



TURNING RENTAL PROBLEMS

INTO REAL ESTATE PROFITS



GARY WILSON

"Guiding You to Massive New Wealth in Real Estate in 1 Year or Less Guaranteed!"

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Ordering Information:

Quantity sales. Special discounts are available on quantity purchases by corporations, associations, and others.

ISBN: 9781532711541

Printed in the United States of America

The Wizard Formula for Success:

- W** Be willing to get out of your comfort zone.
- I** Investigate your dream. In Real Estate, whether it's Flipping, Renting, Wholesaling, being an Investor/Agent, or all of the above—check it out first.
- Z** Zero in on your plans. Start with one then add the others as you gain confidence and competence, leveraging your current activities.
- A** Take action! Put one foot in front of the other and get a coach, just like those who make millions.
- R** Ramp it up! Once you cash in on your first transaction take massive action to multiply your results.
- D** Do it and don't do it alone. Many more have succeeded by getting the proper education, information and guidance than have by attempting to do it on their own!

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NOTE: Gary Wilson is not an attorney. Readers please repeat after me: "I know Gary Wilson is not an attorney. I am reading this book of my own free will and promise to make sure everything I do after reading this book, relative to real estate, will be in compliance with federal, state and local laws."

I Introduction

No Pain No Gain

Exercising your anxiety threshold

I believe every beginning investor must go through some really trying experiences in order to test their mettle and push through perceived barriers of stress and anxiety. I was no exception and I have a pretty high tolerance to stress.

The third property I bought was 49 Grant Street in Etna. Over the years this property was a real cash cow. To this day I can't understand why. The lady I bought it from said the same thing. I was in for a rough ride from the day of closing (actually before).

The seller delayed the closing so she could collect unpaid rents. This should have been my first warning. Fortunately, I poured over all of the property documentation including the leases, where I discovered that she had collected the last month's rent up front. No one else knew this and she didn't disclose it. So what would have happened is that I would not have been credited with that at the closing had I not discovered it. When the tenants' leases were up they would not have paid the last month's rent – pointing rightly to their

leases. The seller, of course, had conveniently forgotten this little tidbit of information.

This should have been my second warning. When we went to close for the second time, the title company had information from the municipality that there were outstanding water and sewage charges. The seller insisted she had paid them. She convinced the title officer, but not me. The title officer insisted on closing – which meant I would have been breech had I not closed.

The time of this second closing, as required by the seller, was at 5:30 in the afternoon, after the municipality had closed for the day. How convenient for the seller. That should have been my third clue.

As it turned out, I fought the title company for nearly a year to clean up the delinquent and unpaid water and sewage. For those of you who are new to investing in Real Estate, water and sewage are typically lien-able items, which means they don't care who owns the house or who used the water – if it's not paid they place a lien on the house, so whoever owns it at the time wins the “prize” and inherits the problem.

I know, we are entrepreneurs and we don't have “problems” – we have “challenges.” Well, I'm telling you this was a problem!

This was all just the beginning. It turned out the nice little man on the first floor who was the single parent of the cute little girl in kindergarten, was also a professional deadbeat and tenant from hell. His cute little niece and

her fiancé lived on the second floor. But that's okay, because I had a crackhead on the third floor. He was a social guy, so he shared some of his crack with the cute young lady on the second floor who quickly became what is known as a "Crack Ho." I didn't know what the H@#\$ crack was or how bad it was... but I would a few years later.

Anyhow, back to Mr. Wonderful on the first floor. Trying to get rent out of this guy was like trying to extract a molar from a bull by going through his ass. It was difficult and messy. Oh, I'm stubborn. I got my rent, but not without a lot of work.

This was my first experience. Of course I learned a lot of lessons from it. I must have had this guy in court three or more times. Each time he would come up with the money at the last possible moment. I finally beat him, but not without him causing me a lot of extra work and getting me so agitated with his games that I nearly resorted to violence.

In the meantime, because the second floor girl was spiraling downward into the dark world of crack addiction, she lost her job. While her fiancé was still working trying to make ends meet, she resorted to having sex with crack dealers in order to get her fix. Her fiancé eventually found out and kicked her out, then moved out himself.

At one point I went over to the property to make a repair and assumed she was home. I knocked and yelled but to no avail. I eventually let myself in, and when I got close

to the bedroom I thought someone might be in bed. So I yelled again. This time the girl, buck-naked, jumped up from her near coma sleep and screamed. I screamed too and got the heck out of there. Luckily, I didn't get in trouble for that and I learned a valuable lesson: *Never enter an apartment on your own if you suspect someone is there and no one answers your calls – especially if you are of the opposite gender.*

The third difficult requirement was to rid myself of the zombie on the third floor. This at first appeared to be difficult, but ultimately I got a lucky break. The guy got hit by a car in front of the house. One evening I went over to the property to see the third floor tenant after making arrangements and leaving a reminder notice on his apartment door. When I arrived, I knocked and yelled numerous times. I knew he was there and so I eventually opened the door and walked in. Sure enough, about three of them were there. None were moving. Lights were on and so was the television. I tried to wake the ringleader but he wouldn't budge. He wasn't dead and he wasn't asleep. He simply believed that he could either: a) fool me into believing he was dead, b) fool me into believing he was in a non-waking form of sleep, or c) thought he could make himself invisible.

He and his two genius cohorts eventually opened their eyes. They finally realized I wasn't giving up. I had him sign an agreement that stated that he was to vacate the apartment by the weekend if he could not make good on his rent. He signed it and he moved out the following weekend.

In the process he got hit by a car in front of the house. He refused medical attention and we never saw him again. *Halleluiah!*

Now, as the new Sherriff in town, I was able to clean house and refill it with nice young female tenants – complete with jobs and checking accounts.

The next several years were good times for this property and profitable for me. But not without a cost to myself. While all of the aforementioned circumstances were taking place, I had hit my wall at the time. It was my first real test dealing with tenants and I eventually prevailed.

However, one fine day in October as the leaves were changing colors I had to get out of there. I don't mean the location where I was at the time but rather the state of mind I was in. I was either having a nervous breakdown or an anxiety attack. I told Susan we had to go somewhere, anywhere. It was beautiful outside and I wanted us all to go together – Susan, me, Annie and Andrew. We hopped in the car and I just started driving. We eventually found our way to Squaw Run Park, near where we lived. We got out and started walking down a path – any old path would do. Annie and Andrew kept looking at me and Susan, not understanding what we were doing. Quite frankly, neither did I.

They kept asking what we were doing there when they could get at least one more swim day in at the neighbor's pool before the weather turned too cold. I don't even know if I answered them. I was numb. It all seemed so surreal. I knew they were there but I was not engaged

with them, or anyone, or anything. While walking, I spotted a rock and just sat down on it and melted into it. I remember faintly hearing Andrew asking Susan “What’s wrong with Daddy?” I don’t remember what Susan said, but no matter. I was having my moment. And it worked. I eventually came out of the fog and we went back home.

From that moment on I was able to handle whatever ridiculous tenant problem (I mean “challenge”) that came my way. I was always able to keep things in perspective and I kept my cool for a lot of years.

Oh, I eventually grew tired of outsmarting deadbeat tenants and found myself lowering to their standards of uncivil language and treatment. That’s about the time I realized I needed professional property management. But that’s another story for another time.

For the moment, I was determined to profit from my real estate, my way. I had to learn the hard way. There were plenty of ways to learn how to buy rental property, but not much was available to guide me once I owned it. I eventually got so good that I started my own Property Management company.

Would you like to learn from my lessons without having to repeat them yourself? Good. I wrote this for you!

II Getting Started Managing Your Own Rentals

Systems – This business, like ALL other businesses is all about systems. You have to buy or create, and otherwise implement and follow profitable, efficient and affordable systems. You must master all of these systems, or as you grow, hire others who are masters of these systems. And these systems must be integrated with each other so there is no duplication of effort, and more importantly they must work seamlessly together.

The beautiful thing about a good system of systems is that it allows you to grow your portfolio with as much profit and as little pain as possible.

Keep in mind that a system that works well for 100 or fewer rental units may not work well for a portfolio of a thousand or more units. So whenever you install a new system, make sure you are taking care of today's needs as well as having one eye on tomorrow.

Also, there may be times when you simply replace what you have with a better system. Currently, I like the Property Ware Property Management System. It works very well no matter how large your portfolio is. The software is priced according the number of units you have and it works well for people managing their own

units and for professional property management firms. (What I'm talking about here is a software system that integrates and ties together the other systems needed to profitably operate rental properties. The other systems – or more appropriately processes and procedures – involve marketing, advertising, bookkeeping, managing maintenance and repairs, screening tenants, leasing, evictions, turnovers, capital improvements, selling, buying, networking and public relations.)

Process

The Buying process is where it all begins. There are a lot of factors to consider.

1. Area

In the world of Real Estate there are a lot of different types of areas – commercial, industrial, retail, agricultural, and of course residential. With the world of residential real estate there are two basic types of areas – owner occupied and rental. Within the world of rental real estate there are single-family homes and multi-family homes. There is of course some crossover. (In other words, within the world of single-family homes there are homeowner occupants and renters. Within the world of multi-units there are owner occupants and there are renters.)

Back to the beginning for a moment. With the world of rental properties, I strongly recommend that new investors drive by different neighborhoods before

buying. This is because in the rental community there are different grades of properties and neighborhoods. At the very bottom there is government housing. At the very top there are luxury homes and apartments. In between there are low-income, moderate-income and middle-income housing.

While I was aggressively growing, I focused on moderate-income housing. It provided the greatest rental income relative to price. The properties and neighborhoods in less desirable areas are too much trouble. To be sure, there are plenty of good people who are not as financially fortunate as you and me, and there are plenty of bad people who are more financially fortunate than you and me. The point here is that in the least desirable areas, you will have more problems with criminal activity. You will have more people who are not working. You will have more single mothers trying to make ends meet all on their own. All of this puts you farther down the line when it comes to paying for everything that folks in these areas have to pay for. It also means that when the S@&! hits the fan, they will leave you and your property in shambles without care for you. They will leave all of their crap. Not only will they not clean, they will leave a lot of extra disgusting filth for you to clean. In these housing areas, you may think you're getting a good deal. You are not. Stay away. *Run away!* Run as fast as you can.

Screening

Screening is perhaps the most important activity relative to your ability to profit in the rental business, once you have acquired a rental property.

Once you have a decent property in a decent area – a moderate income area – you should be able to turn a profit. This shows up in the form of Net Operating Income (NOI).

You would have to really screw up to not make money. The easiest and most common way that people screw up is to lease your rental to the wrong people. An effective screening process is what is required in order to minimize your risks and mistakes, and maximize your successes and profit.

It is better to have a vacant unit than to have a bad tenant. Not only is a bad tenant more likely to not pay rent (on time or at all), but a bad tenant is also more likely to be a filthy dirty pig and even damage your rental unit. So not only will you likely *not* collect your rent, you will likely lose money due to filth and damage. All the while, you will have to pay taxes and insurance, principal and interest (if you have a loan), and perhaps even utilities like gas and electric, or at least water and sewage.

The negative effects of having a bad tenant can be quite devastating. This needs to be taken very seriously.

One of the easiest ways to screen tenants is to use NTN – national tenant network. If a prospective tenant is not paying other people, they will likely not pay you either.

Furthermore, if they are getting (or have been) evicted, it is likely for a very good reason. Believe the current landlord, not the tenant, when it comes to why they are being evicted.

In fact, you not only want to check current landlord references, you also want to find and check prior landlords for the history of the prospective tenants – do they pay on time? Are they clean and respectful of property? Sometimes current landlords will give a good reference just to get rid of a bad tenant. Beware of this trick from unscrupulous landlords.

I have had prospective tenants give me all kinds of reasons why they were getting evicted. All of the reasons were due to someone else's fault. And almost every time it was the landlord who was the jerk.

The landlord didn't take care of the place so the tenant didn't think they should have to pay rent. The tenant started filing all kinds of complaints with every agency under the sun to make the landlord out to be the bad guy. Imagine that – the tenant is behind on the rent and it's the landlord who is the bad guy!

I have had prospective tenants give me fictitious references. One easy way to divulge this deceit is to ask questions. Remember, before you even entertain the thought of turning possession of your property over to someone, you should get an application and proof of income and residency. This is in the form of paystubs and a current lease. You always want current and previous landlord contact info. This is because you may

not want to believe what the current landlord is telling you. Whether you are speaking to the current or previous landlord, use their lease and the application as a guide. If the tenant states that they were paying \$750 in rent per month, ask the landlord on the phone to verify that the applicant is paying “\$700” per month and see what they say. By asking questions in this way you can ferret out the phony landlord.

Essentially, what you are looking for are people with jobs and income you can verify and a rental history you can substantiate.

Before any of this begins though, you need to do a little marketing and advertising to get the ball rolling.

Marketing and Advertising

There are a lot of ways to advertise your vacant rental units. But first we need to agree on terminology. People often use “marketing” and “advertising” interchangeably.

Here is how Webster’s dictionary defines the two words:

mar·ket·ing: the activities involved in making people aware of a company's products, making sure the products are available to be bought, etc.

- a) the act or process of selling or purchasing in a market

- b) the process or technique of promoting, selling, and distributing a product or service
- c) an aggregate of functions involved in moving goods from producer to consumer

ad-ver-tis-ing: published or broadcast advertisements, the business of creating advertisements

- a) the action of calling something to the attention of the public especially by paid announcements
- b) ADVERTISEMENTS <the magazine contains much advertising>
- c) the business of preparing advertisements for publication or broadcast

To make it a little bit easier, to me “marketing” has more to do with learning and understanding where you own your rental properties, the prospective tenants who want to live in rental units, and determining the best pricing strategy and methods to reach out to your marketplace. “Advertising” has more to do with understanding and using the available methods for getting the right message to your market, and the process of creating that message.

Having said that, there are a number of ways to send your message to your marketplace. Here are a few:

Tenant referral program: reward your existing tenants for referring new tenants to you. I have no problem rewarding a good tenant for bringing me a good referral. \$50 has always worked for me. (Please note that I said “Good Tenant” and “Good Referral.” In other words,

don't promote this program to just any old tenant. Promote it only to good tenants for various reasons. First of all you are rewarding good behavior! And secondly, birds of a feather flock together. Good people usually have good friends. Just like our parents told us when we were growing up, "People judge you by the company you keep.")

Local colleges: they often have online bulletin boards you can use to advertise a vacancy. Simply locate your local colleges online. Look to see if they have an online bulletin board. When in doubt just call them and ask for instructions. They're used to it. Please note: renting to college students is a specialty. You will need a rental that is built like fortress. You will need to have some very strict and enforceable guidelines. You will need to have parents co-sign. Always have an annual lease. The renter must foot the bill for the summer months. Have individual leases for each roommate. There are pros and cons to this approach versus having one lease where each student is held jointly and individually liable for the entire lease amount. I like the former approach because then I get four parents as guarantors instead of just one.

Craig's List: bar none, this is one of the best ways to reach your marketplace. It's free and has a wide audience. They even have a tutorial for you.

Facebook, Twitter, LinkedIn: Use your social media network(s) to get the word out. But be careful. There are rules of etiquette that you must first learn for each one. The number one taboo is spamming your network. Never abuse the privilege of social media. If you do you will be

shunned, un-friended, un-liked, un-connected and unsuccessful!

Church: Churches usually have weekly bulletins in which you can advertise your vacancies. This works well for large congregations, but I would use it in small churches as well. Look in your church's current bulletin and there should be instructions, or at least contact information, you can use to get started.

Grocery store: They usually have a bulletin board where you can pin a flyer with tear-off phone number tabs. You need to check this regularly. Sometimes the flyers disappear. Sometimes other people will post their notice right over top of yours. If you're really lucky, all of your number tabs will be gone!

Restaurants: They often will let you put a stack of flyers or business cards near the checkout. The next time you're dining at one of your favorite local restaurants, speak to the owner or manager. Someone with the authority to act is always on duty at a restaurant. Please note that there are some other great marketing and advertising opportunities here. For example, ask the proprietor if he/she will offer a discount or free meal coupon (get several) for you to use as a reward to give your good tenants who refer other good tenants to you. Use your imagination!

