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**Main Meeting:  
Thursday, June 17th,  
at the Hilton on  
Tyvola & I-77**

- **New Member Orientation  
at 5:30pm**
- **Networking Starts at 6:00pm**
- **Main Meeting: 7:00-9:00pm**

*The JUNE Main REIA Meeting presents*  
**Paul Esajian, the Star of  
A&E Hit TV Show  
“Flip This House”**



**Paul is the CFO of CT Homes, LLC and the  
Co-Founder of FortureBuilders Inc.**

Originally from California, Paul Esajian lives & teaches on the principal of finding ones “passion.” Juggling the demands of a national hit TV show on A&E’s “Flip This House”, managing a multi million dollar Real Estate Investment Business, & passionately teaching others how to live their best life now keeps Paul active in pursuing his passion.

Paul Esajian is one of the nation’s premier real estate investors and speakers, his business building strategies have been used to develop CT

Homes, LLC into the leading multi-million dollar real estate solutions company in the North East area.

Paul has managed over 300 projects throughout the country. Paul specializes in Rehab & Contacting systems for successful Real Estate Investors. At any given time, Paul has managed over 25 development projects with five teams of over 35 contractors in nine different cities and three different states.

Paul’s expertise is in managing larger rehabs and multi-unit rehabs of over \$50,000 dollars to beautiful single family rehabs, he has also been responsible creating and implementing the accounting and companies’ financial systems since the beginning.

Throughout his investing career, Paul has been continuously developing unique accounting systems custom to the home buying business, as well as contractor systems that have been developed to meticulously manage the numerous contractors and projects that he has had the challenge of overseeing. This range of duties has given Paul a wide breadth of knowledge of running an efficient, productive company, from the accounting books in the office to the foundation of a house on site.

# Declaration of Metrolina REIA

The mission of the Metrolina Real Estate Investors Association (Metrolina REIA) is to actively promote wealth building with real estate through education, mentoring and networking. The Metrolina REIA is dedicated to helping it's membership excel in the real estate investment arena in Charlotte, NC and the surrounding Metrolina area.

The Metrolina Real Estate Investors Association, Inc. is a professional organization dedicated to providing networking, and education programs for real estate investors.

The information presented at our meetings, on our website, and in our publications should not be construed as legal or tax advice. Legal advice should be obtained from an attorney. Tax advice should be sought from tax professionals.

The Metrolina REIA exists to expose its members to ideas that may be beneficial as they plan their business. We do not render legal, tax, or investment advice except in educational discussions and disclaim all liability for the actions or inactions taken or not taken as a result of communications from and/or to its members, officers, directors, and any employee.

The opinions expressed by the speakers and published articles are not necessarily those of Metrolina REIA.

**Each individual should consult their own counsel, accountant, and other advisors as to legal, tax, investment, and economic matters concerning real estate and other investments.**



## Metrolina Investor *is a Publication of* **Metrolina Real Estate Investors Association**

122 W. Woodlawn Rd., Suite D-101  
Charlotte, NC 28217 • (704) 523-1570  
www.MetrolinaREIA.org

**Executive Director**  
JC Underwood

**President:** Tom Latimer  
latimerte910@aol.com

**Vice President:** Cherrathée Hager  
twinoakproperties4u@yahoo.com

**Secretary:** Sherry Fredenberg  
sherry@investwithsherry.com

**Treasurer:** Doug DeShields  
dougdeshields@carolina.rr.com

### **The members at large are:**

*Donna Bordeaux*  
donna@yourcpapartners.com

*Grady Denton*  
gdenton@macleanpower.com

*Lou Gimbutis*  
lou@soldcarolina.com

*Dan Gosser*  
dan.gosser@gmail.com

*Leon Humphrey*  
leonhumphrey@bellsouth.net

*J Parker*  
efsparker@yahoo.com

*Kimberly Shelton*  
kimberly@metrolinareia.org

*Ki Shin*  
ki@smithandshin.com

Metrolina REIA Board is run by volunteers who are committed to the mission of the Metrolina REIA. Elections are held annually each November.

**Newsletter Design and Production**  
Raynell Swanson, [raynell@bcCre8tive.com](mailto:raynell@bcCre8tive.com)

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## PANEL of Local Real Estate Investors & Experts

### JULY MAIN MEETING

The July REIA meeting brings you local real estate investors and experts telling all. From their best deals to the worst deals, to tips on creating a quality buyer with credit repair tactics, the May meeting has something for everyone.

Current finance issues will be discussed, tips for selling your properties retail, and plenty of time for Q & A. Start making a list of questions for the experts and we'll see you there.

*See you there!!*

*Thursday, July 15th at 6:30pm*

*Please be sure to wear your name badge!  
Members without badges will be charge \$5 admission.  
The money will be donated to a local charity.*

## CASHFLOW 101 GAME NIGHT

*Come out and join us for a night of Fun,  
Food, Networking, and of course  
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**Date:** 4th Wednesday of every month at  
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**Location:** Diversity Den Coffee Shop  
160 Concord Commons, Concord, NC (next to  
Walmart)

**Admission Fee:** \$10 per person or \$15 per  
couple (if you can bring a game board then  
it's only \$5), FREE for Metrolina REIA  
Members

**Please RSVP, seating is limited to the  
amount of game boards we have that night.  
reideeroy@carolina.rr.com**

# 3 Rookie Mistakes When Buying Foreclosed Homes By Judson Voss

Unfortunately as with anything in life it is not quite that simple. The great news is that while you probably won't make big money all that easily with some hard work and a little knowledge you can cash in on one of the hottest foreclosed homes markets we have ever seen. The key is to avoid 3 of the big mistakes many new investors make when setting out on making their fortune in real estate investing.

