

20 *Sumthing
Landlord*

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Because Work is Over Rated

Joe Donlon

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Disclaimer

The Author is not an attorney and does not possess any license to give legal or real estate advice. Please consult with an attorney before attempting any transactions detailed in this book.

The content in this book is designed to be a wake-up call and describes the harsh realities of career opportunities in today's world. The Author uses harsh and colorful language to describe business options as well as stories, processes and success strategies as he sees them.

The language in this book is not for the faint of heart.

If you prefer a version without the harsh language, please email the Author a copy of your receipt for the purchase of this book at info@20sumthing.com and receive an electronic version of this book with the expletives and harsh language removed.

Thank you for your purchase.

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SUCCESS = UNBELIEVING MOTIVATION

Dedication

I dedicate this book to my parents, Joe and Sharon Donlon.

This has been a winding path and you have both been there for me through all the turns, the ups, and the downs. You have supported and encouraged me with all of my endeavors and I truly appreciate it. I would not have been able to achieve all I have without your love and support. I love you both. Thank you.

Acknowledgements

Tom Donlon, my brother, the inspiration for this book and the co-designer of the cover. Thank you for always being there with me on this crazy ride.

Chuck Kohout and Linton Gentles, my partners, friends, and mentors, Thank you for teaching me this business and helping me to create the life I've always dreamed of.

Lara Russo and Aral Design Co., Thank you for my awesome website and helping me to get the Motivation Foundation off the ground.

And to Ann McIndoo, my Author's Coach, for taking this pile of swear words and turning it into a book. ☺ Thank you!

Forward

This book is about success, how Joe Donlon created his and the generous legacy he leaves for you, a system for how to create yours.

I have found that to be successful you need a plan, a vision and a strong belief in both. At a young age, Joe learned these values from his experiences, along with many other important lessons in his constant search for the traces of success left by those who had already achieved their goals and dreams.

Following traces left behind, I have watched Joe create an extraordinary business empire that includes a real estate holding company that has generated over one million dollars before he was 27. The sense of pride I feel knowing and sharing in this young man's journey is in explicable.

How did he do it? What strategies, techniques, processes, or systems did he use to create this astonishing success? In the pages that follow, you will learn about a young man who had a dream and strong desire to break the mold and create a better life for himself and his family. How a promise to me at the age of 25 to build a million dollar business before he

turned 30, drove him to learn, create and transform those dreams into reality in less than half the time.

So sharpen your pencil, take good notes, do the exercises and follow the directions Joe gives you, they are traces to your success.

With deep respect,

Chuck Kohout

Introduction

Welcome to 20 *Sumthing Landlord*. If you're reading this, then I assume you've come to a harsh reality. They fuckin lied to us! Growing up I was always told that if you work hard and go to college, you'll get a good job and you'll be successful. You play by the rules and everything will work out in the end.

What a load of crap!

The truth is, if right now you are in your twenties, then you graduated at the worst time in history when it comes to getting a job. Save maybe the great depression.

I graduated from college in 2008/2009 and the best job that I could get right out of college was making 15 dollars an hour as a customer service representative for a major electronics company, which came with the benefit of getting screamed at by customers who were pissed that their TV stopped working. I had a 30-minute break for lunch and was able to take 3 minutes in between calls to summarize them and get back on the phone. Ironically I went to college for medicine. My official degree is a bachelors of science in health studies.

After paying my rent and student loan debt, I was broke. I had more money when I was a student in college. At least in school you can eat at the dining hall when you have no money

and there are always student prices or special prices for kids in school. After you graduate, you're fucked.

I was basically living in hell. In fact, I imagine that hell has better hours, or at least better pay, not to mention free heat and hot water.

So what was the big thing no one mentioned about college when we were in high school? The spirit crushing and debilitating loan payments!

You were probably told just like I was that if you get good grades in high school, you will get into a good college. If you get good grades in college, you will get a good job. If you get a good job, you will make lots of money and live happily ever after. This simple "follow the rules" principle that we grew up on betrayed us. The motto that we grew to know as "the way of life" was merely the way to a life of debt and poverty.

