

THE AZREIA ADVANTAGE

ARIZONA REAL ESTATE INVESTORS ASSOCIATION NEWSLETTER

"AZ Real as it Gets"

JANUARY 2023

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Advantages of Wholesale Real Estate

Wholesaling real estate can be an excellent strategy for investors who are looking to quickly flip properties for a profit. In a typical real estate wholesale deal, the investor finds a property that is undervalued and contracts to purchase it from the seller. The investor then finds a buyer who is willing to pay a higher price for the property and assigns the contract to the buyer, keeping the difference between the two prices as their profit. Through AZREIA's polling results over the last six months, our members average an assignment fee of \$12,000.

There are several advantages to using the wholesale real estate strategy. One of the biggest advantages is that it allows the investor to make a profit without owning the property. This means that the investor does not have to worry about financing the property, making repairs, or managing tenants. Additionally, because the investor is not taking on the full risk of owning the property, they can also make a profit even if the market is not favorable for flipping properties.

Other Advantages of Wholesaling:

- The ability to quickly enter the real estate market. Because the investor is not purchasing the property outright, they can often close and get paid on a deal in a matter of days or weeks, rather than months or years to profit.
- By wholesaling multiple properties, investors can generate a steady stream of income

without having to actively manage each property.

- Growing a network. Wholesaling can be a great way for investors to build relationships with other real estate professionals, such as agents, contractors, and other investors. These relationships can provide valuable opportunities for future deals and can help to grow an investor's business.

- Boosts your company's revenue. If your main strategy is a fix and flip or buy and hold you most likely are evaluating multiple deals. In some cases, if a property doesn't fit your criteria, you can still control the deal and

assign it for a profit. Doing this a few times a year will impact your bottom line.

- Location independent. You can literally wholesale real estate deals from anywhere in the world. In most situations, all you need is a laptop and phone to get a wholesale deal completed.

Overall, wholesaling presents an excellent opportunity for all investors new and seasoned as it can require little to no capital and is a great way to learn the ropes of the real estate industry. Some individuals like wholesaling so much that they make it their career. Either way, if you are driven, disciplined, and organized, there is no limit to how much money you can make in your wholesaling business.

Smarter Investing,
Mike Del Prete, Executive Director





Time to Sharpen Your Saw



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As we look back at this year and pause to catch our collective breath, it may be good to take this time to reflect and consider how we can become more effective in the new year at the things we are doing. Steven R. Covey considers this the final habit in his book, "The 7 Habits of Highly Effective People."

Imagine you are going for a walk in the forest when you come upon a man sawing down a tree.

"What are you doing?" you ask. "I'm sawing down a tree," he says.

"How long have you been at it?" You ask.

"Two or three hours so far," he says, sweat dripping from his chin.

"Your saw looks dull," you say. "Why don't you take a break and sharpen it?"

"I can't. I'm too busy sawing," is his reply.

As an outsider, we could see that the process of cutting was dulling the blade. And the duller the blade, the greater the effort that is required to keep sawing. The solution, of course, was for the woodcutter to stop periodically to sharpen the saw. He was so engrossed in the situation that he couldn't see the need to take a break and do what was necessary to make his job easier.

Habit 7 teaches us to take the time to stop and "sharpen our saw." "Sharpening the Saw" is synonymous with "self-care" or "self-renewal."

A few things to consider as ways to 'sharpen your saw' as we head into a new year.

Become a realtor.

There are quite a few beneficial reasons to become a realtor.

- **Earning commissions on your deals.** One obvious reason to become a realtor is to save on commissions on

your deals. These savings can be significant. Profit splits between agents are common, so you could earn 3%. Buying a house for \$300,000, and then doing the work and selling it later for \$400,000 (this is typical for what we see in Arizona) means earning \$21,000 in commissions if you're the realtor. Given that in a typical deal like this profit earned may be as little as \$50,000, this is an increase in profitability of almost 50%.

