

The AZREIA Advantage

Arizona Real Estate Investors Association Newsletter

"AZ Real as it Gets"

SEPTEMBER 2020

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Why the Cares Act Seems So Uncaring Toward Everyone

by David Pickron, President, Rent Perfect

Landlords, it's time we all pay very close attention. A second devastating wave of trouble is thundering towards us and it is imperative that you know how to protect yourselves and your investments. On July 26, 2020, the 120 days of eviction relief provided by the Cares Act expired. With that, landlords across the United States were given the green light to start the eviction process for non-payment of rent, with the caveat of having to use a special 30-day notice as required by the act. We are seeing that landlords are generating notices with \$4000-\$8000 demands for the last several months of unpaid rent, begging the question that if they couldn't afford \$1000 a month rent, what makes us think they can come up with \$4000 to make the landlord whole? It appears that tenants interpreted the eviction moratorium as "we do not have to pay rent," which could not be further from the truth. So, what happens now?

Over the next 30 days, if the Cares Act is not extended, thousands of people in your area face being evicted and receiving a judgement against them for thousands of dollars. These costly judgments had to come from somewhere to help the landlords who carried their loans and their unpaying tenants for months. For many landlords, the burden was too great, and they did not survive carrying these unexpected costs. The Cares Act also gave businesses large PPP loans to cover employee pay, and those that were unemployed collected more than they would have if they worked, all to help people cover their expenses. What did the struggling landlord get from the Cares Act? Nothing but their properties "seized" by the Federal government if they had a loan

backed by Fannie Mae or other government backed loan (something the landlord did not ask for) and told they could not make decisions for properties they own. This has resulted in landlords who are financially stretched and a pool of potential tenants that are not all that dependable.

COVID has had a significant impact on our society

but it is by no means the first time that people have endured challenging situations. Everyday people deal with illness, cancer, and other diseases and disabilities that are terribly unfortunate. In the past, tenants that have struggled with these types of issues have leaned on family, savings, or churches to help them make ends meet. With the Cares Act, the landlord was the one forced to carry the bill. We have been beat up enough and the struggle is not over. The current pool of potential applicants in the next 30

days will have evictions and judgments against them that can hurt you. Here is how to protect yourselves:

1. Call your screening company and make sure they search for eviction records in your local jurisdiction and in the jurisdiction your applicant has lived. Credit bureaus removed eviction and judgement data from their reports last year, so the only way you can find a civil eviction record is for your screening company to go right to the court. Keep in mind, since these are off the credit bureaus, these evictions will not affect credit scores.
2. Ask for proof of payment of rent for the last 4 months through bank statements or cancelled checks. Do not fall for they were living with family and did not have to pay rent.

continued on page 2

Phoenix
Monday, September 14
– COVID & Beyond – A Second
Wave of Danger for Landlords
– Market Update & Market News
– Eviction Moratorium Update

Tucson
Tuesday, September 15
– COVID & Beyond – A Second
Wave of Danger for Landlords
– Market Update & Market News
– Haves & Wants



Executive Director's Message

I Told You There Would be More!

When we canceled our 2020 Real Estate Investing – Making It Work for YOU! Conference & Expo I was most upset and concerned about how we were going to take care of all the people, both members of AZREIA and guests, that had paid to attend. I feel we did what we always do and made the conference and expo ticket even more valuable when we announced its replacement, the 4-Day Training Extravaganza. Almost everyone converted their conference and expo ticket to the new events. The few that requested a refund, we gladly accommodated.

At the time, I mentioned we were probably going to add even more content as we went forward and for those that stuck in there your value would just continue to go up. Well, guess what? We have just added significantly more content and an additional evening session to be able to deliver it all. Don't worry, if you didn't convert to the new 4-Day Extravaganza ticket at the time, we will be offering single event access if you want to attend.

Here are the new adds followed by the schedule, so you can be sure your calendar is all set.

- New Keynote Speaker Added: Jim Rounds, highly regarded local economist, will kick off our September 26th full day information and education session. I can assure you this is a *not to be missed* session. You will be talking about it for days and weeks afterwards.
- New Education Sessions: Also added to September 26th agenda are education sessions on Legal Entities, Taxes, Rehabs and Self-Directed IRAs.
- New Date for Home Depot: We have added the evening of September 29th to conduct all the Good, Better, Best demos and presentations for The Home Depot. This series of short demo

and information sessions are being designed to help you increase your profits and lower your cost for both rehabs and rental updates.

- And I don't think we are done. I am working on adding more additional content.

Here's the schedule for the next three months that is included in your 4-Day Training Extravaganza ticket and we will make individual session tickets available if you who didn't sign-up:

- Saturday, September 26th: Economic Keynote and Discussion with Jim Rounds. Education and information on legal entities, taxes, rehabs and self-directed IRAs
- Tuesday, September 29th: The Home Depot Good, Better, Best demos and presentations.
- Saturday, October 17th: What Box? Making Impossible Deals Possible with Bill Cook (Hoping for in-person option.)
- Saturday, November 14th: Finding Deals in the Hidden Market with Tony Youngs. (Hoping for in-person option.)