Local publications: Penny Saver, Green Sheet, they're in every community and are very inexpensive. Unlike the large publications (like your big city paper), I have had a lot of success with these types of publications. Call and

ask for their rules and regulations. Learn the rules of their advertising and you will master the game. Some ads you will place for 1-2 weeks. Some you will place for a year. You will also learn where in the publication to place your ads, how big, how small, special features, etc. (Hint: Any time you can have your ad placed in a box you will get better results!)

Marketing has more to do with understanding the marketplace relative to your product or service and your clientele.

You always want to keep informed about what types and sizes of rentals are in demand. I have always done well with 3-bedroom houses and 2-bedroom apartments. That's not to say that you don't want 1- and 3-bedroom apartments. You do. You just want to have the right ratio of 1's, 2's and 3's for your area.

With houses just stick with 3-bedrooms and you can't go wrong. You also want to keep informed about what rents are being asked and paid. I check the Sunday paper every week to see what others are charging for rent. I also check Craig's List regularly. It also helps to know what advertising mediums work well in your particular area. For example, everyone has heard of Craig's List. It is great. I love it. But would you believe it works well in some areas and not in others? Almost every area has a Penny Saver or a Green Sheet. I never liked the big newspapers. They were always more expensive and didn't work as well.

Advertising has more to do with getting your message to market.

Once you can afford it, you may want to have your own website. I have also put up flyers at grocery stores, churches and Libraries. Your message should always appeal to consumer's emotional side. In other words, instead of regurgitating a bunch a features followed by the price, use descriptive wording that focuses on benefits. "Avoid long commutes. This newly remodeled one-bedroom apartment is just a block from the subway," is far better than "1-bedroom apartment, downtown, close to transportation." Which phrase would you be more inclined to respond to? Never list all of the features, because you want the reader to have to call you to get that information.

Responding to Ads

When prospects do call, you now have the chance to do a little phone screening before going any further.

When a prospective tenant calls you, build a little rapport first. Give both of you a moment or two to get comfortable speaking with each other before jumping right into business. It is not only good business practice, but you may also find out valuable information while doing so.

There are certain rules about what questions you can or can't ask. For example, never ask, "How many children do you have?" Rather, ask, "How many bedrooms to you

need?” You will get the information you desire, but you won’t have crossed over into any grey areas as far as discrimination goes.

There is a lot more to this soapbox. I suggest you Google the latest on protected classes and familiarize yourself with the information.

Anyhow, the next thing you want to accomplish in your conversation is to see if your unit is suitable for the caller. In other words, why go any further if it turns out your unit is on the third floor and the caller needs to be on the first floor? So, once you have developed rapport, you must focus on what you have to offer – your supply – and what the caller needs – their demand. Only then, once you’ve determined that there is a possible match, do you discuss the particular features of your available rental unit.

At this point you want to do some more screening. In a conversational way, you want to find out where they work and how long they’ve been working there. You’ll want to find out how long they have lived in their current home and why are they looking to move. The longer they have lived in one place the better. The longer they have worked in one place the better. Ask if they have pets and if they have roommates.

Be sure to write all of this down. It will become more important later on in the process. If at the end of your conversation you are satisfied that the caller may indeed be a good candidate, then go ahead and give them the specific address and ask them to drive by your property.

This is a good test of their sincerity. If they are the real deal, they will in fact drive by your property. If they like what they see – the neighborhood – you will get a call back from them with a request to see the rental unit.

Showing a Rental

I never used to go to a vacant unit to show it to only one prospective tenant.

What I did was set up two-hour time slots during the upcoming Saturday to show the vacant unit to as many prospects as I could. I would schedule them ten minutes apart, knowing there would be some no-shows. Some of the prospects will see each other. This could work to your advantage in that it will create a sense of urgency. More importantly though is your time and safety. Doing the showings this way means you will be going to the unit during the day, when other people are around. The only time I would go to a unit to meet one person is if I had already met them and they wanted to bring a spouse, boyfriend or girlfriend, or roommate – or more likely to have them sign the lease.

At the big Saturday showing I always had applications on hand. You can't refuse to give an application to anyone, but you can charge a fee. I always charge a fee to cover my time and the cost of running a credit report and background check.

Never rent on the spot! Even if they have a mountain of cash – **BIG RED FLAG!** – take the applications and run

their credit financial, rental history, employment history and public information. Do not decide based on who you liked best, or was the best looking, or had the most cash. It is this front-runner for whom you are going to check references. Check employment and current and prior landlord references. Last but not least, compare the application they filled out with the notes you took during the initial phone conversation and look for differences. If there are any, this could spell trouble.

At the end of the day you should have a front-runner based on good solid systems and practices instead of guesswork and wishful thinking. I cannot emphasize enough how important this critical step is. It is this step, more than any other, which will make or break you and your aspirations for building a large real estate portfolio.

Section 8

Currently, I do not recommend Section 8.

Sorry, Uncle Sam. What used to have some appeal for property owners has grown into a nightmare of abuse and incompetence. Go ahead, sue me. I call them as I see them.

First thing first. *Section 8* refers to the participants (tenants), not the property. Section 8 has grown into another government fiasco where taxpayers' dollars are squandered on mountains of waste. It is a form of slavery to the tenants in the program. I know, go ahead and sue me again.

I have met young female single mothers of children from multiple fathers who came to view my rental units. I have also met their sisters who were on Section 8 too, and their mother (or grandmother) who boasted that she went on Section 8 when it first came out and has been on it ever since (and was proud of the fact!), and she made sure all of her daughters got on section 8 when they became adults.

As you can see there is no incentive built into this program for its participants to get out. When owners rent their properties to Section 8 tenants, they give up a lot of rights. Section 8 tells the tenants not to give you a deposit until after the inspection and lease is signed or not at all. They are forced to use Section 8 leases which can get the owner into trouble, as you will see other places in this book. The owners are forced to go through an annual Section 8 inspection and are held responsible for repairing damage caused by the Section 8 tenants.

The initial inspection doesn't occur until after the property has been held for the tenant, thereby holding the owner hostage. The rents are below market value (they used to be at, or even above market value, in some cases). I remember when they lowered what they would pay on a single-family home, not because of market conditions but because Section 8 determined tenants would have to pay higher gas and electric bills in a single-family home. Duh! However, single-family homes are more valuable than apartments and do command higher rents in the marketplace.

If you do rent to a Section 8 tenant it will be months before you receive your first rent check. To their credit, they do make it retroactive. However, in the meantime won't you have bills to pay?

It used to be that if a Section 8 tenant broke the terms of the contract by not paying their portion of the rent, or by causing damage, if you evicted them then Section 8 would kick them out of the program until they made good on their debt.

But that's not all. You'll have to submit paperwork 6 months in advance of a lease renewal to raise your rent. Section 8 will conveniently lose this paperwork. You won't know until the deadline has passed when you can submit paperwork again. You'll have to go downtown to wait in line with all the deadbeat tenants just to get an answer because you won't get one over the phone – and that's even if you get someone on the phone.

Not so anymore. Now we as owners have no leverage and yet we give up control. No, this is not a good deal for property owners. When someone approaches you about renting your property to a Section 8 tenant, run. *Run far away and run fast.*

The following will illustrate why the Section 8 program, and all subsidy programs, are inherently flawed.

About ten years ago, Section 8 implemented a homeownership program. I was thrilled. Here we have a way to help those who really do deserve help to acquire short-term subsidy and also provide some incentive to

get off the program – and instead of paying rent perpetually, make mortgage payments and become a homeowner.

On paper it looks great. I'm an entrepreneur and an idealist (and yes, even a dreamer). I readily volunteered to sell one of my newly renovated houses to a Section 8 tenant who was on the home ownership program. And guess what? It worked. I sold a nice little brick 3-bedroom home, in a nice neighborhood to a great hardworking single mother of three who wanted to stop receiving subsidies and raise her children in a nice neighborhood. This was awesome.

Now I was going to help all of my single mother Section 8 tenants in single-family homes to buy those very same homes. What I discovered though is that Section 8 had to discontinue this program – not because of funding – but because of a lack of willing participants.

I learned this after I had unsuccessfully attempted to help other participants to buy instead of rent. Time after time I got the same response: “Why would I give up a good thing when I get my rent paid for me? If I buy a house I will lose my subsidy.” Exactly! Folks, we do not have a moral obligation to *give* someone a fish. (Well okay, maybe one fish). But we do have a moral obligation to *teach* others how to fish. And thus the inherent flaw. These folks have no incentive. We take it away from them by continuing to *give* them fish instead of requiring that they *learn* how to fish.

And it's the same with every other kind of subsidy program that is allowed to go on indefinitely.

You know one of the worst things about this whole program is that because these participants have no skin in the game, they feel no obligation to care for your property like proud people should. I have seen more properties dirtied, abused and damaged by people who have their deposits and rents paid for them by other people. Have you heard enough?

Charitable Organizations

Now that you have a vague idea of how I feel about Section 8, let me tell you how I feel about private organizations that help people (temporary help) get on their feet.

I like them. I like them a lot.

Back in the late '90s I bought a house from a local Pittsburgh non-denominational church. One of their members had bequeathed a duplex to them in their will. The church didn't want it and I did. So I bought it.

I used the biblical teaching about being a good custodian with treasures, and struck a good deal for myself and solved the church's problem too. Anyhow, after I bought the house, the listing agent (Austin Decimone, since deceased, bless his heart – a good man, a man of God and good friend) called and asked if I had ever thought about renting to refugees. I could do my part to help a

worthy cause. I said yes and that I would lower the deposit requirement and the amount of rent to help.

It turns out we were helping to sponsor Bosnian refugees. As you might remember, Bosnia was caught in the middle of an attempt at genocide by one of the former Soviet satellite states. It was horrible and I was glad to help.

Fast-forward ten years to the Bevan Place apartments. This is an eighty-unit apartment complex a few miles south of Pittsburgh – the crowning jewel in my vast apartment empire. My property manager was approached by a representative of the Jewish Community League. I agreed to meet with the rep at the complex to discuss her wish to place Burmese and Nepalese refugees in our complex. I must tell you that as long as I can remember some of my best friends have been Jewish. God bless them all. When I was a child, Johnny Rose and I were thick as blood. In fact we were (and if I remember the rules correctly, still are) blood brothers. We were like peanut butter and jelly. Johnny's Mom and Dad, Norma and Ben, took me in like I was one of their family. They even took me on vacation with them. They taught me a lot by their actions. I will always love Norma Rose. Norma, if you're reading this, I love you like you were my own mother. For all of you out there who are not Jewish or don't have Jewish friends I feel sorry for you. (The Jewish race has suffered more than any other human race and they live successful and fulfilling lives in spite of their painful history. They are masters of business and money in ways you can only

appreciate if you yourself are informed about matters of business and money. You should read a book by Rabi Daniel Lapin, titled *Thou Shalt Prosper*. You will understand better the biblical teaching of money and dispel some of the lies you have been told about it.)

Anyhow, back to the Jewish Community League Refugee Program. This program does not give more than one fish. It is designed to teach refugees from Burma and Nepal to fish for themselves. Thus they are responsible for their own rent after one or two months. And guess what? These tenants are some of the best at promptly paying their rent.

So yes, I like this program. It was designed intelligently by people who understand human nature – and that is why it works. These participants have incentive to succeed and be independent, partly because they know they will have to fish.

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III The Lease

Use a lease that will stand the test of legal challenges.

Let's get this squared away right in the beginning of this section. Please ignore all of the FREE leases you can get over the internet. Sure, you can use anything that is in writing. But you should know that *Real Estate Law is the only law that requires contracts to be in writing in order to be enforceable.*

There's an old saying in Real Estate and that is: "If it ain't in writing, it ain't REAL!" And that is true in the practical and the legal sense. Oral leases aren't worth the paper they're not written on. Get it? Don't listen to the old timers who say, "I never get it in writing because that way if they screw up I can just boot 'em out." What a joke. If you have an oral lease and you have to go to court you will be S.C.R.E.W.E.D. – PERIOD!

Okay. Now that we have that out of the way, the next question is what lease to use. Listen to me and do not ever be swayed on this. Always, and I mean ALWAYS, use a lease that is from your state's Board of Realtors. This lease has already been PRE-approved in the court system. It will stand the legal assault from tenant's attorneys all the way to the Supreme Court.

There are cases you can look up where a Court of Common Pleas Judge threw out a Section 8 lease because he didn't recognize its validity in his court. In a Commonwealth, the judge is the law. What I mean is that it doesn't matter what your contract says... the judge can disallow it, disapprove of it, overrule it, and make you start all over again. How about that?

Even a lease from the Department of Housing and Urban Development may not stand up in court.

Now, when you show up in court and you have a lease from your state's Association of Realtors, the judge knows it is already pre-approved up through the ranks and he must accept it. Have I stated clearly enough what lease you are to use?

Here is where it gets even better. You can add addendums to your lease, and I think you should. The reason is that the lease mentioned above is considered a neutral lease. In other word, it favors neither the Landlord nor the Tenant. The *free* leases you get on the internet are usually one way or the other. The really long ones are usually Landlord friendly. The really short ones are usually Tenant friendly. It doesn't matter though, because you're not using those leases.

As a result of the state's Association of Realtors leases being neutral, there may not be enough legal language in them to cover all of the oddities and entities in the world of rental real estate. So, I am going to give you a sampling of some of my rules and regulations. Use them at your own discretion. I make no claims as to their

legality. And you must know that any contract – in order for it to be legal – must not run contrary to federal, state or local laws.

Okay, here you go:

Rules and Regulations

The following Rules and Regulations apply to rental unit, including building and grounds. Violation of the following rules and regulations shall be construed as a breach of the terms and conditions, and a forfeiture, of lease agreement.

Landlord, at landlord's option may end this lease agreement, by notice in writing, and tenant may have no further right to possession of rental unit. These rules and regulations apply to tenants and any and all guests of tenants.

1) Use and Occupancy – Rental unit shall be used solely as a private residential dwelling and occupied solely by those persons listed to be occupants on Tenant's rental application and/or lease agreement.

2) Illegal Drugs – Tenant shall not keep, store, possess, use, or sell illegal drugs of any and all kind.

3) Firearms – Tenant shall not possess, store, or discharge (fire) any type of firearms or other deadly weapon of any kind at any time on said property.

4) Assignment and Sublease – Tenant shall not sublet, rent, assign, or transfer possession in part or whole to any other person or entity.

5) Alterations to Rental Unit – Tenant shall not make alterations of any kind to rental without prior written permission of Landlord.

6) Plumbing – Tenant is solely responsible for clogged commodes, sinks, tubs, and all other plumbing repairs caused by negligence of Tenant, or Tenant's guests.

7) Waterbeds – Tenant shall not have or use waterbed(s) in rental unit without prior written permission of the Landlord.

8) Pets – Absolutely no pets are permitted on property unless otherwise authorized by Landlord and stated in lease. Violations will result in a \$25.00 penalty fee per month per pet and possible termination of lease by Landlord. Tenant is responsible for any and all damages caused by their pets.

9) Fire Hazard Material – Tenant shall not keep, store, possess or use any fire hazard material in rental unit or on rental property.

10) Locks/Keys – Tenant shall NOT change lock(s) to rental unit.

11) Dangerous and Hazardous conditions – Tenant must notify Landlord immediately of any condition that currently exists which creates a hazardous or dangerous

situation for the Tenants and their guests, residents in the neighborhood, and/or to the rental property.

12) Local, County, State Laws – Tenant shall follow and abide by all Local, County, State and Federal laws at all times in rental unit.

13) Cleanliness – Tenant shall keep rental unit in a state of cleanliness at all times.

14) Pests, Rodents & Insects – Tenant is responsible for keeping rental unit free of all pests, rodents and insects at all times. In case of infestation, tenant is responsible for pest treatment.

15) Noise – Tenant is responsible for keeping all noise including voice, radio, TV or otherwise at reasonable levels at all times. Quiet hours are after 10 P.M. and before 8 A.M. Sunday through Thursday and until 11 P.M. on Friday and Saturday. Local ordinances regarding noise supersede.

