the HVAC unit? Does the landscaping need maintenance? There is no better time to get your properties in order to sell.

The CDC order only limits evictions for non-payment of rent. If there are violations of the lease like unauthorized residents, criminal behavior, pets, smoking, damage to the property or other violations, you can give a proper notice to cure in most states and then move to eviction. Monthly visits help you stay on top of any of these types of violations.

If you choose to implement this strategy, make sure you are inspecting every property you own in a similar manner, and not just singling out a few.

Strategy 2 – Raise your criteria

With the inability to evict tenants for nonpayment of rent, finding the right tenants in the first place becomes paramount. Raising the credit score requirements will help find people who have shown responsibilities in the past, giving you a good idea of how they will perform in the future. It should be noted here that evictions, judgements, and liens are no longer on credit bureaus, so those actions will not lower the score like they would have in the past. You need to make sure your screening companies are using other sources to obtain that data.

Timelines for considering past evictions might also need to be changed. Many of our clients indicate that any evictions or rental collections in the past two years would result in a "no qualify" decision for their properties. Consider the type of rental you have and consider adjusting appropriately here.

Strategy 3 – Create a relationship with a collection company

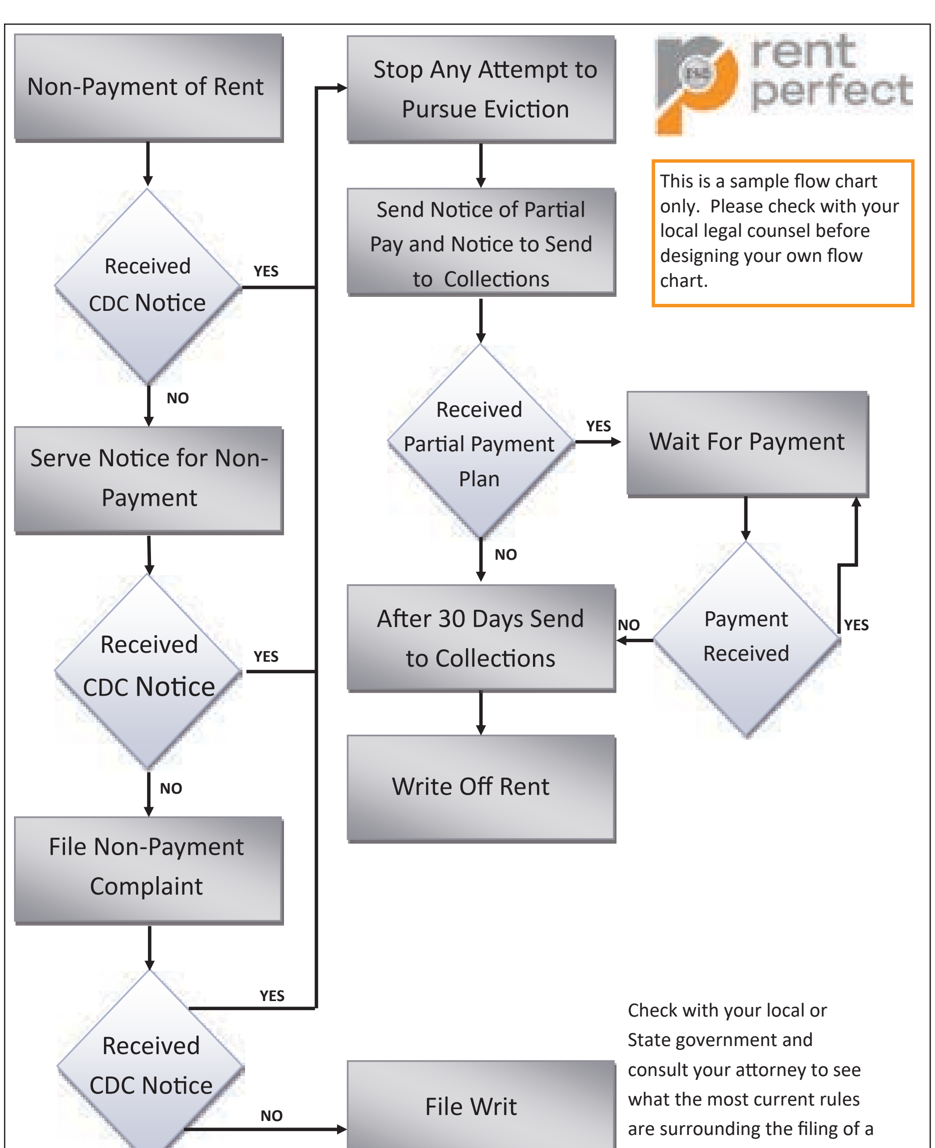
Collection Companies and attorneys are currently the only organizations that can place a collection account on the credit bureaus. There is nothing that prohibits you from turning over past rent owed to a collection company for collection, even if the tenant still lives in your property. If you choose this route, please remember your tenant has control of your property and could cause unnecessary damages. In the current situation my fear is that a tenant who owes 8 months' rent just skips out of the property. At that point you have to start from the beginning of the collections process. This means finding where they moved, getting them served, and waiting months to get a judgement. Why not start the process now and turn it over to a professional who knows how to collect? You will probably have to give up 40% of the money owed if it is collected, but that is better than nothing. It will also indicate to your tenant how serious you are about collecting future rent.