**Mistake 1** – Using the bank's sale price. Many new investors often use the bank's price on a foreclosure listing as a method to decide what they will offer for the home. Here is a common scenario, take the banks listing price on the foreclosure and reduce it 30% to make an offer. While this is a simple method and appears you are sure to get a deal there is one problem. The bank's listing price may or may not have anything to do with the value of the home.

I recommend that you completely ignore what the foreclosed home is listed for and only use your own due diligence to analyze the deal. First you should calculate the market value, then take into account any repairs needed and lastly build in your profit. This should be the only offer you should make on a bank owned home, or any other home for investing purposes for that matter.

**Mistake 2** – Get your deals from one source. For whatever reason this just doesn't work. You will not get every deal right when you need them from this method. Instead you need to work with multiple sources to find foreclosed homes. My best

recommendation is to work with a buyer's agent to search foreclosures for you but you must also go to the source, the banks themselves and REO (Real Estate Owned) brokers who list these foreclosed homes for the bank. In this case the more the merrier.

**Mistake 3** – Having no exit strategy. I keep hearing over and over again that you make money when you buy the home. Try that out once and then check your bank statement, you will find this is not true. You might create value when you buy the home well below market value but my checking account has never grown until I sold the home. Before you even begin to look at foreclosed homes start by knowing what your exit strategy is.

The type of home you are looking for will vary greatly depending on whether you plan to fix and sell the home, fix and rent it, fix and lease option it or just wholesale it to another investor. Once you have at least one exit strategy you are going to commit to then you can narrow your search for foreclosed homes and choose the ones that are right for you.

Today, right now is the best time to work the foreclosed home market. Foreclosure listings are reaching all time highs and the banks are feeling the pain of the REO inventory. Keep in mind that buying a home for investment purposes is a serious matter and you need to have a serious plan in place to profit from it. Avoid these 3 mistakes when investing in your foreclosed home and you will be one step closer to profiting from foreclosures.

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## ***3 Ways to Profit from Foreclosed Homes***

By Judson Voss

In today's real estate market it is difficult to hide from the fact that foreclosed homes are quickly becoming a large part of the available inventory on the MLS (Multiple Listing Service). Real estate investors who in the past have primarily looked to other sources for their deals are turning more and more to foreclosed homes and working with banks as a way to profit.

I find that many new investors get very excited about the prospect of finding a really great deal on a foreclosed home and they are giddy with the thought of making big money on these homes and will soon retire from their current jobs. You may find currently that your biggest hurdle is finding these homes. We are going to take a unique approach to finding foreclosed homes and that is by starting with how we are going to profit from these listings.

Probably the most common way real estate investors would expect to make money from foreclosed homes is by purchasing the home and selling it for a profit. We have purchased many homes this way and have done well with them but you should keep in mind that there is work involved in flipping homes. Very rarely will a bank sell you a great home in a great neighborhood for far less than what it is worth. Instead as a real estate investor you are going to need to bring value to the deal.

In many instances this means purchasing a home in need of repair and fixing it up below the cost for the average homeowner to make the home more appealing and worth more on the open market. If this strategy appeals to you make sure you have looked at all of the angles and understand construction, managing contractors and also realistically calculate your holding costs. Currently FHA guidelines require a home to be owned for at least 3 months by one owner before an offer can be written on the home. This means even if you can repair the home in 3 weeks you be paying the mortgage payments for a minimum of four months before you can sell the home to a new owner.

Possibly the thought of purchasing foreclosed homes with the hopes of selling them quickly in a somewhat stagnant real estate market concerns you. If this is you then you may want to consider the power of residual income. With some due diligence and effort you can identify and negotiate a reasonable discount on a foreclosed home with the banks to fix up and keep as a rental property. The great news about rental properties is 3 fold. First of all you have the monthly residual income from the rent, secondly there are tax benefits involved with holding investment properties long-term (speak with your

*continued on page 9*

# *Paul Esajian:* *Successful Real Estate Rehabbing: Where to Start*

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Rehabbing properties and managing contractors is a fast game. If you can't figure out your head from your bottom, you will lose your shirt or worse yet your shirt will be ripped off your back while rehabbing your first house. First and foremost we must become experts at locating and prescreening contractors, quality mature adult contractors. If this is done right, the probability of the rest of your rehabbing project being a success increases ten-fold. When you work with competent people you are able to utilize your time and leverage your ability while rehabbing.

To truly become an expert in real estate rehabbing one must have a reference point to every aspect of the house in order to manage the rehab effectively and efficiently. Having a reference point to find out essential knowledge, terms and definitions, contractor management, and most importantly labor and material cost will protect against bad and/or stupid decisions during the course of your real estate rehabbing career. Remember, the goal for us as successful real estate rehabbing investors is to understand and manage the rehab process, not to teach ourselves to install toilets so that you can save \$50 in labor on each job. That's right, by no means do I want people to do work themselves, I want them to understand how to do the work so they can manage others to make them money.

Would Donald Trump be where he is today if he actually installed the toilets in his high rise development projects so he could save on some \$\$\$ on labor cost, of course not. Donald Trump is smarter than that, so let's hope you are too.

You will not buy, renovate, and sell 100 properties a year by doing the job yourself to save a couple of bucks. The more rehabs you can manage, (notice the key word manage) the more money you will make. So let me ask you, do you want more money? Or do you want more work? Obviously more money, it's all about working smarter not harder!