16) Upkeep of Grounds – Tenant is responsible for the upkeep of grounds including pickup of litter, cutting grass, removal of weeds, and trimming hedges unless otherwise stated.

17) Garbage – Tenant shall be responsible for the proper disposal of all garbage according to local ordinances. Tenant is responsible for providing their own garbage cans and that they meet local ordinances.

18) Tenant shall keep the utilities on, and the utilities shall remain in their name for the entire duration of the

lease. Under no circumstances (except for an emergency) shall the Tenant shut off the utilities or have them transferred to the Landlord prior to the end of their lease. Failure to comply with this rule will result in a \$50.00 fee per utility, plus any activation fees charged by the utility companies. Important note: shutting off or transferring the utility prior to the end of the Tenant's lease does NOT eliminate the Tenant's responsibility to pay the utilities.

19) Tenants on occasion may have overnight guests. Under no circumstances shall anyone move into the residence without prior written approval from the Landlord. All occupants must be approved by the Landlord.

Security Deposits

Get as much as you can and that is allowed by law.

NOTE: I am not a lawyer. I suggest you get a copy of, and read, the most recent version of the Landlord-Tenant Act.

If you are the unfortunate soul to end up with a bad tenant in spite of your efforts to avoid them in the first place by proper screening, then having a deposit may be your only financial safety net. I am willing to bet that 95% or more of all landlords collect only one deposit and that it is equal to one month's rent. This is what most real estate investors will do who are managing their own properties, but not you.

You certainly should collect the equivalent of at least one month's rent for damages should they occur. The sad news is that this is hardly enough to cover the cost of, well... almost anything these days. So how do you protect yourself?

One way is to collect the equivalent of one month's rent for damages and then collect the equivalent of one-half of one month's rent for cleaning. I call this a cleaning deposit – which is separate and unique from a security deposit to be used for damages.

Another way to protect yourself is to collect all of your deposits and your first month's rent up front, and in addition to that, you can collect the last month's rent up front as well. This is particularly important if you are renting to a tenant who may have passed the screening process but your intuition is telling you there is something to be cautious about.

There are other deposits you can collect that deal with pets and smokers and they will be discussed later.

When it comes to deposits, you need to be aware of some pretty serious laws. *Security deposits are not your money.* They are the tenant's money. You are assuming the role of caretaker for that money while the tenant is in a lease to rent one of your properties. *Security deposits must be held in an escrow account.* This account is typically a checking account. If the account earns interest, you have to pass this interest on to the tenant when they vacate your rental property.

After you hold a deposit for 2 years you have to begin accruing interest on the money. Some landlords send this to their tenants every year on the anniversary date of their lease. Others hold it until the tenant leaves and pays them at that time.

You are allowed to raise your deposits until the tenant has been there for 5 years.

When a tenant vacates your property you have 30 days to return their deposit to them. If you keep any portion of the deposit you have to provide a written explanation of why you kept some of the tenant's money and what it was used for.

I know some landlords who insist on doing their walk-through alone, without the tenant being present. Please keep in mind that if the tenant requests their presence during your walk-through you have to let them.

You should use a walk-through form that lists all of the pertinent items in each room. Fill this out and have the tenants sign it. I suggest you take pictures, too. This is very important. You cannot be too careful. Judges are notorious for being hard on landlords and easy on tenants when it comes to this subject.

If a tenant sues you over a security deposit, you better have your ducks in a row. The law allows them to sue you for treble (triple) damages. In other words, if the tenant's security deposit is \$1,000, they can sue you for \$3,000. See why this is such an important topic?

REMEMBER: I am not a lawyer. I suggest you get a copy of, and read, the most recent version of the Landlord-Tenant Act.

Pets

Which is better – a “No Pet” policy or a “Pet Profit Policy”?

Oh, I can hear it now. You’re saying, “I don’t allow pets and I never will.”

I used to have a No-Pet policy, too. For years. And for years, I had tenants who kept pets. I evicted these tenants when they defied me. I love pets. I really do, as long as they are my own.

After years of busting people who either didn’t read the lease, or didn’t understand or even remember it, I decided to take the lemon and make lemonade. At first, I instituted a Pet Deposit and tailored it to the species and size of the pet. I would charge as much as one-half a month’s rent for a Pet Deposit. I then added additional rent for pets. And yes, I once again tailored to the species and size of the pet. I found I could get anywhere from \$25 to \$100 more per month for pets. Here’s the one you’ll really like – I also charged an additional application fee for Fido or Fuzzy.

This brings up an interesting point. I advertise my vacancies as Pet-Friendly. This way I knew at the outset if applicants had pets, because they let their guard down

when they read the ad. I didn't advertise my full pet policy though, only that I allowed pets.

If they got to the screening phase of the transaction I would introduce the pet policy. This did two things. First, the bad pet owners would turn and walk the other way. They probably knew Fuzzy or Fido would be trouble and they knew that since I knew about the pet, they couldn't conceal the fact that they had animals. Secondly, the good pet owners already expect to pay extra for pets. And they love their pets so much they will willingly pay with no hesitation. Furthermore, these pet owners love their pets so much that they are usually very good pet owners. They keep their pets clean. They clean up after their pets. And they train their pets.

So, as a result of my profit-laden pet policy, I end up with the best pet owners – who pay more money for renting my property. Over the years I made far more money on pets than I ever had to shell out for new carpet! It's like built-in profit-packed pet insurance. All the pet owners subsidize the few who cause damage.

You know, I hope none of my former tenants are reading this.

One final thought. There are certain pets that your insurance company will deny coverage for you, as the property owner, if a lawsuit is filed as a result of a prohibited breed of dog harming another. These breeds are Pit Bulls, Rottweilers, Doberman Pinschers and German Shepherds. There may be others, so make sure you check with your insurance carrier to be certain. Also,

don't mention these breeds to applicants until after they have told you what breed they have. Otherwise they may lie to you. Or, they may have a mixed breed and think it is okay. It is not okay. A dog that is part Pit Bull is still prohibited. Landlord beware!

Smokers

Smokers can do some serious damage to your property. Do you let them in or keep them out? If you let them in how do you protect yourself?

Personally, I think smoking is one the dumbest habits a human can form. Don't get me wrong. I didn't say smokers are dumb. I know plenty of awesome people who smoke. They just have at least this one dumb habit. In fact, I used to smoke. That was before I realized how disgusting it was.

You know the putrid smell of the breath of someone who has been smoking and drinking coffee? Now imagine French-kissing that person. I'm sorry. I didn't mean to make you vomit. You get the point.

If you rent to smokers you are going to have to deal with the smell of smoke for quite some time. The smell gets in your drapes, in your carpets and even in the wall and ceiling surfaces.

I remember one Christmas getting a package from my sister in the mail. In it were all the presents for myself, my wife and my children, Annie and Andrew. When we

opened the lid of the box, the smell of smoke came pouring out. Now, imagine that the box had been away from Kelly's house for about a week. Just imagine what her house must have smelled like. And that is the point.

If you allow smokers in your properties you may have to go as far as bleaching the walls, priming, and repainting because if they are there long enough the nicotine will leave a yellow film on the walls and ceilings.

When you are interviewing a prospective tenant you will be able to tell if they are a heavy smoker. You will smell it on their breath, in their hair and on their clothes. If you are uncertain, follow them to their car. Heavy smokers smoke in their car. When they open the door you will smell the stale odor of cigarette butts.

Smokers aren't bad people, though. They just have a bad habit. The larger issue is that they can also burn holes in your carpet, and in worst-case scenarios burn your house down. There have been many a house fire caused by a smoker falling asleep with a lit cigarette in hand.

Some smokers are light or social smokers. I have no problem renting to them because they generally will smoke outdoors. In any case, if you rent to smokers, be sure to collect an additional deposit – and while you're at it, charge additional rent too!

By the way, these practices do not implicate you for discrimination. Smokers are not a protected class.

Protected Classes

Discrimination is against the law. Remember the Landlord code: “The only color that matters is GREEN!”

NOTE: I am not a lawyer. I suggest you get a copy of, and read, the most recent version of the Civil Rights Act and your State and local discrimination laws, too!

Protected classes are classes of people who are protected by Federal law against discrimination. What you need to know is that you can't keep someone who falls into one of these protected classes from renting your property simply because they fall into one of these protected classes.

The obvious classes are: race or color, national origin, religion, sex, age, familial status and disability. This is based on the Civil Rights Act of 1964 which has been amended. Remember, you will have to know your State and local laws too.

One area that tends to trip up unknowing landlords has to do with service animals, typically guide dogs. If you have an applicant for one of your rental properties, you cannot keep someone out if they have a pet and that pet is a service animal.

I have seen other landlords get tripped up when it comes to those who are handicapped. This gets complicated because the law has different applications to different size buildings, how many floors you have in a particular building, how many people are in the building and the cost of a project, to bring a property into compliance with

ADA guidelines, relative to the overall value of the building.

Relax. You won't be required to make a third floor studio apartment ADA compliant if you are a small operator. Some disabled citizens may try to strong-arm you into spending a lot of money because you have to rent a third-floor studio to them. This is not the case.

Furthermore, there are ADA grants for handicapped individuals to use to build wheelchair ramps, safety bars in showers and tubs, etc. You don't have to spend a dime. And they are required to return your property to its original condition when the disabled tenant moves out.

I will tell you though that sometimes a handicapped-accessible property is worth more than GOLD! Check with your local ADA chapter and see what the demand is for handicapped-accessible properties is in your area.

I have seen cases where rents are three times the prevailing rate for handicapped-accessible properties. This could be a golden opportunity for you to do something good in your community and profit as well.

Maintenance and Repairs

Okay, let's talk about maintenance and repairs.

Once you have made a wise choice of buying a duplex and you have followed the time-tested method of placing tenants, you have to run your rental operation as a

business – managing income and expense, the bottom line! Once you get money coming in you will feel really good. The hard part will then be keeping some of it – profit!

Expenses can eat a hole in your profit faster than a wood chipper can eat a small branch. You can't ignore expenses any more than you can ignore income. Maintenance and repairs are the silent consumers of your income. Second only to a vacancy, not much else can eat away at your profit.

I always pre-conditioned tenants as to what I expected from them and what they could expect from me.

Their basic obligation is to pay rent to me on time every month without fail and to keep my property clean and in the same condition that it was in when I granted possession to them. Of course they and their guests are not to cause any destruction of any kind.

My primary obligation is to provide a safe, clean, and reliable home that is up to code. That's it. In order for me to do this, I may from time to time be required to maintain or repair something in the home. I am not obligated to make improvements based on their wishes, change colors, add features that were not there when they first took possession, or entertain any other request that is not deemed necessary to provide a safe, clean, and reliable property that is up to code.

If a tenant or their guests causes damage then they are responsible for getting my property back to the condition

it was in before the damage. Please note: I do not want them to make the repair. I will determine who makes the repair. They will however, be responsible for paying for the repair.

I wish I had a nickel for every time a tenant called in a maintenance request to repair damage that they or their guests caused. Actually, I have had these calls enough times that it is a serious enough subject for discussion.

I have had calls from tenants who informed me that their two boys, eight and nine years old, were chasing each other down the hallway, when one boy tackled the other and the two crashed into the wall at the end of the hall and put a huge hole in that wall. The tenant, the two boys' mother, said that I needed to repair the damage so that she would have a nice place instead of living in a dump!

On another occasion, a single elderly tenant called in a maintenance request to unclog her kitchen sink. When I cleared her drain, my drain snake was covered in grease from end to end. I told her to never, ever dump grease from frying chicken down the kitchen sink! A few months later she called again with another clogged drain. This time it was the toilet. This was an old house with notably old plumbing. However, she had dumped enough grease over time to clog the commode, too. When I confronted her and reminded her of my instructions to her a few months ago to not dump grease down the drain she replied that she did not dump grease down the kitchen drain like I told her – so she decided it was okay to dump the grease down the toilet. She paid

for that repair and subsequently vacated the apartment because in her words, “It’s just too many rules around here!”

Needed maintenance and repairs may come from other sources too, like those resulting from occupancy or code enforcement inspections. You may also receive maintenance and repair requests as a result of leasing to tenants who receive some sort of subsidy such as Section 8. I am not a big fan of Section 8. I do however take tenants who receive help from a private entities like the Jewish Community League. More on this later.

The point here is that you will from time to time be required to demonstrate that your rental property is safe, clean, reliable, and up to code. Local municipalities are often not as strict as federal entities. However, there has been a big push the last few years to have all municipalities adhere to the BOCA, the uniform body of building codes.

Keep in mind that while you may feel that getting a list of required repairs from one of these entities is a burden you didn’t expect when you bought your rental, it is something you will want to accept and embrace. Make these guys part of your team. Rely on them to help you stay in their good graces – and more importantly keep your property safe, clean, reliable, and up to code. Do not run and hide from them. This will only infuriate them – and remember, they have the power to help you succeed or not.

There have been times when I would contact an inspector first before beginning a project where I had some uncertainty. What I learned is that they appreciate the opportunity to be brought in before work has begun, and they are able to help me through the process easily while avoiding problems down the road that I may not have foreseen if not for the inspector. They will not *break* the rules for you, but if you treat them with respect they will help make your investing and your life easier.

Next, let me ask you: Are you going to perform the maintenance and repairs on your rental properties yourself, or are you going to hire someone else to do them?

Since you're reading this book I can only assume that you're thinking, "Hey Gary, I bought this book so I could get the answers to questions like this from you." The right answer is, "It depends."

I can give you some guidelines. Generally speaking, I encourage my students not to perform their own maintenance and repairs. This is something that is usually to your advantage to pay someone else to do who is better at it than you are. It also frees up your time to focus on making better owner-level decisions.

Usually, if you are starting out investing, you are also still working a regular job or are heavily involved in running an already existing business.

I have had a lot of students who are tradespeople closely related to housing though, so in their case it may make

sense for them to be involved at some level in maintenance and repairs.

I have also had students who are retired or are not working full time at the moment. To these folks I say “Go ahead” and make your own maintenance and repairs, so long as you know what you’re doing, and someone other than your mother can vouch for the fact that you do in fact know what you are doing.

Keep in mind that every minute you spend performing maintenance and repairs is another minute you could and maybe should be spending with your loved ones, or even finding the next great real estate investment deal. Just for the record, I did do a lot of my own maintenance and repairs early in my investing career. Some of it made sense. Other times, after much wasted time, energy and money, I regretted it and called a pro to make things right.

Nuisance Calls

I love my tenants. They make me rich. But man, can they be a nuisance sometimes. I’m sure you’ve had these folks too. They call every time the wind blows. They call when the neighbor’s dog barks. They call when they realize their furniture doesn’t match the paint and carpet – and so they want you to replace the paint and carpet.

I have had these folks myself and I decided to put a stop to it. You guessed it! I came up with a nuisance call policy. If they called me with three nuisance calls, I

started to bill them every time they called after that for anything that wasn't important.

I had one family who kept calling about their furnace, and the HVAC guy kept telling me nothing was wrong with the furnace... so on the third call I went with the HVAC guy to the property. We walked in and you'd have thought we were in the tropics. I mean, it was hot! I asked the mother what the matter was and she pointed to the thermostat. It was turned all the way up to 90 degrees. The temperature was maxing out at 85 degrees. I told her she was going to burn out the furnace and that it wasn't designed to redline all winter long.

I asked her why she wanted it so hot. She told me that she and her family liked to run around naked and they got cold in the winter time. After containing myself, I told her we were going to lock her thermostat at 78 degrees – too hot for me, and well above the 72 degrees that is generally deemed the high end of the healthy range of temperature in climate-controlled environments in the winter – and that they should put some friggin' clothes on.

I told Neal that if they called again that he should not go over there. I would enforce my nuisance call policy. And on top of that, if she burned out my furnace I would sue her in stupidity court for being stupid.

One of the most humorous scenes that ever unfolded for me involved a new tenant who had just moved in to one of my newly remodeled single-family homes. After a few days, she called and said there was a huge problem

with the tub. I asked if it was leaking and she said no. I reminded her that everything was new including the tub, and couldn't imagine what could be wrong. She said I simply had to come see for myself. Now this place was nice – huge kitchen, huge main bathroom, all new carpeting and new fixtures everywhere.