Strategy 4 – Call past 2 Landlords and employers on every new applicant

Landlords over the years have gotten away from making calls to employers and past Landlords, mostly they are time consuming and often ineffective. Some companies charge $50 for verifications and others won't give you any information per their attorneys' direction. I can promise you that right now landlords are talking, just make sure you go at least two landlords back as the current landlord will say anything to get a bad tenant out. I would also ask only factual, "yes" or "no" questions. Ex: Has your current tenant paid rent on time in the last 6 months? Do your tenants currently owe you any money?

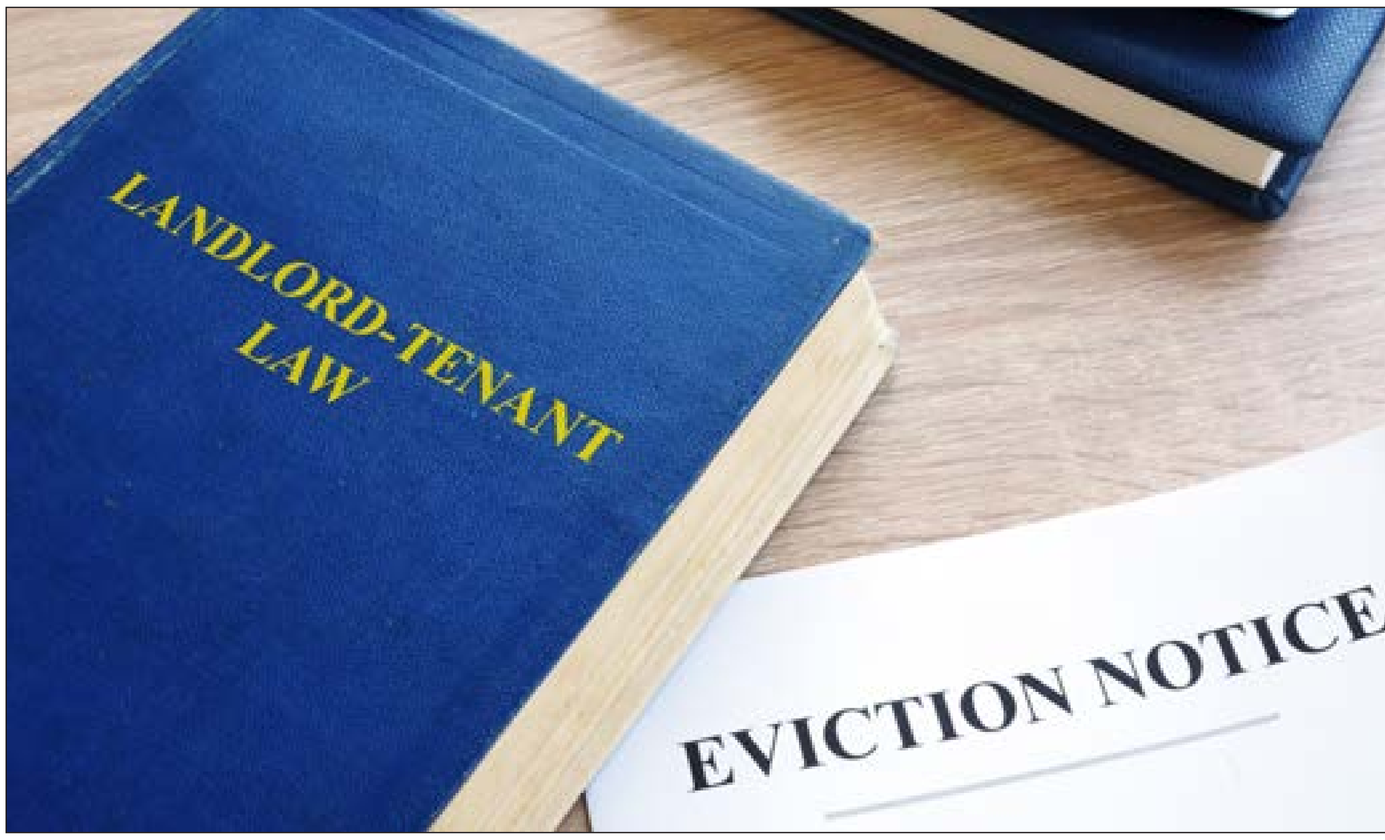
Regardless of whether you implement any or all of these strategies, you need to pay particular attention to your eviction process. It would be beneficial to create a flow chart to help you fully understand your policies and how they are affected during each step of the process. You can view attachment "A" for a sample eviction process flowchart.