We have also scheduled our Core Classes for new investors between late August and October. Check the calendar at www.AZREIA.org for dates.

It is going to be a fantastic late summer and fall for your education and information needs. Our Monthly Meetings and Subgroup meetings continue on their normal schedule, as well. Stay tuned for more and I'll "see" you at an upcoming AZREIA event!

Smarter investing,
Alan Langston



Why the Cares Act Seems So Uncaring Toward Everyone continued from page one

3. Give good landlord verifications. What that means is when you are asked about a current or former tenant, stick to fact-based answers, and stay away from sharing your personal, biased opinion of the people. A factual question you can answer and provide backup for is "Has your current tenant paid his or her last few months of rent?" Simple question with a simple answer of yes or no. We need to protect each other so no one gets hurt again and that can happen when we ask for and provide good landlord verifications.

Right now, the collection companies are salivating over these new, large judgments to collect on. If you rent to a person who has a judgment, chances are they will be garnished at every job they apply, leaving them with less money to pay you rent. With the "free

money" mentality and the ability to obtain a residence after their first eviction, they might consider making the smaller car payment over the larger rent payment and take a chance that a second eviction won't hurt them either. As a landlord, you don't want to experience the pain all over again.

I do not want to see any fellow landlord be victimized again. We are good people who have been responsible enough to be able to provide housing across this country to millions of people. For the most part we are all not rich, but rather are living simple responsible lives, trying to get ahead a little and raise our families. More than ever we must band together to survive in an environment that has been stacked against us by our legislatures and tenants. Together we can weather the storm and come out of this a stronger and more unified group.

The secret to being successful in this business is finding the right tenant or what I call "business partner" and proper screening is one way to beat the challenges ahead, including bad legislation put out by our government under the guise of Cares.

David Pickron is President of Rent Perfect and a fellow landlord who manages several short- and long-term rentals. He is a private investigator and teaches organizations across the country the importance of proper screening. His platform, Rent Perfect, was built to help the small landlord find success.

(Ed. The information in this article was current when written. Please understand that things are changing rapidly and you should always verify the current status of all information and government programs prior to taking any action.)





Insurance Advise for Procrastinators



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(READ THIS NOW . . . NOT LATER)

Procrastinators have insurance problems in two areas:

- (1) buying an insurance policy, and
- (2) switching to a better insurance policy.

Most investors 'leverage' their money by using a mortgage when they buy a rental property. And because every mortgage lender requires insurance, it is almost impossible to have both a mortgage loan and also no insurance on that property. But a 'cash buyer' can do as they please.

In one actual case, a cash buyer ordered the insurance, but the closing date was suddenly moved up by one week. Rather than call the insurance agent to change the effective date to the new closing date, the buyer decided that the chances of anything really serious happening was very small, so he knowingly decided to go without any insurance for 7 days. You guessed it! There was a fire during the 7 un-insured days, and his decision cost him \$82,000 out of pocket.

The second mistake that procrastinators sometimes make, is delaying a change to an insurance policy with better coverage. Yes, there was a time 30 years ago, when many insurance companies charged a "short rate" penalty on any refund made during the policy year. But today, few if any insurance companies continue to do that. And, even

with a penalty, the advantages from better protection will make an immediate change worth-while.

If you have obtained a quote from another insurance source, and the policy being offered provides more coverage on the building, that alone can be a major improvement. Because of construction demand from those California fires and higher tariffs on lumber from Canada, lumber alone has increased in cost 60% over just the past 6 months. Of course, this says always look at how much your home is being insured for . . . not just the price of the policy.

Another factor is coverage features and protection levels. Look at things like the liability limit, whether or not you have...or would be getting, coverage for building code changes, and any other improvements that are included in the new proposal.

The standard landlord's policy pays to re-build the same house. Sounds O.K.?
The problem is that the building code is constantly being updated, and the extra cost

to comply with the new code, is an "optional extra" with most companies. In another actual case, a smaller townhome had a fire and the cost to meet changes required by the building code, was over \$35,000.

Many owners will say "I'm going to wait until my next policy renewal to change." If something really serious happens, they'll wish they hadn't waited. And some insurance companies can re-set the anniversary dates on a new policy, to be exactly what you had before. That way your mortgage lender will have the impound money at just the right time.

CLARK SANCHEZ has been an Arizona insurance agent for over 40 years and has been a Vendor-Affiliate with AZREIA for over 16 years. You can contact Clark if you have any insurance related questions at clark@clarksanchez.com or (602) 803-2179



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A-C



AZREIA Advantage: Title Expert

Counterfeit Checks on the Rise



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Scenario: Title Company opens a sales transaction. The sales price was \$379,900. The buyer was purchasing the property for cash, no financing. The purchase agreement required an earnest money deposit in the amount of \$5,000 but the buyer remitted a check for the full sales price. The check was a company check and was drawn off a national bank in the New York Federal Reserve.