In my first year we bought and sold 30 properties; the second year we multiplied that by two, plus some, and reached 70 projects. By our third year we had bought and sold 104 properties!! What was the change you ask? The change occurred with the creation of systems, working smarter not harder, understanding the three key components that we had to leverage in order to meet our goals. Understanding the value of time, utilizing each decision on rehabbing to leverage your money, and investing in continual education is the key to your real estate rehabbing success.

Remember real estate investing is for anyone who is willing to learn, however, if you learn the wrong strategies or focus on areas that do not make you money you will never make it. It's true, the first million is always the hardest, after that it be-

comes easy to replicate the steps and decisions that worked and avoid the ones that didn't work. Once we know where our time is best spent, then every decision is optimized and your ROI (Return on Investment) is always high.

The first key component is time. If I hired an immature and inexperienced contractor then it would inevitably cost me more time per project. The more time per project, the fewer projects I could complete, the fewer completed projects translates into fewer dollars earned each year. I don't know about you, but if I am going to be working, then I want each hour of my time to be worth as much as possible. By understanding that I should not be installing a toilet, I took the first step of respecting my time and more importantly increasing what I was worth per hour. This is where our systematic approach took hold. If I could design a system for everything in the rehab process, and then outsource and/or manage this system, then I could create more time throughout my day. This seems like common sense, yet look around and observe how many investors are getting dirty at their own job sites!

The second key component is to leverage money. By investing and leveraging your money in rehabs, you can watch it grow exponentially. More importantly, if you are aware of the smart choices on where to spend your money and how it will return to you on your rehabs then you can outlay one dollar in order to get two, three, four or even more in return. When we talk about installing overhead microwaves and standardizing dishwashers in all of your single family kitchens, we know that those features will help sell your property in a shorter holding time while demanding the top price in your marketplace.

We refer to houses as products, that's because our business is to provide the American Dream. I want to be product conscious at every stage and in every market. I will not install granite counter tops in my product that will only market for \$169,000 once completed. This is not a smart choice for my money. I do not want to put in four dollars in order to get one dollar in return. If you do not pay attention to the after repaired value of the house you are renovating and proceed to over-fix your property, then you will not be leveraging your money appropriately. Fix to your neighborhood standards, and always ask yourself how much money this particular decision, material, or feature will return in dollar value when you begin to market the house for sale. This is how you effectively leverage your money on every decision you make in the rehab process.

Finally, the third component I want each and every one of you to utilize and leverage in your real estate rehabbing career and specifically your rehab projects is knowledge.

*continued on the next page*

# Paul Esajian: Replacing Roofs for Rehabbers

## Pay Now or Pay Later...

When we retail properties we must understand & evaluate the psyche of our end user. Remember our end user is our client, consumer, & customer all in one. When investors rehab & sell residential housing we must think like our end user. First of all we only want the best for our clients, so the functional integrity of the roof is imperative. Secondly all consumers, which refers to the individuals or households that purchase our rehabs that we put out to the marketplace, need to be sold with selling features. A new roof is a great selling feature for any consumer. Finally, in order to sustain a long term business and build a solid reputation you need to be confident that all your customers are satisfied with the product you deliver to them. By selling a rehabbed house that needs a roof replaced within a year you will not build a strong customer base. The decision to replace the roof needs to be fully understood before you buy the property. If you buy a property that needs a new roof but it is not in your rehab budget, you will be better off not buying the property. In your decision of replacing the roof or not, you must ask yourself "Will it deter me from selling the property if I do not replace the roof?" If the answer is yes then the decision is simple, replace the roof!

Pay now or pay later, if a roof looks questionable to the naked eye I will usually replace the roof. If you do not replace the roof on your investment property that looks like it's at the end of its useful life then you will most likely get negotiated down on the offers from your end buyers that view your finished product. Although it's obvious to replace a roof that leaks, it takes more foresight to replace a roof that may, by mere appearance, deter eventual offers. This is where ones knowledge base & hands on experience come into play. I look at it as paying now to incur the cost of replacing the roof in order to have an additional selling feature to help my property distinguish it from the rest of the inventory. By doing this I save significantly on holding cost and days on market. Remember, I typically get full price offers within the first two weeks of my initial listing. This is procured by making these important decisions in the rehab that add to a long list of selling features and distinguishing points once my property is "For Sale."

The outline below is a "cheat sheet" to the essential points on this decision for Replacing Roofs

### A. When do I replace a roof?

- When cupped & curled shingles are blatantly visible
- When more than three layers of shingles are present
- Over 20 yrs old, useful life is coming to an end
- Obvious leaking &/or holes in existing roof

### B. Most common problems in the decision to replace a roof

- Flashing around chimney causes most "unknown" leaks
- Eaves, valleys, & dormers are high probability spots for water penetration
- First inspect valleys & eaves of the roof line if you have a leak
- Gutters draining directly to foundation
- Improper or no displacing of water run off
- Shoddy roll over job, instead of implementing a full rip & repley

### C. Design Points when you replace roofs

- Make sure to contrast the roofing shingles to the body of your house
- Architectural shingles will hide imperfections in a roof line in comparison to three tab shingles which have no texture to the design.

### D. Liabilities of doing work when replacing roofs

- Highest risk in using non-insured workers on a roof, there is too much liability with putting unlicensed & uninsured workers on a roof that you own.
- Again, even if a roof is functional but it looks old & ugly this will deter eventual offers of your investment property. This will be the most common argument to a retail buyer if the roof "looks" to be at the end of its useful life

## Substitution of Collateral: It's All About the Money

by Tyler McCracken

A few years back I had called on a fellow landlord who was known for selling off properties and providing owner financing too. Now I knew he had problem tenants in a property but also knew the area was appreciating rather rapidly and it was in my main target neighborhood. I wasn't sure how long I'd own the property but had a plan of flipping the property for a profit and providing the seller with the opportunity to obtain better collateral by allowing the substitution of collateral on the existing loan.