As Landlords we have to be flexible and sometime creative as our survival depends on it. When a roadblock appears, we thoroughly analyze it and develop a way to speed around it. Just make sure to have the right tools when you do to avoid the "speed" traps that may be out there. I would love to hear your creative ideas on how you are dealing with today's uncertain environment.



David Pickron is a Landlord and Owner of Rent Perfect. His company provides a free online platform for managing rentals starting with online rental applications, background checks, online lease signings, move-in inspections, renters insurance, and online rent pay all from your phone or desktop. Rent Perfect is a preferred vendor of National Real Estate Investment Association. They offer the most accurate & thorough credit & background screening available. Members of NREIA receive a discounted set up fee. Learn more at www.rentperfect.com.

Back to Rental Basics



By Jeffery S. Watson

In an email thread that included some of the best landlord-tenant lawyers in Ohio, reference was made to a recent case regarding the validity of the service of the written notice that must be given to the tenant prior to beginning an eviction. The wording in the emails caused me to track down the case and read it. I'm glad I did.

Each state has its own landlord-tenant laws which set forth the preconditions to invoking a court's jurisdiction in an eviction case. One of those preconditions is the proper service of a written notice (the number of days varies by state) by the landlord upon the tenant giving reasons why an eviction will begin unless the tenant can cure the default or problem. The law in Ohio is clear that proper service of this notice is a separate jurisdictional step that must be completed before an eviction action can be filed. This applies in whatever state you manage and own rental property.

When you find it necessary to move into the difficult area of doing an eviction or forcible entry and detainer action, it is important that you understand the basics of being a landlord. Given the current economic, political, and social climate, it is important that you double-check how you are doing your evictions. "I heard…" and "They say…" are not lawyers or case law. Extra due diligence is required, as rules and procedures are changing.

Make sure your reason for evicting is more than legitimate. The number of prospective tenants is increasing as more people are not able to pay. Evicting a slow-paying tenant only to replace them with another slow-paying or possibly non-paying tenant makes no sense.

Before you get to the place where an eviction is necessary, there is an important "rental basic" you must remember. Landlords, you have a reputation. Tenants talk among themselves about you and your management. They share insights as to their interactions with you. How do you handle your landlord-tenant relationships? How do you respond when a tenant approaches you with a problem? You should want your tenants to feel comfortable and receive the same, consistent message, that you are firm but fair.

This point was clearly illustrated when one of our new tenants nervously came into the office to talk with us. As a result of changing jobs, she was only able to make a partial rent payment for the current month. She told me that other tenants had encouraged her to come in and talk to us because, in her words, we were "firm but fair." That is exactly what I want my tenants to know and do. I want them to feel they can come talk to me or my assistant when there is a problem instead of ignoring it and not communicating with us. I want them to know by our reputation that we will be consistent, fair, and firm.

You do not want your reputation to be that of one who does not take care of things, or one of being too soft on certain things. You want your tenants to feel they are all treated equally and with respect, but that they can come and talk to you about their individual situations. It is also important for your tenants to know that you won't gossip about them or their situations to other tenants.

What is your landlord reputation? It is not easy to ask your tenants what they think of you and what kind of reputation you have, but you can always endeavor to do better.

If attempts to work with a tenant have failed, and you must do an eviction at this time, you need to get good legal advice from an experienced attorney prior to beginning so you make sure every "i" is dotted and every "t" is crossed. You should be able to provide a written record of your attempts to work with the tenant regarding resolving the issues, particularly when it comes to nonpayment of rent. This may include going the extra mile with additional communications to try one last time to work with the tenant who is either unable to pay or too embarrassed to tell you they cannot pay.

Obviously, for a tenant who is defiant about paying and has no reservations about telling you that they refuse to pay while not explaining why or offering a reasonable solution, the best thing to do is to document that, maintain your professionalism, and proceed with an eviction as quickly as possible with the assistance of a competent local attorney.

Please understand that during this time of the CARES Act and COVID-19 eviction moratorium, attorneys who have done evictions in the past may not be up-to-date with the new rules and procedures. Ask the attorney what he/she is doing to stay current with the changing housing court policies and rules regarding evictions.

When it comes to doing evictions in this current world in which we find ourselves living, education is our best ally.

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

Always be on the Lookout for Property

By Pete Youngs

Full-time real estate investors are always looking at any and all possibilities no matter where they go. Keep in mind that you will never go anywhere in the world that real estate is not the biggest product for investment you will find. Done properly, every trip you take is a potential deal just waiting to happen.

On one of our cruise voyages with Carl and Vicky Fischer we, as always, looked at properties. With all the newest ways you can profit from real property and the fact that we are associated with many real estate investment groups nationwide, our buyer base is literally unlimited.

Even if it is not something you would want to do personally, make sure you don't pass up potential money-making situations.