The Title Company/Escrow Officer deposited the check and sent out third-party deposit instructions to the buyer's real estate agent. She also notified the buyer's and seller's real estate agents the funds remitted were from a third-party and could not be applied to the transaction until the third-party deposit instructions were fully executed.

The buyer's real estate agent confirmed with the buyer the transaction was opened via the following email chain forwarded to Escrow by the agent:

"Hi there!

I hope you're doing well! I wanted to let you know title received your funds and they have been deposited into escrow! Yay!

They should be in touch with you for directions to sign, whether you choose to do that electronically or in person.

Do you know when you'll be in the States? Let me know, I look forward to handing you the keys!

Please let me know if you have any questions, or if I can assist you in anything else! Looking forward to hearing from you :)

Real Estate Agent
Licensed Real Estate Broker
International Real Estate Company"

The buyer responded:

"Thank you for the update. I plan to be in USA next month hopefully after the pandemic subsides. Thank you for your assistance so far, look forward to seeing you. Stay safe."

Agent replied:

"Ok, sounds great!

Our close date is April 29, 2020, if you desire to sign in person then we will need to extend our close date. As we get closer to the 29th we will need to have a more solid date for your arrival so that we can request an extension. I'm sure the seller will be willing to cooperate given these uncertain times. On the plus side, this state seems to be doing better with regards to this pandemic, maybe restrictions will be loosened quicker than previously thought.

On the other hand, if you sign electronically we can close as scheduled and I'm more than happy to keep your key securely at my office or in a lock box at the home until your arrival.

I'm happy to assist in whichever way you choose :)

You stay safe as well!"

Buyer responded:

"Trust you had a good Easter celebration? For me, I have been in high spirits until today. As in accordance with guidelines for travelling within the country over here, we had to undergo a mandatory COVID-19 test, as a prerequisite for travel. Unfortunately I have tested positive and have to self-isolate. Though I am asymptomatic, I have to isolate and will not be able to travel for now. I will appreciate your support and guidance at this point in navigating our transaction. I will update and solicit your help in moving this forward."

Agent replied:

"I very much enjoyed Easter this year, I missed our usual family get together traditions but we made the best of what we had! Thank you for asking!

Oh no I'm so sorry to hear this! I can't believe the moment in time we are living in, it is truly surreal!

Have you been told how long you need to self-isolate?

How we move forward from here is really up to you.

One option is we ask for a deferred agreement via the COVID-19 addendum form. With this agreement we would gain a bit more time than with a general sales agreement addendum. The COVID-19 form states circumstances are directly related to the pandemic. In it the deferred timeline is for a recommended 20 additional business days, but you can make this any amount of days you deem necessary. (I would imagine you would not want to ask for more than 30 business days, as the seller's would probably not agree).

Second option would be to submit a sales agreement addendum. With this addendum we could simply ask for an extension for our close date, however I don't recommend submitting this with an extension larger than two weeks.

Your third option is to close on time with an electronic signature on all closing documents via the Title Companies instruction. I'm more than happy to securely keep all keys to the home until you arrive. If you are concerned, I can forward you a contact for a general watch keeper company that can look over the property in the event that you can't make it here as quickly as you'd like.

I'm so sorry you are going through this! What a terrible feeling it must be! Glad you have no symptoms though, if you need recommendations for some good tv shows I know a few ;) Hang in there!

Please let me know if you have any questions, and yes please keep me updated so we can take the proper action."

The Buyer responded (to Escrow):

"Thank you for your mail. Happy you had a good Easter. Before I got your mail, I already spoke with my investment managers, and they have advised that since the funds are

continued on page 13



AZREIA Advantage: Lending Expert

Andy the Lender Checking In



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by
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I may sound like I am beating a horse at this point, but interest rates are on absolute fire at a 50-year low. No matter what your goals are, how many homes you have... now is the time to strike while the iron is hot. Make sure to take advantage and pick up those additional properties. Go refinance your current long term holds and increase your cash flow. Pull out the cash to purchase additional properties. Do not let the time pass when money is this affordable is what I am trying to say.

CFPB to Allow Servicers to Offer Covid 19 Loss Mitigation Based on Incomplete Apps

The Consumer Financial Protection Bureau (CFPB) announced on June 23rd an Interim Final Rule (IFR) that will allow mortgage servicers to offer COVID-19 loss mitigation options to borrowers with federally backed mortgages without the borrower having provided a complete loss

mitigation application. The IFR amendment to the Section 1021.41 of Regulation X will allow servicers to more efficiently offer loss mitigation options to borrowers that are attempting to exit a COVID-19 related forbearance.

Previous to the IFR, providing loss mitigation services to a borrower without a complete loss mitigation application would have been a violation of Regulation X. The IFR which took effect on July 1, 2020 will allow servicers to review and offer loss mitigation services based on the information provided by the borrower, even if it's not considered a fully completed loss mitigation application by Regulation X standards.