So we agreed on a sales price of \$60k with \$13K down and the remainder financed at 8% on a 30 year amortization and a 5 year balloon. That comes out to a monthly principal and

interest payment of \$347.78/month. Now I suspected that the home was occupied by drug dealers and was working on the most efficient way of moving them out when I received the call from the property manager whom managed the property for the seller and who I elected to handle -at least until the occupants were removed. I hadn't owned the property two weeks when I was advised the police had done a raid, the entrance doors were busted down, premises vacated, and how I wanted to handle it. I went to inspect and secure the premises. Problem number one removed.

*continued on page 9*

### 3 Ways of Profit: *continued from page 6*

accountant) and lastly we are seeing record low prices on homes. In the future it is very likely the homes you purchase today will be much more valuable and you can profit after holding these homes that cash flow today.

At this point you may be saying to yourself, "ok, we have learned to buy and sell foreclosed homes and how to buy and rent out foreclosed homes. This seems to be the only two ways to profit from foreclosed homes, what am I missing?"

The third way to profit from foreclosed homes is a method few new investors consider but is perfectly suited for the newer investor or the investor without a lot of money or available credit to purchase foreclosed homes, wholesaling.

Wholesaling is a method in which you find a home, negotiate a significant discount on the purchase price of the home and then sell the home to investors. In this case unlike buying, fixing and selling a foreclosed home we are going to only get it under contract and then through many different, more advanced methods, sell the home to another real estate investor for them to fix, and sell or rent.

The key to wholesaling foreclosed homes is to understand the process in selling these homes to others and also building your list of potential buyers. Nothing is more scary than putting a home under contract that you intend to wholesale without having any idea who you will sell it to. Find qualified investors

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first and know what they want to buy and it will be much easier to find the right foreclosed home to wholesale. Wholesaling is not as profitable as selling a fixed up home but you will also have much less risk and need less cash and credit to do the deal.

These three ways to profit from foreclosed homes should get you started down the path to profits in one of the best foreclosure markets we have ever seen. I highly recommend that you spend a significant amount of time deciding what profit strategy is right for you before looking for foreclosed homes. Knowing this will help you narrow down your search and pinpoint just which foreclosed homes are right for your real estate investing business.

### Substitution of Collateral: *continued from page 8*

I then gauged the markets and up-fitted the property into a better than rent ready condition; however, not a full retail rehab deal. The goal was to target this house towards an entry level home buyer that was looking for an affordable well priced (discounted) home for the neighborhood. So \$15k in improvements latter the home was sold via word of mouth to Realtor's with one bringing in a buyer at \$105k. Not a bad day huh?

During the course of the 7 months I owned the property, my owner financed lender was receiving his payment every month -3 to 5 days early. If you've read some of my other owner (or private money) financing stories such as, Creative Financing, I stress treating your lenders (especially individual lenders) with complete 100% professionalism. Eliminate the worry of when the payments are coming. Be proactive if changes to the plan occurs. Protect that investor.

Why?

Because this lender provides opportunity to creatively take down and control real estate. The number #1 issue in real estate is financing. You'd be surprised how much opportunity a private lender can provide you by treating the relationship with 100% ethical, fiduciary, and moral respect. I guarantee you that any private lender can provide much more than what you have now if you follow these basic tenets.

So when we went under contract, I called my private lender and advised him of the up coming sale. I asked him if he'd be interested in continuing to receive payments on his loan or if he preferred to be paid off. He asked what I had in mind

and then I advised him of a free and clear rental property I had in a better neighborhood and at a better rental income rate. He thought it would be a great idea -he much preferred to get a continuing income stream as long as the collateral was strong.

What do you think happened?

The next day he called and advised he was comfortable with the new property as collateral and asked how we'd proceed. I advised that we'd use our same attorney that closed the original loan, that a substitution of collateral document would be signed, notarized, and recorded, and of course -I'd provide title insurance and fire insurance at no cost to him. I highly recommend that you always use a title company or an attorney to perform any closing to provide proper third party legal advice and compliance. Eliminate concern and the unprofessional image that a kitchen table closing can create.

Another angle to look at is putting in a Substitution of Collateral clause in all your Deed of Trust (Mortgage) documents when you obtain private money and/or owner financing. Typically one would have the statement that 'borrower will provide lender a property of equal or greater value for substitution in the event the borrower refinances or sells the property'. Always have an attorney help draft your legal documents.

So what is the real opportunity to a borrower whom exercises the creative tool of substitution of collateral?

You see it provides you with the opportunity to continue using other people's capital (or money as most say with OPM) to help provide the flexibility and leverage needed to navigate the

# Why are Privately Held Real Estate Notes Sold at a Discount?

By Cyd Johnson, C. L. Norris Notes

Many people are unaware that there is a “Note Buyer’s Market” that is specifically geared towards purchasing privately held real estate notes that are created from Seller Financed transactions. For the Seller who offers Seller Financing to assist their Buyers with purchasing their property, the “Note Buyer’s Market” offers a way for the Seller to convert their Seller Financed loan into cash. For the Note Buyer and Investor who seeks other ways to earn higher interest rates on their investments and to diversify their existing portfolio, the “Note Buyer’s Market” offers a way for the Note Buyer and Investor to purchase privately held mortgage notes. So as you can see the “Note Buyer’s Market” provides a way for the people to purchase and sell their privately held real estate notes.