We know people and groups that love the idea of Airbnb as this has become a world-wide opportunity. During our recent cruise, we went to Oahu and Maui in Hawaii. Wouldn't it be great to own a place in paradise to rent out when you weren't using it? But, think about this; I don't always have to be the prime investor. Maybe it is not your dream to have property in Hawaii. But to a lot of people this would be very appealing and profitable. So, at one of our stops to eat lunch at a place recommended to us, we found that it was part hotel and part condominium. After our meal, we inquired with the sales department about 1-, 2-, and 3-bedroom units. We gathered some written materials on price and layout and the views from each of the sizes available (very important). Then, the next step was getting comparable sales, days on the market and a background of what the rise or decline of sales prices have been over the past year or two. Now, even if it doesn't appeal to us, we have a network of buyers to pass this information onto and treat it as a possible wholesale deal where we can profit by selling the contract to an interested investor.

Yes, it's true. You don't always need to be the end-buyer. You can have multiple income streams by being the bird dog! Keep in mind that the extra time it took to check out the condos where we had lunch anyway only took about 30 minutes. Even if we don't profit from a deal, we at least have the ability to possibly take the trip and the cost of lunch as a business expense. How would you like to lower you travel costs considerably by using common investment strategies that qualify as a tax deduction? Your real estate attorney can quickly fill you in on what you can and cannot do. Be sure to consult him or her before acting on this advice.

Our next stop was at a group of islands in Fiji. If you didn't already know it, Fiji is a beautiful country and I always think of Tony Robbins and his motivational expertise as this area has memories of his trainings. While on an excursion from our cruise ship, we bypassed the onboard vendors and chose to hire our own private van and driver to take us to where we wanted to go. I have found that when I get a tour from the boat, we end up at tourist-traps and many times later find out that the

Continued on Page 21

How to Recession-Proof Your Real Estate Business

By Gita Faust

Given the events that have transpired in the first few months of 2020, some people suspect that a recession might be headed our way much earlier than anticipated. Last time we had a recession was in 2008 — the Great Recession — and it was at the same time that the housing bubble burst. Understandably, many people fear what a recession would mean for the real estate industry, especially since it seemed to have been on the up-and-up for the last decade.

Luckily for you, there are ways you can “recession-proof” your business so that it remains standing through both the ups and the downs of the economy, and here are just a few things to keep in mind:

- There is always money in real estate. This is something a lot of people fail to comprehend, especially in times of economic crisis. No matter how much the economy is fluctuating (or even taking a nose-dive), there is always money to be made. You just have to know where to look.
- Set goals – long- and short-term. It is important for any business to set long-term goals. You need a sense of direction and purpose to motivate you. However, short-term goals can help in a turbulent market; you never know what is going to happen next, so having achievements within your reach helps you stay on track.
- Stick with the right strategy at the right time. You really have to analyze the different sectors of the real estate industry and find out who exactly is making money. In 2008, for example, one of the professions still profiting were wholesalers; they were making millions! Create a strategy that will help you make money in times of hardship, too.
- Keep one eye on the market. This should be a given. If the economy seems to be sinking or just doing whatever it wants, you need to stay up-to-date. Keep an eye on market trends so you can make sensible moves; do not hold yourself back, but do not overextend yourself either. Risks should be calculated.
- Confidence leads to spending. Spending is what drives the economy, and what drives spending is consumer confidence. The Consumer Confidence Index (CCI) is a great economic indicator, so when you are analyzing the market, you should also be keeping track of the CCI.
- Cut your losses where you can. Many people struggle with this, whether it is because of extreme optimism or the sunk-cost fallacy. However, if you have negative cash flow on properties, it might be hurting you more than it will eventually (if at all) help you. In a case like that, it may be better to short-sell the property instead of trying to profit from it (Of course, this is only one example; you have other options as well).
- Know where to get your capital. This is sometimes critical and has the chance to make or break your business during a recession. You might be able to obtain bank capital, institutional capital, private capital — but to get any of these, you have to present yourself well and give these parties a reason to lend out their funds.
- Develop good, two-way relationships. Interpersonal relationships are one of the most underrated assets in any industry. You want people to know you as a person first and as a real estate professional second; you want to be the person they rely on and the person in the forefront of their mind when it comes to anything real estate-related. You should always be focused on building and maintaining strong professional relationships.
- Research, research, research. If you invest, flip, rehab, or do anything that requires you to purchase properties, you must do your research, both so you can save yourself and so you can benefit. Sometimes you will find properties that are mispriced — a 2,000 square-foot property could be labeled and sold as a 1,000 square-foot property or vice versa — so look into everything before you actually commit.
- Add the right people to your team. This is critical to surviving the course of an economic recession. You want people on whom you can count during times of prosperity and times of hardship. It is also important to keep in mind how much you want to be involved in the action; if you want to take a more passive role, then you need somebody in charge who can get the work done.
- Ensure it is financeable. Know your clients — know who you want to sell to and know that they will want to buy from you. For example, if you want to purchase and sell single-family homes, you need to make sure the homes have what single families would want: a neat yard, three bedrooms, two bathrooms, etc.
- Have a safety net in place. In the worst-case scenario, you will be forced to rely on a financial safety net — so you better have one in place. Whether it is derived from an emergency fund, equity in one of your assets, or loans, make sure that you have a plan in case things do not work out in your favor.