Some of the criteria that must be met include all the following:

- The loss mitigation option permits the borrower to delay paying certain amounts until the mortgage loan is refinanced, the mortgage property is sold, the term of the mortgage loan ends, or, for a mortgage loan insured by the FHA, the mortgage loan terminates. These amounts include, without limitation, all principal and interest payments forborne under a payment forbearance program made available to borrowers experiencing a financial hardship due, directly or indirectly, to the COVID-19 emergency, including a payment forbearance program made pursuant to the CARES Act. These

amounts also include principal and interest payments that are due and unpaid by a borrower experiencing financial hardship due, directly, or indirectly, to the COVID-19 emergency.

- Any amounts that the borrower may delay paying through the loss mitigation option does not accrue interest.
- The servicer does not charge any fee in connection with the loss mitigation option.
- The servicer waives all existing late charges, penalties, stop payment fees, or similar charges upon the borrower's acceptance of the loss mitigation option.
- The borrower's acceptance of the loss mitigation option resolves any prior delinquency.

If the borrower accepts an eligible loss mitigation option, the IFR also exempts servicers from certain requirements that would normally accompany an incomplete loss mitigation application such as the five-day acknowledgment notice required by Regulation X. All other requirements for loss mitigation must still be adhered to after a borrower accepts an eligible loss mitigation offer.

Let me know if you have any questions or would like any estimates! Stay healthy!

ANDREW AUGUSTYNIK Branch Manager/Loan Officer

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AZREIA Advantage: Legal Expert

Suit Filed Challenging Governor's Order



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by
**Mark
Zinman**

On March 24, Governor Ducey entered an executive order that delayed writs of restitution following evictions actions where the resident was impacted by COVID-19. This was set to expire on July 22, 2020 but was extended by the Governor via another executive order ("EO"). The newest EO is set to expire on October 31, but as history has already shown, there is no guarantee that this will happen.

The Arizona Multihousing Association ("AMA") and the Manufactured Housing Communities of Arizona (MHCA), along with several private landlords, filed suit challenging the EO. The

argument is that the EO improperly takes action that is reserved for the legislature (separation of powers argument) and improperly denies landlords a right that they have under contract (infringing on private contract rights). These constitutional arguments are slightly different than the arguments previously raised by the gyms and bars, though all parties agree that the Governor has exceeded his authority.

The primary position of the lawsuit is that the Governor did not have the legal authority to take the action he did. Since the EO was first passed, we have spoken to countless landlords that have been negatively impacted by it. For example, in certain cases we have seen, landlords that haven't received payment since March have been unable to remove the resident because they were allegedly impacted by COVID-19. The critical thing to note is that if the government had properly distributed funds for rental assistance and paid landlords, this lawsuit may not have been necessary. The lawsuit is not about landlords wanting to evict residents, but rather landlords wanting to ensure that they receive funds to avoid losing their property or

being unable to maintain their property.

Remember, the EO limits a landlord's ability to collect rent from certain delinquent residents but it does nothing to protect a landlord from lawsuits related to COVID-19 and it does nothing to limit the legal obligations of a landlord. Therefore, a landlord must pay to maintain their property, even though the tenant in the unit may not have to pay their rent. This contrast of rights and obligations can have a devastating impact upon property managers. This is especially true for AZREIA members, who on average own less than 10 rentals. The loss of income from one unit can cause significant, lasting damage to an investor's financial plan.

It is important that property owners' voices are heard and it is made clear that this is not an issue of landlord v. tenant, but rather of citizens needing their government to take the correct action to address the impact of COVID-19. Property owners should not be forced to bear the financial burden of the pandemic.



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Five Outdoor Living Trends That Add Value to Your Investment Properties

By Brian Aguirre

Summer is the season for outdoor living, and fun yet functional outdoor spaces are a key asset to any investment property. From low lift updates to high impact projects, there are endless ways to take any space from invisible to inviting. Here are five outdoor living trends heating up this summer and some easy, actionable tips to get started on each.

1. Bring the party to the front

While the backyard has always been a staple for outdoor entertaining, the front yard should not be forgotten. A welcoming front-of-home space adds to the curb appeal of a home and leaves a memorable first impression when attracting renters to your property. Creating a welcoming paver creates an inviting first impression and can help connect your front yard to the back. The Home Depot offers a selection of concrete pavers at bulk pricing when buying in large quantities and our in-store associates can help you find the perfect stone to match your investment property's front-of-house style.

2. Up level the lawn

According to a recent survey by the National Association of Landscape Professionals, the home feature that millennials love most is the lawn. Additionally, The Lawn Institute states that a well-kempt lawn increases a home's property value by 15 to 20 percent. If you're looking for the best value for your dollar, it doesn't get better than basic landscaping.

Up level your lawn maintenance with The Home Depot's Tool Rental Center. It's well stocked with lawn mowers,



leaf blowers, trimmers and edgers for routine lawn maintenance needs as well as aerators, tillers and branch removal tools for bigger projects. While you're at it, make sure to trim any overgrown hedges, clear away brush and dead plants and ensure regular watering so everything looks fresh and new.

