



Investor Consumer Guide

An educational resource for selecting the right real estate professional to buy or sell your investment property.



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“Let me introduce myself and explain why I’ve created this FREE report to give you the information you need to select a selling agent!”

Dear Real Estate Investor,

Selling or buying investment property can be confusing. Why? Because you're bombarded with misleading information, confusing claims, and bad advice from people who aren't accountable or responsible to you for the advice they give.

How do you ever find solid, practical advice to help you decide what steps to take when selling or buying an investment property? **You start by reading this free report.**

I'm providing this report so you may avoid some of the biggest pitfalls I see investors make every day. In this fact filled report, you'll discover the amazing secrets I've used to assist my clients in making the right choices when it comes to their real estate portfolio.

What I'm going to share with you isn't theory. My clients and I have tested it. In this simple, yet profoundly powerful report, is a compilation of ideas I've discovered over the years.

With this information, you will discover how to find the right real estate professional to assist you with your real estate portfolio.

If you have any questions about the information in this report, send me an email at Realtor@LivingLocalRealty.com. or give me a call at (612) 217-4663. I've dedicated my business to helping people just like you.

Warmly,

LivingLocal Realty
LIC #40278726

The Secret to Financial Security through Real Estate

Owning investment real estate is one of the most proven paths to wealth and financial security. The biggest reason for this is leverage. If you own a million-dollar property and your mortgage is either covered, almost paid for, or exceeded by your rents, and the property appreciates just 5% a year, the return on investment can be amazing.

5% appreciation means more than a 50% return on your money each year.

Considering the anemic return on money in the banks and treasuries, this makes real estate a truly transformational financial decision.

However, there is a major difference between buying and selling investment properties the right way and the wrong way.

The information in this educational resource is intended to provide you with an overview of how to select the right real estate agent as part of your investment team.

It is important to realize the words “real estate” encompass everything from igloos at the North Pole to skyscrapers in Manhattan and everything in between. Therefore, it is not realistic, and potentially damaging, to assume all real estate professionals are equally qualified in representing the interests of those who invest in real estate over and above their personal residence.

Here are some questions you should ask when selecting an accomplished investment real estate agent:

1. What is their specific background in assisting investors buy and sell investment properties?
2. Do they have a database of prospective sellers, property types, and recommended locations?
3. Do they prospect for investment properties for their clients?
4. Do they specialize in only single-family and two-family investment properties or multi-unit buildings?

5. Do they possess a "concierge team" of relevant vendors, legal, financial, and maintenance professionals?
6. Do they offer property management services at a reasonable rate or work in conjunction with property management companies?
7. Do they possess deep analytic marketplace data and trending and trajectory information?
8. Have they developed networking relationships with other investment-active real estate agents?
9. Do they provide staging services for free or at a nominal fee?
10. Have they developed relationships with REO departments (bank-owned properties after foreclosure) and/or short sales managers?

A major reason why many potential investors are discouraged from seizing upon the immense financial potential rewards of investing in real estate is the concern over property management; even at the single-family and two-family home level.

Below are questions to ask when it comes to working with a real estate agent on property management:

1. Will they provide you with quarterly reviews? Such as:
 - a. Change in quarterly pricing of local property values
 - b. The demand for rentals in the last quarter
 - c. The demand for investment properties in the last quarter
 - d. Days on the market (DOM) for both single-family homes and investment properties
 - e. Absorption rate changes for that quarter
 - f. Any change in interest rates for that quarter
2. Will they commit to periodic drive-bys and how often?
3. Will they commit to sending photos of your property if you are out of the area?
4. Do they have a specific marketing plan for marketing investment properties?
5. Do they have experience in marketing multi-unit buildings?
6. Do they have experience in marketing seasons and even one-night rentals in resort areas?
7. Will they arrange for winterizing (where applicable) or spring cleaning?
8. Are they familiar with 1031 exchange

How a Real Estate Agent Can Assist in the Investment Process

1. Invest while you're downsizing.

Just because your present home may be more than enough for you, it doesn't change the fact that many people in your market are looking to move up. Therefore, if you do not need your equity for your next home purchase, it might make great sense to rent your current home while you downsize locally. In some cases, you will never make another payment on your current home and watch as the new tenants do so for years to come...at which time "potentially" your current renter home might become the greatest pension plan imagined.

Before moving forward, ask your Real estate agent for an in-depth analysis of how home values are pricing and trending among your price range and category of home.

2. Flipping.

You have probably seen TV shows featuring self-made millionaires due to the practicing of being a contract owner of a property, renovating, and then selling the property for a significant profit. A real estate agent who knows which properties are the best deals and what current buyers value most, will shape how you renovate and can recommend talented and trusted tradespeople. Ask your agent to work with you on developing a plan.