Times of uncertainty like these can be scary. The best thing you can do is be prepared at all times. I personally like to plan based upon the idea, “Expect the best. Prepare for the worst.” You should never lose hope, even if it all seems hopeless — and you can instill a little bit more of that hope by preparing. If you want to recession-proof your real estate business and make sure that it is still standing strong through the peaks and troughs of the business cycle, then make sure you implement the tips listed above.

Gita Faust is the founder & CEO of HammerZen, which helps businesses save time & money by keeping track of The Home Depot purchases and efficiently importing receipts and statements into QuickBooks. National REIA members receive discounts on QuickBooks services and software. Learn more by visiting www.hammerzen.com/nreia.

9 Things I Learned the Hard Way in Real Estate Investing ... continued from Page 6

people who did not have their money there on the first when it was supposed to be. Of course, they all had good excuses. I've yet to hear a tenant say "Well, I just really didn't feel like paying you this month." Their excuses, however, carried alarmingly little weight with the institutions or individuals who received my underlying payment(s), a fact which meant that I needed to make payments out of pocket, and collect from my tenants/buyers as I was able. This is an exercise, I can assure you, engineered to elevate the blood pressure, and shorten the lifespan of the unsuspecting, cash-poor investor.

2. Buying houses isn't 'cool'

Ok. Maybe it is cool. There are few absolutes in life. However, what I'm referring to is the over-eagerness some of us have to get our first few deals under our belt. Now granted, an "itchy trigger finger" is easier to cure than the old "butt print in the recliner," but it is no less of a liability for its being the lesser of two evils.

I moved out of an apartment and into my first single-family house in 2003. I was now a "homeowner." Within a year, I bought my first investment property. To me, buying houses was "cool." The newness hadn't worn off yet. I could stick my chest out a little farther than before. Therefore, I overlooked a number of factors which I should have considered more carefully. My first house was in a bad neighborhood. My first investment property was across the street (almost literally, it was across and one house over). This was also a direct violation of lesson number nine. I never could sell it; it attracted only the most horrible lease-option candidates, and the house continued to punish me for three years — until someone was kind enough to set it on fire in 2007 (no, it was not me). No one was hurt, and as I suspect that the fire-starters were the tenants I had just evicted. All occupants were safely out of harm's way.

3. Lease-options don't cash out

OK, you got me again. Some of them do. Before the subprime shakeout, mortgage meltdown, or whatever term history will ultimately attach to the fruit of the stupidity that ran rampant throughout the mortgage "boom," the nationwide statistic for lease-option tenant/buyers who actually exercised their option was under 5 percent. I'm pretty sure that figure would be much lower today in our current lending climate.

My limited experience tends to confirm this. Over my career spanning maybe 25 tenant/buyers, only one of them has ever cashed me out.

One time, and one time only, did the vehicle of lease-options transport me to that magical place where equity (through alchemical means unknown) may be transmuted into cash without the simultaneous creation of an equivalent debt. I had bought the house three years before and was on my third tenant/buyer. All things taken together, I worked pretty darned hard for that check.

The problem I ran into was the impression, gleaned from a variety of real estate "gurus," that a lease-option was as good as a sale, and that you will be cashed out at your inflated sales price in the not-too-distant future. This being the case, why worry about buying a house with very little equity, or where the monthly spread between your incoming and outgoing payments couldn't feed a third-world orphan? You'll be rich when your tenant/buyers exercise their options by getting a new loan, as they've solemnly sworn to you that they'll do once they've tidied up their credit a bit.

4. Home warranties

How I wish I'd know about these babies at the start of my investing career. I'm sure many good companies provide them, but I always used American Home Shield. With a multi-property discount, it comes out to about $330 per year per property, which they will even break up and let you pay monthly for less than $28 per month. Can you say "Make your tenant pay for it?"

Now, I can already hear some of you asking, "Can't I just use a lease-option that passes all major repairs on to my tenant/buyer and make them pay for it?" Sure, you can. However, that can be a double-edged sword, as you will inevitably end up getting houses back with buckets under the sink or things duct-taped together to avoid the tenant having to pony up and pay a contractor to fix it. AHS does not even inspect the house before issuing a warranty, and will do anything from re-plumb the house, to replace the furnace if necessary. All for the price of a service call. How many unanticipated $2,500 furnaces does it take to make the warranty pay for itself? I've had to replace two out of pocket, and each one worked perfectly well when I tested it upon purchasing the property.

