

THE AZREIA ADVANTAGE

ARIZONA REAL ESTATE INVESTORS ASSOCIATION NEWSLETTER

"AZ Real as it Gets"

JULY 2022

Contents

Legal Expert	2
Title Expert	3
Private Banking Systems Expert	4
Asset Protection & Estate Planning Expert ...	5
Legally Speaking	7
Financing Professional ..	10
Insurance Resource	11
Tax Professional	12
Monthly Meetings	13
Calendar of Events	14
Meetings at a Glance	15



ARIZONA REAL ESTATE
INVESTORS ASSOCIATION

4527 N 16th St #105
Phoenix, AZ 85016

480.990.7092
www.azreia.org

8 Simple Ways to Supercharge Your Motivation Every Day

If you try to do something great, you'll inevitably encounter obstacles. The more obstacles you meet, the more difficult it is to keep your motivation at a high level. In these moments, you need techniques to fuel your motivation engine. Here are eight simple ways you can supercharge your motivation:

1. Focus on the things you can control.

The more you focus on things out of your control, the less motivated you'll feel. When you focus completely on things you can control, you'll realize that you can quickly and easily change your situation. Every day, focus on the things right in front of you. Don't waste your time or energy on things out of your control.

2. Constantly remember your purpose.

Why are you pursuing a goal or dream in the first place? What is the big, audacious purpose that motivated you to embark on the journey? More time with your family? More money? Flipping houses? To keep your motivation high, constantly keep your purpose in front of you.

3. Celebrate the small wins.

It's important to keep the big picture in front of you, but it's also crucial to celebrate the small wins. Remember, you climb

a ladder one rung at a time. You're reaching your goal one step at a time. Celebrating the small wins will allow you to see the progress you're making and increase your motivation levels.

4. Act first, feel later.

One of the best ways to get your motivational juices flowing is to simply take action. If your goal is to read fifty books in one year, sit down

and read a book for five minutes. If your goal is to flip five houses, go analyze and write five offers. It's common for motivation to follow action. Once you take the first step, you'll feel motivated to keep going.

5. Do visualization exercises.

By visualizing your goal, you bring the future into the present. As you visualize your dream business and all the benefits it will bring, you'll feel your present motivation skyrocketing. As you think about what it will be like to double your income, the obstacles you're facing will melt into the background.

6. Break your big goal into small goals.

Depending on your ability to focus, it might be necessary to break up the goal into segments that last anywhere from one week to 12 weeks. This way your brain can experience success and logically see a positive long-term

All Chapters Meeting

~Virtual~

Monday, July 11 - 5:45pm

- Haves & Wants
- Market Update & Market News
- Rental Update

Continued on page 7



Disclosure Requirement for Wholesalers



*Mark B. Zinman,
Attorney*

Zona Law Group P.C.
7701 E. Indian School Rd.
Suite J
Scottsdale, AZ 85251
Phone: (480) 949-1400
Fax: (480)-946-1211
www.zona.law

by
**Mark
Zinman**

Every few months, we get questions from wholesalers about whether they are required to be licensed. The traditional argument was that wholesalers are not required to be licensed as they have an interest in the real estate transaction. They are putting their own money in to the transaction to buy the property and then assign their interest to another person. In addition, they have a personal stake in the transaction and have something to lose. Because of this, they are not governed by the Department of Real Estate and haven't had any laws directly on-point. However, that changed this legislative session.

Even though the full legislative session is not over, and some bills will still be passed (including the legislative budget) one bill has been signed into law and it affects AZREIA members. HB2747 was signed into law by Governor Ducey. This bill, which is now codified into law as ARS 44-5101, requires certain disclosures of persons who are acting as wholesalers. There are a few important things to take from this new law as seen below:

1. This applies to people who are working as a wholesale buyer and wholesale sellers. You are a wholesale buyer if you enter into a purchase contract to buy a property and then assign it to another person. You are a wholesale seller if you sell or

transfer interest in real property that you do not own.

2. Second, it doesn't matter how many transactions you have done in a year. If you have done one sale or purchase under the definition above, you are a wholesaler.
3. Before you enter into a binding agreement, you must disclose that you are acting as a wholesale buyer or wholesale seller, and if you are a seller, you must also disclose that you only own an equitable interest in the property and that you may not be able to transfer title. The law doesn't address whether its sufficient if it's in the purchase contract, or if it must be in a separate contract. Logically, it would appear to satisfy the language and intent of the statute if your purchase/sales contract explicitly have this language.
4. If a wholesale seller does not disclose this information prior to entering into the contract, the buyer can cancel, and get their earnest money, up until

the closing, regardless of what the contract provides.

5. If a wholesale buyer does not disclose this information, the seller can cancel the contract and get any earnest money paid by the wholesale buyer, regardless of what the contract provides.
6. This only applies to property with less than five dwelling units.

The law doesn't address the situation where you do sign a contract with the intent to close on it, but later change your mind. That factual situation could cause people problems. Therefore, if there is any chance that you may be a wholesaler, it's better to disclose it.

This disclosure requirement is not a significant amount of regulation, and it is easy to comply with. What is important, however, is that it is the first step in regulating wholesalers. It is unclear whether there is more to come in future years.