When I arrived at the house the next day, she led me to the bathroom along with her two daughters and one son. We could all fit in the cavernous bathroom at the same time. She took me over to the tub and pointed at it and said, "Do you see that?" I responded that I was looking at a perfectly good tub. She said the tub was small. I informed her that the tub was a standard size that could be found in millions of homes all over the United States of America!

She put her hands on her hips and proceeded to tell me how she couldn't fit in the tub because her butt was too big and so were the butts of her two daughters. All the while her two daughters stood watching with their arms crossed and looking blankly at me while the son bobbed his head up and down in agreement, scratching his chin and repeating, "Yeah."

I will confess that her rear end looked as if two large pumpkins had been shoved down the back of her black spandex tights. The material was stretched so thin that you could plainly see her bare ass trying it's best to rip those tights wide open. I'm usually pretty good on my feet but I honestly could find no way to respond to her with a dignified answer and at the same time keep a straight face.

Of course I did not replace the tub. What could I replace it with? A hot tub? I didn't charge a nuisance fee either. I think I got more than my money's worth in the form of entertainment. The point here is that people will waste your time in a lot of different ways and you should be prepared for just about anything.

Building and Improvements

Building and improvements (Capital improvements) are what you do to your property that is not expensed in the year you do the work but rather depreciated over time like the building itself.

It therefore adds to the cost basis of your property and therefore should add to its value. An example of this would be a new roof or new windows or new siding.

Replacing a faucet would be an expense. Replacing a tub would be a capital improvement.

Capital improvements are expected to be made to your property in order to keep it from becoming obsolete and less desirable as a rental unit. When you buy a rental property you should project what you believe will be required in 1, 3, 5, 10 and 15 years out. I also recommend that you create and make regular deposits to a capital improvement account.

You may think of this as an expense item because you make regular contributions to it. However, when you use these funds they are not categorized as expenses on your

tax return. Rather it will increase what you can claim for depreciation.

I recommend that you have a frank discussion with your tax accountant when you first get into the real estate investment business to determine a strategy that works for you.

Bookkeeping

No matter what other systems you have in place there is one that you must absolutely have software for and that is bookkeeping.

I promise that even if you start out doing this manually, you will evolve to using a software system. The easiest way to do this is to use QuickBooks. It is widely accepted in the industry. All tax accountants have it and use it. It is stable and well supported. It is well designed with you in mind, and it is easily adaptable to the world of property management.

You don't have to know anything about accounting, although if you have learned dual-entry accounting it certainly helps you understand the how and why of entering debits and credits for every transaction.

I encourage you to hire a local bookkeeper for a few bucks to come to your house, help you get it installed and show you the three most important things you need to do – entering deposits, paying bills and reporting. There is more to know but you must learn these three right away,

and you will have time to learn other features and functions that will serve you well.

The reporting is where you will be able to see in an instant how well your real estate portfolio is performing. Obviously, income must exceed expenses. In other words, expenses must be less than income. I know I just said the same thing and only reversed the order. However, as obvious as this philosophy is, it is the number one reason businesses fail. They simply spend more than they earn. And you cannot keep a business going for long by doing that.

The sole business reason for getting into business in the first place is to make a profit. Income minus expenses equals profit. Period. End of story.

You do want to be more fulfilled than you will be by simply pursuing profit. You agree and so do I. But what I'm talking about here is the requirement for you to be, while in business mode, a good, worthy and responsible custodian for the resources God has given you. This includes people and relationships, natural resources, and of course money. In fact, it is a natural law that the degree to which you receive, utilize and benefit from all that God has given you is directly, precisely and perfectly proportionate to the degree to which you are a good, worthy and responsible custodian for these very same resources. God and our world will not give you more than you are responsible for. In fact, God and the world will take away from you that which you do not take care of. The good news is that all that you desire is already laid out in front of you. You simply must be

responsible for that which you desire and it shall be yours to enjoy! I would reread these last few sentences if I were you.

If you are interested in learning more:

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AND

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IV Life in the Trenches

FIRE!

Sometimes life has a lot of irony in it, and sometimes it can be humorous even within the context of what would normally be considered a not-so-humorous situation. My wife and her business partner were trying to get a new business of theirs off the ground. In their effort to get publicity, they had a rather larger banner created that was to be hung from an existing business sign frame in front of the building from which they rented office space. It was on a busy road named Mt. Royal Boulevard.

Almost directly across the street was the local fire company. Since we knew some of the local firemen from different companies in the area we asked if they could be of assistance by using one of their ladder trucks to hoist one of their guys in the cherry picker and help secure the banner to the top of the sign frame. So far so good.

I was helping. The husband of Susan's partner was helping. We had our weekend warrior tool kits spread out in the grass. It was a beautiful Friday in September and rush hour was winding down. A lot of the guys from the fire company came over to shoot the breeze along with those who were helping us and a few curious neighbors. As you might imagine, the firemen had their radio transmitters turned on and strapped to their waists or shoulders. As a result all of bystanders were in easy

earshot of the goings on in the area in the way of fire and other emergency calls.

And that's when it happened.

Talk about an awkward moment. A fire call came out over the radios of all the local fire companies including the one we were with at that moment. I couldn't make out the details with all the static and other background noise but the firemen were used to that and were able to decipher the information.

One of the men asked another close by what the call was about. The second firemen said, "House fire, 3144 Sorento in the city."

3144 Sorento in the city? I owned a rental house at 3144 Sorento in the city. Now keep in mind, among all the people who were there and all around me, I was the only one who knew I owned this particular property. (Oh, they knew I owned a lot of rentals but of course didn't know the specific addresses.) So even though I was surrounded by people I felt very much alone – for the moment.

Within a minute, my Property Manager called to tell me one of my houses was on fire. I told her I was well aware, and she wanted to know how in the hell I knew, when she had only just gotten the call from the local police. You see, the Property Manager got all of the calls, not me – one of the benefits of having a Property Manager. After reviewing what facts we had available to us at the time, we determined the Property Manager would go to

the property since I was already surrounded by firemen, while she lived only a few minutes away.

When she arrived at the house, the local news crews were already there. Just my luck, a really slow news day. The Property Manager knew to keep a low profile and not allow the press to get her in their clutches (at least until all the facts were gathered).

I was fortunate enough that she was able to get close enough to the reporter who was interviewing my tenants. During this time, she overheard and saw some pretty revealing dialogue and gestures. The tenants consisted of a husband, wife and three small boys – an infant, a three year old and an eight year old. The mother was being interviewed at the time and she was singing like a bird. Meanwhile the husband was tugging on her arm and trying to shut her up!

What the Property Manager gathered was that the three boys had all been upstairs in the parents' bedroom while their mother was downstairs in the kitchen talking on the phone. The mother heard one smoke detector sound and she called upstairs. It just sounded to her like the boys were rough housing, so she yelled for them to settle down. Then a second smoke detector sounded and at that point she ended her phone call and ran upstairs to find smoke billowing out of her room. The three boys had already found their way to the hallway. She grabbed them, ran downstairs and out the back door, then called 911.

When asked how it all began she informed the reporter – and hence all of Pittsburgh – that her eight year old had climbed up the entertainment center in her room to grab a cigarette lighter that was on the top shelf.

The first moment of grace and mercy was that the entertainment center hadn't toppled over and caused great harm to the eight year old and potentially the other boys too. Feeling lucky and a little mischievous, I guess, the eight year old proceeded to light the nearest curtain on fire to see what would happen.

The curtain went up in flames quickly, fell out of its rings and dropped to the floor, where it caught the carpet on fire and spread to the other curtain and of course any other combustible article in its path.

Fire spreads fast and the resulting smoke is not like the white smoke of a campfire. Oh no. This smoke is thick and black. In fact, in a lot of house fires, most of the damage is from the smoke and the water used to put out the fire, and not from the flames themselves.

By the time the fire company arrived, the fire had spread through the second floor. The house is on a hill so one truck was on the low side and the other was on the high side. A larger ladder truck with the cherry picker elevated two firemen to the rooftop where they proceeded to rip through the brand new roof I had just put on, with their axes. This was so they could stick the fire hose in there and saturate absolutely everything. They also ripped out a couple of new windows.

When it was all over, the tenants were not able to salvage any personal belongings. Everything was damaged by the smoke and ultimately the water. The Salvation Army put the family up in a temporary shelter and gave them vouchers for clothing.

The house was still standing but needed a major rehab to be put back into service. It would be a few months at least.

The insurance adjuster came out the following day and confirmed that the fire was caused by the eight-year-old boy. He also gave an estimate of \$80,000 for the restoration. My insurance policy would cover it. However, I informed the insurance company that because I was in the real estate business and owned a lot of properties that, other than the initial treatment for smoke and a few other specialized efforts performed by specially trained technicians, I was able to have my guy do the remodeling at a much lower cost than their estimate called for. They allowed me to do that and pay myself a 10% general contractor fee – but not profit in any other way. It was a win-win for everyone and the insurance company saved a lot of money.

Upon completion I had a more valuable home and was able to charge more rent. I eventually sold the house for a tidy profit, partly due to the remodeling work that would not have occurred if it had not been for the fire.

Last but not least, not a single soul was lost or injured in what is usually deemed a very bad experience.

A Little Humor

Not all human drama stories are bad. Some can be a little funny.

About one year after I bought 205 S. Ohio, I got a call from the second floor tenant complaining about the first floor tenant. I learned to usually ignore the first call from one tenant about another. They often worked it out themselves and whenever I did get involved I usually regretted it. (For the record, I don't recall ever regretting having ignored the first phone call from one tenant complaining about another one. Please keep in mind that what I am referring to here has to do with my own tenants' relationship to one another. Not one of my tenants with a non-tenant neighbor.)

The next day the second floor tenant called again to complain about the first floor tenant. He sounded a little more serious this time and said that other neighbors were upset and were considering calling the police.

I thought I should gather a little intel on the situation at that point. I called the second floor tenant back and got his voicemail. I left a message and decided to call the local police to see if there had been any complaints filed against my building or my tenants. I was informed that a few of the neighbors had in fact called to complain about the guy on the first floor hanging around in the nude. I assumed they meant that he was in his apartment and just happened to have the shades up so people could see inside. "No big deal," I thought. But I also decided to do a drive-by to see if it was a real problem, and perhaps

instruct the first floor tenant to close the blinds or put some clothes on.

Well, wouldn't you know that as I approached the building my first floor tenant just happened to be sitting outside on the front steps leading up to the front porch. Good, that would make it easy for me to strike up a conversation about a somewhat awkward subject.

As I approached, it became obvious there was a bigger problem there. He was buck-naked outside on the front steps.

Okay now. Did I deserve this? Was this some kind of a joke? I didn't sign up for dealing with middle-aged nude people who look like what they're wearing – nothing – needs to be ironed. Baseball cap on and smoking a cigarette.

I asked him what the H@#% he was doing sitting out front with no clothes on so that everyone could see. He answered by telling me that he had a right to do as he pleased and if others were offended that was their problem and not his. He wasn't doing anything to anybody.

I kept my cool and refrained from laughing. I explained to him that he was sitting on the front steps – the only way to get into the building – and that other than violating some very obvious public nudity laws, some people were just downright disgusted.

He was actually in the way of anyone from the second or third floor being able to get to their apartments without

having to pass right by him, thus being privy to his privates!

He rebutted by saying that his privates were kept between his legs, and with his knees drawn together no one could see anything.

Now I was going from amused to disturbed. I actually had to tell the man that even though he had his knees drawn together that by-passers had absolutely no problem observing his family jewels from the side!

Of course, this had never occurred to him.

I told him that regardless of what he thought, I was prepared to file for eviction if I received a third complaint, or the local police fined me as the property owner due to nuisance complaints.

I never heard anything more on the subject.

I love crazy people. I had one elderly lady, 80+, who refused to cooperate on anything at any time. I actually grew to like her over time, but boy, she sure drove me nuts.

She used to climb this big maple tree in our front yard in order to trim branches that were growing too close to the porch roof. The neighbors would cringe every time they saw this. I used to tell her every time I saw her not to do it, because I would have to ask her to leave if she did it again.

She just said, “You’re not going to get rid of me, young man. I pay my rent on time.”

Darn it, the old girl had me right where she wanted me.

She didn’t have a computer and she didn’t even have a phone. Whenever she called she would go to a local pay phone and call from there and leave a message. Normally, she would write these encrypted letters that she put together from words she cut out of old magazines she got for free. She would tape them all onto a scrap piece of paper. The sentences took the form of old Western Union telegrams – something like “rent enclosed. STOP, tenants upstairs noisy. STOP, faucet leaking. STOP, thinking of kicking me out? STOP!”

I remember the first time I went to meet her to raise her rent. She met me at the door with her old lease from the old owner, which I did inherit, but was exercising my right to raise rents. Her copy of the lease form was totally butchered with all of her own cut and pasted words from magazines. It looked like a grade schooler’s project gone bad.

The really funny thing is that her former landlord, the lady I had bought the house from, was an attorney. The tenant had simply worn her down with her incessant banter about what the lawyer could and couldn’t do, so the previous owner just gave up.

The tenant’s deceased husband had been a college professor and the tenant herself was a very learned person.

Her husband may have been very smart academically, but he left her penniless. She had all of her worldly possessions, a whole household full, crammed into her apartment.

By the way, I did not get my rent raise. The tenant was “having none of that, young man,” and I went away with my tail tucked between my legs.

Before you judge me, I must tell you that the next time I went to raise rent, I was dealing with a pretty young lady named Dawn. I flirted with Dawn and Dawn flirted with me and I got my rent raise without any argument at all. Eat your heart out, guys.

Evictions

Note: I am not a lawyer. I am not telling you what to do here, or how to do it. I suggest that you seek the advice of an attorney. Now if you choose to read my thoughts on the matter then please continue to read further.

In spite of your best efforts to place the best tenants in your rental properties you will run into trouble every once in a while. You might as well accept it now because it will happen to all of you.

What matters is what you do and how you do it.

Actually, you always have to measure the what and the how against your Why – your Big Why.

For now, suffice it to say that this is a critical part of your business and you need to study the rules of the game. Remember, when you master the rules of the game, you master the game. Every state has its own Landlord/Tenant law. I wish I could tell you that they are all similar but they are not. New York is tough on owners and easy on tenants. Florida is easy on owners and tough on tenants. These are of course very general statements. I have lived most of my life in Virginia and Pennsylvania. You would think that Pennsylvania would be more tenant-friendly but actually it's Virginia.

It really doesn't matter. What matters is that you want to get your own set of your state's Landlord/Tenant Law. If you pay an attorney to do the legal work for you I still encourage you to get a copy of the law and study it.

A lot of mistakes that rental property owners make are because the owner made a technical error. In other words, the owner did what they believed was the right thing to do, when in fact it was the wrong thing to do in the eyes of the law.

Part of the Landlord/Tenant law describes the rules of the eviction process.

You have to know how late a tenant is in paying rent before you can file a complaint with the local court – usually a magistrate. It will also stipulate that you must provide a notice to the tenant that you will file a complaint if they don't pay their rent in a certain period of time – usually 10 days. It also provides for the possibility of a waiver of notice in your lease. This

means that if you have a waiver of notice clause in your lease, and if your tenant is late on the rent, you do not have to give them notice of your intent to file. You can simply file on the date where the required time has elapsed since the due date of the rent.

All rents should be due on the first of the month. Don't argue, just do it. I know people will move in on different days of the month. When that happens, have them pay a full month's rent anyway and have the last month in the lease be the month when they pay the prorated rent.

Once you have filed the Landlord/Tenant complaint with the local magistrate in the district where the property is located, the court will assign a hearing date for you and your tenant to appear and state your case. This is usually 1-2 weeks from the date you file. In that time you should continue to try to collect your rent. Time is money. You also want to make sure you have all your ducks in a row.

I know that you do because you have been a good property owner and you follow the rules of the game that you intend to win. Remember, you were not born to lose. You were born to win. You are a winner and if someone crosses you, use the rules and play your game. You may lose a battle here and there, but you will win the war.