3. Fence it in

Whether you're looking to block a street view, protect a pool, shield your property from wind or just want a bit more privacy, fencing is the answer. The Home Depot offers a variety of fencing styles, each tailored to meet your needs.

If you are looking to fence multiple homes or a large property The Home Depot Pro offers bulk price savings up to 25% off, helping to make your new fence affordable, practical and stylish.

4. Deck it out

If your property has a back deck, a fresh coat of paint and stain is the perfect way to make it pop. The trick is in the prep work and making sure that you sand and pressure wash before any new application.

Two-tone decks are trending but also timeless. Paint the railings a lighter color like PPG Timeless exterior paint in pure white and opt for a darker tone for the floorboards with BEHR Premium waterproofing exterior wood stain and sealer in chocolate. Whenever choosing a paint or stain, always make sure it's designed for decks as alternative outdoor coatings aren't



made to withstand foot traffic as well.

5. Shine some light

From string lights to tiki torches and everything in between, outdoor lighting is always a bright idea. Landscape lighting, in particular, is a worthwhile investment as it creates visual interest and accents the features of a home. In the front, it welcomes guests and illuminates pathways. And in the back, it sets the scene for evening gatherings, inviting friends and family to linger longer.

Low wattage LED lights are a smart buy as they have a longer life span, provide better visibility and are energy efficient. Installing low voltage lighting is also easy for an investment property. It doesn't require any wiring and can be tackled in a single afternoon.

Capitalizing on these five outdoor trends is a great way to increase the rental and resale value of your property. Whether you're tackling these outdoor projects or any other home improvements, The Home Depot Pro

is a go-to destination for landlords and real estate investors.

Designed by professionals for professionals, Pro Xtra is The Home Depot's loyalty program that helps you save money, manage your spending and grow your business. In addition to the program's standard benefits, National REIA members also receive a two percent annual rebate, 20 percent off paints and primers, volume pricing and more. It's free to join so check it out and get started today!

Brian Aguirre is the Home Depot Pro National Account Manager for the National Real Estate Investors Association.



AZREIA Advantage: The Real Estate Investment Specialists

Rental Comps for Fix & Flips? Really?



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by
**Marco
Leone**

Wow! The housing market continues to be hot! Every day I talk to investors who are not only looking for great deal properties to fix and flip, but they're also looking for great long term buy and hold rentals. So, if your plan is to fix and flip, are you overlooking the importance of rental comps when evaluating potential investment properties?

I know... I know. If you're a fix and flipper, you're thinking, "Why should I care about rental comps when I don't plan on keeping the property long term?" Here's why...

Unfortunately, we often see too many investors, especially newbies, run into trouble and put their financial futures at risk. How you ask? Well... in a best case scenario, you've done all your research, you know the ARV, you've completed all the necessary repairs, completely rehabbed the property, and now it's time to put the property back on the market. Miraculously, it sells in one day! Woohoo! That was the easy scenario.

But what happens if it doesn't sell right away and instead the property sits on the market for a while? Do you know how quickly your profits can be swallowed up by carrying costs? You know, things like mortgage payments, taxes, insurance, HOA dues, etc., etc.

So, what's plan B? Remember, when flipping properties, you need good solid exit plans, and preferably multiple plans in case your primary exit plan doesn't work out. If you have trouble selling the property, then plan B might be to rent it out. If you don't pay attention to potential rents up front and you end up trying to rent the property later, you could end up with negative cash flow on your hands. Yuck! You REALLY don't want that!

Although renting out your investment property is a great way to create some passive income (if structured correctly), many investors have no idea how to go about determining whether or not a specific property would be a profitable rental or not. This is something you should definitely know

before purchasing any investment property.

When looking at rental data and rental comps, you want to look at many of the same factors that affect sales comps, such as living area square footage, number of bedrooms, bathrooms, property condition, pools, parking spaces, and of course, location.

There are a lot of online tools for pulling rough rental comps including, Trulia, Hotpads, Craigslist, Zillow and Rentometer, but in many cases, the prices can be inaccurate due to overpriced rental listings no one is willing to pay. These tools also do not take into consideration the types of renovations done or the number of days on the market.

For example, if a comparable property across the street from yours is asking \$1,300 a month and it has been on the market for 90 days, it's a pretty good indication that the market is not willing to pay that. As you can see from this example, there can be a huge difference between asking rents and actual rents. In short, one house might be asking \$1,300 a month, while an identical unit next door could have just leased for \$1,000 a month. The market will always let you know whether or not something is too high or what the area will allow.

Obviously, the best way to know what your property can rent for is by using actual rental comps that will tell you exactly what people are paying for similar properties. So, having the ability to access and evaluate accurate rental data and rental comps is crucial for all investors.

This is EXACTLY what we provide through our SmartMap ARV and Rental Comping System!

Don't take a chance and get stuck with a deadweight deal and negative cash flow because you failed to do your homework on rents and rental demand.