My loan payments were literally 60% of my monthly income. How the fuck are you supposed to live off of 40% of just above minimum wage? It doesn't happen.

Old people think our generation is lazy, with a sense of entitlement. Well, who the fuck gave us the entitlement? They did! We're not lazy; we're unmotivated, discouraged and fucking pissed off. We've been preparing our whole lives to get out in the world and make something of it. But what we've found is that there are no jobs and if there are, the pay sucks, the hours are worse, and one month of health insurance costs about a week's worth of pay. There is no light at the end of the tunnel. It's gone because someone didn't pay the fuckin bill.

Fortunately, I've discovered what I feel is a way out. I'm not calling it "The" way because that's different for everyone. For me,

this was the way. We are meant to be fucking awesome; we've been bred for it, so let's stop eating shit and move on up.

The purpose of this book is to show people what this life is like. This life is fuckin awesome and I wouldn't trade it for anything. You meet the craziest bunch of assholes this side of the padded wall. There are no rules. I can literally spend an entire day in a flowered robe with pink bunny slippers and no one can tell me different. I can swear like a fucking truck driver and anyone who doesn't like it can go fuck themselves. I can dye my hair purple and tattoo my hands. I can take days or weeks off at a clip to go snowboarding, surfing, spend a couple of weeks down in the tropics, or play video games till my thumbs fall off. I go out six nights a week because not only can I afford to do so, but I can also sleep until 11 am every day.

This is the life we were meant for, the one we envisioned. Not slaves to industry, 9 to 5, for 40 years. Fuck that! You realize that life in prison is only 25 years? Killing someone actually gets you less of a sentence (and better healthcare) than going to college now. Fuck social security! Fuck getting old! Fuck your boss! He's an asshole, your benefits are shit!

You have the choice. You can do what they say for the rest of your life or you can retire within a few years. Re-fuckin-tire! I'm not talking 65, I'm talking 35. I'm talking young enough to still kick ass and take names.

Personally, I retired at the age of 23. I hung up the suit, hating my boss, the 30 minute lunch break, the alarm clock, the six cups of coffee, the unnecessary weight gain, the misery, the shitty healthcare, the shittier 401K plan, and bounced. So break free, fuck off, have fun. You are closer to death now than you have ever been. It's time you started acting like it.

Chapter One

Comparison

Case Study

Here I offer you a case study. This is the comparison between me and my friend, Clyde. Clyde and I grew up in the same town. We went to the same high school. We both graduated from college. The colleges that we went to were different but on the same level. Not one of us is an ivy leaguer and neither one of us was at our county's community college.

We both went to accredited universities and both graduated around the same time. Clyde and I even had the same job right outside of college. He too got the pleasant enjoyment of being screamed at by self-righteous assholes who take out all their frustrations on a person they've never met on the other side of the telephone. Essentially, after college we both started at about the same place. Clyde took one path and I took another.

Clyde and I both worked for a company called Prime Response. Prime Response is a customer service company that large companies outsource their work to because it is cheaper

then keeping people in house. And that's because basically, they treat their employees like shit, they do not give them sick time, they give lateral (no pay increase, just work increase) promotions and pays their top people somewhere just north of minimum wage.

After getting yelled at for 2 years or so, Clyde accepted a job with a major electronics company. This major electronics company was paying Prime Response to handle their customer service, until they wised up, grabbed some of the good people and gave Prime the boot.

The company that was paying Prime for Clyde to be on the phone offered Clyde a position, which he accepted. He went to work for this major corporation. He has what most people would call a good job. Clyde receives good benefits, is paid overtime (unlike Prime, who would request that we stay then not pay us for it), and participates in a respectable 401K Plan, the works. Clyde is successful by definition.

I, on the other hand, have no salary. I get no paid overtime. I have no 401K plan, no company benefits and no guaranteed paycheck. I also have no boss.

