

Investor Insights

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*A Monthly Newsletter for Real Estate Investors Brought to You
by
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Hi everyone and welcome to the April 2007 issue of Investor Insights! We've got a lot to cover this month so let's get started...

The State of the Market – Now What?

I just returned from a four day real estate seminar in Las Vegas. What a terrific time! I had the opportunity to meet and network with successful real estate investors from all over the country.

I love attending seminars and live events because I make great contacts. I also gain tremendous insight into many different investment strategies across many different markets.

I have to tell you that the general feeling among the investors is one of excitement! I was speaking with one investor who has been around a while. She said that back in the '80's when the real estate market bottomed out she sat on the sidelines too scared to buy anything worried about declining values and bubbles bursting and all the BAD news we hear every day on the news. Now she has a sign in her office that reads, "*Dear God, please give me one more real estate downturn and I promise not to #*&% it away this time*".

I love it.

The point is that as a real estate investor you should be ecstatic. Bad news in the housing and mortgage markets means good news for us in many ways. When subprime mortgage companies go out of business and the qualification guidelines for new loans tighten up it means that more people will have to rent and lease option homes. Who owns these houses? Investors, of course!

Right now, as an investor, you have the perfect storm of loads of bargain properties, hungry renters and surprisingly (still) low interest rates. So, what are you waiting for? Go get a deal!

Case Study

I have to admit that this is my favorite part of *Investor Insights*. One of the benefits of working exclusively with real estate investors is that I get many, many deals across my desk every month. Sometimes the deals make me feel

a little jealous (Darn! Why didn't I find that one?). But more often than not they make feel a little scared for the investor. Let's take a look at a deal I got in March and YOU be the judge.

Scenario:

Location: Parker, Colorado
Investment Strategy: Fix & Flip
Purchase Price: \$198,000
Market Value (ARV): \$240,000
Repair Estimate: \$15,000

I got an email from a realtor/investor that I work with and she said she had a HUD foreclosure under contract as described in the scenario above. HUD was paying \$1500 in closing costs AND they had 5-10% to put down.

Sounds great so far, right? But then she dropped the M-bomb... MOLD.

Turns out that while the house was vacant, the dishwasher had leaked into the basement and now there is "evidence of mold" in the basement.

Conventional lenders hate mold. If they see this on an appraisal, they will do one of two things – 1) deny the loan outright or 2) approve the loan but require that the borrower put up a repair escrow account equal to about 2 ½ times the cost of the estimated repairs.

In this case, the repair estimate was \$5,000. This means the lender wanted \$12,500 in additional money into the deal to be refunded only when another appraisal verified that the work was completed.

Our other alternative was hard money.

So... what do you think? Is it a good deal?

After running the numbers both ways, this investor decided that the margins were too slim to do the deal with hard money. AND she decided that she did not want to have to come to the table with \$32,500 (\$20,000 down PLUS \$12,500 escrow account).

Questions from Investors

Each month, I get literally hundreds of questions from investors all over the world. I try to answer as many as I can individually and I thought I would share a few on popular topics.

Q. *Susan,*

I read your article in The Creative Investor about "Top 10 Investor Financing Mistakes".

I am new to some of this real estate stuff and I was wondering if you could tell me where to go and learn more about LLC's. Your article mentioned the following "Just take title in your name, get your financing set and THEN put it into your LLC for asset protection". I am interested in the asset protection.

How do LLC's work, what is the advantage of using them, are they hard to get, is it something I would create or do I need an attorney to make it for me. In other words I am totally uninformed about asset protection. Can you give some advice? Thanks for your help. – Mike

A. An LLC is just a limited liability company that you form with your state. Usually you can file them online at the secretary of state website. Here in Colorado, it's \$50 to set one up online. Very simple and you do not need an attorney.

The asset protection piece comes from the fact that the LLC acts as a "shield" that cannot be pierced if someone sues you. If they get a judgment then it would be against the LLC which usually has limited assets, instead of you personally where they could take EVERYTHING you own.

My personal coach, Bill Bronchick, is a real estate and asset attorney who has a ton of info and courses about this subject. You can visit his site at <http://www.legalwiz.com>.

Look for the section entitled Corporations and LLCs. There is some terrific asset protection information there that can really benefit all investors.

Q. *Susan,*

I am trying to refinance one of my properties and all the banks are telling me no. It's a single family that we bought as a foreclosure back in January 2007. We fixed it up and it's been listed for sale but hasn't sold. We financed it using hard money and now the monthly payments are eating all of our profit. HELP! - Angela

A. This is such a common mistake in real estate investing – refinancing the recently listed property. I wrote about it in my book, [Mortgage Secrets for Real Estate Investors](#).