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Go to www.SmartMapComps.com to get started. I promise, you'll love it.

Looking for your next fix & flip or rental property but need help finding the best deals?

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My name is David Nielson and I have a love for numbers and creative financing. I love driving things that are fast, I work hard so I can play hard with my wife and my 4 amazing kids, and of course, I am The Best Flippin Lender™!

Recently, I taught my 7-year-old son about leverage by using a 2x4 and some blocks to move a large shed. I placed the 2x4 under the shed, put the block at the halfway point, and stood on the opposite end from the shed but the shed did not budge. I then moved the block closer to the shed, to create more leverage, and once again stood at the opposite end, this time only to see minor movement. Finally, I moved the block even closer, creating additional leverage, and was eventually able to move the shed.

Leverage is one way of utilizing a limited input to exert a maximized output. In

real estate, the limited input that we utilize is our own capital, the leverage is OPM “Other People’s Money,” and once combined, that is our buying power. For example, lets show an investment of \$25,000 in a house that produces a 12% profit, with leverage and without leverage. For this example, the leverage has a cost of 6%.

With Leverage

\$25,000 Own Capital
+ \$75,000 Leverage or OPM
\$100,000 Buying Power

$\$100,000 \times 12\% = \$12,000$ Gross Profit
 $\$75,000 \times 6\% = \$4,500$ Cost of Leverage
\$7,500 Net Profit
with Leverage

Without Leverage

$\$25,000 \times 12\% = \$3,000$ Net Profit
without Leverage

Is leverage good? If all things go as planned, then the answer is yes. In this example the investor made an additional \$4,500 which is 150% greater than without leverage. But what happens if a virus spreads across the nation and halts construction and your leverage has a 6-month maximum term, or the virus comes and causes your tenant to stop paying their rent when you rely on that rent to pay your obligations? At that point, the leverage may become your weakness.

Utilizing the example with my son, if the forces on each side of the 2x4 are too great, then at some point the 2x4 will break and you will have lost your leverage opportunity. In that instance, your hope is to either find a new source of leverage or find a way to amend/repair the current leverage. However, interest, late fees, default interest, and attorney fees begin working against you. Eventually you lose the property to foreclosure and your capital is gone. But wait, that is not all, not only did the lender take back the property and you lost your equity, but the lender then sold the property at a discount through auction and accumulated additional expenses. He then pursues the personal guarantee that you signed in efforts to make up for his additional loss.

So how much leverage is the right leverage? Well that is up to you and your risk tolerance. On Investment real estate, hard money lenders are riskier than banks and they lend between 80-100% of cost, banks lend below 80% of cost but are usually around 70%, and non-recourse lenders are closer to 50% loan to cost. Equity in the property and cash reserves are key.



(480) 779-9779
www.boomerangcapital.com

NO CREDIT CHECK

NO UNDERWRITING FEE

NO HASSLE

NO PAYOFF FEE

NO PREPAY PENALTY

NO PROCESSING FEE

NO MAINTENANCE FEE

NO INCOME

NO DRAW FEES

NO APPRAISAL

NO DOC PREP FEE

NO INSPECTION FEE

AZREIA MEMBERS EXCLUSIVE—\$400 credit at closing and \$2,000 less down payment

2152 S. Vineyard #105, Mesa, AZ 85210 Company NMLS: 1644075

Why Replace It? Perma Glaze It!



One essential service and a permanent hygienic solution is **Perma Glaze** for all your multi-surface concerns! **Perma Glaze** offers a seamless, non-porous application that encapsulates grout lines and all joints. Our state-of-the-art technology can be applied over metal, wood, tile, porcelain, countertops, showers, sinks, cabinets, surrounds, bathtubs, appliances, fiberglass, Formica and more.

Refinish Fixtures vs. Replacement

- Replacing a fixture, for example a bathtub, can take several days or even weeks during which time the occupants are unable to use the facility. Replacement fixtures are almost invariably of lesser quality than the original.
- Replacement requires many tedious and destructive chores:
 - breaking and removing ceramic wall tile that surrounds the tub
 - gouging out dry wall and cutting through 2X4 studs
 - ripping out and disposing of floor tile before the old tub can be removed for replacement.
- Replacing is dangerous, messy, noisy, and expensive work, usually requiring the services of a carpenter, plumber and tile setter. (Cast iron tubs weigh up to 300 pounds)

In just a few hours, without removal, the **Perma Glaze** system of polymer resins restores worn and damaged surfaces to their original luster. The remarkable beauty of **Perma Glaze** is the result of our proprietary process that combines unbeatable depth and richness of color with a uniquely ultra-durable surface that retains its lustrous like-new look.

"The **Perma Glaze** process is a quick and inexpensive solution for any remodel job," says founder Dale Young. Ace **Perma Glaze** offers the opportunity to refinish fixtures vs. replacing them. **Perma Glaze** renews worn fixtures to their original glory, avoiding altogether the need to rip out and dispose of



bathtubs, sinks, countertops, appliances, and more. His motto: "Why Replace It? Perma Glaze It!" The environment will be far better off, and homeowners/investors can save up to 85% in replacement costs!

