

## NEXT MEETING

Monday,  
November 16, 2009  
7:00 p.m.  
Fort Stephenson  
House  
600 W. State St.  
Fremont

## Inside Stories

*How to Wholesale a  
Property*

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Owner Myths*

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*Ways to Determine  
Rent for an Upcoming  
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Conference Info*

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*Thank You to Last  
Month's Speaker*

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## What are your responsibilities as a landlord when you suspect (or know) your tenant is doing something illegal?

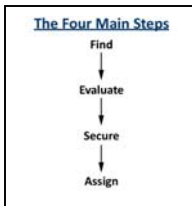
This is the topic of our next meeting:  
Monday, October 19<sup>th</sup> at 7:00 p.m.

In 1990, the Landlord Tenant Act was amended. A landlord is now required to start an eviction action against a tenant if the landlord has actual knowledge or "reasonable cause to believe" that the tenant, any member of the tenant's household or any person on the premises with the consent of the tenant is engaged in or engaged in the past in a violation of a criminal law involving controlled substances. A landlord has "reasonable cause to believe" drug activity is occurring if a valid search warrant has been issued, the controlled substance described in the search warrant was found during the search and the landlord was later informed about the situation by the police. An eviction action must be started whether or not the tenant or other person is charged with or ever convicted of a criminal offense. This provision also applies even if the other person is a delinquent child or guest of the household. In order to evict a tenant alleged to be involved in drug activity, written notice to terminate the tenancy must be given to the tenant by the landlord. However, the landlord only needs to give the tenant a three-day notice. The landlord must still go through court proceedings before a tenant may be lawfully evicted. Again, special rules apply to drug cases in court. For instance, a continuance of the trial date is not permitted even if the landlord wants a postponement. The amendments cover a wide variety of drugs and activities. A tenant may be evicted if the drug involved is marijuana, cocaine or some other illegal drug. There is also no distinction made between the use, possession or sale of drugs. Use, possession or sale of drugs by any household member or guest in the rental unit can result in eviction.

The landlord also may not move a tenant's furniture from the apartment, lock a tenant out or threaten any unlawful act, including utility shut-off, to force the tenant to move. The landlord can only evict after a court hearing and with a lawful court order, or the landlord risks liability to the tenant for all damages and reasonable attorney fees. Even after a legal eviction, the landlord has no right to keep the tenant's property.

Fremont Police Chief Tim Wiersma will be discussing this and much more on Monday night. Tim has been a police officer in our town for 23 years. He has been chief for 1½ years, a captain for two years and a sergeant for 13 years before that.

He is married to Suzanne, Business Manager at Birchard Public Library, and they have a son, Adam, a junior at The Ohio State University, and daughters Carly age 10, and Brie age 4. In his free time, Tim enjoys spending time with his family and doing projects around their home.



## How to Wholesale a Property

### The Steps to Your First Paycheck

There's a reason wholesaling is a favorite strategy for many real estate professionals: It's not a complicated technique. Below, we've broken it down into six simple, straightforward steps.

#### 1. Find a Property

Before you can wholesale a property, you need to find a good deal. Use whatever method you prefer for finding good deals--and then get that deal under contract. A good wholesale deal must be 25 to 40 percent below retail value. For example, if you find a house that's worth \$100,000 and you can purchase it for \$93,000, you probably won't profit from the deal. You need to find a deal with a good profit margin so that when you wholesale it to someone else, they profit from it as well.

Don't be too greedy. Make sure you allow room for the next person to profit. Develop a system where motivated buyers (other investors) want to do business with you because you passed on the profit. They'll keep coming back.

For example, if a house is worth \$100,000 and you can buy it for \$60,000, don't attempt to wholesale it to another investor for \$95,000. Instead, wholesale it for \$70,000, and you'll make \$10,000, which is a nice profit for you. The investor will make a bigger profit, but he's also fixing it up, borrowing the money, and taking all the risk.

#### 2. Analyze the Deal

Begin this step by determining how much you can get the property for. Then find out how much the property is worth by talking to agents, looking at comparable properties, or even obtaining an appraisal (if you're not comfortable with the first two yet).

Next, determine what repairs are needed to bring the property to full retail value. If this is new to you, bring in a licensed contractor to give you a detailed repair bid. During this step, be sure to keep all the information together. You may need it later.

#### 3. Get it under Contract

To place the property under contract, use a standard buyer's contract, which includes a contingency clause, disclosures, and long closing period built into the contract. Make sure your contingency clause says, "This contract is contingent upon buyer's inspection and approval before closing." Try to negotiate a closing period of 90 days for your deals.