**We Represent Property Managers, Owners
and Investors in All Real Estate Matters.**

LANDLORD / TENANT LAW

REAL ESTATE TRANSACTIONS

DISPUTES OVER OWNERSHIP





The Jig Was Up



by
Jill
Bright

Jill Bright
AVP/Sr. Sales Executive

Chicago Title
Maricopa County

Phone (602) 525-0790

BrightJ@ctt.com

www.ChicagoTitleArizona.com

One of our Escrow Officers conducted a search online and found the real property owner of the rental property. She called him immediately to verify if he was selling his property.

The owner was shocked. He knew nothing about the sale of his rental property. He asked her what he could have done to protect himself from being a victim. The Escrow Officer explained the best way is to have the tax bill go to his mailing address.

The mailing address notifies a title company the property is not owner occupied and gives the title company a method to contact him and confirm he was selling his property. If his address had been correct, she would have sent him a notice at the opening of escrow like this:

Dear Owner(s)

Thank you for choosing Chicago Title Company. We are delighted to be of service to you. We are in the process of preparing a preliminary report or title commitment for the sale of the property listed above.

Should you have any questions or be unaware of this transaction, please contact the undersigned immediately.

This simple but effective step would have prevented the imposter (who turned out to be the tenant of the property) from almost succeeding.

SPOILER ALERT! The Escrow Officer was able to successfully unwind this deal. However, this situation could have all been avoided. "How?" - well let's start at the beginning.

First, the buyer was an investor who simply knocked on the door of the property and negotiated the sale with the person who answered. The investor was led to believe the man

who answered the door was the owner of the property. Next, the buyer wrote up an offer and the seller accepted it - escrow was opened. Since the investor was a cash purchaser, the sale was scheduled for a quick close as soon as escrow had everything she needed.

The seller was a busy man, so the escrow officer booked the signing with an approved signing agent. The signer gave the notary the runaround having her go to a couple of different work locations to track him down. The notary finally caught up with the seller at a gas station where he claimed to work so when she asked him for his driver's license, he told her he was just dropped off and did not have it with him.

The seller convinced the notary to let him sign her journal confirming he would send her a picture of his I.D. later. The notary placed her notarial seal on the deed and delivered it to Chicago Title. However, the seller never sent the notary his I.D. nor did the notary tell the escrow officer what occurred, so the deal closed. When the seller was unable to present I.D. to pick up his proceeds check, the Escrow Officer discovered the seller was an imposter. She immediately reached out to the escrow administrator who gave her directions on how to unwind the deal.

First, the Escrow Officer contacted the payoff lender, explained what happened and asked them to send the payoff back. Next, she filed an escrow loss. She then sent the check register to her corporate escrow administrator who contacted the taxing authorities and utility companies to explain what occurred and request a refund. All the payees were cooperative in returning the payments.

After that, the Escrow Officer advised the buyer the deal was being unwound and explained why. She wanted to be sure the investor knew as soon as possible so he did not incur additional costs by beginning the demolition of the property. Finally, she contacted the buyer's hard money lender and advised them. She let the lender know she would need a reconveyance in exchange for a return of the loan proceeds.

Why would the notary do what she did? She did not feel safe. There were a lot of other men at the gas station who were

making her feel uncomfortable, so she was focused on getting his signature and leaving as soon as possible.

The safety of our employees and approved notaries is of upmost importance to us. No one faults the notary for acting quickly to get out of an unsafe situation. However, the notary failed to follow Company policy in allowing the purported seller to sign without requiring I.D. Thus, it was the notary's obligation to immediately report to the Escrow Officer that the purported seller had not produced his I.D. at the signing. Had she explained what occurred, the Escrow Officer would have never closed without ensuring the seller was properly identified. It was a very unfortunate but critical lapse in judgment.

As a result of the notary's lapse in sound judgement, she will never be authorized to conduct signings on behalf of the Company in the future. The Escrow Officer did everything in her direct power to follow Company policy. She booked the signing with an approved signing agent and took added precautions by requiring I.D. before giving the seller the proceeds check. Additionally, the Escrow Officer knew the Company policy regarding absentee owners, and had the owner used the correct mailing address (instead of the property address) on his tax bill, she would have sent him a notice as soon as escrow was opened.

The deal took a twist. The "seller" kept calling the Escrow Officer wanting to know where his proceeds were. She told him she could not give it to him since he never presented proper I.D. - either to the notary or to her in the office. The "seller" was so bold to then send over a copy of his I.D. His last name was the same as the real owner of the property, but his first name was different. Fortunately, he did not call back - indicating he knew the jig was up.

Moral to the story - our Escrow officers are trained to detect and prevent fraud which ultimately protects you!

Article provided by contributing author:
Diana Hoffman,
Corporate Escrow Administrator
Fidelity National Title Group
National Escrow Administration





Change the Way You Think



Jason K. Powers
Wealth Strategist
Unbridled Wealth

Call or Text:
(303) 250-1755

by
**Jason K.
Powers**

jpowers@unbridledwealth.com
<https://unbridledwealth.com/>

Nelson Nash, the man who coined the term *Infinite Banking Concept*, talks about 5 human problems or psychological pitfalls that we all must overcome in effort to have a disciplined financial plan. Overcoming these pitfalls is paramount to not just surviving financially but thriving.