+++

Additionally, **Perma Glaze** offers licensing opportunities to real estate investors:

"A Perma Glaze License is the perfect opportunity to expand your Real Estate business and increase your profitability overnight."

— Dale Young, Owner/President, Perma Glaze

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Monthly Meetings

AZREIA Phoenix Meeting

Monday, September 14

Zoom 5:45 pm

AZREIA Tucson Meeting

Tuesday, September 15

Zoom 5:45 pm

Phoenix Real Estate Club

Tuesday, September 22

Zoom 5:45 pm

This month we are going to provide an in-depth focus on the market. We will share all the data and, more importantly, provide analysis of how your business is affected and where we are headed in the future. We will take a hard look at the operational side of managing your rental properties. Timely, market-driven information and education makes this meeting must see. Don't miss it!

Phoenix – Current Market Trends & Activity

Experts representing Market Data Analysis, Legal and the Rental Market provide the absolute latest information essential to your real estate investing business.

Phoenix & Tucson Main Meetings Covid and Beyond – A Second Wave of Danger for Landlords

Let's get down to the details of what you need to know and do now as well as what to prepare for in the future. Just direct practical information for controlling your most valuable asset- your income property. David Pickron, owner and founder of RentPerfect, joins us to provide you all the details:

- How the eviction moratorium affected tenants who have not paid.
- Evictions and Judgement no longer are reported on credit bureaus. Credit scores will not be affected. How you can get that information now?

- Large judgments are going to follow these tenants for years causing garnishments on their wages. How you make sure your tenant will be able to pay the rent in the future.
- Should you look for anything different or change your rental criteria to protect yourself?
- How do you onboard the right tenant with the least amount of contact possible?

Market Update & Market News with Alan Langston

The latest Fix & Flip and rental data along with further analysis of our Seller's Market. Plus, current events and news important to your investing.

Special Demo Session – RentPerfect

To close out Phoenix Meeting on September 14th we will be providing a demonstration of RentPerfect's comprehensive on-boarding and tenant management cloud-based software. AZREIA has long supported the exceptional credit and criminal background checking service. Most members are unaware of the power this system delivers past the credit and criminal check.

Tucson Main Meeting – Covid and Beyond – A Second Wave of Danger for Landlords

See above. Plus, all the great networking sessions including Haves & Wants and the Tucson Market Update.

Phoenix Real Estate Club

Even in a virtual environment, this is some of the best real estate networking anywhere! Haves & Wants continue. Structured networking activities in breakout rooms. Market Discussion. Member Deals. It all still happens!



RentPerfect is the solution rental property owners and managers have been crying out for. We've combined the hands-on human element of investigative techniques we've always been known for with the speed, convenience, and cost-cutting power of the digital age to provide you with an all-in-one, mobile web-enabled screening process. Now AZREIA members through National REIA receive a discounted \$0.95 set up fee. Here is what you receive with an ISC screening:

AZ.R.E.I.A., Inc. (the "Association") does not: (1) render legal, tax, economic, or investment advice, (2) investigate its members, or (3) represent or warrant the quality of goods or services provided by its members, the honesty, integrity, reliability, motives and/or resources of its members or their officers, directors, managers, employees, agents, and/or contractors. Consult your legal counsel, accountant, and other advisors as to risks and legal, tax, economic, investment and other matters concerning real estate and other investments. Members will comply with the Code of Ethics of the Association.



AZREIA Calendar of Events

Check www.azreia.org for the current schedule.

SEPTEMBER MEETINGS		
AZREIA – Phoenix - Virtual <i>Monday, September 14</i>	AZREIA – Tucson - Virtual <i>Tuesday, September 15</i>	Phoenix Real Estate Club - Virtual <i>Tuesday, September 22</i>
SEPTEMBER SUBGROUPS - Join like-minded investors, share ideas, network, and learn in small group settings.		
<ul style="list-style-type: none"> • Prescott Meeting <i>Tuesday, September 1</i> • Income Property Owners <i>Thursday, September 3</i> • Burley - Virtual <i>Tuesday, September 8</i> 	<ul style="list-style-type: none"> • Residential Assisted Living <i>Wednesday, September 9</i> • Beginning Investors <i>Thursday, September 17</i> • Notes - Virtual <i>Thursday September 17</i> 	<ul style="list-style-type: none"> • Fix & Flip <i>Wednesday, September 30</i> • Tucson New Investors - Virtual <i>Monday, September 7</i> • Tucson Wholesaling - Virtual <i>tbd</i>
CORE SKILL CLASSES <ul style="list-style-type: none"> • Comp & Estimating Repairs Thursday, 8/27 6:00-8:00pm Virtual Class • Creative Deal Structures Saturday, 9/19 9:00 am – 1:00 pm Live Class • Private Money Thursday, 9/24 6:00 pm – 8:30 pm Live Class – Last 20-30 min Q&A Pre-register online. Walk-ins CANNOT be accommodated due to social distancing requirements)		
ONLINE EXPO (Part of our series of Conference and Expo) Saturday, September 26, 2020 9am-4pm <ul style="list-style-type: none"> • Kick-off with Jim Rounds, a local economist • Training session with Lee Phillips on entities, taxes, and asset protection • Presentation from Equity Trust on Self Directed IRAs • Presentation from Boomerang Capital Partners on rehabbing • PLUS, additional information from AZREIA vendors about great benefits you NEED to know! 		
ONLINE: Home Depot Expo Tuesday September 29, 2020 6:00pm – 8:00 pm Presentations from Home Depot Suppliers in a Good-Better-Best format on topics like: <ul style="list-style-type: none"> • Paint • Tools • Cabinets • Flooring • AZREIA's Exclusive Discount Program 		
Launch Pad – ONLINE Friday October 2, 2020 9:00 am – 1:00 pm		
UPDATED INFORMATION & REGISTRATION ONLINE AT WWW.AZREIA.ORG		