I have a dream job. No time to be at work, no limit on vacation or sick days and no alarm clock, which was a dream of mine. I once heard that being rich was waking up in the morning to make a lot of money and being wealthy was waking up when you're done sleeping. By that definition, I am wealthy. I wake up whenever the fuck I wake up. I take my time and don't do anything until I've had breakfast.

The earliest I wake up is for low tide to go surfing and when it snows to beat the traffic to the slopes. I take one day a week (besides the weekends) where I don't do anything at all related

to my business, usually Monday or Wednesday. I don't answer calls; respond to emails, nothing like that, I just take a day to myself.

I don't do anything I don't want to do. I hate cleaning. I hired someone to do that. I hate filing papers and leases and what not. Someone else does that. I don't wear suits. My typical uniform is jeans and a t-shirt, or shorts in the summer. I go out all the time. I have friends that work normal schedules that I see on the weekend, and friends that are servers and bartenders that I see Monday and Tuesday nights. I am stress free. I sleep close to 10 hours a night and feel awesome all the time. I have no HR department and no one to answer to but myself. Life is sweet and exactly how I designed it.

Here's pretty much what my day looks like in comparison to Clyde's day:

Time	Clyde	Joe
6:40 am	Alarm goes off. Turn off alarm. Turn on television and tempt fate by possibly falling back asleep	Sleep
7:15 am	Get out of bed	Snore loudly
7:20 am	Get clothes together, shower, check Emails / text messages / Facebook	Roll over
8:15 am	Leave for work	Sleep
8:30 am	Sit in traffic	Sleep
9:00 am	Sit in fuckin traffic!	Sleep
9:10 am	Pray to God to see a burning pile of rubble which used to be my employer's building	Sleep

9:15 am	Arrive at work (disappointed) every morning. Fantasize about punching the boss in the face with his stupid fucking haircut	Sleep
9:15-10:00 am	Clock in. Put my stuff down, go get breakfast	Wake up . . . but stay in bed for a while
10:00-11:00 am	Sit and stare at computer so if anyone looks, it appears am working, but really just daydreaming. Talk to people on Facebook	Get out of bed and make breakfast
11:00-12:30 pm	Actually work. Call customers and they bitch, moan, and complain	Go jogging or s w i m m i n g , depends on my mood and the weather
12:30-1:15 pm	Stare at the computer and pretend to work, thinking about and getting ready to go to lunch	Go to my "office" and make myself a snack
1:15-2:15 pm	Lunch YAY!!! Finally!	Hang out. Bullshit with the guys. Check Facebook and email
2:15 pm	Clock back in. Go to the bathroom and either poop or pretend to poop for at least 15 minutes	Continue to hang out. Bullshit with the guys. Check Facebook and email

2:30-5:15 pm	Actually work, call people back, they complain and complain and I sit there and hear them. Don't listen mind you, just hear them. I hate them all. Sometimes on long calls I take a nap or put people on hold for absolutely no reason. Once I put a lady on hold for 45 minutes because she demanded that I speak to the manager about her situation at once. I got up walked around, talked to people around the office, went on Facebook, got coffee, went to the bathroom. Then left the floor and wandered around for a few minutes. When I returned, she was still on the phone so I may have accidentally disconnected the call	3:00PM Lunch! 4:00PM Make call backs and respond to email Somewhere between 4 and 4:30 I usually head back home to avoid traffic
5:15-6:00 pm	Prepare to leave	Play with the dog, feed the fish
6:00 pm	Leave for home	Whatever miscellaneous stuff I have to do
6:00-7:30 pm	Sit in fucking traffic!	7:00 pm Usually go out for dinner and/or drinks with friends
8:00-9:30 pm	Gym	Out with friends
9:30-10:30 pm	Shower/Dinner	Out with friends
10:30-11:30 pm	Watch TV	Out with friends

J O E D O N L O N

11:30 pm	Go to sleep	Out with friends
12:00am	Sleep	Out with friends
1:00 am	Sleep	Out with friends
2:00 am	Sleep	Get home/watch some TV, go to sleep
3:00 am	Sleep	Sleep
4:00 am	Sleep	Sleep
5:00 am	Sleep	Sleep
6:00am	Sleep	Sleep

Getting Started – It's Fucking Hard

There's no doubt about it, this is fucking hard. Getting started in real estate is fucking hard. No matter what you went to school for or what you did previously, odds are you will have absolutely no idea what you are doing. And it's really hard to find a teacher. This is probably the reason why more people don't get into the real estate business.