In the “Note Buyer’s Market”, almost every note transaction will be discounted. “Note Buyers” must be able to offset the risks that are associated with seller financed or privately held notes. Some of the reasons why notes are discounted are;

- To reduce the amount of money at risk, “Note Buyers” will often seek higher yields to offset the risks that are associated with money such as inflation, money is worth more today than in the future or default, the Payor may not make their payments on time or at all.
- To attract more “Note Buyers”, when multiple “Note Buyers” are interested in purchasing these privately held real estate notes the “Note Holder” or Seller will be able to sale their note more quickly and in most cases at a better price.
- A high potential of default, when the Note Payer defaults on the note, the “Note Buyer” will have to carry the costs that associated with the foreclosure process.

- The amount of equity in the property securing the note, a small amount of equity will not provide an adequate safety net for the “Note Buyer”
- Fixed Note Terms, “Note Buyers” can not change the terms of the note, so they generally take this factor into account when discounting the note. The length of the note may be too long, 15 -20 years are good, but a note term that is less than 15 years is better. The down payment is less than 10%, a higher down payment will make the note more attractive. The interest rate is below market, an interest rate that is comparable to or greater than the current market is better.
- The Payor’s Credit Score is too low, a credit score that is greater than 625 is better.
- The condition of the property securing the real estate note, the property that is used as collateral on the note should be in good condition; this includes the surrounding areas as well.

For some “Note Holders”, the factors for discounting notes will not be attractive. But when taking the above items into account or there is an urgency for cash, “Note Holders” may indeed come out ahead. It all depends upon the current circumstances that these “Note Holders” are facing. When in doubt, it is always best for both Sellers and Note Holders to seek the help of a professional Note Buyer as they can provide you with the type of criteria that they look at when purchasing privately held real estate notes.

## Where to Start *con’t from page 7*

The knowledge that we are providing to you throughout our teachings and throughout this article is to be leveraged. When you manage and oversee your first contractor, you are leveraging this knowledge. When you identify specific materials, create, and standardized the scope of work I teach you to use and then hand it off to a general contractor to implement and fulfill, you are leveraging this knowledge. When you clearly explain the value of getting all the contractors vendors and materials delivered to each job site, while also showing the contractor how much time he can save, you are leveraging this knowledge. Finally, when showing the contractor that if he can save his time and complete your job quicker, ultimately he makes more money, you are once again, leveraging this knowledge.

There is a clear pattern for success. Leverage the information I share with you, implement the systems, and begin to rou-

tinely take action and you will find that success and luck have nothing in common. By leveraging the knowledge acquired from your investment in real estate education, you will see that luck is not something that happens randomly but rather it’s the acquisition of knowledge, followed with proven and true systems that are put into motion with routine, consistent action. Luck is merely when preparation meets opportunity! With that said, I wish each and every one of you good luck in your real estate rehabbing endeavors.

*These ideas and more are featured in Paul Esajian and The Fortune Builders’ Rehabbing Reference Manual. To find out more information about our life changing home study course and our live seminars go to: [www.FortuneBuilders.com](http://www.FortuneBuilders.com) or call 203-624-0444*

# Paul Esajian: How to Speak the Secret Language of Contractors to Explode Your Rehabbing Profits

Often time's people ask me how I have been able to manage between 15-25 projects at one time and not lose all my hair. Although I must admit that I have lost quite a bit of hair from the many mistakes I have made along the way, I have noticed recently that it is slowly growing back as I get better at learning how to manage my contractors more effectively and avoid these mistakes. I have spent a lot of time studying the art of rehabbing homes from some of the best in the business combined with learning from my experiences of doing over 100 deals and 64 projects just last year alone.

Now I have made it my mission to share my systems for hiring contractors and managing projects effectively with real estate investors across the country. I noticed that many investors see the huge potential of the business of rehabbing homes but dread having to deal with headaches or potential contracting nightmares. This fear prevents many investors from getting started rehabbing in the first place. I am committed to helping you overcome this fear so you can cash in is one of the most lucrative streams of income out there.

## **So what does it take to find these contractors, Paul?**

When people see my team and I on A& E's TV Show "Flip This House" they are able to see the amount of rapport that I maintain with my contracting teams which is a critical ingredient to becoming successful in the art of rehabbing homes to maximize profits. Let me say this, there is a lot of work behind selecting and managing a contracting team that can get your job done not only the efficient way but the most effective way which will ultimately mean the difference between success and failure on your bottom line.

One of the most common questions that viewers post to my blog [www.ThanandPaul.com](http://www.ThanandPaul.com) is this: How do you find qualified and competent contractors to complete your jobs both professionally and proficiently? The first step in good management is hiring the right contractors from day one. The key to doing this is knowing what to look for in the first place. The single most effective way to communicate to potential contractors is to learn to speak their language. The single mistake of mismanaging your contractors can make you or break you in this business. Although it may sound cliché I cannot stress enough how pivotal mastering communication on the initial estimate can be on the final outcome of your job. I have a 3 Step process that I follow that will help you become an expert communicator in Contracting 101.

## **STEP NUMBER 1:**

### **Do your Homework**

When I got started in this business I would call four contractors and receive one bid. Many of you I am sure are lucky sometimes if you can get that and when you do it is often a bogus quote. The solution to this is first mastering the conversation with the contractor while they are bidding on the job by making it clear that you know what you are talking about. If you are unsure of costs you must do some preliminary research beforehand so that you can speak contractor language. Contractors will not respect you and often take advantage of you if do not clearly state

what you need and what you expect to pay for their services.

Begin by educating yourself on what the costs of doing a job really is. You can search online, talk with local material suppliers or consult a reference manual similar to the one that I wrote which I created to solve this problem when I was training my project managers. I have found specific manuals dictating baseline costs of materials and labor are one of the most valuable resources to use especially if you are new to this business.