- **Earning commissions on other deals.** When you're 'in the business,' you end up knowing lots of buyers and sellers beyond just your particular projects. Why not earn a commission for that work if you are facilitating the connections anyway?
- **Networking.** Along those same lines, knowing more people can be beneficial to your business. Deal flow and getting your name out there are probably the biggest reasons to do it, but realtors also end up with much deeper information regarding neighborhood (re)development plans, pricing, and general ecosystem issues (such as permitting, appraisal, title issues, etc). The more information you have, the more informed your decisions are.
- **Influence.** Ever wonder who discusses and impacts issues such as wholesaling, a move to digital (crypto?!), "greedy agents," and fair housing? These topics were all discussed at the October meeting of the Arizona Department of Real Estate, which regulates and licenses brokers. As a broker, you would also become an Arizona Association of Realtors member. Through these organizations, you'll be informed on key issues in the industry and also have a platform to have your voice heard.
- **Legitimacy.** This credential can add to your reputation and credibility as you work with anyone in the real estate business - not only buyers, sellers, and other realtors but really anyone, including subs. They will know that you have passed tests and have third parties that consider what you do.

The process is simple: learn the material, pass a test, and then keep up your continuing education (CE) credits. While this sounds daunting, remember that one of the reasons you are doing this is to learn (and keep up on) all of those other pieces of the puzzle, all of which will add to your business in one way, time, or another.

Get out there.

- **Community events.** Attend events in the general community(s) you work in and meet the people whose neighborhoods you are making better, maybe they have some additional ideas for you.
- **Professional Associations.** Realtors are not the only places to network and learn. In addition to the AZREIA, there is a National Real Estate Investors Association (free to AZREIA members and with some handy benefits as well). These additional professional associations can facilitate your networking, introduce you to relevant trends and relevant topics, and provide you with additional organizations for your resume.
- **Online.** There are many Facebook and Meetup groups, as well as online resources like Bigger Pockets, and of course the resources available at sites such as Zillow, Redfin, and Trulia, which are free and may be worth checking into from time to time. Staying on top of these online resources can help you be at the front of the wave of changes in the field, rather than being swept away by them.

Talk to me!

This isn't meant as a commercial, but I have a lot of other resources and ideas that I'm happy to share with you on a much more personalized level. In all my years in this industry, I've been fortunate to have made a wide variety of connections that I'd love to share with you. Maybe we do business, maybe we don't, but either way, we are likely to come away more informed and connected. And if it's not me, consider taking someone else in the business to lunch just to chat and compare notes.

A word of caution as you consider these suggestions is that there really is no substitute for being involved in the process and actually doing the work. Learning from others can help identify opportunities and avoid mistakes but making and executing decisions will be what makes the most impact.

Whatever you do as you pause to catch your breath at the close of 2022, spend some time planning how you're going to "sharpen your saw" for the upcoming year. Then start executing that plan. May 2023 be the year for working smarter not harder and may the results you get reflect that.

¹ COVEY, STEPHEN. *7 Habits of Highly Effective People*. SIMON & SCHUSTER, 1990

² <https://www.leaderinme.org/blog/habit-7-why-its-important-to-remember-to-sharpen-the-saw/>





How Does Your Bank Make Money and How Can You Make it Instead?



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by
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Last week I was talking to a real estate investor about the topic of banking.

He was shocked after learning that Bank of America paid depositors 0.2% on average in 2020 and loaned dollars on average at 5.2%. Because of the fractional reserve system, that massive segment of their business earns a quadruple-digit return on investment.

His response to this? Let's start a bank.

Have you ever considered how much more profitable your financial life would be if you were not only benefiting from real estate investment, but also from controlling the banking function in your life?

The reality is that banks control capital better than we do. But let's lean in for a moment and look at the principles behind how they make money.

- Flow: Banks see the money before we do. When you set up direct deposit or direct contributions to a 401k, those institutions are seeing your dollars first. They've set up systems for creating consistent cash flow. Do you primarily control and profit off your dollars or does a bank?

- "Those who have the gold make the rules." Because banks have a growing pool of capital from depositors, and only need to keep 10% on hand at any one time, people come to them when they need money. Do you think more opportunities would find you if you had available capital ready to be lent?

I'm connected to an oil company that had a short-term capital need last week - they paid 20% interest on 100k for one month! I wish I weren't only hearing about that but also the one who had that capital available to lend and earn. Have you thought about how banks can only be that entity because we're providing them capital to lend at next to no cost? What do you earn in interest on your bank account?

You don't have to look further than banks' balance sheets to learn that the cash value of permanent life insurance is an optimal place to store capital. Cash value is the portion of the policy that is

accessible while you are living. Wells Fargo has \$19.5 billion in cash value as of 2021. A properly structured permanent life insurance policy gives your dollars a place to grow at a guaranteed rate plus dividends for the rest of your life while being accessible to borrow against tax-free at a fixed 4% annual loan rate.