The first human problem is what has been coined as *Parkinson's Law*. This law was devised from C. Northcote Parkinson's book by the same name and can be summarized in three points.

The first point is, "Work expands to meet the time envelope allowed." In the context of real estate, how often have you had one contractor on one job complete something in the 10 days they were allowed, and then when you give them the same job on another project but 30 days to finish, it took the full 30 days? Life is full of these kinds of examples - from kids and homework to work and deadlines - along with anything else basically with a deadline. What if we could master overcoming this trait in our lives then get things done more efficiently and consistently? What if our finances were working this way?

The second point is, "A luxury, once enjoyed, becomes a necessity." I remember spending eleven years in a home with no air conditioning. When I moved out of that home and into a house with central air, I couldn't believe I 'survived'

all those years without it! How many things in life have we convinced ourselves that we can no longer live without? From a financial perspective, what if we had a better handle on our understanding of these things in our own lives? What would change in your finances if you could have a little more self-control and discipline?

The last point is, "Expenses rise equal to income." When a pay raise or bonus comes along, we usually have it spent (in our minds) before it even hits the bank. Once we have a consistent increase in income, most of us in the world begin to expand our living environment in one way or another. If we were better at living below our means, do you think we could get ahead a little better?

We must change the way we think about money!

The average American household spends a shocking amount of money on interest payments each year on things financed. Additionally, putting their pre-tax money into accounts that they can't touch for decades and will be taxed at an unknown

future rate - yet at the same time believe taxes are going up in their lifetime. In the end, the average American follows the herd when it comes to finances.

What if there was a way to change up the status quo with your finances? What if you could be *the bank* and borrow from yourself instead of an outside institution? What if your one pile of money could grow in two places at the same time? What if you could live on income tax-free money at retirement? These are all things we teach people how to do here at Unbridled Wealth.

Change the way you think about your finances, and it will change your future.

Jason K. Powers is a Multi-Business Owner, Real Estate Investor, & Wealth Strategist helping people change the way they think about their money and creating financial velocity that can last for generations.



**UNBRIDLED
WEALTH**

No One is Born Financially Savvy.

At Unbridled Wealth, we craft strategies tailored to how much money you make, giving you the peace of mind knowing that your financial future is more **attainable** than you think.

Discover How You Can:

- Avoid Unnecessary Fees & Taxes
- Create a Guaranteed Retirement Plan
- Stop Paying Interest to Banks
- Maintain Access to Your Cash
- Leave Money Behind for Loved Ones



SCHEDULE YOUR FREE CONSULTATION

JASON K. POWERS | WEALTH ADVISOR
E: JPOWERS@UNBRIDLEDWEALTH.COM
P: (303) 250-1755



Thinking About Revocable Living Trusts, Setup and Maintenance



Samuel C. Richardson
Attorney at Law

Phocus Law

Phone: (602) 457-2191

Sam@
phocuscompanies.com
phocuslaw.biz

by
**Samuel C.
Richardson**

Probate. Many times, we've probably heard this word and let it go right past because the only thing we know about it is that it applies to the dead, and we're not dead. Right? No. Unfortunately, probate is not an affliction that plagues the dead, it's a legal proceeding that haunts the living. Probate is a court proceeding used when a person dies and leaves behind assets whose ownership succession hasn't already been addressed. The court tries to determine if there's a will, what assets belong to the estate, and to whom those assets now belong. If your estate is small, the process is relatively cheap, quick, and easy. In Maricopa County, what counts as small is \$100,000 in real estate and \$75,000 in personal property. Because most of us have estates that easily surpass those limits, you're looking at the possibility of a lengthy legal process. The good news is that probate is completely avoidable!

For instance, a revocable living trust is a solution to the probate process for many Arizonans. A trust is a legal relationship in which a trustee holds ownership of property for the benefit of a beneficiary. The property is supplied by a trustor/grantor/settlor. In a revocable living trust, the trustor, trustee, and beneficiary are all the same person(s), at least until that person dies. The person owns

and uses the property as they normally would during their lifetime, but because of the trust agreement that directs how the estate property is to be disposed of, the property held in trust is not required to go through probate.

Setting up a trust requires putting together a trust agreement that names the trustee and beneficiaries, and then funding the trust by moving personally held assets into the trust. When Phocus Law puts together a trust, we start by filling out a questionnaire that identifies your spouse, your primary assets, as well as your children, and other possible beneficiaries. In addition, we also identify who you want to manage your assets as your trustee. One of the important steps along the way is determining how you want your assets distributed among your beneficiaries. Do you really want your 19-year-old to receive full control of your entire life's savings when you die? Probably not. Many times, you can exercise significant control over your estate through a trust by providing specific distribution instructions that your trustee **MUST** abide by. You may also want to include specific instructions as to how your young children are to be pro-

vided for. Not only does a trust help you avoid probate, but it affords a greater amount of control over your assets than simply leaving your assets to your heirs.