3. Seasonal rentals.

Although for tax reasons there are requirements for how long you reside in the property, many properties pay the entire year's mortgage just because of the seasonal rents, not to mention the appreciation accrued.

4. Single family home.

This all comes down to the tenant and your real estate agent. If they work with investment properties, they can walk you through all aspects of tenant selection, rent collection, and the modest amount of property management involved.

5. 1031 Exchanges.

The IRS allows you to exchange "like" properties and defer capital gains. This also applies to second homes with certain restrictions. Ask your agent for in-depth information regarding this.

6. Two-family homes.

The key here is the quality of the property against what you pay for it. You can live in one part of the property and rent the other or rent both. Ask your agent to create a financial plan on the benefits and tax implications of either choice.

7. Single-family and Two-family home versus multiple unit buildings.

Some investors, who are very serious about making major returns on their investment and who think bigger, gravitate to multi-family buildings for the following reasons:

- a. All maintenance issues and needs are consolidated to one property; one roof versus six, eight or fifty single family roofs, lawns, etc. (although you should have your single-family tenant responsible for lawns, utilities etc.).
- b. If you have one tenant in arrears, it might be 10% of your cash flow versus one single family home tenant.
- c. Also, if you buy a large enough building and the numbers work right, you can simply transfer all property management and headaches over to a property management company.

There are numerous books and courses offering real estate investment strategies; this of course is not the purpose of this brief and introductory educational resource. Rather, it is to motivate you to consider investing, or investing more, in real estate and to introduce you to a real estate professional who would consider it a privilege to skillfully represent your interests.

Why Homes Sell

The only satisfactory and professional explanation for why homes sell (or don't sell) can be traced back to the iconic Four P's of Marketing – a universally accepted principle in the greater world of selling and marketing.

While you may often hear that price is the only factor in selling a home, the reality is proper marketing sells the home and pricing is only one piece of the overall marketing strategy.

Most professional real estate agents are familiar with the Four P's of marketing and the agent you choose should be dedicated not only to getting the home sold, but also to selling the home for more. A good marketing strategy will focus on the following:

- **Portability** – mobile marketing
- **Proximity** – tapping into the local buyer prospects who are already sold on the area, while also reaching out to global buyers to maximize exposure
- **Personal** – finding the right buyer for your home
- **Presence** – ensuring the lifestyle benefits the home and area offer are properly showcased online and throughout all promotional marketing material

Upgrades That Boost Your Property Value

1. Curb appeal is critical. You don't have to spend a fortune to give your home a facelift.
2. Kitchens and bathrooms can be a turn on or turn off. A complete remodel is not usually necessary and may not be a wise use of funds. Anything you can do to update these rooms on a budget such as replacing an old appliance, changing an old toilet or upgrading the counter tops, will make a difference.
3. De-clutter and then declutter some more. Make your home decor as lean and clean as a model home. In fact, taking a walk through a few model homes could give you some simple staging ideas to implement in your own home.
4. Remove wallpaper and brighten up dark rooms with light colored paint. A neutral palette is best so the buyers' can visualize their furnishings in the house.
5. Fix obvious defects such as broken tile, a torn screen, cracked driveway, etc. Buyers may feel these minor flaws are hiding bigger issues, or they may ask for significant discounts for repairs that won't cost you much to do.
6. Clean or replace carpet and remember to keep the color neutral. If your carpet is bad and there are hardwood floors underneath, you may be able to get away with stripping the carpet and cleaning up the floors. Even if they aren't perfect, the buyer may prefer it over dirty carpet.
7. Ask your realtor to begin at the front curb and complete a curb-to-curb walk-through with you. They will be able to best advise you as to which improvements are a must-do and which improvements would be an over-do for your market conditions and price point.

Outdoors

- Keep the lawn mowed; trim hedges
- Store hoses neatly; be sure sprinklers don't water walkways
- Repair gates, fences and sidewalks
- Remove or replace dead/dying plants
- Add color with blooming flowers
- Clear yard of all debris
- Sweep front walkway
- Paint, fix, or wash railings, storm drains, screens and doors

Garage

- Keep the floors clean and swept
- Store or neatly arrange all items
- Show maximum storage space

Bathrooms

- Polish the floor, mirror and fixtures
- Repair grout and caulking
- Repair running toilet or faulty plumbing

Closets

- Replace burned out light bulbs
- Hang clothes neatly; store shoes in boxes
- Don't overcrowd; it suggests inadequate storage space

Kitchen

- Clean appliances, cabinets and floors
- Organize cabinets
- Sink should be spotless
- Clear and clean countertops
- Repair faucets and appliances

Overall

- Wash windows
- Quick once-over with vacuum
- Flowers in main rooms
- Play soft music and add air fresheners
- Keep pets out of the way
- Oil hinges, tighten knobs and faucets

Key Features to Showcase When Marketing My Home

Please refer me to a vendor who can assist me with the following:

- Plumbing issues
- Painting (interior)
- Painting (exterior)
- Carpeting or flooring
- Electrical issues
- Yard work/landscaping
- Hauling away trash or other used items that are no longer wanted
- Termite work
- General repairs
- Installing smoke detectors/carbon monoxide detectors
- Staging
- Moving

Glossary of Terms

A

Acceptance – The time at which an offer to purchase is accepted. The fact that it was accepted must be relayed to the person that made an offer for all parties to be bound to the contract.