5. Home inspections

I had two mentors when I got started in the creative real estate business. One of them was an interpersonal and financial genius, who could reduce an incredibly complex situation with multiple sets of numbers into its simplest, most logical solution, almost instantly. The other one, while also a brilliant guy, had as his claim to fame the fact that he had worked at or owned construction companies for the past 30 years. I'll bet Warren walked me through 30 houses, pointing out every potential problem, and teaching me what to watch out for. With that level of detailed instruction, it would surely be foolish to pay $350 for a home inspection before closing, wouldn't it? After all, I was now an "expert." Wrong, wrong, wrong. I don't' think I ever bought a house where I did not miss something of decent significance, and sometimes the errors ran into the thousands and thousands of dollars. I could not have reaped a better return on those skipped $350 investments with a jockey's eye for horseflesh, and a pocket full of four-leaf clovers tucked away in my lucky rabbit's foot bag.

6. Tenants are guilty until proven innocent

"But this is America," you say. "Isn't everyone innocent until proven guilty??" Folks, every time I have gone against my training and better judgment and trusted a tenant, I have lived to regret it. The check is not in the mail. They are not moving out peaceably, so "you can just save yourself the hassle of having to evict us." They are not "cleaning the house like new on the way out." The milk of human kindness is a wonderful thing, but it quickly sours in your tenant's refrigerator.

7. Listen to people who are smarter than you

Boy, did I ever have a hard time with this one. My mentor advised me against buying the first three investment properties that I ultimately ended up buying. "Easy for him to say," I rationalized, "he's got houses coming out of his ears and I hardly have any!" I lived to regret each one. From time to time I'll be listening to an audio training CD (Ron Legrand, Lou Brown, etc.) from years ago, and for maybe the 20th time I'll hear a piece of advice that, had I heeded it, would have saved me a good deal of time, money, and grief.

8. Have an attorney prepare/review ALL of your forms and paperwork

I like to think of myself as a pretty smart guy. Starting with top-notch forms like Lou Brown's, there's no reason to go to the "extra expense" of paying an attorney to make sure that each element of each transaction is watertight, is there?

Wrong, wrong, and wrong again. On one joint-venture deal, I "saved" myself a couple of hundred bucks by taking a "guru's" joint venture agreement and customizing it for the transaction myself, rather than paying an attorney. When the "you know what" hit the fan during the exit strategy, it became painfully obvious that my paperwork was woefully inadequate for the task at hand. That is not good news, as most courts, when dealing with vagueness in contracts, tend to side against the person who drafted the contract (in other words, against me). I knew a losing battle when I saw one, so settled for a pitifully small amount and moved on. Net cost to me for being Mr. Smart Guy and doing my own paperwork: around $40,000. That, my friend; is a hard way to learn a lesson.

9. Stay out of marginal neighborhoods

"But the deals look so good right on the other side of the tracks," you say. "You can hardly tell the difference between this house and the one on that other street that costs 30 percent more." Your tenants and buyers, my friend, will know the difference. They will not need any advanced real estate training, an appraisal, or a list of comparable sales. Good tenants and good buyers know where they do and do not want to live, and you will violate this rule at your peril. If you would not want your 15-year-old daughter staying the night at a friend's house at this location, I strongly suggest you keep looking.

As I leave you, I sincerely hope that these lessons that I wish I could've shared with my former self will act as a dose of preventative medicine in your business career, the presence of which should save you many an Advil, and countless sleepless nights.

Lou Gimbutis, owner of Property Solutions, LLC (www.soldcarolina.com) has been buying and selling houses full-time since 2004. He serves as Director of Education for the Metrolina Real Estate Investors Association.

Always be on the Lookout for Property ... continued from Page 17

driver received a cash kick back before leaving (I actually saw this) for taking the group there. I have also been told by independent drivers that most of the time, the contract drivers are related by family to some of the "STORES" where we stopped.

As we headed to some of our requested places we wanted to see, our driver told us of a place that had been damaged by a storm but since it was not a boat-sponsored location, it was slowly rebuilding back to being a local favorite. I have found that cruise-sponsored places receive help and money for repairs a lot faster so boats can resume making money from the excursions. The place where we went had no such help. The main attraction were small to giant sea turtles that you could feed from the shore as well as swim with in a lagoon. It was a very nice area but you could easily tell that it was damaged from strong winds. It also had some huts that were used for offering barbecue buffet as part of the experience. There were three buffet huts but only one was open. Then we saw the area had several shower huts and bathrooms along the 100-foot-wide lagoon, but only one hut was open. A little further walk revealed several varieties of sharks swimming in a protected area where visitors were allowed to feed them. This was exciting being able to feed, film and watch the sharks up close. We also talked to the locals working there and got a lot of background information about the area.

As I have been trying to point out, real estate deals pop up everywhere without warning. You never know when an opportunity will present itself, especially when you least expect it. None of us paid too much attention as we first entered the lengthy dirt road leading to the venue, but there was a "for sale" sign just outside three or four mediocre houses that were shrouded with line-strung laundry about a quarter mile before we arrived. As it turns out, the people selling the houses were also the ones who owned the property that operated the venue with the turtle and shark experience. The bad storm had knocked down the other for-sale signs showing that the whole venue was actually for sale, as the owners did not have the resources to rebuild. They got the place up and running just enough to buy food and pay bills but were overwhelmed with the longer-term prospect of fixing it back up. Now their option was just to sell it all!