## **STEP NUMBER 2:**

### **Lay Out a Detailed Scope of Work that Outlines Your Expectations.**

Before I meet with a contractor I lay out what I call a detailed scope of work. This scope of work lays out each component of the contractor's job that I expect to be completed within a certain timeframe in order for them to be compensated.

This holds them accountable but also shows them that I have done my due diligence and that I know what I am talking about in terms of the work expected. In addition in my initial meeting I make it clear that I have a budget and a specified timeframe to complete the work within. Then I will actually give them a deadline to meet when submitting their quote. I clearly state a period of time that I expect the job to be done in order to test their confidence in hitting the overall target date for completion.

Let me give you an example of a typical conversation that I would have on an initial estimate;

Hi, I'm Paul Esajian with CT Homes, LLC. I work with a network of investors that rehab over a 100 houses a year and I need to form new relationships with responsible contractors so that I can give them multiple projects. Is this something your interested in?

Great, I have a budget of 25k and feel confident that you can work within that number. This is a great opportunity for us to start working together and I would like you to give me an estimate for a roof at 123 East Street today if possible. The scope of work is at the house with the standard "Quote Itemization Form" complete the form and fax or drop off this quote by 5pm today. I need to get working on it right away as it needs to be completed in three weeks. Do you have the staff and the time to complete this job within that time frame?

Great, as I mentioned before I do multiple projects at once so I will require you to pull the permits, that is something that you do correct? Great, I have written up a scope of work that I expect you will need to do to complete the job but will also be open to your expert opinion in how I can get this job completed in the fastest most professional and cost effective manner.

Great, I look forward to reviewing your bid on Wednesday and if everything looks good we can begin work on Monday.

Notice that I laid the foundation for everything that I expect from this contractor before I have even met him. I do not want to waste his valuable time and I definitely do not want to waste mine. By following contracting Interview scripts like the one

*continued on page 13*

# Resources for Accidental Landlords

[www.bucks.blogs.nytimes.com/2009/12/24/resources-for-accidental-landlords/](http://www.bucks.blogs.nytimes.com/2009/12/24/resources-for-accidental-landlords/)

In this economy, lots of people who can't sell their old homes are resorting to renting them out, ending up as accidental landlords.

Such novices often have little knowledge of the nitty gritty of being a landlord — like how to find a reliable tenant or fix a faulty roof — and have to scour the Web to find trustworthy information and help.

To make their lives a little easier, we've done some of the legwork by asking experts and experienced accidental landlords for online resource recommendations. What are the best resources you've found online for brushing up on being a landlord?

**Tenant screening:** Making sure you get a trustworthy and responsible tenant is of utmost importance. Even more important is making sure your tenant is who he or she claims to be. That's why accidental landlords should run credit checks, eviction checks and criminal background checks on potential renters, said Jeff Cronrod, a founder and board member of the American Apartment Owners Association and a landlord for 30 years.

The association's site offers \$9.95 credit checks (through a company Mr. Cronrod partly owns) to members who pay the current \$35 membership fee. Starting early next year, the credit checks will be free for anyone who pays a new annual membership fee, expected to be in the \$20 range. The association's site also offers a host of other checks as well as articles and blog posts on the subject. Other resources include sites with articles about, and services for, tenant screening like The Landlord Doctor, The Rental Property Reporter and Landlord.com.

"The No. 1 mistake accidental landlords make is just going on instinct and being too trusting" when selecting a tenant, Mr. Cronrod said. "A few dollars on a check now could save thousands in legal fees and lost rent trying to get someone

evicted down the road." Accidental landlords also recommend making sure to check your potential tenant's personal and professional references and to call his or her last landlord.

**Laws:** New landlords also need to make sure they are familiar with local laws regarding such issues as rent control, building codes and eviction. Forms like leases also need to be consistent with a certain region's laws. Joining a local apartment owners' association is a great way to get resources about local legal issues, education and help finding local vendors. A Google search for "local apartment owners associations" brings up a host of such associations. Checking out your state or city's official Web site for information about local landlord and tenant rights is also a good idea. Forms specific for certain areas like California can be found online at sites like Landlord.com. The legal publisher Nolo also offers a slew of guides and information for landlords. Other resources can be found at this site, which is mostly focused on Massachusetts.

**Tenant Delinquencies:** How to deal with a tenant who is late paying rent is another important skill new landlords need to gain, especially in this economy when more renters may be skimping on payments. Check out the sites mentioned above as well as forums on BiggerPockets and articles and blog posts at ActiveRain for advice on the subject.

**Maintenance:** Finding a trustworthy contractor or maintenance company is another challenge many landlords face. The American Apartment Owners Association's site offers a list of about 25,000 contractors and local trades people as well as an inspection and repair guide for those who want to know how to, say, fix a faucet or repair a toilet.

**Financing and Foreclosures:** Check out articles on most of the sites listed above for advice about how to deal with financing and foreclosure issues. And above all, be wary of any landlord resource online that requires you to pay a lot of money.

## *How to Speak the Secret Language, con't from page 11*

above, I have obtained all the answers I needed before he has come to look at the property and bid on the job. If they can meet all these requirements next I will invite them to come bid on the project.

### **STEP NUMBER 3:**

#### ***Investigate the Contractor's Business before you go to contract.***

When an estimate comes in and is near my numbers the next step in my hiring process is investigating the contractor's business. I want to know how long they have been in business. If they have another business I also investigate what that is and the time and capital to run that as well to make sure they can work on my allotted timeframe. Because of previous negative experiences I no longer hire contractors that have less than three years experience as a rule of thumb. Next I check their business credit. I never want to have to make a payment be-

cause they have run out of funds. I go by the golden rule to stay ahead on work and behind on payments. Finally I verify their insurance and provide them with 6 critical documents that I have developed that protect my business. This gives me an opportunity to communicate both verbally and written exactly what is expected to be completed before payment can be given. I also make a payment schedule that outlines benchmark & milestones.