Always keep things in perspective. For every bad tenant you will have 10 or 100 good ones. Honor the good. Prosecute the bad. God is on your side when you play with honor and integrity. You are bigger than this single negative experience. You will win and you will move forward and get a better tenant the next time, and you

will have learned another valuable lesson, further strengthening your aptitude and your attitude.

Assuming your tenant hasn't paid the rent you will meet them in court, if they even appear. They often do not. It's a losing battle for them. The only reason you may end up on the wrong end of a judgment is that you took a short cut or made an error. And you won't do that. I have never lost a Landlord/Tenant case – ever – in 27 years, hundreds of units, and thousands of tenants.

Oh, I had a few good challengers along the way. There are a lot of career tenants out there and they also study the law. They know all the loopholes. They may resort to trickery, lying or deceit. Most judges want these cases in and out quickly, and as long as you have your documentation in line and the tenant cannot prove they paid the rent, you will get the judgment in your favor. The tenant may put up a fuss, complaining that you're a lazy, no-good landlord and their apartment is a dump and should be condemned. How ironic. The judge had never heard that before. Imagine that. You upheld your end of the bargain. They didn't. And you're the jerk. Relax. The judge has heard it all before.

In the judgment you will get possession of your property and back rent. Now guess what. The judge doesn't go and get it for you. You have to do that. In the judgment, the tenant will have a period of time to cure the judgment – usually 10 days. If they don't, at the end of ten days you will have to go back to court and execute an order of judgment of possession. When you do that, the tenant will have more time to make good on their rent – usually

10 days. If they don't on the eleventh day a local constable, or sheriff in some localities, will post a notice at the property announcing the date of eviction. This is the date that the constable or sheriff will show up to remove the tenant(s). You must be there and change the locks. At that point the tenant cannot re-enter the premises or they could be charged with trespassing.

There are a lot of variables here. They may really have to be physically removed and leave all of their crap behind. You have to deal with all of that crap. There is no case law that describes how long you must hang on to all of that crap before you can dispose of it. Some judges say it is 7 days, some say 10 and some say 30. The bottom line is that you have to allow the evicted tenant some time to get their crap before you get rid of it. Make sure you get this timing from the judge! If you screw up here you open yourself up to more legal trouble. People can be very sensitive about their crap!

It is very rare that you have to go all the way through an eviction process. Usually tenants pay up in the first phase of the process. Those who don't often leave on their own. Of those who don't pay their rent and don't leave on their own, you have to experience one of the more distasteful events imaginable.

Bellevue Police Officer

Beware the wolf in lamb's clothes!

I admit it. I was fooled. I fell for the “my husband can’t be here, he’s a police officer and is on duty” routine. Oh, he was a Bellevue police officer alright. And he was in trouble. I just didn’t know it.

He and his wife and four children were needing a larger place because their fourth child had just arrived and they needed more bedrooms. Trouble started right away. Rent was late. Cell phone numbers were no longer any good. When we would go to the apartment we found only children, the oldest in high school. The youngest, a mere infant.

We had gone all the way to the end of the eviction process and I met the local constable at the apartment to do the deed. The children were all there. Once again, no parents and no heat either. The place was cold. We got the teenager out of bed, gave her a cell phone, and told her to start calling. She finally got a hold of their old old landlord who came over with his van to get the children.

Still no parents, the old landlord made some comment about, “What kind of America do we live in when we evict small children in the middle of the winter?” I must admit I had a moment of pause to question the scene. It was then that the constable retorted with, “What kind of America is it when people are allowed to have children then leave the children to fend for themselves in the cold?”

It turns out the father, the Bellevue police officer, had become addicted to crack. And there it is – my old nemesis, crack. I will not give up the fight. I will not give

in or walk away. I will do my part to beat this evil, one human at a time.

I hope you learn from this story that even if Mother Teresa shows up to rent one of your apartments you still must follow the rules and perform due diligence on her and any prospective tenant, regardless of who they are.

Death!

The Real Estate Rental business is a relationship business.

You will learn a lot about human nature and you will be part of a lot of human drama. Of your real estate holdings, you will also continue to experience more and more of the human drama that is part of life. And part of life is dying. People are born, they get new jobs, they get fired, they get married, they get divorced, they have babies, they buy houses, they grow old and they die.

Even though you have to run your properties as a business, you are part of people's lives whether you like it or not. As such you will need a little knowledge, wisdom, and guidance when experiencing the human drama and how to navigate your way through it and how it affects your business.

The first time experiencing any of these events can be a little trying on your patience and a test of your emotional intelligence. Perhaps the most uncomfortable life event

is the end of life itself (as far as we know in the earthly sense), that is, death.

In 2005, one of my favorite tenants died in her first floor rear apartment at 416 North Home Avenue. I really liked her, not just because she paid her rent on time and kept her apartment clean, but because she was such a nice, sweet person. And she made cookies for me!

I was at home in the evening when my Property Manager called to inform me that Evelyn had died. I was sad to hear the news and asked if the manager knew of any arrangements for a viewing and/or funeral. She said, “Not yet, because Evelyn is still in the apartment.”

That’s when I realized the weight of the moment. The coroner was at the apartment with the police and they had called my Property Manager.

One of Evelyn’s friends had become concerned because she hadn’t heard from her in a few days, so she decided to pay her a visit. When she arrived at the apartment she couldn’t get an answer to the front door. Thankfully, Evelyn lived on the first floor and so she had a kitchen door, too. Evelyn’s friend went to the back door and couldn’t get an answer there either.

Evelyn very rarely went anywhere, so her friend considered this unusual and decided to look in the windows. That’s when she saw Evelyn laying on the kitchen floor surrounded by what looked like a dark puddle. She grew frantic and started screaming which

prompted the second floor tenant to come to her kitchen door directly above Evelyn's to see what the matter was.

The second floor tenant called 911 and the local police were dispatched. They forced their way into the apartment and found Evelyn's body. After checking for vital signs and calling for the local EMT they secured the area. With a puddle of blood like that and an obvious head injury they thought there may have been foul play.

The EMT squad confirmed that Evelyn had been dead for a couple of days and called the coroner. The apartment was then quarantined until the coroner released it to access from others. Together, while all of these folks were there, they ruled out foul play.

From what they could see, Evelyn had fallen and struck her head on the corner of the stove which caused the injury and the blood flow. They further believed that she'd fallen because she had a stroke or heart attack. They don't believe she knew what hit her. I'm glad. She was a good woman and I believed that God called her home and she didn't suffer.

One of the challenges was that we had no next of kin to contact. Through some search and the help of the coroner's office, we were able to locate Evelyn's only child, a son.

He was very cooperative with us and everyone else. There are certain rules in place when it comes to landlord/tenant law in regard to the death of a tenant. The bottom line is that Evelyn's son had control of the

apartment for the moment. He had 30 days to gather his mother's belongings and hopefully clean and leave the apartment in good shape. He actually had everything done by the following weekend.

The other challenge is the cleanup of the scene of death. This isn't something that a regular cleaning should or would do. It is considered a bio-hazard. There are certain products and techniques used to properly clean a death scene, because there are bodily fluids involved. This needs to be taken seriously because a new tenant will eventually move in and you are obligated to provide a safe, clean, reliable property that is up to code.

We were lucky. The coroner could have kept the apartment unavailable for as long as he wanted. Then Evelyn's son could have taken much longer to do what he had to. Under the circumstances we could have asked her son to make up for lost rent and this is precisely where you must exercise your emotional intelligence and make decisions that are good for business and ones you can live with. One of my tests is: "What would I want to happen if my own mother were involved?" The answer to this question may be what guides you in your words and actions in a situation like this. I can't give you the answer. This is something you'll have to look inside yourself for and look to God for wisdom and guidance. I simply want to give you the parameters and allow you to be a little more prepared in advance for these events, especially death.

Acts of Charity!

As you grow your real estate holdings, you will also continue to experience more and more of the human drama.

These experiences will test your meddle, and more precisely they will test your will power as a business person and as a compassionate person. First and foremost, you are a member of the human race and as such you have certain obligations to your fellow man that sometimes transcend personal needs and wants. For example, if you see a child in need or in danger, it doesn't matter if the child is yours or not, you will feel an urge to help that child. If you don't then I question your conscience and you need to go away!

Several years ago, I rented a first floor 1-bedroom apartment to a young man named David. David was a good looking, clean cut, all-American guy, who was educated at Northwestern University. He was what I consider a slam dunk of an applicant.

The first few months of his tenancy went very well. He was always respectful and had a cute little girlfriend who usually stayed with him. So far so good. Then after a while David started paying his rent late. At first I gave him a mild but certain warning, and then he paid his rent. He stated that he had simply forgotten. Then it happened again and then again and again. And each time he paid later and later and he began to become distant with me.

Of course I smelled trouble. I would visit him and I noticed that his physical appearance started to deteriorate. I finally had enough and told him I was going to have to evict him. I tried to give him every chance I could.

On the day of the hearing, I met David in the lobby of the courtroom and we exchanged idle chatter for a few moments. Then out of concern and the lack of my ability to understand what just didn't seem reasonable, I asked David if there was something I just was not seeing, something I just didn't understand. That's when he hit me with the bomb shell. David informed me that he had become addicted to crack.

At first I was furious. You see, I had dealt with crack addiction and its devastating effects years before with my brother. I'd seen firsthand how this this addiction destroys individuals and families. More importantly, though, I had seen how the love of God and family and sheer will power and determination of one individual and his family could beat this scourge and rebuild a family.

My brother had been broken in every way a man can be broke. He lost his job. He lost his house. He lost his wife and daughter. He lost his car. He even lost his dog. He lost everything including his freedom. Then I saw the miraculous hand of God at work in my brother, in me and in all our family. My brother beat the 800-pound gorilla. He went on to earn a bachelor's degree in nursing from the University of Virginia, one of the finest schools in the nation.

Now get this. My brother was not a kid. He was in his thirties. He went on to work in the clinical psychology ward at UVA Hospital, serving those who had pre-existing psychological conditions combined with an addiction. He went on to help others through AA who were struggling like my brother had with his own addiction. Out of the destruction and devastation that addiction had brought upon his life, he rose from the rubble and gave tenfold, maybe a hundred or a thousand or more times to help others.

Now back to David.

The judge had called David and I to his chambers and we began to walk down the hallway. As we approached the judge's chambers, my anger and frustration turned to compassion. I remembered what my brother had gone through and I saw in David the same potential – for not only recovery from addiction, but for a beautiful life.

As we walked into the judge's chambers, the judge started in on his usual routine – having us stand, give the oath, and then sit. I already knew this judge and he was a known hard-ass on property owners and regardless of the circumstances always sided with the tenants. He was eventually relieved of his duties for being caught on film during court hours at a local bar getting drunk, fondling women and getting in fist fights. He brought shame to his family of three generations of judges.

Anyway, as we sat down I raised my hand and interrupted the judge. I asked David if I could tell the judge what he had told me in the lobby. David consented

and so I proceeded to tell the judge that David had informed me that he was addicted to crack and as a result had lost his job and the only money he had went to buy more crack. I then proceeded to ask the judge for leniency on David and to allow me a little time to help him.

I don't think I could duplicate the look on that judge's face if I wanted to! He was stunned and I'm sure thoroughly confused. Anybody else in the world would want their money! And I did too, but I saw an opportunity there to retrieve a soul right out of Satan's den and deliver David back to his family and the world of light and love.

The judge told me he would grant me possession of the apartment as a failsafe and would waive any other claims against David for 30 days while I tried to help David out of the mess he was in.

David and I walked out of that judge's office together, and I'm sure David was just as astonished as the judge. He probably figured that there wasn't anybody like me on the planet who would do such a thing. Little did he know of the promise to God I had made years before.

I told David to go home and pray while I figured out what I was going to do. After I had also prayed, I felt compelled to reach out to David's parents. You know the old saying: "The apple doesn't fall far from the tree?" I figured that David's parents were good people based on my first impression of David. I was right. I got David's

parent's home phone number from his rental application and I called them that afternoon.

His father answered and I introduced myself and told him the purpose of my call. After going over the events of the day and explaining that I felt called to help David and others just like him, David's father paused. Then he stated that he always knew there would be someone out there who would help them. He presumed, after what I had just told him, that I must be that person.

David's father then went on to tell me his son's history. David was in fact an awesome kid, shy, very intelligent, sweet and compassionate. His father told me how when he'd gone away to college they were proud of him but worried that he was so far from home, and that he might not be able to resist temptation on his own.

He did in fact begin to use crack while in college. They had tried numerous treatment programs but none had made any real or permanent change for David. They would get him clean, then he would fall back into the same or a similar crowd and begin using again.

You see, crack isn't something you try once. I believe it is the most addictive drug and perhaps the worst drug scourge to hit the human race – even more so than heroin.

I mentioned a few programs I was familiar with. His parents were familiar with some of the same. They had a few others and one in particular was very expensive and supposed to be the be-all and end-all... and even that hadn't worked.

They had burned through an incredible amount of money, and even though they sometimes felt like giving up, they just couldn't.

I told them the story of my brother and had a suggestion. I called my brother and asked him to come to Pittsburgh to help me help this young man. Just like with my own brother's situation, I didn't know exactly what I was going to do, but I simply allowed myself to be led by God.

David's parents agreed to meet me at their son's apartment with David and my brother. We met the following Saturday and right there in the kitchen of my little apartment (that David was now moving out of), David and I had a heart to heart talk.

I told him that I knew we were dealing with the drug and not him. I also knew that even though the drug had taken over his body and mind, the light of his Spirit still shined. I could detect a little flame in his eyes. I told him I knew the real David was in there. I told him that it was his Spirit that we would work with, and not give any credit to the drug for anything.

I told him about my brother and that we were there to help and see him through to the other side of recovery. No matter what. I was not born to lose. I was born to win. I knew that we were in a tough fight and that we would win because God was on our side, and God was looking out for all of us.

Just like with my brother, I did not fear the drug and the evil that was behind it. Our Heavenly Father did not make us weak. He made us strong. Our strength comes from Him. Defeat is not an option. I think David got the point that I was determined and that I wasn't going anywhere until we had succeeded.

David went home with his parents and we stayed in touch throughout his recovery.

About a year later, David was in the final step of the AA recovery program. Good timing and good fortune too. My fellow scout leaders and I were looking for someone who could come speak to our boy scouts about drug abuse and its devastating consequences. I suggested David and told them his story. They were a little nervous. They just wanted someone to talk about pot and booze. Crack and all that went with it might be a little extreme for our Boy Scouts. But they did agree to hear David, first just among the adults, so I arranged for David to come see us and talk to us.

About ten adults sat around in a semi-circle while David spoke. Man, you should have seen these guys... sitting on the edge of their seats, leaning forward, wide-eyed and totally subdued by what David was telling them. Some of the adults were speechless.

The ones who regained their composure and did speak, gave David their heartfelt thanks and praise for what he was able to convey in his talk. It was unanimous. David was to come to the next scout meeting to speak to our boys.

I set out to implement a marketing campaign to not only have all of the scouts there, but their parents too. This was going to be amazing. And it was.

The next week, David came to speak to our boys. It was a full house.

All the guys sat in a circle around David. Now keep in mind, David was one of them. He was young and looked even younger. A man in his 50's would not have had the same connection with these boys.

When David started speaking, the whole room went silent. He commanded attention not by his words but by his presence. I never saw so many teenage boys sit so still and so quiet for so long. You could have heard a pin drop. Their eyes were glued on David and so were their parents'.

We had done a really good thing. David had done a really good thing. The meeting ran on much longer than usual. The boys were filled with questions for David – real life questions. I was never so proud of my scouts. And I was immensely proud of David.

My brother and I both knew what David had been through, what it took to reach where he was today, and what remained ahead for him. He would go on to help many more people in his life. David had a true gift to share with others and it is God's intention for him to do so.

Oh, one more thing. David has a pathological stutter. Imagine that.

Acts of God!

Every once in a while something happens that changes the way you see the world.

In September 2004, my wife Susan and I were going to Chicago for the weekend for a much needed reprieve from the hustle and bustle and to celebrate our 16th wedding anniversary. When we left Pittsburgh that Friday afternoon there was a little rain coming down. In fact, it had been sunny earlier in the day. The forecast was for maybe an inch or so.