Obviously, sirens and light bulbs were going off in our heads trying to figure out exactly what these people needed in order for there to be a winning situation for both buyer and seller. Investor mode had kicked in and ideas started running through our heads. So, we now know to get a plat of the land to see just how much there was. There were at least 100 acres or more. We also needed to find out if you can own property outright, lease it and/or what other restrictions there are for acquiring real estate in Fiji.

Now keep in mind that there are so many ways this can be investigated for different uses. Would this be something where investors just fix the venue and use it for a wildlife attraction? Most people don't automatically think this, but it is potentially something to get under contract and maybe offer to a hotel chain, for example. Do you get interested people to come in and build luxury houses or even a subdivision? There are many options — hotels, condos, restaurants, shopping, retail, even mixed use. Do you think that the distressed owners would see "the win" for both sides if they walked away from a tough situation with a life-changing amount of money that would take care them for the rest of their lives?

Now let me ask you this: Have I changed even just a little bit about how you may look at things on your next trip or vacation? Do you see that opportunity is everywhere and most people walk or drive right by it never knowing your life could be changed in a glance of a hidden sign on a tree? Remember, this was a chance-sighting based on the fact that we decided not to use a cruise ship excursion and went with hiring a lower cost local — who took us to places that were really exotic and not tourist traps. I am writing this as we are still doing our due diligence, but I will definitely keep anyone updated who follows my writings and real estate techniques. Though my primary expertise has always been in the fix-and-flip scenario, I have over three decades of real estate experience and it just keeps growing! Remember, never stop learning and always keep an open mind — especially when traveling.

Pete Youngs, also known as "Mr. Rehab," is a national speaker on rehabbing homes for up to 50 percent off. He does seminars and bus trips promoting his training system called SWAT (Simple Ways And Techniques). He has been a contractor/investor for over 25 years. Learn more about him at PeteYoungs.com.

Seven Rules on Screening, Hiring and Working With Laywers ... continued from Page 10

well as active or inactive status and administrative suspensions for not paying licensing fees or completing required continuing education.

Rule 4: Size Does Matter

The fourth rule I follow in hiring a lawyer is that size of the law firm matters. I may be biased in this regard, but I think the largest law firms with the most lawyers available to work, at the corresponding highest rates, are best suited for the really big companies with really big and complex legal problems, requiring experts in several different fields of law to work on the same case together. Sole practitioners in the suburbs, conversely, are best suited to the client with a small and simple legal issue who doesn't want to spend much and whose problem is general, since the sole practitioner often has to do a little bit of everything to keep the doors open, and doesn't have the opportunity to develop a lot of expertise in a single specialized area.

In between these extremes are small boutique firms with several lawyers concentrating their practice in single areas or several related areas requiring some level of volume to build expertise, and mid- sized firms which are really the combination of several boutique law firms with different types of practice into a single firm. Since most firms are either in the process of growing, shrinking, combining or separating at some point every few years, and individuals move from firm to firm, there are no numbers, types or individual lawyers other than the lawyer you hire on whom you can count to be with the firm or on your case from beginning to end, and the longer the process the more this is true.

Make sure you meet the lead attorney on your case and as many other staff members who are assisting on your file as you can, and know who will do what and at what rates. See if the firm has a free consultation available for this purpose. Make sure you also know when two or more people will be working together and billing simultaneously for their work. If three lawyers are working together at rates over $200 or $300 per hour, it doesn't take long for the bill to add up.

For my real estate clients looking for real estate lawyers in other jurisdictions, I try to find an AV rated lawyer from a small or boutique firm, but not a sole practitioner, and not a big law firm. This is for the same reason you don't need or want to pay your brain surgeon at his rates to take your blood pressure, but you want him or her available if you need brain surgery. You don't need or want to pay your dentist to clean your teeth. The nurse can take your blood pressure; the dental hygienist can clean your teeth; and the doctor or dentist checks to make sure the job was done correctly.

In a law office, there are secretaries who can do the secretarial work, and paralegals and student law clerks to do work beyond the level of the secretaries, but not requiring a license to practice law. However, a license is required to give any legal advice, and almost always to go to court for a client. But every piece of advice, even on a complex case, isn't the most complicated advice, and every appearance in court isn't the trial of the case. Having a less experienced lawyer as well as secretaries, paralegals and law clerks available to work on a case can help to match the right price level of assistance to the job to be done.

In the end, this practice at least in theory results in the senior lawyer being able to provide the case strategy, and get the assistance of others on the legal team at lower hourly rates to provide the services more effectively. If it takes the junior staff too long to complete the tasks assigned, however, or if the senior lawyer has to spend too much billable time supervising the work, the savings can be reduced or eliminated.