By following these 3 easy steps you are well on your way to building a network of competent contractors that can efficiently manage and complete multiple projects leading to huge profits in the future.

*These ideas and more are featured in Paul Esajian and The Fortune Builders' Rehabbing Reference Manual. To find out more information about our life changing home study course and our live seminars go to: [www.FortuneBuilders.com](http://www.FortuneBuilders.com) or call 203-624-0444*

# Paul Esajian: All Day Rehab Training Event



**Paul Esajian**

**Paul Esajian, The Star Of A&E's Hit TV Show "Flip This House" Is CFO Of CT Homes, LLC And Co-Founder Of FortuneBuilders Inc.**

Originally from California, Paul Esajian lives & teaches on the principal of finding ones "passion." Juggling the demands of a national hit TV show on A&E's "Flip This House", managing a multi million dollar Real Estate Investment Business, & passionately teaching others how to live their best life now keeps Paul active in pursuing his passion.

Paul Esajian is one of the nation's premier real estate investors and speakers, his business building strategies have been used to develop CT Homes, LLC into the leading multi-million dollar real estate solutions company in the North East area.

Paul has managed over 300 projects throughout the country. Paul specializes in Rehab & Contacting systems for successful Real Estate Investors. At any given time, Paul has managed over 25 development projects with five teams of over 35 contractors in nine different cities and three different states.

Paul's expertise is in managing larger rehabs and multi-unit rehabs of over \$50,000 dollars to beautiful single family rehabs, he has also been responsible creating and implementing the accounting and companies' financial systems since the beginning.

Throughout his investing career, Paul has been continuously developing unique accounting systems custom to the home buying business, as well as contractor systems that have been developed to meticulously manage the numerous contractors and projects that he has had the challenge of overseeing. This range of duties has given Paul a wide breadth of knowledge of running an efficient, productive company, from the accounting books in the office to the foundation of a house on site.



**Saturday  
June 19<sup>th</sup>**  
9:00am-3:00pm  
**Metrolina REIA  
Conference Center**  
122 W. Woodlawn Rd. Suite D-101  
Charlotte, NC 28217

**Register online at [MetrolinaREIA.org](http://MetrolinaREIA.org) (preferred) or fill out this form and mail.**

Pre registration is \$30.00 for members, \$49.00 for non members.

Prices are good for pre-registration only. At-the-door pricing add \$10 per person.

Name \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Phone: \_\_\_\_\_ Email: \_\_\_\_\_

Charge my:  VISA  MC  AmEx  DSCVR

Card Number: \_\_\_\_\_

Exp. Date Month/Year: \_\_\_\_\_ 3-digit Code: \_\_\_\_\_ Billing Zip: \_\_\_\_\_

***"Wealth through Knowledge"***

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
		1 Matthews – 6pm	2	3 Rock Hill – 6pm Concord – 6pm	4 Sonrisers – 7am	5 PHP Saturday pre-register at MetrolinaREIA.org
6	7	8 Matthews – 6pm <i>New!</i> Gastonia – 6pm	9 <i>New!</i> Charlotte Landlord Subgroup – 6pm	10	11 Sonrisers – 7am	12
13	14	15 Matthews – 6pm	16	17 Adv. Invest. – 9am <b>MAIN MEETING-6PM</b> New Member – 5:30pm Visitor Info – 6:30pm	18 Sonrisers – 7am	19 Paul Esajian ALL-Day Rehab Training Event
20	21 Hickory – 6pm	22 Matthews – 6pm	23 <i>New!</i> Cash Flow – 6:30pm	24 <i>New!</i> Lake Norman “Foreclosure” – 6pm	25 Sonrisers – 7am	26
27	28	29 Matthews – 6pm	30			

### Advanced Investor

**Meets 3rd Thurs. – 9:00 am**

Jonathan’s Restaurant  
10630 Independence Pointe  
Pkwy., Matthews, NC

**Contact: Chuck Wiedenhoeft  
704-236-1130**

### Charlotte Landlord

**Meets 2nd Wed. – 6:00 pm**

Metrolina REIA Conf. Center  
122 W. Woodlawn Ave.,  
Charlotte – Turn in between  
IHOP & Tres Pesos

**Contacts: Phil Henderson  
704-535-1122, ext.14**

phenderson@henderson  
properties.com & Tyler  
McCracken, tyler@  
graydoginvestments.com

### Cash Flow

**Meets 4th Wed. – 6:30 pm**

Diversity Den  
160 Concord Commons Pl.  
Concord, NC 28027

(sorry, no outside food  
allowed)

**Contact: Haydee Zevallos  
704 280 0543, reideeroy@  
carolina.rr.com**

### Concord

**Meets 1st Thurs. – 6:00 pm**

Logan’s RoadHouse  
I-85 & Dale Earnhardt Blvd.  
Exit 60 off of I-85  
2431 Wonder Dr.,  
Kannapolis, NC