Once set up, maintaining your trust requires periodic review to ensure that it still works for you and your family. For example, as your children get older, you may want them to step into the trustee role. In addition to periodic review, there are four life events that mandate review: Birth, Death, Marriage, and Divorce. These events almost always change the outlook for the distribution of assets and in many cases, the funding of the trust estate. Because of these reasons, make sure you stay on top of your trust after you've set it up, and it will take care of your loved ones when you're gone.

As the lead attorney in the estate planning group at Phocus Law, I assist our clients in all aspects of their estate planning. If you'd like to discuss how I can help you, please don't hesitate to reach out to me.

I can be reached by email at Sam@PhocusCompanies.com or by phone at 602-457-2191.



FULL-SERVICE BUSINESS LAW FIRM

- Entity Formation
- Real Estate Financing, Development, Acquisition & Leasing
- Contract Drafting, Review & Negotiation
- Fundraising & Investments
- Company/Asset Acquisition & Sale
- Employment
- Company Sales & Founder Exits
- Commercial Litigation



FULL-SERVICE ESTATE PLANNING PRACTICE

- Wills
- Revocable Living Trusts
- Irrevocable & Dynasty Trusts

phocuslaw.biz
(602) 457-2191

michele@phocuscompanies.com



Rentals



Apartments



Fix and Flip



Auto



Flood

If you rent it out, flip it, live in it, or drive it, we insure it!



Join the hundreds of Real Estate Investors that trust us to take care of their insurance needs. Like you, we invest in real estate and understand your business. As a broker, we have the tools to make sure you get the best rate from quality companies at a great rate!



Gee Gee

Excellent Service! I highly recommend Gila Insurance Group as they are the best at what they do. I've entrusted my insurance needs for my properties with Gila Insurance and have not had a worry since. Great customer service, friendly and professional.



Bridget Pruss

As a new investor, Derek took the time to ensure I understood the process and provided me with key learnings/ considerations that I didn't have to ask. I value this since "I don't know what I don't know." I consider Derek/Gila to be my go-forward partner.

**Visit us online and
let us start shopping
for you.**



**Derek Kartchner | President | 877-784-6787 | derek@gilainsurance.com
www.GilaInsurance.com**



Homeowners



Umbrella



Business



Mobile Homes



Vacant Land

LEGALLY SPEAKING



Q: What is a beneficiary deed?

A: A beneficiary deed is a deed that transfers title to a recipient upon the death of a grantor, without the need to go through probate court. As soon as the grantor passes away, the beneficiary deed becomes effective, and the grantee becomes the owner of the property. It's important to note that for a beneficiary deed to be valid,

it must be recorded before the grantor dies. Further, a beneficiary deed is revocable at any time by the grantor. Some people use such a document to avoid real property going through probate, but we can't advise on that as we don't practice in estate planning or taxes. Therefore, make sure you speak to an estate planning attorney and a CPA before making any estate planning decisions.

– Mark B. Zinman, Attorney
Zona Law Group, P.C.

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.



8 Simple Ways to Supercharge Your Motivation Every Day Continued from page 1

outcome. You'll procrastinate if the path looks too challenging.

7. Repeat affirmations daily. Affirmations help you believe that you're going to achieve your goal. When you're feeling overwhelmed, burned out, or low on motivation, saying things like, "I AM on my way to financial freedom," can help you keep going.

8. Surround yourself with people who motivate you. One of the most effective ways to boost your motivation is to truly surround yourself with other people who are motivated. If you're building a business,

spend time with other passionate entrepreneurs. If you're working toward buying rental properties, attend meetings where landlords hang out together. You need encouragement and support as you pursue your goals.

These ideas may be simple, but they're profound. The sooner you put these to work in your own life, the sooner you will start to see progress.

Happy Investing!

Michael Del Prete
AZREIA Executive Director



AT PEOPLES MORTGAGE, WE LIKE TO *Think Outside The Box*

**We offer loan products
specifically designed
for customers with
non-traditional income
and/or credit situations
to achieve their financial
goals when it comes to
homeownership.**



CONTACT US TODAY TO LEARN MORE ABOUT THESE PROGRAMS:

- **Debt Service Coverage Ratio – no income verified – use rental income to qualify.**
NO Vacancy factor. 100% gift funds permitted!
- **Use 1099 & bank statements for income qualifying
in lieu of full tax returns**
- **10% down with no Mortgage Insurance – up to \$3.5M**
 - **DTI up to 55%**
- **Credit scores down to 560**
- **Asset utilization for income qualifying**

*Let's
get you
Prequalified
Today!*



ANDREW AUGUSTYNIAK

Branch Manager | Senior Loan Officer

Direct: 480.735.4095

ateam@peoplesmortgage.com

augustyniakteam.com



LOAN OFFICER LICENSING: AZ-0921752 CA-CA-DB0911628 ID-ID-MLO-2080911628 OR- WA-MLO-911628 NMLS-911628 COMPANY LICENSING: Peoples Mortgage Company, A DBA of Moria Development, Inc. AZ BK-0904164 CA-FLL603L266/RMLA4130661, Licensed by the Department of Financial Protection and Innovation under the California Residential Mortgage Lending Act | www.PeoplesMortgage.com/privacy-policy ID MBL-2080006274 OR-ML-5111 WA-CL-6274 Peoples Mortgage Company | Equal Housing Lender | NMLS - 6274 | 3303 S Lindsay Road, Bldg 2, Suite 104 Gilbert, AZ 85297

Call for full program details and to check rates and eligibility. All loans are subject to underwriting by a Peoples Mortgage Underwriter. Rates and programs are subject to change at any time without notice. 5/25/2022



WARNING: It's a rookie move if your Agent doesn't personally invest in real estate. This action alone can be a costly mistake.