Over 10, 20, and 30 years of utilizing a policy like this as a personal banking system, you will recover the hundreds of thousands of lost opportunity costs because of honoring your dollar's ability to grow uninterrupted. Not to mention the creditor protection, permanent death benefit, long-term care supplement, and tax-free retirement that it can also provide.

To learn more of the specifics about this strategy known as the Infinite Banking Concept, join us at our Lunch and Learn in January or a live seminar in Tucson and Phoenix in early February.



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Property Manager Named as an Additional Insured



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Most property management agreements require that the rental property owner add the property manager to the owner's 'Landlord/Owner' insurance policy. Virtually all insurance companies can and will do this without additional cost or charge.

Because the Property Manager is an 'additional insured,' the owner's insurance policy is the property manager's first line of defense for lawsuits against the property manager. Coverage usually includes bodily injury, invasion of privacy, and wrongful eviction. However, professional "Errors and Omissions" is not included, so every property manager should carry this type of policy on their own.

Most property managers know that their management agreement needs to specify the minimum level of liability coverage that the property owner must carry. If the agreement does not specify a minimum, the property owner may select liability limits that are lower than what would be viewed as a 'strong firewall.' Lawsuits continue to go up, and most property managers would agree that \$1 million of liability coverage is probably a minimum amount to require. Note that for the property owner, the extra cost to have a \$1 million Liability

can be as inexpensive as \$4 to \$5 a month more than carrying the minimum amount of liability coverage, and of course, this protects both the property manager and also the owner/landlord.

The problem that sometimes enters this scenario, is the property owner who has a "Liability Umbrella Policy," the umbrella policy protects the property owner, but it does not extend any coverage to the Property Manager. In addition, the umbrella policy always specifies the minimum level of liability that the property policy must have, but this is typically \$300,000. If the property owner has an umbrella policy with \$1 million of coverage, then the property owner is covered for \$300,000 from the property policy, plus an additional \$1 million from the umbrella. The problem is that because the umbrella cannot have other people added to the policy, in the example given, the Property Manager is only covered for \$300,000.

In order to be sure that the Property Manager does not come up short on coverage, and that the property owner is in compliance with a management contract that specifies a higher minimum liability coverage limit. The liability limit on the rental property itself must be high enough to meet the minimum set in the property management agreement.

Bottom Line: An Umbrella Policy is great for the owner, but extends zero coverage to other people, including the Property Manager. Unfortunately, this is a critical detail that many people have never considered.

++++

Clark Sanchez is a 42+ year Arizona insurance agent with a focus on insuring single-family investor-owned rental properties. Questions? Please reach Clark Sanchez at (602) 803-2179 or rental@clarksanchez.com



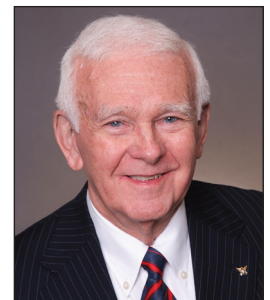
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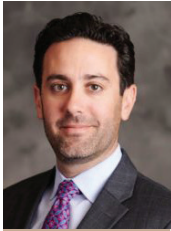
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A-C



Partial Payments are a Problem



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by
**Mark
Zinman**

A person would think that if they are becoming a landlord, one of the most important things they can do is make it easy for their residents to pay the rent. You don't want to make a resident jump through a bunch of hoops, just to get the rent. Further, for a new landlord, it seems entirely logical to take whatever amount of rent that a tenant is able to offer; isn't some money better than nothing? The logic sounds good on both of these strategies, but they can have a significant downfall if the landlord is not careful.

Let's start with the basic rule: A landlord does not have to accept an offer of a partial payment from their tenant. However, many landlords want to work with their tenants to avoid not getting any money. They would rather take half, than nothing. Under A.R.S. § 33-1371, a landlord that accepts a partial payment is prohibited from proceeding with an eviction in that month unless they obtained a written payment plan signed by the tenant. This does not mean that a landlord has to accept a partial payment. A landlord always has the right to refuse money unless it is the full amount. This statute simply states that if a landlord chooses to accept a partial payment, they must get a written payment plan outlining the parties' rights if they plan on proceeding with an eviction.

This is especially important because it is a well-known law among tenants. Many tenants

try to give their landlord a small payment, maybe \$100 and lie about paying the balance. If the landlord accepts that money, and no agreement is signed, the landlord cannot pursue an eviction that month, even if the full rental amount is \$1,500.00. While a landlord can serve the tenant the next month and pursue an eviction, in such a scenario, the tenant effectively gets to live in the property for two months, for the cost of \$100.