Amortization – The repayment of a loan over time. With each payment, there is a reduction of both principal (the original amount borrowed), plus the interest.

Appraisal – A professional determination of value. Mortgage companies usually require an appraisal of the property by a licensed, disinterested party before agreeing to loan money on the property. Methods of determining value may be based on many things, such as comparable sales in the area, the cost approach, the income approach, or the highest and best use of the property.

As-Is Condition – Disclaiming any warranties or representations regarding the condition of the property.

B

Back-Up Contract – A contract or offer that is in a secondary position to an already existing contract. This contract shall be elevated to the first position if some condition in the first contract is not met. If the first position contract is consummated, then the second contract is no longer in effect.

Bridge Loan, also called a **swing loan** - A short term loan used to transition in between paying off an old loan, and the inception of permanent financing. This is often used to build or purchase a new home, when the previous home is still owned, but is up for sale. Once the previous home is sold, and the owner receives the proceeds from that sale, permanent financing is usually obtained.

C

Certificate of Title - A statement verifying who has the rights and responsibilities of ownership in a property. This may be ascertained by a public record search but does not guarantee that any other parties may not stake a claim to the property. Title insurance protects against claims that may arise against the title.

Clear Title - Ownership that is free of liens, defects and encumbrances, beyond those which the owner agrees to accept.

Closing - The transaction where title passes from seller to buyer and the seller is paid. A settlement statement shows all costs incurred and gained by both parties.

Closing Costs – The expenses incurred in obtaining the property and transferring title to the new owner. This may include, but is not limited to attorney's fees, points, title charges, credit report fee, document preparation fee, mortgage insurance premium, inspections, survey, appraisals, prepayments for property taxes, deed recording fee, and homeowners insurance.

Commitment Letter, also known as a **loan commitment** - A written offer by a lender to make a loan by a particular date under certain conditions. A buyer has more clout with a seller if they submit a letter of loan commitment from their lender to the seller at the same time they submit their offer to purchase to the seller than a buyer who has not even applied for the loan yet.

Contingency - A condition that must be met before a contract is legally binding, or before a sale is to be completed. The contingency provides an out or an escape from performing if the condition is not met.

Conventional loan or conventional mortgage - A real estate loan, which is neither insured by the government agency FHA nor guaranteed by the Veterans Administration. Typically, subject to the terms of their particular institution, the conditions may be more flexible, as the lender is not required to follow federal guidelines. The lender looks to the credit of the borrower and the security of the property to insure payment of the debt.

Counteroffer - If the receiver of an offer makes any changes to the original offer, it is considered a rejection of the initial offer and becomes a counteroffer.

D

Deed of Trust - Some states use a deed of trust to convey property being held as security for a loan. This document is then conveyed to a trustee and can be used to sell, mortgage or subdivide the property.

Deposit – (also called Earnest Money) - A good faith deposit of a sum of money offered by the prospective purchaser at the time of the offer to purchase. These funds are typically deposited into an escrow account and held until the real estate closing takes place. At the closing, the buyer is most often given credit for the earnest money that has already been paid, but in some cases, it may be returned to the buyer at closing. These funds may also be returned to the buyer in some cases if the contract on real property doesn't go through to a final sale.

E

Earnest Money (also called Deposit) – Funds given by the buyer and held in an escrow account until the real estate closing. In some cases, these funds are refundable if the loan fails to close, but if the loan does close, the purchaser is given credit at closing for the earnest money.

Escrow – A neutral third party holds other people's funds in a secure account for future use. An earnest money deposit is held in a real estate broker's escrow account. It is the broker's account, but he is holding the buyer's funds in the account for safekeeping until closing. In the case of a mortgage, the total monthly mortgage payment may include funds to pay for future taxes and insurance paid in addition to the principal and interest. This escrow is held by the lender until taxes and insurance are due, at which time the mortgage company pays the taxes and insurance on the borrower's behalf. After the taxes and insurance are paid, the lender may re-adjust the total monthly payment to insure sufficient funds for future escrowed items.