Rule 5: Understand How Billing Works

This brings me to my fifth rule. This is after you hire a law firm. Make sure you know the basis and rates for your fees, what costs will be charged in addition to fees, and how often you will be billed. Then watch your billing to make sure it matches. New clients should get an engagement letter describing the terms of their financial relationship with their lawyers soon after becoming clients. Then review any statements you receive quickly and ask any questions you have promptly after you receive each bill. Does the bill match your understanding from the engagement? If not, why not? Write an email or letter and talk to someone about your questions as quickly as possible. Remember hourly rates alone are not the whole story on an hourly bill. A lawyer working more hours at a lower rate can cost a client more than a lawyer working fewer hours at a higher rate. You need to make sure you receive the right balance.

Firms working on an hourly basis generally keep track of each professional's time daily and send bills monthly. Firms working on a flat fee generally bill in either the beginning by retainer or the end when work is done, and don't account as meticulously for their time. Firms working on a contingency basis often do not send any record of the actual time spent. If you knew they spent four hours on your case to make a $10,000 fee, you might get upset, since you don't see the hundred hours they may have spent on the last case to receive no fee at all.

Rule 6: Know What Will Be Done When

My sixth rule is a good way to keep your costs down on hourly cases, and not be a nuisance to lawyers or their staff on contingent or flat fee matters, while still making sure the work you need is being done. This rule is to know what will be done when, and watch for it. This could be as simple as watching the mail or email for a copy of a letter or contract draft or pleading, or it could require logging on to a court docket online to watch everything a civil, criminal, bankruptcy or family lawyer is doing on your behalf, and what other lawyers involved in the same case are doing. Track your case and follow up by email if you can when something is due and not done. Copy the senior lawyer on the case and the working staff, and let them know you don't want to be billed for them to read or respond to your email. You just want

them to send a copy of the work that is due to be completed. You may get the thing you were looking for, you may get an explanation of why it isn't done and when it will be, or you may hear nothing at all.

Unless a statute of limitations or an important deadline of another nature is looming, the only true cause for concern is the lack of any response. Any good law firm will be busy, and I believe a busy firm is more cost effective for you than a firm where professionals are sitting, waiting for your calls and to do work on your files. If a firm has too much staff for the work available, the employees will tend to spend more time than is necessary on a given case, and you will have very prompt service at the price of being more expensive. If a firm is busy, and its staff has no problem finding enough work to keep busy and reach their billing objectives to earn their pay, then you will get the work needed on your file without additional time being wasted on unnecessary additional work. It may not be done early, but it won't be done late, and you will get the service for which you bargained.

If you don't hear back from the firm at all, you need to find out why. Did a lawyer leave? Don't they want your case? Are they too busy this week, which is usually OK, and happens in any firm because legal work never flows evenly from day to day? Are they too busy for a long time to get to your work? That can be a more serious problem if they don't have a plan to get the right staff in place to deal with the increasing volume of work they face. For a lawyer, it is both a relief and a problem for his or her law firm to have more work than it can handle. The work means job and income security, but also means it may be time to commit to more staff. Another secretary, law clerk or lawyer means an ongoing commitment to higher overhead, and the need to bring in even more new work on a regular basis. Those steps should not be taken lightly, but if a law firm doesn't continue to match its staff to changing workload, it either won't be able to keep clients happy as it grows, or won't be able to keep existing clients happy as it shrinks. Feedback on client happiness is often too little, too late, so providing that feedback can not only help your lawyer to handle your case better, but can also help your lawyer to manage his or her practice more efficiently for all the firm's clients.

Rule 7: Pay as Agreed and on Time

My seventh and last rule is to pay what you agree to when you agree to, if you expect to get the service you want now and in the future. If you can't do that, come as close as you can to what you are supposed to pay, and communicate proactively about how you plan to pay the rest. Real estate investors have been through a rough credit market, and many have been unable to pay their bills in full every month. Lawyers will work with those issues as much as we can, but if last month's bills aren't paid to us in full by next month, we still have to pay staff, rent, insurance and other overhead, as well as pay ourselves. We have to make up the difference somehow. The easiest way is to devote more effort this month to the files of clients whom we anticipate will pay this month and next month, and less effort to the files of clients whom we do not expect to pay for a while. That way, more of this month's time is paid next month. We can borrow on lines of credit to carry unpaid bills, but if we do too much of that, we will exhaust our own credit to finance clients. We can raise rates on all clients to cover the cost of those who don't pay on time, or insist on full retainers from every client for all work to be done, but either of those practices penalizes the clients who plan to and do pay when they should.

Eventually, we have to stop doing work for clients who don't pay, and spend time on collecting those fees. That leads to poor client relations and wasted time for whoever is involved in the collection process. If you review your legal bills when you receive them, discuss issues with those bills promptly, and pay what you owe timely, you will be a good client and your lawyers will be happy to handle your legal work now and into the future. If you don't do these things, you will have to move from law firm to law firm, go through a learning curve with new people for each new problem, and in the end probably pay more for legal services than you would otherwise.

Bradley S. Dornish is a licensed attorney, title insurance agent and real estate instructor in Pennsylvania. He can be reached at bdornish@dornish.net.