This law gets complicated when landlords permit their tenants to make direct deposits into the landlord's bank account. While this sounds great because it saves time and confusion, it completely shifts all control over to the tenant. A tenant can deposit \$1.00 into the landlord's account, and the landlord has no control over accepting it. In such cases, we tell landlords to immediately send a certified letter saying that the funds are being rejected as a partial payment and will be returned once the funds clear. This, of course, requires that a landlord vigilantly track their bank account to ensure that there are no incorrect payments. In other words, while

trying to make things easier for the tenant to pay rent, the landlord just gave themselves more work.

A better method would be to use an app that requires the landlord to approve the funds before the money is deposited. For example, certain banks have a feature in which a mobile app can be used to send funds. Before the funds are actually deposited into the landlord's account, they have to be reviewed and accepted by the landlord. This ensures that landlords get the full rent and late fees to which they are entitled. Alternatively, there are third-party vendors that offer a similar feature. It doesn't matter how a landlord sets up rent payments, a landlord just needs to make sure they retain control.

Remember, though, Arizona is a cure state so if a tenant offers the full amount before an eviction judgment in a non-payment of rent case, the landlord has no discretion and must accept the payment. This is the opposite of the partial payment statute, in which the landlord doesn't have to accept the partial payment.



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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.

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by
*Michel J.
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One of the greatest sources of litigation aimed at entrepreneurs and investors is the truth. We were all raised to tell the truth, but as you dive deeper into your professional life, you may find that what it means, to be honest, becomes more difficult to pinpoint. The purpose of this article is simply to identify for you a few buckets where I have seen some clients encounter muddy waters around the truth and to help you avoid getting lost in those boggy conditions.

First, let's talk about the most apparent topic – misrepresentations. No matter what team you find yourself on in a transaction (buyer, seller, borrower, lender), the reality will exist that there will always be a stretched truth that, if told, would improve your position. This is inherent to deals, as you never have the perfect conditions, and if the conditions were just a bit better, you would likely make a bit (or a lot) more money. Any misrepresentation regarding your position in a transaction can open you up to potential legal exposure and liability. Misrepresentations can include giving inaccurate information regarding the construction quality of a construction property, misrepresenting your qualification as a borrower, painting an inaccurately rosy picture of your lending terms, and more. The best advice I can offer on this topic is

that it is simply better to make a penny less by being honest than to risk a vault worth in legal fees by stretching the truth.

Second, and closely related to the first point, is the risk inherent in failing to disclose information that is material to the transaction, especially when that information could be expected to negatively affect your position. Think of this as the sin of omission being equal to a sin of commission. It's a natural instinct for 'deal' people to think that it's the responsibility of the purchaser, when buying something as-is, to do their own research to identify any issues. Unfortunately, that doesn't actually absolve you of any liability. If you know something that would materially and negatively affect your position in a transaction, and you fail to disclose it, there is a very high probability that once the deal closes and the negative fact is discovered, you'll face liability for that omitted tidbit. In residential real estate transactions, the SPDS form exists to try to tease out of the seller these important items of interest, but in many other transactions in which you may become involved, no such form exists, and it falls to you to proactively disclose such information. If you think this process of disclosing negative items sounds tedious, I wish you could see the disclosure schedule for the deal I am working on right now. It is the acquisition of one business by another in a transaction that is well into the nine figures. The list of items each party is disclosing to one another covers more pages than some New York Times best sellers. To borrow a phrase from the AZ Realtors' SPDS form: When in doubt, disclose!

Finally, I want to quickly address a tactic that is best described as bait-and-switch. It's been a long-standing strategy of dealmakers to begin negotiations on false

pretenses or keeping certain significant truths buried, with the intent to correct the falsehoods or disclose the hidden issues as the negotiation progresses. This is typically done with the idea that the more invested the other party becomes in the negotiations, the less likely that party is to walk away as certain negative factors are discovered nearer the finish line than they would be if those factors were revealed at the outset. Again, I urge exercising restraint and caution against employing such tactics. Ultimately, although you are disclosing the negative factors before the deal is finalized, the tactic of concealing those items to bait the other party in can cause legal exposure for you despite your intention to come clean before final ink touches paper. Negotiating in bad faith is legally actionable and could cause you to end up in a deal on terms you would not approve of or could result in you owing substantial damages to the initially bamboozled party.