After our flight landed and we made our way to our condo, Susan turned on the news. There was nothing startling and only a brief mention of heavy rain in Pittsburgh.

Within a moment I decided to turn on my cell phone which had been off during the flight. I discovered a voicemail from Roger, one of my maintenance men. He left a very brief message and in an excited voice said, “Hey Gary, the Blarney Stone is under water up to the awning. You better check 49 Grant.” And that was it. I couldn’t imagine what was going on.

I decided to call one of my tenants, Jessica, who lived on the 2nd floor of 49 Grant. She didn’t answer so I called her place of employment, the North Park Club House Lounge. Whoever answered hung up immediately, so I called back and as soon as he answered I said, “Don’t hang up. I’m Gary Wilson. I am Jessica’s landlord. I’m

in Chicago and need to find out what is going on with her apartment in Etna.”

The excited voice on the other end of the phone said, “Etna? Etna’s underwater. There’s water coming in the back here and *I gotta go!*” and hung up.

Pretty soon no calls were going in or out of Pittsburgh due to the overload on the land and cell phone networks. I could do nothing. No other tenants could contact me because they couldn’t get calls out. The news in Chicago was not very informative.

Imagine how the weekend for Susan and I was going to go. We decided to go ahead and stick with our plans to fly back on Sunday. Even if we wanted to go back the next day, it wouldn’t have mattered. The National Guard had locked down Etna and every other little township and borough that got flooded.

It turns out that this was one of those freak meteorological events that occurs every 500 years. Two weeks prior, the remnants of a hurricane from the Gulf of Mexico had made its way up the Ohio Valley and dumped a lot of water on Western Pennsylvania. There was enough other rain in the intervening weeks to keep the ground saturated. On this particular Friday, the remnants of another hurricane was following the exact same path up the Ohio Valley and passing right over Pittsburgh – dumping about an inch of rain.

Had Mother Nature stopped there, I might not be writing this particular part of the book. However, Mother Nature

had more in store for the Steel City. Some very powerful thunderstorms popped up in the late summer humidity and dumped a mother-load of rain in a very short period of time right on top of Pittsburgh – and that was the water that broke the proverbial dam.

The Allegheny and Ohio Rivers overflowed their banks and into several small and struggling little boroughs and townships. It was disastrous for an area that was already struggling financially.

Millvale, right next to Etna, had just finished revitalizing its downtown business area utilizing government grant money. It looked great. But now it was all under water. What a waste. Some of the local small businesses gave up and moved on. Some of them had been there in the late '80s when a similar flooding event occurred. In any case, many of them had lost everything.

Susan and I flew back to Pittsburgh Sunday afternoon. Flying over Ohio and closer to Pittsburgh, we could see how flooded it was. The Ohio River is formed by the convergence of the Allegheny and Monongahela Rivers (and according to some, another underground river) at what is known as “The Point” in Pittsburgh – hence the term Three Rivers. We began to see farmers’ fields that had flooded, then felled trees floating down the river and then more debris – pieces and parts of sheds and porches and trash cans and all kinds of stuff that filled the river from bank to bank.

When we flew over Mt. Washington and “The Point” came into view, the sight hit us right between the eyes.

Sitting in and around the basin that forms the famous fountain were large boats – speedboats, houseboats, you name it. The river was still swollen, and you could see hundreds of boats torn away from their moorings upstream had converged and were clogging the rivers where the bridges and The Point are. It was like something only Hollywood special effects could come up with.

All we could hear on the plane were gasps and cries of disbelief.

We finally landed and made our way home. On the way past Millvale and Etna, travelling north on Rt. 28, we could see our way up into the boroughs and partially see the real damage. It was only the beginning.

I woke up while it was still dark outside on Monday morning. As you might imagine, I hadn't sleep too much. Keep in mind, because of congestion on the phone networks, I still hadn't spoken to my tenants in Millvale or Etna. So, I dressed in work clothes and boots, loaded every tool I could into my trusty 4-wheel drive, 4-door Toyota Tacoma and prepared for the unimaginable.

At the last minute, I decided to pack the deeds to all of my properties in Millvale and Etna. I didn't know why. It was just intuition. And it was a good thing I did.

When I got to Etna the National Guard was not letting anybody in except emergency crews, verified relief agencies, and finally, property owners. It was the first day that they were letting property owners back in.

The first house I went to was 48 Cherry Street, a 3-unit building and what I believed was the lowest lying property in Etna. It was also where my longtime and most favorite tenant – the elderly Italian mother of 100 and grandmother of 1,000 – Virginia Miles, lived. I loved that woman. Every time I would go to work on her apartment she would fatten my skinny butt up with her homemade cooking! She had a dog I titled “the hairy watermelon.” She fed that dog human food, so much that his belly dragged on the ground when he walked!

When I walked up the front steps I could hear a lot of commotion. There were a handful of Shaler area school teachers who had volunteered to help local citizens in the school district who had been impacted by the flooding. I knew a few of them and they all knew my two children Annie and Andrew.

What I saw next was heart breaking. The water had just made it to the first floor – Virginia’s apartment. The flooring was destroyed. The worst part though was the fact that the basement had been completely submerged. Those teachers were doing their best to haul out (by sheer brute force) several old refrigerators and freezers. What made it more difficult was that the basement steps had been knocked off their footing when the big (floating) appliances had bashed into them during the flooding. Everything in there, Christmas decorations, old collectables, clothes, toys, had been destroyed. Virginia kept her head and was a positive influence on everyone there who otherwise would have been in tears.

My plan that day was to assess the damage in all my properties and get them back up and running ASAP. Three had flooded as a direct result of the overflowing rivers. A few more had sewage backing up into the basements (even though one of them was a few hundred feet uphill) due to the sewage system being overwhelmed. In all, I had 12 tenants uprooted.

Turns out GOD had a different plan.

On that first day, it became obvious that I wasn't going to be repairing or replacing any electric panels, furnaces, water tanks, flooring or walls – or anything else for that matter. I called in Roger who agreed to work for free just to help these folks. We worked until sunset. We had to stop at that point because those areas had no water or gas or electric service. The utilities had all been shut down for safety reasons.

Around dinnertime I called Susan to tell her I wouldn't be home until after sundown. Those folks simply needed all the help they could get.

Leaving my tenants and all of the citizens of Etna and Millvale that night was more than I could bear. I was going home to a beautiful house with a beautiful family, virtually unaffected by the mayhem, and leaving those poor, desolate folks alone in the dark with no electricity or water or functioning toilets.

Mercifully, Mother Nature blessed us all with a few weeks of beautiful weather in which to work. I thanked

God Almighty for all that I had, and vowed to do everything I could to help those people.

I went back every day for the next several days. The first few days we helped as many people as we could to salvage any belongings we thought could be saved. Gradually more and more people were cleared to help, like folks from churches near and far.

On Wednesday, I ran into a pastor of a church from my in-laws' hometown. He was sitting on the front steps of a neighboring property and wiping mud from 100-year-old photos of the elderly resident who lived there. We introduced ourselves and looked at the photos, and then back at the poor old women who had been wearing the same clothes for 5 days now, covered in mud. We both looked back at each other and started crying. This was ground zero. Electric panels and water tanks didn't matter at this point. In the beautiful mid-day sunshine, in Etna, Pennsylvania, on that particular Wednesday in September 2004, what mattered most was the call to help from thousands of innocent folks who had lost their precious sentimental belongings – and whose lives had changed forever.

I managed to repair or replace everything that had to be addressed eventually. I got every unit ready to reoccupy and inspected for clearance. I got all the units reoccupied as well. You know, what still amazes me to this day is that I lost only two tenants. One was young and only taking care of herself. The other was paraplegic and needed immediate facilities. Everyone else came back.

I got some of the best Christmas cards ever that year. Every one of my tenants told me the reason they came back was because of me. It wasn't the apartment. It was because they appreciated how much I had cared for them in their time of need.

My life has been blessed a hundred-fold as a result of that natural disaster and the opportunity it gave me to answer God's calling and just help my tenants and the other citizens of Etna, Millvale, and Sharpsburg, Pennsylvania. Susan and I had to curb our lifestyle as a result. You see, I had retired from the corporate world the year before (at the ripe old age of 40). We had no other source of income... but today I am a rich man in many more ways than a big bank account. What many other folks consider a very negative event I see as a blessing.

In the end, everything turned out alright, and even today, tenants I haven't rented to for a decade still stop me in the grocery store to give me a hug and tell me how much they miss me.

* * *

I decided to close this book with the flooding story because I want you to assess who you are and where you are right now. Is what you are doing aligned with God's intention for your life?

This has nothing to do with what you *do*. It has everything to do with *how you do it* and more importantly, *why you do it*. I suggest looking at yourself

in the mirror and asking some deep probing questions. Can you serve your fellow man in the activities you are currently engaged in?

As a result of my real estate investing, I have built a successful Real Estate Brokerage Company named Win Realty Advisors. I have built a successful Property Management Company named Win Rental Management. I have built a Title company named Win Settlement Services. Through it all, and as a result of my business ventures, I have started and shared in more friendships than I can count. I seek to serve first before being served – and as a result I believe I am one of the most fortunate men in the world. As the Famous Zig Ziglar taught us, “Help as many people as you can to get what they want, and as a result you will get plenty of what you want.”

I hope you can see now, after reading this, that you can do many things to improve your odds of experiencing the pleasure of profiting... without the pain... with your rental properties.

I will tell you that if this book puts a little fear or anxiety in you, then remember you can do what I eventually did and turn the daily responsibilities over to a professional property manager. In fact, I created my own property management company and started offering property management services to other investors just like you. I named it Win Rental Management because, with the policies and procedures I developed, it results in more deposits and more rents being collected, and reduced expenses... so everybody wins.

May God bless you, your family and friends and your business ventures in peace and prosperity.

Need more advanced help?

Visit www.myinvestmentservices.com/work-with-me

and get a FREE 1-on-1 private coaching session.

Think you've got what it takes and need just 1 hour with the Guru to get to the next level?

Visit www.myinvestmentservices.com/work-with-me

PLUS you will also get a FREE Blueprint for your business!

V Appendix

Policies and Procedures for Managing Your Own Rental Properties

WIN RENTAL MANAGEMENT POLICY & PROCEDURES

Unrented Units

Complaints

Security Deposit/Escrow Account

Maintenance Calls

Signing Out Keys – Agents

Signing Out Keys

Lease Renewals

Move Out Services/Walk-Through Sheet

Occupancy Permits

Advertisement of Vacancies

Filing Judgments/Evictions

Rental/Utilities Collections

WIN RENTAL MANAGEMENT POLICY & PROCEDURES

UNRENTED UNITS

POLICY: Win Rental Management screens and places new tenants into vacant units.

GOAL: To rent vacant units in an effective timeframe

PROCEDURE:

1. Assess any units that are not rented in one month.
2. Get feedback from person showing the unit.
3. Contact owner with any suggests to improve property.
4. Make improvements as necessary. (As approved by owner)
5. If property does not rent within 3 months from the date it was marketed, Win Rental Management will charge the owner only $\frac{1}{2}$ of the first month's rent instead of the full month's rent for renting the unit.

NOTE: Remember location, condition of property, and seasonal limitations are also determining factors when a unit does not rent quickly. Win Rental Management cannot be legally liable for any rents while unit is vacant.

NOTE: Owner does not pay any management fees while unit is vacant.

WIN RENTAL MANAGEMENT POLICY & PROCEDURES

COMPLAINTS

POLICY: Win Rental Management will promptly address any issues and/or concerns.

GOAL: To effectively address any complaints and/or concerns

PROCEDURE: When Win Rental Management receives a complaint and/or concern by mail or by phone:

1. The Win Rental Management staff member tries to handle the situation.
2. If the staff member was unable to resolve the situation they would go the Operations Manager.
3. The Operations Manager will go over the situation and either:
 - a) Advise the staff member on how to address the situation
 - b) Address the situation personally
 - c) Consult with the Broker

WIN RENTAL MANAGEMENT POLICY & PROCEDURES

SECURITY DEPOSIT/ESCROW ACCOUNT

POLICY: All security deposits received from tenants are put into an escrow account as required by real estate licensing laws and regulations, until the termination of any lease. These are held at the following location:

First Commonwealth Bank, Central Office
Indiana, PA 15701

GOAL: To follow real estate licensing laws and regulations

PROCEDURE: Legally the tenant is to give a written 30-day notice when vacating the property. If a tenant does not comply, they forfeit their security deposit.

Once the property is vacant, Win Rental Management will complete a walk-through of the apartment or house that was rented.

If the property has been left in the same condition as when it was first rented (the move-in date), the tenant will receive their full security deposit back in the form of an escrow check within the state-allotted time of 30 days from the date on the walk-through form.

If there is any damage to the property (general cleaning, repairs, carpet cleaning, etc.), Win Rental Management will clean and or do repairs needed to make the apartment ready for the next tenant. This is deducted from the security deposit and the owner will receive the

remainder of the monies with written documentation of deductions.

If the tenant has not reimbursed Win Rental Management for prepaid utilities at this time, these will also be deducted from the security deposit.

***PLEASE SEE STATE RULES AND REGULATIONS FOR ESCROW ACCOUNTS**

WIN RENTAL MANAGEMENT POLICY & PROCEDURES

MAINTENANCE CALLS

POLICY: Win Rental Management receives maintenance calls and distributes to various sub-contractors.

GOAL: Completing maintenance calls in a timely and responsible manner

PROCEDURE: Tenant places maintenance call to Win Rental Management Team. A member of the Win Rental Management Team takes the calls and fills out a work order with the following: tenant's name, phone number, address, date, and description of issue.

The Owner of the property is contacted. If it is an emergency and we are unable to get in touch with the owner, the emergency service will be done and owner will be billed.

Maintenance calls are screened to make sure tenant is not responsible for the repair. Priority is assigned to work order based on the following: safety issue (security or personal harm), and whether the issue could cause further property damage.

Work order is assigned to sub-contractor based on field of specialty and possible response time.

Sub-contractor contacts tenant to set up an appointment to assess situation and/or make repairs.

Emergencies are fixed immediately.

* For maintenance and repairs greater than one month's rent, the sub-contractor will deal directly with the owner.

WIN RENTAL MANAGEMENT POLICY & PROCEDURES

SIGNING OUT KEYS – AGENTS

POLICY: Win Rental Management will provide keys to Agents for the purpose of showing properties for sale.

GOAL: To provide agents with keys to show properties that are for sale

PROCEDURE: Agent contacts Win Rental Management concerning keys.

Agent comes to the office at 100 Center Avenue to pick up keys.

Agent gives a member of the Win Rental management staff a driver's license and business card.

Win Rental Management staff member makes a copy of the driver's license and business card.

Win Rental Management signs keys out for the agent and gives agent the keys

Agent must return the keys the same day.

When keys are returned the Win Rental Management staff will shred the copy of the driver's license, and give the business card to Lori.

If keys are not returned to Win Rental Management office, the agent will be contacted by the staff.

WIN RENTAL MANAGEMENT POLICY & PROCEDURES

SIGNING OUT KEYS

POLICY: Win Rental Management will keep a set of keys for all properties for the purpose of access into units for emergencies, maintenance calls, etc.

GOAL: To provide workers with keys to the properties for emergencies, maintenance calls, etc.

PROCEDURE:

Win Rental Management notifies sub-contractor of maintenance issue.

Win Rental Management gives sub-contractor contact information for tenant.

Sub-contractor contacts tenant to set up appointment.

If tenant is unable to be home for the appointment set by the sub-contractor, the sub-contractor will contact Win Rental Management.

Sub-contractor will go to Win Rental Management office to pick up keys for unit.

The key closets are locked at all times. During regular business hours (8am-4pm), the receptionist at the front desk will have the key for the keys closets. Keys are then signed out by sub-contractor.

Sub-contractor must return the keys to the office that day and put in the key return box and sign the keys back in.

SUB-CONTRATOR MAY NOT KEEP KEYS
OVERNIGHT.

The Receptionist will then put the keys away and signs
them in as well.