Here is an excerpt:

One of the biggest (and most expensive) mistakes I see investors make is listing a property for sale before they have put it into permanent financing. Many of the investors I work with use hard money to purchase fix and flips. These loans are pretty expensive – usually 4+ points origination, 15% interest rates and usually very short terms – like six months.

Everybody likes to think that their house will sell quickly and maybe it will. But then again, maybe it won't. If you think that you are going to take longer

than the six months to finish the work on the house and get it sold and/or you just want to reduce your monthly holding costs by half then you probably want to do a rate and term refinance against the current appraised value to get it out of that 15% loan and into something much cheaper.

There are a ton of conventional lenders that will do this "unseasoned" deal against the current appraised value but they almost all have a rule that says if the property is listed for sale currently OR within the last six months, then it is an automatic denial!

I can't tell you how often I get calls from investors who have houses that are listed for sale and they decide to refinance for whatever reason. If only they had called me before they listed the property for sale we could have had so many more options!

Say there is a pool of 50 lenders that do unseasoned rate and term refinances against the current appraised value. Well, once they find out it is or has recently been listed for sale, the pool of lenders that will do the deal shrinks to about four or five. AND you will pay a substantially higher rate and almost always get stuck with a prepayment penalty which defeats the purpose of the refinance - to save money.

Always, always, always refinance first THEN put the place on the market.

For more great financing case studies and insider information, get your own copy of my book [Mortgage Secrets for Real Estate Investors](http://www.mortgagesecretsbook.com) at <http://www.mortgagesecretsbook.com>. Grab your copy now while they are still available!

Sold in 36 Hours

Recently I was introduced to a real estate investor named Nathan Big. He is a guy that has had remarkable success selling his houses FAST even in a down market. He's quietly been testing his system for a few years just to make sure that it works and he recently started doing seminars and teaching others how to sell their houses in 36 hours.

His system philosophy is basically to teach you the concepts and give you the tools to sell any house in 36 hours. And then to give you a turn-key system that can be automated to allow you to take total control of the process.

He was kind enough to send me a preview of the system, and I have to say that the techniques are pretty powerful. I personally hold my properties long term and hardly ever flip them, but if I was a flipper, especially one with properties sitting on the market right now sucking cash, then I would use this system FAST.

We have all heard that you make your profit when you buy real estate but as Nathan points out, the most profitable skill that an investor can possess is the ability to sell houses... FAST.

When you can sell fast, you:

1. Stop worrying how long properties will sit!
2. Have buyers beating a path to your open houses... each and every time you open the doors!
3. Have multiple offers from buyers practically begging to buy the house.

He is offering a FREE 30 day preview of his system and a special report on his website for a limited time. I would check it out if I were you...

[Click here to check out the system and grab his free report.](#)

Mortgage Secrets for Real Estate Investors

Ok, here's my shameless plug. If you don't already have a copy of my book, *Mortgage Secrets for Real Estate Investors*, I just have one question – are you crazy? Seriously, having this book is like you and I doing a Vulcan Mind Meld. You instantly gain years of investor mortgage savvy.

This is not a fluffy book that just gives you the big picture. This is a book that actually shows you a lender's rate sheet and breaks it down for you. I show you exactly how bankers and brokers make money from your deals and how to make sure you aren't getting ripped off or scammed. Plus, I give you more than 40 insider "secrets" to the industry AND real-life case studies of messed up deals that I had to fix and get financed.

The response to my book has been mixed. Investors are astounded at the detail of the information and are really grateful (check out some of the testimonials on the site). However the mortgage bankers and brokers who have stumbled upon it are not too happy with me. They sometimes act like magicians and boy are they mad I'm telling you how we do our tricks. And you know what? I don't care what the other industry people think. I'm going to break it down honestly for the investors every single time because I am first and foremost an investor. Just like you.

So, go to <http://www.mortgagesecretsbook.com> and download the book now. And if you already have it, sign up for my affiliate program and I'll pay you a commission to promote the book to your fellow investors.

My Blog

This newsletter comes out once a month, but I post to my blog at least once a week. Check it out at <http://www.mortgagesecretsbook.com/WordPress>

I post articles and miscellaneous ramblings up there so you can virtually look over my shoulder as I work with investors all over the country. You can also post up your comments and questions. And I'll even respond. ☺

Free Audios

I've been getting some feedback from visitors to my website and many people are requesting audios that they can listen to on the site or "podcasts". Well, ask and you shall receive! I just recorded my first audio and uploaded it to the site. Check it out here:

http://www.lassitermortgage.com/Free_Audios.html

I hate it when I try to listen to an audio on a website and I have to download the huge file to my own computer so I found a service that doesn't make you do that. All you have to do is push play, sit back and relax – no downloading!

My plan is to record a new audio every week or so. Be sure to bookmark the page so you can check back often for updates.

Ok, that wraps it up for this month. Happy investing and have a PROFITABLE month!

All the best,



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- Investor **rehab** loans in 38 states.