In summary, the old saying that 'honesty is the best policy' holds true. Corners cut through sleights of hand with the truth are another 'get rich quick' tactic and will never provide the long-term stability and comfort that building your empire 'the old-fashioned way' provides.

The Phocus Law team has decades of experience maximizing value for clients in high-stakes transactions, whether in real estate, mergers & acquisitions or otherwise. If I can ever assist you in making the best of your deal, and doing so in an honest and genuine manner, please don't hesitate to reach out. I can be reached by email at Mick@PhocusCompanies.com or by phone at 602-457-2191.





Mechanic's Lien Fraud



by
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Our National Underwriter was working on title clearance for a pending transaction. The transaction involved an apartment building in Atlanta that recently underwent a remodel, which resulted in a mechanic's lien.

The Underwriter worked with the contractor's attorney to obtain a lien release. The attorney prepared the cancellation of the lien and a demand for payment of \$76,325 on behalf of his client. His demand authorized Chicago Title to record the cancellation after payment of their demand was wired.

The attorney emailed copies to the Underwriter for her acceptance and signature. Once she signed, he agreed to overnight the original documents to her.

The Underwriter reviewed the demand for payment and cancellation of the lien. They were in order, so she signed the demand and returned it via email to the lienholder's attorney. However, the very next day she received a new email from the attorney which read:

Good. Morning,

Please kindly disregard the escrow letter I sent yesterday the bank Account on, I just confirm from our bank manager the account is going through financial audit and can't be able to receive or process payment during this period.

Attached letter confirms the right accounts for payment, Please sign this so I can fedx the original today and confirm receipt of this email.

The Underwriter stopped dead in her tracks. She had heard about the methods used by criminals to divert wire transfers, but she could not believe it was staring her in the face. She picked up the phone and called the attorney at a known trusted phone number she had received at the beginning of the transaction.

The attorney confirmed the Underwriters suspicions. He

never sent her new wire instructions. Nothing was wrong with his account, and it was not being audited.

Fortunately, the good guys prevailed that day, but the bad guys will not stop trying. The Underwriter knew all the signs and took the time to verify the information. Her actions saved the Company from a potential loss of nearly \$77,000.

Our Escrow Officers, Title Department, & Underwriters are all trained to detect and prevent fraud which ultimately protects you!

Article provided by contributing author:
Diana Hoffman, Corporate
Escrow Administrator
FNTG/National Escrow Administration



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LEGALLY SPEAKING



Q: I own a condo in a building of 72 units. My resident was arrested on the property, and it scared the neighbors who saw the whole event. They now want my resident to move out and are threatening to get the HOA involved and fine me. Can I do an immediate eviction to get the resident out?

A: Not necessarily. Based on your question, we don't have enough information to advise. You should get a copy of a police report, even if you have to wait for it, and then determine the appropriate course of action. To pursue an eviction for an immediate and irreparable breach, generally, the tenant

must have engaged in outrageous or extreme behavior, such as criminal acts, on or near the property or something else that irreparably breached the lease. Just because someone was arrested on the property, doesn't mean they did something criminal that affects those around them or otherwise breached the lease. For example, they may have been arrested for an outstanding warrant for unpaid tickets and failure to comply with a court order. While it's still a serious offense, it's unlikely that such a claim would constitute a breach of their residential lease. If you don't have enough information to successfully prosecute an eviction, the HOA likely doesn't have enough information to fine you. However, it's important that you act quickly and collect more information.

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

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With interest rates continuing to rise, prices settling down, and primary home buyers on the sidelines scared, the time is coming for investors to take advantage. With that being said, this month I wanted to introduce some new Fix and Flip financing we have brought on in addition to our DSCR (cash flow only qualifying) investor-only financing which is very popular. See the program details below, have a great holiday, and let me know if you have any questions!