Be sure your contract includes permission to show the property to prospective buyers. Also, make arrangements with the sellers for a way to show the property. Consider putting the following clause in your contract: "I'm going to have people I work with look at the property. That may include partners, an appraiser, a contractor, or a handyman. We need to have access to the property." This will allow you to show the property to the people you need to make the deal happen.

#### 4. Find a Buyer

To find buyers, start building a list. Ask other investors, rehabbers, or landlords if they are looking for properties. If they are, put their names in your database. You can also run classified ads and find potential buyers through the newspaper. Real estate agents also know rehabbers, as do people at your local real estate association. Then, when you get a wholesale deal under contract, you can send out an email or a flyer. Send the email to your list of potential buyers. Take the flyer to your real estate association and pass it out. Tell them it's first come, first serve. This will create a sense of urgency.

## How to Wholesale a Property (continued)

### 5. Assign the Contract

Once you find a buyer and negotiate a price, the buyer pays you to sign over the contract to him/her. You use an Assignment of Contract for Purchase and Sale to make this happen. Once this form is signed, the buyer simply steps into your shoes; all the rights you negotiated in the original contract become his/her rights. To ensure the seller can't back out of the deal with the new buyer, be sure the original contract says, "This contract may be sold or assigned."

### 6. Closing

Once you've sold the contract, you are out of the transaction--so this step doesn't really involve you. However, we're covering it so you can see how the process ends. Since you sold (or assigned) the contract in Step Five, if the buyers don't close, that's not your problem. Make sure you have a contingency clause in your contract saying that if the end buyers don't sell, you still get paid. But typically, the original sellers will close with the buyer--you simply played the role of matchmaker.

Your first deal is always the scariest. But if you utilize these six steps when wholesaling, your deals will be successful. And what could be easier? You're only six steps away from your first paycheck!



## The 4 Business Owner Myths...

### Myth #1: "It's too risky."

Hang on a second here... owning your own business is too risky? Tell me, is working for a large corporation a safe bet in today's world? When you master the skill of building a successful business, you are in the safest place of all. No matter what happens in any one business, when you have mastered this skill (and it is a learnable skill) you can always start another business. Owning your own business does have risks, but the degree of control you have over your own future, and the success rate for building your dream life is magnitudes better than being trapped working for someone else.



### Myth #2: "It will consume your life."

Yes launching and the early stages of doing a new business are very intense. But when you understand the business model, you see that as you grow your company you not only can, but **NEED TO** build your business to be less and less dependent on you the owner. **The bottom-line is that you must build a business, not a job.** This will be consuming early on, but over time you can transition your business away from needing you on a daily business. This is a magical shift that will give you **FREEDOM**.

### Myth #3: "You've got to stay in control."

**NO!** Control is a trap that will wrap the business around **YOU** and make it more and more dependent on you. Control is a concept that traps you in your business.

### Myth #4: "It takes a lot of money to launch a new business."

Fact: most new businesses are launched with less than \$10,000 of start up capital from the founder.

Fact: You can bootstrap (fund out of sales)... raise private capital... borrow from the SBA (Small Business Administration)... joint venture... etc to launch your business without a lot of personal capital.

I hope that this gives you a real spark to keep working to grow your business and take the outside world's input with a grain of salt.