For the last 10 years investors locally and across the country have trusted me to buy and sell their investment properties.

Here's WHY they chose me over the other 100,000 licensed agents in the state of Arizona besides the fact that **I answer my phone.**

- I personally flip and hold properties
- Access to off market properties, pocket listings & strategic MLS searches
- I can do the math! Repair Analysis and Calculations
- Fluent in investor lingo: ROI, ARV, NOI, 1031, Cap rate
- Market knowledge including micro markets
- Push through tough negotiations
- Access to tradesmen, supplies and labor

REACH OUT TO ME TODAY, I'D LOVE TO CHAT!

**Dominique
Martinez**

(602) 501-0689

dom@whhouses.com

DPR REALTY LLC
DEDICATED. PROFESSIONAL. RELIABLE.



Meet My Property Manager...



"Everything I need to manage my property from anywhere... right on my phone!"



AZREIA OFFER
95 Cent Membership

www.RentPerfect.com

90%

Fix & Flip Financing

Do you qualify?

Contact us to find out.

MERCHANTS FUNDING AZ, LLC

License #BK-0918174 NMLS #388757

Mark Steinbeck, VP

480-889-7569

NMLS #180782

Bo Seamands

903-721-5807

NMLS #1191246



The information in this ad is for real estate professionals only. Adequate disclosures for home buyers are not provided. Rates and terms are subject to change without notice and are subject to underwriting and qualification.

Hard Money Specialists

"When the banks say no or move too slow"™

Single Family 1-4-unit,
Commercial Property, Apartments,
Spec Construction and Lot Loans

Fix & Hold

Fix & Lease

Fix & Wrap

No Point Programs Available
Up to 90% Cost/Max 69% of Value
12 Months to 5 Year Term

Appraisal fee (up to \$350.00) refunded at COE to AZREIA members!



11024 N. 28th Drive #170
Phoenix, AZ 85029
602-375-8951 Office
602-375-0760 Fax
Jack@HiltonCorp.com
NMLS 143636
AZ MB 0928800
UT MB 5491797



Value-Add for Everyone



David Nielson
Boomerang Capital Partners

2152 S. Vineyard #105
Mesa, AZ 85210

by
**David
Nielson**

Office: 480.779.9779
www.boomerangcapital.com

We have discussed before that in our industry 'fix and flip' has truly evolved into value-added. Which leads to the question: value-add but for whom? The answer is really for "everyone."

First, let's look at the buyers of the homes, in other words, the real estate investors. In most cases, before the home received the attention it was in derelict shape.

Certainly, there is a spectrum of dereliction with some in very bad shape and crumbling to pieces while others simply need minor repairs or cosmetic updates. However, in all cases the house needs something, otherwise, there would be no attraction to an investor to invest their time, effort, and money. And what comes out the other side of that process is a home in move-in condition, rather than one with a bunch of problems both known and unknown (yes, occasionally a project comes with some unwelcome 'surprises').

One might even look at the purchase price from just a few

months ago and protest that these purchasers have 'paid up' for their new home but such a claim only considers the purchase price while ignoring the value of those investments of time and money.

Interestingly, our investors (those who borrow from us to buy a home and then add value to it) get these homes ready cheaper and faster than a 'retail' purchaser could. In other words, if that home buyer had purchased the home



themselves six months ago at the cheaper price and then figured out what needed to be done to complete the project on their own, they'd almost certainly not only paid more but also very likely still be sitting in a half-finished home cursing the day they came up with this 'great idea' to save a few bucks. Undoubtedly, those that buy value-added homes reap the benefits.

Second, let's also consider the broader communities. Fixing up homes adds value to the entire community. This is sometimes referred to as "the rising tide" and may be affected by things outside

your immediate area, like a large employer moving in or some commercial development nearby. That development (or redevelopment) benefits everyone and your property becomes not only more valuable but will also rise alongside the others.

This same thing happens similarly with a single home that needs repair or updating. Frequently that one outlier, the dilapidated house,

drags everything on the street down and is the only thing people see so fixing it provides an immediate uplift to the entire community. Just like getting rid of the zit on your nose will make your whole face look better - immediately.

From time to time, value-added gets confused with 'gentrification.' Value-add is different.

Gentrification generally refers to areas that are rental markets and current renters get pushed out by (re)developers that then raise rents leaving people living there priced out. Most neighborhoods we work in have owners in the other homes as well, so they only benefit from the increase in equity that comes from having a nicer neighborhood, for all. Overall, these community improvements, increase the value of the community as a whole one house at a time.