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Loan Term	12 - 24 Months (extensions available)	6 - 18 Months (extensions available)	12 - 24 Months (extensions available)	6 - 18 Months (extensions available)
Loan Amount	\$150,000 to \$10,000,000	\$150,000 to \$10,000,000	\$150,000 to \$2,999,999	\$150,000 to \$2,999,999
Structure	Fixed	Fixed	Fixed	Fixed
Recourse	Full Recourse. If Borrower is Legal Entity, Warm Body Guaranty Required.	Full Recourse. If Borrower is Legal Entity, Warm Body Guaranty Required.	Full Recourse. If Borrower is Legal Entity, Warm Body Guaranty Required.	Full Recourse. If Borrower is Legal Entity, Warm Body Guaranty Required.
Min. Property Value	\$100,000	\$100,000	\$50,000/unit	\$50,000/unit
Max. LTV Purchase	Up to 85% of Purchase Price + 100% of Renovation Cost	Up to 75% of As-Is Value	Up to 80% of Purchase Price + 100% of Renovation Cost	Up to 75% of As-Is Value
Max. LTV Refinance	Up to 75% of As-Is Value + 100% of Renovation Cost	Up to 75% of As-Is Value	Up to 75% of As-Is Value + 100% of Renovation Cost	Up to 75% of As-Is Value
Max. LTV Cash Out	Up to 75% of As-Is Value + 100% of Renovation Cost	Up to 70% of As-Is Value	Up to 70% of As-Is Value + 100% of Renovation Cost	Up to 70% of As-Is Value
Max. LTARV	75%	75%	75%	75%
Min. FICO	680	680	680	680
Property Type	Non-Owner Occupied; 1-4 Units; Condos; Townhomes; PUDs	Non-Owner Occupied; 1-4 Units; Condos; Townhomes; PUDs	Non-Owner Occupied; Multifamily Properties (5+ units)	Non-Owner Occupied; Multifamily Properties (5+ units)
Occupancy	Must be Vacant	Vacant or Tenant Occupied	25% w/ variances permitted	65% w/ variances permitted
Pre-Payment Penalty/Exit Fee	N/A	N/A	N/A	N/A

Using a Cost Segregation Study to Save Money on Taxes



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by
**David J.
Hawks**

If you are a property owner, a cost segregation study can be a great way to accelerate depreciation deductions and save you money on your taxes.

What is Cost Segregation?

Cost segregation is a commonly used strategic tax planning tool that allows companies and individuals who have constructed, purchased, expanded, or remodeled any kind of real estate to increase cash flow by accelerating depreciation deductions and deferring federal and state income taxes. It does not increase the overall depreciation deduction; it simply accelerates it so you can take bigger deductions now instead of later.

What is a Cost Segregation Study & How Does it Work?

When a property is purchased, not only does it include a building structure, but it also includes all its interior and exterior components. On average, 20% to 40% of those components fall into tax class lives that can be written off much quicker than the building structure itself. A cost segregation study dissects the construction cost or purchase price of the property that would otherwise be depreciated over 27.5 years for a residential rental property or 39 years for commercial property.

The primary goal of a cost segregation study is to identify all property-related costs that can be depreciated over 5, 7, and 15 years. For example, certain electrical outlets that are dedicated to equipment such as appliances or computers should be depreciated over 5 years. Other examples of the

5-year property include appliances, carpeting, and furniture used in residential rentals.

A cost segregation study may also separate all the different building structural components (such as the roof, windows, or HVAC units) so that when they are replaced, a loss deduction can be claimed on them. The separation of property can also be beneficial for leased property, where tenant leasehold improvements receive favorable depreciation deductions.

What is Involved in a Cost Segregation Study?

A quality cost segregation study evaluates all information including available records, inspections, and interviews, and presents the findings in a clear, well-documented format. When gathering information for a cost segregation study, the following items will be helpful for a building that was purchased:

- An appraisal
- A property condition report
- An American Land Title Association (ALTA) survey or site map
- The closing purchase documents for a study being done on the acquisition of a property

For a building that was constructed or remodeled, the list can include:

- Overall project costs
- General contractor costs and change order details
- Vendor invoices
- Construction drawings

The cost of the cost segregation study can vary by the provider along with the size and scope of the study but be prepared to spend thousands of dollars for this service.

What Should I Consider When Selecting a Cost Segregation Provider?

Cost segregation studies, like other tax records, are subject to IRS review. However, one of the main purposes of performing a cost segregation

study is to provide the necessary support for taxpayer deductions. A reputable service provider can provide a quality report. Here's what to look for when evaluating service providers:

- **Adherence to IRS Guidelines.** A reputable service provider will follow IRS guidelines to help reduce risk while striving to increase your depreciation and the corresponding tax savings.
- **Inclusion of a Final Report.** A good service provider will also provide you with a cost segregation report that can be used if the IRS questions the results of the study.
- **Support.** The cost segregation provider should be available to assist in resolving questions and issues with the IRS or other tax authorities should the cost segregation get audited.