## Ways to Determine Rent for an Upcoming Vacancy

- 1.) If the vacating tenant has been a long-term tenant, and you had a good relationship, *simply ask him*. Over the years he's followed the neighborhood and knows from friends and fellow renters. He can tell you if he thinks you should charge more or less. Feedback from your vacating residents should be ONE piece of the info you assemble to determine.
- 2.) The quickest way to figure out the market rent is to put your tenant "shopping" hat on and start looking. Observe area rentals (signs, newspaper, etc.), see how they are priced, and watch to see how long they stay vacant. Many times, you can even stop by to get up close to see the condition of the investment property. In every case, one that is priced right and sits for very long has "issues".
- 3.) Another resource is a property manager with local rentals (and a website) who knows what they're doing. They make the most money by pricing at the top of the market and usually have little interest in discounting unless a property sits vacant for too long. **I usually price mine 2% to 5% below their prices.** The caveat with property managers is that some have owners that force them to overprice. That happens fairly often, but it is usually pretty obvious.
- 4.) Be careful not to use an apartment as a comparable ("comp") for a single family home (or visa versa). Instead, try to find another single family home in the same neighborhood as your income property.
- 5.) Maybe, there aren't any single family homes on the market to serve as comps. But, were there any in the past few months or year? Is there a way you could track those down by reviewing old newspapers or more importantly, your own notes on what homes have rented for?
- 6.) Check comps on [www.craigslist.org](http://www.craigslist.org).
- 7.) Do you feel that your current long-term tenant was paying the market rate when he moved in? A general guide to rental increase should be 3% to 5% per year. Use this amount as a starting point. (This rule of thumb may not apply in cities experiencing a large number of lay-offs.)
- 8.) Take a property manager to lunch. Maybe, if you said the right things in the right way over lunch, a property manager could give you her opinion — and maybe even back it up with some comps on properties she manages.
- 9.) One trick is to always set the rent a little too high. If the phone does not ring with decent quality renters, quickly lower it \$50 or \$75, or so. If the phone starts ringing then, you can be pretty sure that you have the right amount. If you find someone terrific and they tell you they would love your house but can only pay \$50 less than what you're asking, you can always say yes. Be flexible and listen for market feedback.
- 10.) The biggest key is **not to wait until you get notice** to vacate to begin your pricing research. Go through the rental ads from good sources weekly. That way you'll be on top of things when the time comes.
- 11.) Don't be overly concerned with the best rent amount. More importantly, keep turnover to a minimum. **Lost time is more valuable than a slightly higher rental amount.** This money can never be recouped. One lost month can cost more than leaving the rent too low.

Advertising, curb appeal, repairs, even some painting can all be done during the current lease. It should only take a day or two maximum for cleaning and painting once they leave.

Play up the return of their deposit for super cleanliness at move-out. **Remind your current tenant their lease ends August 31, not September 1.** Your new lease should start September 1.

## 2009 National Real Estate Investing Conference & Expo November 5-8 Hyatt Regency Downtown Cincinnati, Ohio

### When the Last Thing You Want to do is attend Another Seminar...

Times are tough, especially when your real estate business isn't earning the big profits it can in today's market.

If you're feeling the "recession crunch", you might very well be thinking, "I can't afford the time or money to attend another real estate seminar".

We're here to tell you: OREIA is not just another real estate seminar. It's your annual opportunity to do something wonderful for yourself, your loved ones, and your real estate investing career.

You'll get all the up-to-the-minute information you need to buy properties without banks, make money from the exploding pre-foreclosure and REO market, earn huge cash flow with rentals, rehab right, and other essential skills. If you're more seasoned, you'll learn how to raise more private money, buy high-yielding notes and mortgages, invest in commercial properties and self-storage units, and run your business the E-Myth way.

In fact, the training you'll get at OREIA's 2009 Conference and Expo is the most detailed and up-to-date anywhere, and at the cheapest price. Whether you're a beginner or super-advanced, we have a package that will make you a more skilled, more successful real estate investing professional (including our youth entrepreneurial academy for your 15-22 year old)—and it's all backed by our 100%, no-questions-asked money-back guarantee!

And the best thing of all is: OREIA is incredibly cheap to attend. At less than \$100 per person (or \$120 for 2), it's the best education, the best networking, and the best motivation in the country at a price anyone can afford.

**For more information, check out the website: <http://oreiaconvention.com/index.asp>**



### **THANK YOU TO LAST MONTH'S GUEST SPEAKER:**

Very special thanks to Green Springs Fire Chief Greg Lowe on his informational talk about fire safety. Hopefully, you all learned some valuable tools to use to prevent fires in your rental units – and also in your own personal residence. Granted, we cannot oversee our tenants' daily lives, but there are some things that can be done to keep our losses to a bare minimum. Also, as Chief Lowe reminded us, please change the batteries on your smoke detectors when we "fall back" on November 1<sup>st</sup>.

As a side note, the Green Springs Fire Department has an all-you-can-eat pancake and sausage breakfast on October 18<sup>th</sup>, from 7 a.m. – 1 p.m. at the low cost of \$6 per person. This is one of the department's primary fundraisers, so please come out and show your support.

## 2009 S.C.A.R.E.I.A. Board Members

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For further information,  
you may contact  
any of the  
Board Members  
at any time

## About Our Organization...

SCAREIA was organized in October 2005. Our primary focus is to share information, to help educate and to motivate our members in their successful real estate endeavors.

Anyone interested in Real Estate Investing, whether you are just beginning or a seasoned investor, are welcome to join.

SCAREIA meets the 3rd Monday of every month at 7pm. Meetings are located in the basement of the Fort Stephenson House, 600 W. State St., Fremont, Ohio.

### SPECIAL THANK YOU TO FIRST AMERICAN TITLE FOR PROVIDING THE MONTHLY EVICTION AND FORECLOSURE REPORTS



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