What If My Tenant's Dog Bites Someone? As the Landlord, Am I Liable?



*Clark Sanchez
Insurance Agent*

1555 E. Glendale Ave.
Phoenix, AZ 85020

by
**Clark
Sanchez**

(602) 277-2655
clark@clarksanchez.com

Dog bite problems vary by state law and each insurance company. This article focuses on the state of Arizona and most insurance companies but from the viewpoint of the landlord for a rental property and may not apply to owner-occupied situations (i.e., Homeowner Policy).

In 29 states, when a dog bites someone—the law says the dog is automatically guilty and the dog's owner is legally responsible. Arizona falls into one of those 29 states and ranked #10 last year in the USA for the total number of dog bite claims. This was a very surprising statistic considering all the nine states ahead of Arizona are high-population states like New York, California, Illinois, and Texas.

Last year dog bites cost the insurance industry nearly \$900 million, with \$21 million of that total being just for Arizona.

At times, a landlord or a property manager will tell a prospective tenant with a dog that they need to obtain a special "Pet Endorsement" or "Dog Bite Endorsement." For most insurance companies, there is no such thing since dogs and pets of all types are automatically included on a renters' insurance policy purchased by the tenant and a landlord rental property policy purchased by the rental house owner. Note that they are included as far as dog bite liability is concerned, however, no insurance policy covers property damage done by a pet to the building or property.

This means that damage from pet urine, chewing, scratching, and/or gnawing is not covered by any insurance policy.

For example, a tenant had a talkative parrot that also liked to reach through his cage to gnaw on the wall and door molding. No coverage applies from either the tenant's "renters' policy" or from the property owner's "landlord's policy."

Previously, many insurance companies maintained a list of high-risk or problem dog breeds but have stopped using them due to lawsuits and better consumer relations. At the same time, they may not issue a policy if a specific dog has been involved in a dog bite claim before.

Additionally, the property owner or property manager may require tenants to purchase "renter" insurance and specify the minimum liability limit for that policy. Some minimums can range from \$300,000 to \$500,000. The cost to move up to \$500,000 from \$300,000 can be as little as "...less than one dollar a month."

As a result, your first line of defense is to require that your tenant carry renters' insurance. Be sure that you are included in "Section II" (Liability) of the policy with your name and mailing address so that the insurance company can notify you if your tenant drops the policy or fails to pay the renewal. Your second line of defense is your landlord's rental

property policy. Liability limits should be at least \$1 million not counting any additional "umbrella" coverage. In the event of a bite claim, you as the landlord or property manager will almost always be named in the lawsuit. You may not be the dog owner, but you 'approved' the dog by allowing him to be there and are probably perceived as the person with the 'deepest pockets.'

When there is a dog bite claim, the insurance company will take one of the following actions for both you as the property owner and also for your tenant: (1) charge a higher premium to continue the insurance, (2) place an 'exclusion rider' on the policy saying that there is no longer any coverage for the animal that was involved in the bite claim, or (3) require that the dog be removed or the policy will be non-renewed. As a dog lover and owner of 3 dogs, I am sorry to say that option #3 is the most frequent action taken.

CLARK SANCHEZ has been an Arizona insurance agent for over 42 years and a Vendor-Affiliate with AZREIA for over 20 years. You can contact Clark if you have any insurance-related questions at **rental@clarksanchez.com** or **(602) 803-2179**.



Clark Sanchez, Agent
Investor Insurance Services since 1980

***We Can Insure Your
Arizona Rental Property***

Office Hours
Mon-Fri 8:00 am-5:00 pm
Saturday 9:00 am-1:00 pm



Office: 602.277.2655
Mobile: 602.803.2179
Fax: 602.241.0702

1555 E Glendale Ave.
Phoenix, AZ 85020

clarksanchez.com
rental@clarksanchez.com

A-C



The Real Estate Professional Election



David J. Hawks, CPA

**David J. Hawks
Tax & Accounting**

Phone (480) 626-5557

dhawks@hawks-cpa.com

www.hawks-cpa.com

by
**David J.
Hawks**

Rental real estate is generally a passive investment in the eyes of the IRS. Under Internal Revenue Code Section 469, a taxpayer may only offset losses from a passive activity against income from a passive activity. This means that if you own a rental property that is incurring losses each year, you may not be able to deduct those losses unless you have other passive income. Some examples of passive income include self-charged interest and ownership interests in businesses in which you do not materially participate.

There is a \$25,000 loss allowance for taxpayers who actively participate in the rental real estate activity and earn less than a specified amount of modified adjusted gross income (MAGI). Examples of actively participating include making management decisions or arranging for others to provide services. You do not have to do all the work yourself to claim the special allowance. The \$25,000 loss allowance phases out between \$100,000 and \$150,000 MAGI, or \$50,000 and \$75,000 MAGI if you are married filing separately and you did not live with your spouse. If

your income is below the threshold, you can take the loss against nonpassive income, such as wage income.