A quality service provider will use a detailed engineering approach from actual cost records as well as a detailed engineering approach cost estimate approach, both of which are recommended by the IRS to provide the most accurate and trusted cost segregation results.

If you are a property owner, it may be time to look into the cost segregation study. There are many providers of this service so do your due diligence to find a reputable company that can support you in the event of an audit. Your CPA can help you incorporate the study into your tax return and claim the appropriate depreciation deduction that will save you money on your taxes.

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



ATTENTION REAL ESTATE INVESTORS

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AZREIA ADVANTAGE: MONTHLY MEETINGS

AZREIA Phoenix Meeting

Monday, January 9
In-Person 5:45 pm
Venue 8600
8600 E Anderson Dr

AZREIA Tucson Meeting

Tuesday, January 10
In-Person 5:45 pm
Tucson Association of Realtors
2445 N Tucson Blvd

Phoenix Real Estate Club

Tuesday, January 24
In-Person 6 pm
AZREIA Office
4527 N 16th St #105

We are back in person this month! We hope everyone enjoyed their holidays and are excited to get everyone kicked into gear for the new year! We know this time of year is when everyone is highly motivated to put in the work to make their dreams come true. Because of this, we have set up our first quarter to ensure everyone is investing the right way, so rain or shine, your investments remain cash-flowing! Timely, market-driven information and education make these meetings a must-see. Don't miss it!

Phoenix – Market Trends and Outlook with Tina Tamboer

What does the Cromford Report have to say about the current market? We are joined by Tina Tamboer from the Cromford Report to give us detailed market insight as to what we've seen change throughout the past year and what we can expect from Q1 of 2023. Tina is one of the top market analysts in the state and will give you the information you can't get anywhere else!

Phoenix Main Meeting – All-Star Wholesale Panel: What is Working in the Market Now!

Join us for a panel discussion with a few of Arizona's top wholesalers! They will reveal their success working in today's market conditions. They will also discuss the best way every investor can work with wholesalers, even if that investor does not do wholesaling themselves. This is an opportunity for everyone to understand this side

of investing and learn how to work with other investors to maximize their returns!

At this meeting you will learn:

- What Strategies Are Finding the Most Deals
- The "New Breed" of Cash Buyers
- How to Find the Best Leads with Today's Technology
- How to Negotiate Your Deals as a Wholesaler or With a Wholesaler
- What has Changed for the Better or Worse
- Where They Expect to See the Most Change in the New Year

Tucson Monthly Meeting

We will be joining in person for all the great networking sessions including Haves & Wants and a Market Update for the Tucson area, and a Wholesaling Interview: What is Working in the Market Now!

See Phoenix Main Meeting

Phoenix Real Estate Club

This is some of the best real estate networking anywhere! Meet face-to-face with other investors to find out what your real estate investing business needs! Haves & Wants, structured networking activities, market discussion, and Member Deals. It all still happens!

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.