Exclusive Agency Listing – A written agreement between a property owner and a real estate broker giving the broker the exclusive right to sell the property for a specified period and at a specified fee. Agents whose licenses are held by a broker may sign on their broker's behalf.

F

First Right of Refusal - A legal right by an individual giving that person the first opportunity to purchase or lease real property.

H

HUD -The U.S. Department of Housing and Urban Development. This is the agency responsible for enforcing the federal Fair Housing Act. Among HUD's many programs are urban renewal, public housing, rehabilitation loans, FHA subsidy

programs, and water and sewer grants. The Office of Interstate Land Sales Registration, the Federal Housing Administration (FHA) and the National Mortgage Association (GMNA) are all under HUD.

L

Loan Commitment - A lender's written approval granting a specific loan amount, conditions, and a set time limit for closing the loan.

Loan Origination - The process of applying for a mortgage loan.

Loan Originator - The person who assists borrowers in obtaining their new loan.

Loan to Value - The ratio of the amount of the loan divided by the value or sales price of the home.

Lock In - An agreement in which the lender guarantees a specified interest rate for a certain amount of time at a particular cost.

N

Non-Conforming Loans - Loan amounts that exceeds FNMA's \$417,000 (as of July 2006) maximum lending.

P

Possession - The buyer occupying the property that is purchased or a tenant occupying the property that is leased. In a real estate sale, possession is rarely granted prior to closing when the seller receives their funds.

Prequalification - Having a mortgage lender advise that debt ratios and credit report plus other factors show a borrower qualifies for a particular loan amount before signing a contract.

Purchase and Sale Agreement - The contract between the buyer and seller stating terms, conditions, sales price and other pertinent information about the property being purchased.

Q

Qualify - To meet the guidelines based on debt, income, and credit worthiness.

Qualifying Ratios - Comparing a borrower's income to their proposed monthly housing expense. Also comparing their income to monthly housing expense added to all of the borrower's other debt obligations.

Quit Claim Deed - A document by which one property owner releases his or her claims, rights and interest in a particular property.

R

Rate Lock - When the lender issues a written commitment to a borrower as to a specific interest rate for a specific period of time.

Real Estate Owned - (REO) - Real estate that is owned by a bank or financial group. Usually a result of their borrowers defaulting on the loan and the subsequent foreclosure of the property from that buyer.

Right of first refusal - The right to the first opportunity to lease or purchase real property. For example, apartment tenants might retain the right of first refusal when their units are being converted to condominiums.

S

Sweat Equity - The equity earned as a result of the owners' labor in upgrading and improving the property.

T

Tax Lien - A lien against a property for unpaid taxes.

Ten Thirty One Exchange – (1031 Exchange) – A means of deferring capital gains taxes on real estate exchanges for like kind properties. This is allowed under the U.S. Internal Revenue Code, Section 1031.

Term - The length of time it will take to pay the mortgage in full.

Time Limit of an Offer - An offer should include a specified time period during which the other party must decide to accept, reject, or counter the offer.

Title Company -The company that, for a fee, checks and insures the title against liens, ownership claims, and title problems.

Title Insurance - An insurance policy that may be purchased to protect the new owner from any liens or clouds against the title. In order to issue title insurance, the issuer will perform a title search in the county records. Since title is searched at the time of closing, title insurance is usually less expensive at the time of closing, rather than if a buyer called the title company at a later time as an additional title search would have to be performed prior to issuing the insurance.

Title Search - A review done by the title company's representative of all records available to determine if the title is indeed clear of all liens and claims.

Your Next 5 Steps

Step 1: Make a Commitment to Act

I can't tell you how many times people have requested this report and then said to me, "If I would have known what you just showed me, I would have avoided so many problems!"

I've shared a few simple ideas in this report. Ideas, which if acted upon, could prove to be worth thousands of dollars when investing in real estate. But these ideas are only as good as the action put into them. Decide to act right now.

Step 2: List Your Objectives

List what your goals are in investing in real estate. What is your primary goal? Flipping real estate? Renting real estate? Selling or renting your home? Getting top dollar? Not selling before you have an accepted home offer on your next property?

What do you expect from the agent you hire? How often do you want them to communicate with you? Do you want them as part of your investment team and as your property manager?

Step 3: Contact an Agent Who Knows How to Effectively Invest in Real Estate

Of course, I'd love to be the agent you choose to work with but, if not, I've given you the questions to ask your potential agent – or as I like to call them – your marketing and investing partner.

If you would like additional information, please reach out to me at (612) 217-4663 or via email at Realtor@LivingLocalRealty.com.

Step 4: Ask for a reference if leaving the area

If you are leaving the area, ask your agent for a reference to an agent in the community where you are moving.

Step 5: Act

Reach out to me and let's talk about your real estate portfolio. Let's work together!