If your MAGI is too high to take advantage of the special allowance, another alternative is the real estate professional election. A rental activity of a taxpayer that qualifies as a real estate professional under Code Section 469(c)(7) is treated as nonpassive if the taxpayer materially participates in the activity. There are two specific guidelines to qualify as a real estate professional.

1. More than one-half of the personal services the taxpayer performs in trades or businesses during the tax year is in real property trades or businesses in which the taxpayer materially participates. In other words, if you have a W-2 job that is not related to real estate, you must spend at least as much time in real estate activities as your regular job.
2. The hours spent providing personal services in real property trades or businesses in which the taxpayer materially participates total more than 750 during the tax year.

In addition, the real estate professional must establish material

participation in each rental activity separately. The good news is that the taxpayer can elect to aggregate all his or her interests in rental real estate for purposes of determining material participation. For married couples, the taxpayer may include the hours of his or her spouse in determining whether material participation has been achieved. However, the taxpayer must pass the two tests above using his or her own hours.

Another benefit of the real estate professional status is the ability to avoid the net investment income tax (NIIT). Passive income from rental activities is generally subject to the NIIT. This additional tax does not apply to qualifying real estate professionals whose income is derived in the ordinary course of a trade or business.

Ultimately, if you own rental real estate, it is important to take advantage of the losses available to you. If you earn too much income to be eligible for the \$25,000 allowance, you may still qualify as a real estate professional. The election can reduce your taxable income and help you avoid the pesky NIIT.

If you need the help of a CPA who understands real estate taxation, you can call me David J. Hawks, CPA, EA at (480) 626-5557 or email at dhawks@hawks-cpa.com.



AZREIA ADVANTAGE: MONTHLY MEETINGS

AZREIA Phoenix Meeting

Monday, July 11

Zoom 5:45 pm

AZREIA Tucson Meeting

Monday, July 11

Zoom 5:45 pm

Phoenix Real Estate Club

Monday, July 11

Zoom 5:45 pm

Each year our July meetings are virtual. It's hot and people have left the state to escape the heat! That does not mean real estate investing stops, it doesn't. It just means there is information we need to convey and a market we need to discuss. Read on to see what great content you will be receiving, how to participate in the networking activities, and how to register for the meeting.

Networking – Haves & Wants

This is a staple of AZREIA Tucson and the Phoenix Real Estate Club meetings – we will provide it virtually this month. Imagine being able to share with hundreds of other investors just like you what your wants are and what you have for them. Face it, we all have wants and needs as investors. If we don't then we aren't very active. Maybe you are looking for a specific type of property or maybe you need partners, additional training, and/or a referral for a good plumber. Whatever it is, you get to ask for it! You may even have something other investors need. Whether you have a property to wholesale, money to lend, or appliances to sell. If another investor could use it, you get the opportunity to share it!

Market Update & Market News with Alan Langston

The complete Market Update and Market News will be delivered just as it is every month. It is the main feature of this month's meeting and will make up the majority of the meeting time. You will see all the trends and current events information. We will be adding charts with national data and some distinct categories, too. If you normally attend the Tucson meeting, you will be introduced to a mix of informative content including Market News. You will also hear Alan Langston's analysis of what it all means to you as a real estate investor. It will be the exact same as if you are in-person. This must know information for the serious real estate investor, and we are making sure you get it in a timely fashion.

Tucson Monthly Meeting

Please participate in the July 11th online meeting. It includes Tucson Haves & Wants and many of the Market Update and Market News charts and analysis applicable to AZREIA Tucson members.

Phoenix Real Estate Club

Please participate in the July 11th online meeting. It includes Haves & Wants and the Market Update.

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 ADVANTAGE: CALENDAR OF EVENTS

Check www.azreia.org for the current schedule.

JULY MEETINGS & SUBGROUPS

Join like-minded investors, share ideas, network, and learn.

AZREIA – Phoenix – Online

Monday, July 11

AZREIA – Tucson – Online

Monday, July 11

Phoenix Real Estate Club – Online

Monday, July 11

Tucson New Investors – Online & In-Person

Monday, July 5

**UPDATED INFORMATION & REGISTRATION ONLINE AT
WWW.AZREIA.ORG**



HOSTED BY MARCUS MALONEY & MICHAEL DEL PRETE

REAL ESTATE INVESTING STORIES, INSIGHTS & STRATEGIES FROM THOSE WHO'VE BEEN THERE

FOLLOW US ON SOCIAL MEDIA & WHEREVER YOU LISTEN TO PODCASTS



VISIT AZREIA.ORG/SHOW TO SEE OUR LATEST PODCASTS & TO SIGN UP FOR UPDATES!



Real Estate dreams on hold?

With work, kids, and everything else going on, time is limited. You might feel like you've got the world on your shoulders and not to mention *you have a bad back.*

If you just had someone to lean on and push you in the right direction, you know things would happen much faster!

Then you might consider checking out the Deal Finders Club, a community of investors eager to sign more contracts, close more deals and get ahead in life. The DFC provides weekly coaching, a thriving online community, and all the education you need to be confident.

DFC is your fastest path to closing your first deal.