**Contact: Cherrathée Hager,  
704-490-2001, TwinOak  
Properties4U@yahoo.com**

### Gastonia

**Meets 2nd Tues. – 6:00 pm**

R.J Gator’s  
3638 E. Franklin Blvd.  
Gastonia, NC

**Contact: Jeff Boone  
704-622-2219 & Steve Scott  
704-782-6835 - fives@ctc.net**

### Hickory

**Meets 3rd Mon. – 6:00 pm**

Hickory Elks Lodge  
356 Main Ave. NW, Hickory, NC

**Contact: David Meier  
828-962-7946**

### Lake Norman “Foreclosure”

**Meets Last Thurs. – 6:00 pm**

Captain’s Galley  
105 N. Statesville Rd.  
Huntersville, NC 28078

**Contact: Mitch Young  
704-807-2357**

### Matthews

**Meets Every Tues. – 6:00 pm**

Jonathan’s Restaurant  
10630 Independence Pointe  
Pkwy., Matthews, NC

**Contact: Tom Amann  
704-668-1157**

### New Member Orientation

**5:30pm, prior to the  
Main Meeting**

Hilton Hotel  
5624 Westpark Drive  
Charlotte, NC – I-77 at Tyvola

**Contact: Kimberly Shelton  
704-877-8777 or  
kimberly@metrolinareia.org**

### Rock Hill

**Meets 1st Thurs. – 6:00 pm**

FireBonz BBQ & Grill  
2445 Cherry Rd., Rock Hill, SC

**Contact: Grady & Susan  
Denton – 704-905-8469**

### SonRisers

**Meets Every Friday – 7:00 am**

Light Rail Family Restaurant  
8045 South Blvd.  
Charlotte, NC

**Contact: Leon Humphrey  
704-460-4933**

### Visitor Information Session

**6:30pm, prior to the  
Main Meeting**

Hilton Hotel  
5624 Westpark Drive  
Charlotte, NC – I-77 at Tyvola

**Contact: Kimberly Shelton  
704-877-8777 or kimberly@  
metrolinareia.org**

*Sub-Groups are a great way  
for you to learn more about  
real estate investing in a  
smaller group and network.  
As a guest you may attend  
two meetings and on the  
third you must join the  
association to continue  
attending meetings.*

*\* Please note:  
Dates & Times  
of Sub-Groups  
meetings are  
subject to change.  
Confirm with  
Sub-Group leader  
prior to the  
meeting.  
Dates and times  
are correct at the  
time the newsletter  
is printed.*

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4	5	6 Matthews - 6pm	7	8	9 Sonrisers - 7am	10
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## **Substitution of Collateral:** *continued from page 8*

capital intensive world of real estate. This deal was more than just buying his problem rental property -it was about buying the use of his money.

The real buy was on the use of the money going forward -not really the real estate.

You see I parked the money on a free & clear rental property that gave him greater comfort in collateral then the existing property. Now, I can take that money for another deal that does not have owner financing (assume I want to go buy another fixer upper). It was all cash; however, now I could buy for \$60k (with this money), put \$15k rehab into it, and sell for \$105k (just as I did with this property as stated above) -thus rinsing and repeating. Would this be a smart and effective use of these borrowed funds? Absolutely. Naturally, one needs to operate prudently and make sure the return on capital far exceeds the cost of those borrowed funds.

I was literally discussing this scenario with a fellow real estate investor today. He has an owner financed home that isn't performing to his standards and to sell he would lose @\$10k. The private money loan is @4% on \$80k with a monthly payment of \$400.00. This investor is looking for a better investment property but without owner financing it becomes a challenge. The best private money he can find presently is 12% and he wants another long term investment. I advised him to calculate the cost of the 4% money on \$80k over 10 years. That equals \$48,000 as a cash-flow cost. Now what would be the cost of that 12% loan at just interest only over 10 years? \$96,000.00

Wow!?! Do you see that!!! The difference in cost of funds

(not including any principal reduction) is \$48,000. Basically the 12% money costs twice as much. Guess what I advised? Find a replacement property (another wholesale priced purchase) of greater value and substitute collateral. Get rid of the drag (existing property) even with a \$10k immediate loss. Over 10 years he would still realize a \$38,000 cost saving with the cost of his funds not to mention have the opportunity to get a higher cashflowing and/or appreciating real estate investment.

Did you see what I just said? (might be worth printing out and re-reading)

Essentially this investor bought a poor performing property with great financing terms. By shedding the problem property (even at a loss), he has the ability to take the great financing terms (loan) with him to a new investment where he'll make his money when purchasing a distressed asset at wholesale pricing. Thus lining up great financing with a great investment via the use of Substitution of Collateral.

Guess what happened with my owner financing? I just spoke with the Private Lender last month about extending the loan out for another five years. He has no problems; however, was a bit surprised by my question being that I brought it up a year in advance. I just advised him I was planning out my year and wanted no surprises for both our sakes. He laughed and thanked me.

Think this private lender would let me substitute collateral or even borrow more money from him? Absolutely -as he's already stated. Build relationships. The money will follow and the tool which we call real estate will assist in creating wealth to all whom participate.



**Metrolina Real Estate Investors Association**  
122 W. Woodlawn Road, Suite D-101  
Charlotte, NC 28217

## **NEW MEMBER ORIENTATION**

Is held every month beginning at 5:30 prior to the main meeting. There our new members can receive info about the Metrolina REIA, pick up their new member packets, learn about our Fast Start to Success Program and get questions answered.

## **NEW MEMBER PROGRAM GIVES YOU FAST START TO SUCCESS**

This New Member Program is designed to get each and every new member off to a good start. After completing a few basic requirements, each new member will be recognized and awarded a certificate.

The “Fast Start To Success” steps are: • Attend the New Member Orientation • Attend a main meeting • Attend a subgroup meeting • Volunteer at an event • Register and attend a PHP Saturday • Complete the member profile on the website.

## **Visitor Information Session**

Is held every month, prior to the main meeting from 6:00–6:30pm.  
Members bring a friend and introduce them to the Metrolina REIA.