JANUARY MEETINGS		
AZREIA – Phoenix <i>Monday, January 9</i>	AZREIA – Tucson <i>Tuesday, January 10</i>	Phoenix Real Estate Club <i>Tuesday, January 24</i>
JANUARY SUBGROUPS – Join like-minded investors, share ideas, network, and learn in small group settings.		
<ul style="list-style-type: none"> Tucson New Investors – In-Person & Online <i>Monday, January 2</i> AZ Women in Real Estate (AZWIRE) <i>Tuesday, January 3</i> Cashflow 101 Boardgame <i>Saturday, January 7</i> 	<ul style="list-style-type: none"> South East Real Estate Club – In-Person & Online <i>Saturday, January 7</i> Burley's Raising Capital – In-Person & Online <i>Tuesday, January 10</i> Burley's Tucson Raising Capital <i>Thursday, January 12</i> 	<ul style="list-style-type: none"> Beginning Investors <i>Thursday, January 12</i> Multi-Family Subgroup <i>Thursday, January 16</i> Notes Subgroup <i>Thursday, January 19</i> Fix & Flip Subgroup <i>Wednesday, January 25</i>
<p align="center">Comping Wholesale Deals & Writing the Offer <i>Wednesday, January 11, 2023 6:00 pm – 8:00 pm</i></p> <p>Join us for a special Drill Down Session with expert wholesalers Mike Del Prete and Marcus Maloney where they will take a deep dive with you on how to comp a wholesale deal and write an offer for that comp! Wholesaling starts with finding deals. In fact, your whole business is deals! Make sure you have the skillsets a professional wholesaler needs to find the right properties for you cash buyers, because not every property is a deal. You've got to know what properties will leave you with money in your pocket! By the end of this class, you will know how to comp a property without MLS or an agent, how to calculate and write an offer to a motivated seller, what software you should be using, and more!</p>		
<p align="center">Build Your Wholesale Business Step-By-Step <i>Saturday, January 14, 2023 9:00 am – 5:00 pm & Sunday, January 15, 2023 9:00 am – 2:00 pm</i></p> <p>You've probably heard by now the best way to make money in real estate without a real estate license or previous experience is through Wholesaling. In this class, we'll break down everything you need to know in order to build your wholesaling business. We'll show how to find Motivated Sellers, how to talk to these motivated sellers, and execute a purchase contract. You will also learn how to find Cash Buyers for your properties and execute an assignment contract to ensure you lock in your assignment fee. After this class, you will have a full understanding of the wholesaling process and how to build a profitable wholesale business and close a deal from start to finish.</p>		
<p align="center">Launch Pad Group Session <i>Saturday, January 28, 2023 9:00 am – 1:30 pm</i></p> <p>The Launch Pad Group Session is for AZREIA Members and future members new to real estate investing who want to dramatically increase their probability of success and shorten the time to complete real estate investment deals to reach their financial objectives. Launch Pad is designed to take months off your development cycle and get your focused where you need to be focused! AZREIA is here to help you get started the correct way and help you design your personal pathway to achieving your goals and changing your life. Want to get started today? You can take the Entrepreneurial Self-Assessment for free right now! Visit azreia.org/entrepreneurial-self-assessment/</p>		
<p align="center">Real Estate Without the Bank – Leave Your Lender and Invest Like the Wealthy! <i>Saturday, February 4, 2023 10:00 am – 2:00 pm</i></p> <p>Learn how to “Be your own bank, finance your own deals, and expedite your passive income strategies.” Everyone wants a financial breakthrough, but the abundance of information makes finding a successful path feel daunting. Let us help you eliminate the guesswork by working with your current situation to help you discover your next power move. Register today and let 2022 be a year of not just dreaming, but also doing! Discover the power of compounding interest and how to expedite real estate investing goals! In this intensive workshop, we will cover the guiding principles of the Infinite Banking Concept, how you can use it to fund your Fix & Flips without the need to pay back outside lenders, how to make your next Buy & Hold property fully funded with your own personal finances, review tangible examples and applications, and more. Don't miss this amazing opportunity!</p>		
UPDATED INFORMATION & REGISTRATION ONLINE AT WWW.AZREIA.ORG		

THE AZREIA SHOW

HOSTED BY MARCUS MALONEY & MICHAEL DEL PRETE

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

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Deal Finders Club

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

January 9th Phoenix Meeting

- **Market Trends & Outlook** Updates on Market Data Analysis and the Rental Market provide the absolute latest information essential to your real estate investing business by Tina Tamboer of the Cromford Report.
- **Phoenix Main Meeting: All-Star Wholesale Panel: What is Working in the Market Now!** Join us for a panel discussion with a few of Arizona's top wholesalers! They will reveal their success working in today's market conditions. They will also discuss the best way every investor can work with wholesalers, even if that investor does not do wholesaling themselves. This is an opportunity for everyone to understand this side of investing and learn how to work with other investors to maximize their returns!
- **Market Update & Market News** 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.

January 10th Tucson Meeting

- **Tucson Market Update:** The latest sales volume, pricing, supply, and demand numbers for the Tucson market.
- **Tucson Main Meeting: All-Star Wholesale Interview: What is Working in the Market Now!** Join us for a discussion with one of Arizona's top wholesalers! They will reveal their success working in today's market conditions. They will also discuss the best way every investor can work with wholesalers, even if that investor does not do wholesaling themselves. This is an opportunity for everyone to understand this side of investing and learn how to work with other investors to maximize their returns!
- **Haves & Wants, Power Networking, and Deal Sharing:** Come prepared to listen, learn and share.

January 24th Phoenix Real Estate Club

- This is some of the best real estate networking anywhere! Meet face-to-face with other investors to find out what your real estate investing business needs! Haves & Wants, structured networking activities, market discussion, and Member Deals. It all still happens!