To learn more head over to azdfc.com



AZREIA MONTHLY MEETINGS AT A GLANCE

July 11th All Chapters Meeting

- **Current Market Trends and Activity**
Alan Langston will provide the absolute latest information on market data, legal updates, and the rental market essential to your real estate investing business.
- **Phoenix & Tucson Main Meeting - Online**
Everyone will need to register to receive the link to join the meeting! It includes Haves & Wants along with many of the Market Update and Market News charts and analysis are applicable to all AZREIA area members.
- **Market Update & Market News with Alan Langston**
The complete Market Update and Market News will be delivered just as it is every month. It is the main feature of this month's meeting and will comprise most of the meeting time. You will see all the trends and current events information.
- **Networking – Haves & Wants**
This is a staple of AZREIA Tucson and the Phoenix Real Estate Club. We will provide it virtually this month. This is your opportunity to share with hundreds of other investors just like you, what your wants are and what you have for them.

Don't Forget to Use AZREIA's Premier Business Associates!



Heather Johnson
Heather@RentPerfect.com



Clark Sanchez (Agent)
rental@clarksanchez.com



Mark Zinman
mark@wzplegal.com



Mark Steinbeck
msteinbeck@merchantsfundingllc.com



Jack Hilton
jack@hiltoncorp.com



Jill Bright
brightj@cti.com



Andrew Augustyniak
Andrew.augustyniak@primelending.com



Mary Saer
msaer@azgat.com



Self-Directed IRA's
Daniel Ortega
Dortega@VantageIRAs.com



David Nielson
david@boomerangcapital.com



Jack Carlson
jcarlson@unbridledwealth.com



Michael J. "Mick" McGirr
mick@phocuscompanies.com



David Hawks
dhawks@hawks-cpa.com



Oggie Penev
info@phoenixpropertymanagementgroup.com



Derek Kartchner
derek@gilainsurance.com

WANT TO SEE YOUR LOGO HERE? Contact memberservices@azreia.org for more details

AZREIA has many Business Associates to provide your needed products and services in areas such as:

| Accounting & Taxes | Community Services | Flooring | Insurance | Janitors | Legal | Market Data | Movers |
| Notes | Property Managers | Self-Directed IRA | Tenant Screening | Title & Escrow | Virtual Assistants | Wholesalers |

Visit our [Business Associate Page](#) for complete list of providers!

Membership in AZREIA has never been more valuable or more affordable!

[CLICK HERE TO JOIN OR RENEW WITH AZREIA TODAY!](#)

[Learn More About AZREIA Membership Benefits HERE!](#)

AZREIA Membership Build-Your-Own Membership	PLUS Membership Most Convenient for Highly Active Members	AZREIA Guest
\$100 / YEAR Pay as you go for your own personalized AZREIA experience	\$239 / YEAR \$309 PLUS Family Option: Add one family member to your membership	\$0
<p>Monthly Events</p> <ul style="list-style-type: none"> ✓ AZREIA Chapter Meeting (\$10/Meeting) ✓ Phoenix Real Estate Clubs (\$10/Meeting) ✓ Subgroup Meetings (\$5/Meeting) <p>The Home Depot Discounts</p> <ul style="list-style-type: none"> ✓ The Home Depot Rebate ✓ The Home Depot Paint Discount ✓ The Home Depot Cabinet Discount ✓ The Home Depot Appliance Discount <p>Education & Seminars</p> <ul style="list-style-type: none"> ✓ Significant Member Only Discounts ✓ \$30 Launch Pad <p>Additional Features</p> <ul style="list-style-type: none"> ✓ Discounts from AZREIA Business Associates ✓ Access to Market Updates & News Charts ✓ AZREIA Newsletter & Blog 	<p>Monthly Events</p> <ul style="list-style-type: none"> ✓ AZREIA Chapter Meetings FREE ✓ Phoenix Real Estate Club FREE ✓ Subgroup Meetings FREE <p>The Home Depot Discounts</p> <ul style="list-style-type: none"> ✓ The Home Depot Rebate ✓ The Home Depot Paint Discount ✓ The Home Depot Cabinet Discount ✓ The Home Depot Appliance Discount <p>Education & Seminars</p> <ul style="list-style-type: none"> ✓ Significant Member Only Discounts ✓ \$30 Launch Pad <p>Additional Features</p> <ul style="list-style-type: none"> ✓ Discounts from AZREIA Business Associates ✓ Access to Market Updates & News Charts ✓ AZREIA Newsletter & Blog 	<p>Monthly Events</p> <ul style="list-style-type: none"> ✓ AZREIA Chapter Meeting (\$20/Meeting) ✓ Phoenix Real Estate Clubs (\$20/Meeting) ✓ Subgroup Meetings (\$20/Meeting) <p>The Home Depot Discounts</p> <ul style="list-style-type: none"> X The Home Depot Rebate X The Home Depot Paint Discount X The Home Depot Cabinet Discount X The Home Depot Appliance Discount <p>Education & Seminars</p> <ul style="list-style-type: none"> ✓ Guest Pricing ✓ \$100 Launch Pad <p>Additional Features</p> <ul style="list-style-type: none"> X Discounts from AZREIA Business Associates X Access to Market Updates & News Charts ✓ AZREIA Newsletter & Blog