LEGALLY SPEAKING



Q: My tenant is on a month-to-month tenancy and has unauthorized occupants in the property. What is the best means for me to address the issue?

A: If you had just asked about the unauthorized occupants, then the answer would be to serve the residents with a 10-day noncompliance notice. The resident would have 10-days to cure the violation, and if the violation continued after 10 days, then you

could file an eviction. These evictions are always complex though, as you are forced to prove that they have an unauthorized occupant in the property. That often comes down to a he-said she-said case or depends on what proof you can find in the house. Here, since it's a month-to-month tenancy, you should also serve a 30-day notice to terminate their lease. That way, you don't have to worry about the he-said she-said case.

Mark B. Zinman, Attorney

Information contained in this article is for informational purposes only and should not be considered legal advice.

You should always contact an attorney for legal advice and not rely on information published here.

interest accruing, it would be foolhardy to tie it down, and leave it idle for weeks. So I would take option 1 preferably. I have come to the conclusion that \$325,000 should be sent to the receivers account at the end of this message. There is an investment window for shipment of medical equipment which I would be investing in, with a return on investments in a couple of weeks when I will be cleared to travel. I will humbly still retain your services, and we conclude this purchase then. I once again appreciate your diligence and professional services provided me. Thank you and I await your urgent action on the subject."

BANK OF FAR OVERSEAS

SWIFT CODE: ABCDEFGH

BENEFICIARY/ACCOUNT NAME:
LEEHIGH TRADING COMPANY

ACC NO: 090909090909-12

BENEFICIARY ADDRESS: Highrise Tower,
6565 Main Street, Far Overseas

The Escrow Officer reviewed the file and reached out to her management and National

Escrow Administration. She was unsure whether the check had cleared the bank. It was deposited on Thursday, April 9, 2020.

The buyer was asking for a refund of \$325,000 from his check on Monday, April 13, 2020. Escrow knew that was too soon for the check to be unconditionally collected.

There were other red flags. The Escrow Officer had not had direct contact with the buyer who was asking the refund be paid to an unknown party. She knew this scenario did not sound right. She emailed a copy of the check to the National Escrow Administration team and asked when it would be available to disburse.

Upon receipt, the Escrow Administrator knew the check did not look right. They instructed the Escrow Officer to reply to the buyer letting him know it would take at least 10 business banking days for the check to clear. In the meantime, her escrow administration reached out to the corporation who cut the check to verify it was validly issued.

By the next morning, Escrow Administration spoke to the manager of accounts payable at the

corporation, who confirmed the check was not valid. The escrow administrator instructed the Escrow Officer to resign from the transaction immediately so the seller could put the property back on the market and sell to a legitimate buyer.

The Escrow Officer did just that. After receipt of her resignation, both the listing agent and selling agent looked closer at the details of the transaction and the check remitted by the buyer. They, too, decided to cancel the agreement.

We close transactions even during uncertain times but it does not mean we throw years of risk mitigation processes out the window. The Escrow Officer recognized all the signs and proceeded with caution. She saved the Company a potential loss of \$325,000. Had she complied with the buyer's request those funds would never have been recoverable.

Article provided by contributing author:

Diana Hoffman, Corporate Escrow Administrator

FNTG/National Escrow Administration



AZREIA Monthly Meetings at a Glance

September 14th Phoenix Meeting

- **Current Market Trends and Activity** Experts representing Market Data Analysis, Legal and the Rental Market provide the absolute latest information essential to your real estate investing business.
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September 15th Tucson Meeting

- Tucson Main Meeting: **COVID & Beyond – A Second Wave of Danger for Landlords**
- Tucson Market Update – The latest sales volume, pricing, supply and demand numbers.
- Haves & Wants, Power Networking and Deal Sharing

September 22nd Phoenix Real Estate Club

- Even in a virtual environment, this is some of the best real estate networking anywhere! Haves & Wants continue. Structured networking activities in breakout rooms. Market Discussion. Member Deals. It all still happens!