*FAILURE TO RETURN and/or LOST keys will be at
the sub-contractor's expense.

WIN RENTAL MANAGEMENT POLICY & PROCEDURES

LEASE RENEWALS

POLICY: Win Rental Management will keep a log of lease renewals.

GOAL: To keep all leases updated and current

PROCEDURE: Win Rental Management will keep a log of when each tenant's lease expires.

Win Rental Management will contact the owner to see if they want to make changes to the lease.

Win Rental Management will contact the tenant 30-60 days before expiration of lease to set up appointment with tenant.

If owner requests changes we will notify tenant.

Win Rental Management will use state-approved lease and execute lease with tenant.

Win Rental Management will have Broker sign lease.

Win Rental Management will make one copy of lease for owner and one copy for tenant.

The original lease will remain at our office.

WIN RENTAL MANAGEMENT POLICY & PROCEDURES

MOVE OUT SERVICES

WALK-THROUGH SHEET

POLICY: Win Rental Management will walk through a unit after tenant has moved out and type up a walk-through sheet to be mailed to owner and tenant.

GOAL: To perform walk-through and send security deposit

PROCEDURE: Tenant gives Win Rental Management a 30-day written notice informing us of intent to move out.

Win Rental Management informs owner of notice.

When tenant moves, Win Rental Management does an inspection of the unit.

The results are recorded and the owner is notified.

If repairs need to be done, we ask the owner who will be doing the work.

The owner is to contact us when the work is completed.

We check with the billing department to see if tenant had an outstanding balance.

The results are typed up and given to the billing department.

If a security deposit is to be returned to tenant it must be within 30 days. If the tenant does not get the deposit back, the monies will be sent to the owner.

When the unit is ready, it will be advertised.

WIN RENTAL MANAGEMENT POLICY & PROCEDURES

OCCUPANCY PERMITS

POLICY: Win Rental Management will fill out Occupancy Permits according to Borough and local laws.

GOAL: To provide local boroughs with contact information for tenants

PROCEDURE: Win Rental Management staff will contact borough to get a copy of the form.

Owner must pay any fees that are associated with the permits.

Win Rental Management will fill out the form and send it into the borough.

Win Rental Management will contact owner with any questions and/or assistance.

WIN RENTAL MANAGEMENT POLICY & PROCEDURES

ADVERTISEMENT OF VACANIES

POLICY: Win Rental Management will advertise a vacant unit to acquire potential tenants.

GOAL: To advertise vacant units when ready to be shown

PROCEDURE: (NOTE: UNIT MUST BE COMPLETELY DONE TO ADVERTISE OR SHOW)

Win Rental Management staff has Owner fill out Rental Unit Information sheet.

Win Rental Management staff walks through unit to ensure unit is ready to be shown.

If any issues are found, Win Rental Management will contact owner to have issues corrected before advertising unit.

Win Rental Management will place an ad on Craig's List and post outlets.

The ad will be posted twice a week.

Win Rental Management takes calls from potential tenants.

All calls and/or e-mails will be returned within 24 hours.

WIN RENTAL MANAGEMENT POLICY & PROCEDURES

FILING JUDGMENTS/EVICTIONS

POLICY: To collect past due rents and/or utilities from tenants.

GOAL: To collect all rent/utilities monies owed to the owner from tenants.

PROCEDURE: When Win Rental Management and/or Owner have made decision, a Landlord and a member of the Win Rental Management Team fills out Tenant Complaint. The Owner is responsible for paying the fee.

***NOTE:** Lease must first be checked to make sure it waives the 15-day notice posted on property.

The form is then mailed in or taken to the local Magisterial District Court. The court will then schedule a date for the hearing and send Win Rental Management and the Tenant the date and time of the hearing.

A member of the Win Rental Management Team will go to the hearing with all documentation and represent the owner.

All information is presented to the Judge.

The Judge makes the final decision and mails to Win Rental Management and the tenant.

According to the decision of the Judge, the account is adjusted and/or the tenant has 10 days to pay the balance. If tenant did not pay balance, on the 11th day, Win Rental

Management files for possession. The owner is responsible for the expense.

If the tenant files an appeal, the case then goes downtown. Win Rental Management Team will recommend an Attorney for the appeal at Owner's expense. We will then have a sub-contractor contact the Constable to set up an appointment for the eviction and change the locks.

If the tenant still has personal belongings in the unit, they are given a 72-hour notice to contact the sub-contractor to retrieve their belongings.

If the belongings are not claimed, they will be disposed.

WIN RENTAL MANAGEMENT POLICY & PROCEDURES

RENTAL/UTILITIES COLLECTIONS

POLICY: The collecting of unpaid rents and utilities.

GOAL: To ensure that all rents and utilities are paid by tenants on time

PROCEDURE: All rents are due on the 1st of each month. A grace period is given until the 5th of the month according to lease.

Any rent payments that are received after the 5th of the month will have a \$50 late fee applied to tenant's account, which Win Rental Management keeps.

On the 6th of the month a list of non-payers is written up by the Billing Department.

On the 7th of the month all non-payers are sent a Notice of Overdue rent by the Billing Department.

On the 10th of the month a Notice to Quit is sent to non-payers by the Billing Department.

The Billing Department also calls each tenant with any past due balances to collect.

The Billing Department contacts the owner of the property by the 15th of each month if the tenants are not current with any monies due.

The Management Team and Owner will then make the decision to take tenant to court for non-payment.

Win Rental Management will file in court on behalf of the owner at owner's expense.

PLEASE SEE FILING JUDGMENTS AND EVICTION POLICY & PROCEDURE FOR FURTHER INFORMATION.

Suggested Reading:

James Allen, *As a Man Thinketh*, Tribeca Books, 2011.

Robert G. Allen, *Creating Wealth: Retire in Ten Years Using Allen's Seven Principles*, Free Press, 2011.

Robert G. Allen, *Nothing Down for the 2000s: Dynamic New Wealth Strategies in Real Estate*, Free Press, 2004.

Rhonda Byrne, *The Secret*, Atria Books, 2006.

Michael Corbett, *Find It, Fix It, Flip It: Make Millions in Real Estate – One House at a Time*, Plume, 2006.

Jack Cummings, *Real Estate Finance and Investment Manual*, Wiley, 2008.

Napoleon Hill and Arthur R. Pell, *Think and Grow Rich*, Tarcher, 2005.

Anthony Hoffman, *How to Negotiate Successfully in Real Estate*, Simon & Schuster, 1984.

Robert Kiyosaki, *Rich Dad Poor Dad: What the Rich Teach Their Kids About Money That the Poor and Middle Class Do Not!* Warner Business Books, 1997.

Robert Kiyosaki, *You Can Choose to be Rich*, 12-CD audio series with three books, 2003.

Ron LeGrand, *How to Be a Quick Turn Real Estate Millionaire: Make Fast Cash With No Money, Credit, or Previous Experience*, Kaplan, 2004.

Ron LeGrand, *Ron LeGrand's Cash Flow Systems Course: For Sale By Owner*. www.ronlegrand.com

Martin J. Miles, *Vest-Pocket Real Estate Advisor*, Prentice Hall, 1990.

Frank McKinney, *Burst This!: Frank McKinney's Bubble Proof Real Estate Strategies*, HCI, 2009.

Frank McKinney, *Frank McKinney's Maverick Approach to Real Estate Success: How You Can Go From a \$50,000 Fixer Upper to a \$100 Million Mansion*, Wiley, 2005.

Anthony Robbins, <http://www.tonyrobbins.com/products/>

Carleton Sheets, *No Down Payment*, Home Study Course, <http://www.carletonsheets.com>

Robert Shemin, *Secrets of a Millionaire Real Estate Investor*, Kaplan Business, 2000.

Robert Shemin, *Secrets of a Millionaire Landlord*, Kaplan Business, 2001.

Russ Whitney, *Building Wealth: Achieving Personal and Financial Success in Real Estate and Business Without Money, Credit, or Luck*, Touchstone, 2006.

Lessons Learned:

Use this space to summarize what you have learned:

Definition of Terms

Abstract of Title: A summarized history of the title of real property listing rights and liabilities such as easements, mortgages, liens, and transfers of title. The abstract gives evidence of the chain of title and whether or not the title is clear.

Acceleration Clause: A clause in a mortgage that provides, at the option of the lender, the entire unpaid balance of the note would be due immediately upon failure to make a required payment or upon the sale of the property. In the latter case it is known as a due-on-sale acceleration clause. Usually it is found in paragraph 17 of a mortgage.

Accretion: The gradual buildup of soil by water.

Accrued Interest: Accumulated interest earned or due but not yet paid.

Acknowledgment: Legal declaration before a notary or duly authorized officer of a jurisdiction that the one signing an instrument is who he or she claims to be.

Acre: A quantity of land equal to 43,560 square feet. (For example, a square 208.7' x 208.7' or a rectangle 100' x 436.5').

Adjusted Cost Basis: For accounting purposes, the original cost plus improvements minus depreciation or cost recovery taken.

Ad Valorem: A measure of worth based on the value of something. For example, real property taxes calculated on the market value of the property.

After Tax Cash Flow: Effective gross income minus operating expenses and debt service plus or minus any tax savings or tax liability. (Also known as net spendable income.)

Agency: A relationship of trust whereby one party, the principal, entrusts another party, the agent, to act in his or her behalf and to represent him or her in doing business with other parties.

All Inclusive Trust Deed: The borrower obtains a new mortgage which is structured to include the old mortgage. The borrower makes payments on the new mortgage directly to the lender, who makes payments on the old first mortgage. (Also known as a Wrap-Around Mortgage.)

Amortization: The reduction of debt over a fixed term on an installment basis.

Amortized Loan: A loan in which the principal as well as the interest is payable in monthly or other periodic installments over the term of the loan.

Annuity: A payment of equal installments paid periodically for a given number of periods.

Appraisal: An estimation of value of real property as of the present or past date (not future). Any of three methods are used where applicable: cost approach, income approach, and market data approach.

Appraiser: A disinterested party who evaluates a property and determines a value for it.

Appreciation: Growth in value.

Appurtenance: Anything attached to the land which becomes a part of the property. A fence would be an example.

Arrears: The payment of money after the fact. Interest or taxes paid in arrears would represent money paid for a period of time gone by.

Asking Price: The price an appraiser has determined for a property and the price for which it is on the market.

Assessed Value: The value placed on the property by the taxing body of a county. This value is then used as a basis for computing taxes.

Assessments: A tax charge against real property by the taxing body of a county.

Asset: Any possession of value that an individual owns which may be used for payment of a debt.

Assign: To transfer one's rights in a bond, mortgage, lease, or other legal instrument to another person.

Assumption of Mortgage: To expressly take responsibility for the payment of a note secured by an existing mortgage on real property, thereby becoming a co-guarantor of that note.

Attorney at Law: A person licensed to practice law.

Balance Sheet: A financial statement showing assets, liabilities, and net worth.

Balloon Payment: A large final payment due on a note, usually after partial amortization of the debt, through installment payments.

Bankruptcy: Proceedings against a debtor, who has been declared legally insolvent, to distribute the debtor's property among the creditors.

Bill of Sale: A document used to transfer title to personal property (chattel).

Bird-Dog: People who are on the lookout for properties that are for sale. Sometimes they earn a referral fee, if the property is purchased by an investor through their referrals.

Blanket Mortgage: One mortgage that covers several different parcels of real property.

Blended Interest Rate: The interest rate resulting from half the difference of the interest rate originally written for the mortgage and the current market rate of interest. Generally, when loans are not assumable,

asking the bank to rewrite the mortgage at a blended interest rate is the next best thing.

Boiler Plate: Preprinted sections of a contract.

Bounds: Boundaries that are natural (lakes, trees, rocks, etc.) or artificial (roads, railroads, etc.).

Buyer's Broker: A broker who represents the *buyer* when entering a Real Estate transaction. Generally, the *seller* pays the broker's commission at the closing.

Capital: Money used for investing purposes.

Capital Gains: The profits realized above adjusted cost basis on the sale of property.

Cash Flow: Effective gross income minus operating expenses and debt service. (Also known as cash throw-off.)

Caveat Emptor: "Let the buyer beware." This statement does not apply where the buyer and seller are using an agent (broker).

Chattel: Personal property.

Chattel Mortgage: A mortgage on personal property.

Closing Date: A predetermined day that the transaction of buying/selling property will take place.

Collateral: Real or personal property pledged as security for repayment of a loan or debt.

Commission: Usually a percentage of the purchase price paid to the broker or agent for services rendered.

Common Law: Law that is not codified; developed from common usage and custom.

Competent Party: A person legally able to contract; being of legal age and sound mind.

Concessions: During negotiations, these are the items that each party is willing to give up in order to get the items each party really wants.

Condemnation: The process by which property of a private owner is taken, with or without consent, for the public use. Fair compensation must be paid.

Consideration: Something of value exchanged by a party to influence another party to enter in a contract.

Contingency: A possible event based on the happening of an uncertain future event.

Contract: A legal agreement entered by two or more parties which created an agreement to do or not to do something.

Contract for Deed: A contract for the sale of real property wherein the seller is obligated to provide a merchantable title after the buyer has paid for the property, usually in installments. (Also known as an Agreement for Deed or Land Contract.)

Contract for Purchase and Sale: An agreement between buyer and seller of real property to transfer

title to that property at a future time for a specific sum of money. (Also called a sales contract).

Conveyance: An instrument (deed) legally sufficient to transfer title to real property.

Cooperative: An apartment house or similar property owned, usually in corporate form, by all the tenants. Each has stock in the corporation which owns the building.

Cost Recovery: Formerly known as depreciation. A provision of the tax law that allows the owner of real and personal property to recover the cost of that property over a period of time specified by law. Cost recovery may be straight line or accelerated.

Counter Offer: A change in price or terms of an unacceptable offer.

Credit Bureau: An agency that compiles data on an individual's credit history and, upon request, distributes a report to potential creditors.

Credit Bureau Report: The compilation of an individual's credit history. Potential creditors may request a copy from a credit bureau.

Credit Limit: Generally found when dealing with credit cards, this is the maximum amount the card holder may charge to that account.

Creditor: The lender. The one to whom the debt is owed.

Cure Date: The last day given for bringing mortgage payments current at the beginning of the foreclosure process.

Dead Asset: An asset that an investor does not want; in the investor's eyes, it has no value.

Debt Service: The sum of the annual principal and interest payments expressed as a percentage of the amount owed.

Deed: An instrument conveying title to real property. It usually must be signed by the grantor (seller), witnessed by two persons, and recorded.

Default: Failure to discharge a duty or obligation.

Deficiency Judgment: A judgment rendered in court for the difference in the amount realized at a foreclosure sale and the amount owed by the mortgagor, if the foreclosure sale fails to completely liquidate or satisfy the debt.

Depreciation: (See Cost Recovery.)

Devise: Disposition of land or real property by will.

Discount: The percentage of the original balance of the loan that is charged to the borrower; sometimes referred to as points. Also, the difference between the selling price of a mortgage and the amount due.

Discounting a Note: The process of offering a promissory note for less than its face value to enhance marketability.

Distressed Property: A bargain property that is substantially below its present or projected renovated value.

Dower: The legal rights of a widow in her husband's estate. These rights have been abolished in many states.

Due on Sale Acceleration Clause: (See Acceleration Clause.)

Duplex: A two-family home where the units share a common wall and are situated side by side.

Earnest Money: A deposit of money given by a party to bind the contract, usually credited toward the sales price.

Easement: An interest held by one party in the real property of another, giving that person the legal rights to trespass on the other's property.

Effective Gross Income: The difference between the total gross income and the vacancy allowance.

Effective Interest: The interest rate the borrower actually pays as opposed to the nominal interest rate. The effective interest rate is made higher than the nominal rate by addition of points or discounting a loan.

Eminent Domain: The power of the government to take private property for public use in return for fair

compensation. This power is exercised through condemnation.

Encroachment: An infringement, usually an improvement such as a building or fence, constructed on a property contiguous to the one infringing. An encroachment is usually revealed by a survey.

Encumbrance: A limitation on the title to real property. A mortgage or easements are examples of encumbrances.

Equity: In Real Estate, the value of an interest a person holds over and above any mortgages or liens on the property.

Equity of Redemption: The rights of a mortgagor (borrower) to buy back a property after a foreclosure sale. While equity of redemption does not exist in some states, in other it extends up to two years.

Escape Clause: A clause added to the contract that allows either party the option of exiting the contract; thus, both parties are no longer bound by any contractual obligations.

Escheat: The reversion of property to the state when an owner dies with no will and no known heirs.

Escrow: Money or documents held in trust by a neutral third party.

Estate: Ownership interest in real property.

Estate by the Entireties: Ownership by husband and wife with right of survivorship.

Estimated Annual Gross Income: An estimate of the total amount of income one will receive in a period of one year.

Estoppel Letter: A letter certifying the exact balance of a mortgage or other loan at a given time.

Et Al: And others.

Et Ux: And wife.

Exchange: The exchange or trade of business property you own for another trade or business property that is like/kind. No taxes are due in such an exchange under a given set of circumstances.

Exculpatory Clause: A clause in a contract relieving one of the parties of personal responsibility of liability. In a lease, the landlord is relieved of any responsibility for injury to tenants leasing his or her property. In a mortgage, the mortgagor (borrower) is relieved of any personal liability or deficiency judgment if a deficit occurs at a foreclosure sale.

Expenses: The costs of maintenance, repairs, and rental costs that are deducted from a property's gross income.

Executor: The administrator of an estate; one who is specified in the will.

Extension Clause: A clause contained within some lease option contracts that provides for the terms under which the contract may be extended.

Face Value: In reference to a note, the face value is the full amount for which the note has been written.

Fair Market Value: The appraised value of a property as compared with other property values on the market.

Flipping: The turnover of property. An investor buys a property to immediately sell it for a profit.

Fee Simple: The highest estate in real property; the ownership of real property without reservation or restriction.

Fiduciary: An agent in the position of confidence to his principal. Also, a relationship of trust and confidence imposed by law.

Financial Analysis: An investor's determination of the value of a property according to his or her specific needs.

Financial Leverage: The use of other people's money for investment purposes.

Financing: The way in which an investor obtains the capital with which to purchase a property.

First Deed of Trust: A deed of trust recorded first. Equivalent to a first mortgage.

Fixture: Personal property attached permanently to Real Estate and thus becoming part of it. A built-in oven is an example.

Flexible Seller: A seller who is willing to sell property in a nontraditional manner. This person may be flexible in terms, price, or both.

Forced Sale: The sale of a property used as a security for a loan in order to repay creditor(s) in the event of a default on the loan.

Foreclosure: The process whereby property pledged as security on a note is sold under court order because of default on the note.

Front Foot: The width of a lot at the front, usually given as the first measurement. (A lot 225' x 175' would have 225 front feet.)

General Partnership: A form of business where two or more persons enter into an agreement to conduct business. Profits and losses are shared in a predetermined fashion and all partners are jointly and severally liable for debts of the general partnership.

Grandfather Clause: Properties that do not conform to current ordinances, codes or regulations, but are allowed to continue to be occupied because the properties predate the institution of the ordinances, code and regulations.

Grantee: A person obtaining title to real property by deed. The purchaser to whom the grant is made.

Grantor: One who conveys title to property by deed.

Gross Income: The total income from a property before the deduction of expenses.

Gross Income Multiplier: That number which, when multiplied times the gross income, would give an indication of property value. It is strictly a guide and frequently abused.

Homestead Exemption: Protection extended by law preventing the forced sale of an owner-occupied dwelling by certain creditors.

Homestead Tax Exemption: The credit against taxes, given in some states, to a person who owns and occupies a dwelling and to certain other individuals including disabled veterans, those over age 65, widowed, or handicapped.

Improvement: Buildings or other structures which become part of the land are known as improvements.

Indenture: A contract.

Installment Loan: A loan that must be repaid in no less than two payments. A loan of six months or greater is preferable when establishing credit.

Installment Note: A note which specifies how mortgage payments will be made, when they will be due, and for what amount.

Installment Sale: A sale which, for income and tax purposes, is not taxed totally in the first year of the sale.

To be valid, there must a minimum of two installment payments over two tax years.

Interest Rate: An amount a borrower must repay in addition to the full amount of the loan. This is the premium the lender receives for the use of the money, plus compensation for the risk the lender takes in lending money.

Intestate: A person who has died without leaving a valid will.

Involuntary Lien: A lien, like real property tax liens, which are recorded against a property without consent of the owner.

Instant Equity: The difference between the property's value and what you paid for it.

Joint Tenancy: A joint estate whereby upon the death of one joint tenant, his or her interest will go to the surviving joint tenant(s).

Joint Venture: An arrangement where two or more individuals or corporations join together on a single project as partners.

Jointly and Severally: A legal term indicating that a contract has been entered into by two parties and the two parties are not only liable together but individually as well.

Leverage: The borrowing of money in connection with a real estate investment.

Judgment: The verdict of a court on a matter presented to it. A money judgment dictates that a party must make payment to another to settle a claim.

Junior Lien: A mortgage or other encumbrance with a secondary interest. A lien junior to another mortgage or lien.

Land Contract: (See Contract for Deed.)

Land Trust: A form of ownership whereby property is conveyed to a person or an institution, called a trustee, to be held and administered on behalf of another person called the beneficiary.

Lease: A contractual agreement between the owner (lessor) and the tenant (lessee), which allows the tenant use and occupancy of the property for a specified period of time. A lease is an encumbrance against a title and gives the tenant an actual interest in the property known as an estate for years.

Lease Option: An agreement between two parties where the party who owns the property extends, to the second party, the right to purchase the property at a future date. The second party lives in the property until the lease option expires.

Leasehold: The estate of interest held by the lessee in the property of another.

Legal Description: The means to identify the exact boundaries of a property. A surveyor will use the recorded plats method, metes and bounds method, or

the government survey method to describe the real property.

Lessee: One who contracts to hold occupancy rights in the real property of another.

Letter of Credit: A letter, usually from a financial institution, guaranteeing (collateralizing) a debt incurred by a third party.

Letter of Intent: A letter stating a buyer's intent to make an offer to acquire a certain property. It is not a binding contract.

Lien: The right of a creditor to take and/or sell a property in the event of a default to satisfy the obligation of a debt.

Lien Theory States: States that allow the lender to collect the debt owed by selling the property in the event of default.

Limited Partnership: A partnership composed of a limited partner(s) and a general partner(s). The limited partner(s) contributes capital but is not liable for any debts of the partnership, nor can he or she manage or control the partnership.

Liquidated Damages: Damages, usually monetary, spelled out in a contract which would be available in the event of a default, to the party not in default.

Listing Broker: A broker from the office which created the MLS listing on a property.

Marketable Title: A title free and clear of liens and encumbrances that might be objectionable. (Also known as merchantable title.)

Mechanics Lien: A lien right existing in favor of mechanics, suppliers, or other persons who have supplied materials or performed work in connection with the construction or repair of a building or other improvement.

Metes: Measures such as inches, feet, yards, or miles.

Metes and Bounds: A measure of land which describes the boundaries using metes and bounds. For example, “Then going north 223 feet to the right-of-way of Oak Street.”

Moratorium of Interest: A time during the term of a loan wherein no payment of interest due is made.

Mortgage: A temporary transfer of property to a creditor as collateral for a loan.

Mortgagee: A lender of money under the terms of a mortgage.

Mortgagor: The borrower, usually the owner, who pledges his or her property to assure performance in repaying the loan.

Multiple Listing Service: A multi-realty service whereby members of the local Board of Realtors exchange their listings.

Negative Cash Flow: When rental and other income is insufficient to cover all the costs of ownership.

Net Income Approach: A technique used to evaluate larger properties and determine their values by calculating the net income they produce.

Net Net Net: An agreement which specifies that the tenant pays real estate taxes, insurance, and all maintenance costs of the property.

Net Operating Income: Gross income minus any operating expenses. Debt service (principal and interest) is not deducted as an expense.

Net Spendable Income: Amount remaining after expenses and debt service and any taxes due have been deducted from gross income. (Also known as After Tax Cash Flow.)

No-Doc Loan: A loan where the borrower is not required to present any documentation to secure a loan.

Nominal Interest Rate: The interest rate, usually below market stated on the note.

Note: Legal evidence of debt.

Notarize: To have a document signed by a notary public.

One Time Mortgage Insurance Premium: A refund of a portion of the insurance premiums that have been paid of the years with a 1984 or later mortgage where the mortgage insurance premiums were paid up front.

Option: An instrument giving the right of a party to lease or purchase the property over a specified time period for a specified consideration. It is binding for the optionor (seller) but not the optionee (buyer).

Optionee: The person who has the legal right to purchase or not to purchase (through a contract) a specific property in the future.

Optionor: The seller of a property who extends an option to someone else. If the optionee exercises the option, this person is legally bound by the contractual obligations. However, if the option is not exercised, then the optionor is released from any responsibilities.

Owners of Record: All owners that are listed on a deed that is recorded in the county courthouse.

Overdraft Protection: An extra service that most financial institutions offer their checking account clients. The client has a credit limit, much like that of a credit card. If the client writes a check for an amount greater than what is in the checking account, the bank automatically writes the client a “loan.” Interest is charged on this, as is an annual fee in some cases.

Package Mortgage: A mortgage which, in addition to encumbering real property, also includes personal property such as a refrigerator, dishwasher, or oven unit.

Partnership: Two or more people associated for the purposes of carrying on business activities.

Pay Down: The amount of principal on a loan retired through payments at a given time.

Personal Property: All property other than real property. (It is also known as personality.)

Points: See discount.

Positive Cash Flow: When rental and other income exceed all of the costs of ownership.

Power of Attorney: A written authorization to an agent to perform specified acts on behalf of his or her principal. Beyond these acts, the agent has no power.

Preliminary Title Search: The first review of all previously recorded documents regarding a specific property, to make sure that the property may be sold.

Premium: An additional sum of money paid as an incentive for someone to do something.

Principal: The sum of money used as funds for the investment.

Promissory Note: Usually a note if given to the seller by the buyer, which promises to pay back principal to the seller. It states the interest rate (if any) and the period of the note.

Pro Forma Statement: A financial statement based on anticipated, not actual, income and expenses.

Promulgated Rate: A formally and publicly stated rate.

Pro Rata: Buyer's and seller's portion of prepaid or unpaid expenses such as real estate taxes.

Purchases Money Mortgage: A mortgage given to the seller as part or all of the consideration for the purchase of property. In effect, it is money loaned by the seller to the purchaser.

Quit Claim Deed: A deed transferring whatever interest in the property, if any, that the grantor may have. They are usually used to clear title.

R.E.O. (Real Estate Owned): Properties that financial institutions have repossessed as a result of a default on a mortgage and which these institutions are willing to sell.

Real Estate Agent: A salesperson associated with a broker, who acts on behalf of a broker.

Realtor: A broker who is a member of the National Association of Realtors as well as state and local Real Estate boards.

Recording: The act of entering, in the public record, any instrument affecting title to real property.

Redemption: The buying back of one's own property after a forced court sale. (See equity of redemption.)

Release Clause: A statement in a blanket mortgage that allows a specific described parcel to be released from under the blanket lien after a sum of money is paid.

Reproduction Cost Analysis: A technique used to evaluate a property by estimating the cost of building the same or similar structure, adding the cost of land and subtracting an allowance for wear and tear.

Restrictive Covenant: A clause in a deed in which there is an agreement between buyer and seller stating certain restraints as to the use of the property.

Right-of-Way: An easement on land whereby an owner grants or gives to another the right of passage over his or her land.

Riparian Rights: The rights of a land owner to the body of water adjacent to his or her land. In some cases these rights include the land under this water.

Sales Contract: (See Contract for Purchase and Sale.)

Sandwich Lease: While having the option to buy a property, the investor subleases it to gain a positive cash flow.

Satisfaction of Mortgage: An instrument filed in the public records which acknowledges payment of an indebtedness secured by a mortgage.

Security Deposit: An amount of money paid by a tenant before moving into the premises to cover any damage incurred while living there, or to protect the landlord in the event that the tenant leaves without being current on rent payments. If the tenant is current and the unit only has a normal amount of wear and tear, then the deposit is generally refunded.

Servicing a Debt: The act of paying the periodic principal and interest payments on an outstanding debt obligation.

Specific Performance: A court order requiring a person to act or do a specific thing that he or she had agreed to do.

Tax Certifications: Bond sold to recoup unpaid property taxes by the county in which the property is located. When the property is auctioned, the certificate holders may either use the certificates as money to bid on the property or redeem them for face value plus interest.

Tax Deductible: An item that is not taxed.

Tax Liability: The amount of money one owes to the government for taxation purposes.

Tax Shelter: An income property that generates artificial papers losses, due to depreciation or cost recovery, that are in excess of the income produced by that property. These artificial losses can be used to offset other taxable income earned by the owners. In general, a tax shelter is any deferral, reduction, or elimination of a tax due.

Tenancy in Common: The ownership of an interest in property by two or more persons. Their ownership interest may be equal or unequal and there is no right of survivorship as with joint tenancy. The interest of any joint owner passes to his or her heirs or assigns after death.

Tenant: A person having the temporary use and occupancy of real property owned by another.

Tender: An offer to pay or perform.

Terms: The exact way a property will be purchased.

Testate: One who dies leaving a will.

Time-Share: A piece of property purchased by two or more parties who have set specific times when each may use or occupy the property.

Title Insurance: Insurance issued by a title company guaranteeing the title to be good and marketable. Title insurance policies can be issued to protect the mortgagee only, the full interest of the buyers, or both.

Title Insurance Company: A business that reports on the status for the title on a specific property and whether or not it has any liens against it. After this title search has been completed, the company will issue a deed to be signed by all the owners of the property which should be notarized and recorded in the public records.

Title Theory States: States that allow the lender to become the legal owner at the time of making the loan. The borrower only has possession.

Township: A unit of measure used in the government survey method of land description equal to 36 sections (36 square miles).

Unilateral Contract: A contract in which one party is bound by another to do something. If the second party chooses to exercise the contract, the first party must perform any contractual obligations that party may have. However, if the second party chooses not to exercise the contract, the first party is released from any contractual obligations.

Unsecured Line of Credit: A credit history developed by an individual who borrows small amounts of money which do not require collateral.

Usury: The lending of money at a rate of interest about the legal rate.

Vacancy Rate: An estimate of the amount of time the rental property will be vacant (between tenants) multiplied by the rental rate of the unit(s). The amount is used in estimating the investor's value of an income.

Value, Assessed: The value as determined by the local tax assessor's office for the purpose of levying local taxes.

Value, Book: The value of a property carried on a company's books. It is usually the cost less depreciation or cost recovery plus capital additions.

Vendee: A buyer.

Vendor: A seller.

Warrant: To guarantee something to be as represented.

Wraparound Mortgage: A mortgage held by the seller-mortgagee. The buyer-mortgagor pays the seller-mortgagee the debt service on the wraparound mortgage and the seller-mortgagee continues to pay the debt service on the underlying or original mortgage.

Zoning: The laws which regulate and control for what the property may be used.

About the Author

Gary Wilson has been a Scout Master in Troop 194 of the Greater Pittsburgh Region and involved in scouting for more than a dozen years as an adult and was a scout as a boy.

He started investing in Real Estate at the age of 23, less than one year after graduating from Old Dominion University, and accumulated a 250-unit portfolio while teaching others to do the same.

Gary ranked in the top 5% of all Realtors in the Western Pennsylvania Market (according to annual Five-Star surveys).

He is a licensed broker in Pennsylvania and Virginia. He achieved the Platinum level of service while launching and growing Win Realty Advisors, LLC which merged with Keller Williams to create the KW Win Realty Team.

Gary merged specifically with Keller Williams because of its core values and priorities – God, family, then business. In fact, no other Real Estate Company has as much in common with the Boy Scouts of America as Keller Williams.

Gary currently teaches thousands and has personally coached hundreds of other investors who want to realize the pleasure of rental profits without the pain, flipping without the risk, and wholesale for profit so everybody wins.

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