Honestly, most people can't stick around long enough to start making money and most people quit. I've read that 99 in every 100 businesses will fail right out of the gate and out of that 1 %, most will close down in the first five years. Part of me thinks it is because they don't really want to do things; they actually want to say that they tried and things didn't work out.

It's a self-fulfilling prophecy. People are afraid of success. You try so hard for so long to accomplish a goal that soon enough you start to identify with the struggle of trying and no longer with the goal that you initially set out for.

And if you're successful, you're an outcast, because most people never really attain the success they desire. If you do make it, you'll soon find it hard to relate to people. I'm sure that every Monday your Facebook wall is flooded with, "Damn it's Monday," and "Only five more days till Friday," and blah, blah, fucking blah. If you're successful, you won't relate to this anymore.

I don't care what day it is (and often have no idea) because I don't hate five days out of the week. So most people will blame the market, the mean seller, their families, their friends, the president, the economy, or even the last lunar eclipse, anything; because that's what everyone will want to hear, that you tried

your best but that some external force is keeping you down, because it makes them feel better about themselves. After all, if that force kept you down, then they must be a loser for the same reason right?

Somehow we are trained that's the way it's supposed to be. Fuck that. In the immortal words of Sean Connery, he says to Nicolas Cage in the movie "The Rock", "*Losers always whine about their best, winners go home and fuck the prom queen.*"

In the beginning when you start your business, you're going to run into a lot of problems that neither you nor I could even anticipate. People will think you're too young, too inexperienced or too old. Whatever! Fuck them and move on.

This is a numbers game, a contact sport, the more people you talk to, the more people will say "yes" to you. Any pickup line works, if you use it enough. Tell a thousand girls they're sexy and you're taking them home right now. I guarantee it will work at least once.

The Real Estate Business

My biggest issue was people taking me seriously. I started in real estate when I was 20. I was still in college and started doing real estate between classes and college keg crawls (*a party with multiple locations in which partiers will walk or crawl from one keg to another*). I started working my real estate business out of a fraternity house and it worked. Don't tell me you need to wait till you have a more professional setting. That's just an excuse to put it off.

In one of my first deals, the property owner/seller asked me if I was even old enough to sign the contract. Talk about a swift kick

to the nuts. I was completely stunned, like a deer in the headlights; I had absolutely no response. I didn't get that deal, but it was a good lesson.

After a lot more meetings and knocking on literally thousands of doors, I became much more confident. I wasn't always the lunatic I am today. Now if people bring up my age, I just laugh it off, it's no longer a problem for me.

Competence breeds confidence.

How to Get Educated About the Business of Real Estate

It's not only hard to get started, but it is also difficult to know *where* to start. One place where many investors start is attending real estate seminars and workshops where they advertise you will "learn everything you need" to make millions of dollars in real estate.

When you go to these real estate events or clubs, everyone on stage is talking about how they're an expert and know everything about real estate deals. And, if you give them \$5,000, they will show you how you can become an expert too. Heck, for \$10,000 they will mentor you and do deals with you. Sound good?

They are all full of shit.

They have no money and that's why they are trying to get yours. They stand up and talk about deals they did five or even ten years ago, and then ten other people who can't make any money stand up and bear witness to their false success. They even flash checks they have received that have the dates blacked out. It's the blind leading the blind and they are asking you to poke your eyes out.

The first real estate seminar I ever went to cost \$4,000. I drove from New Jersey to Boston to attend the event and booked a hotel room to stay over the weekend. My brother and I went and were able to split the cost and come as partners. After three 10 hour days, I left with this,

"Find us an apartment building that makes a certain income, and has certain expenses, and we will buy it and make you a minority partner for facilitating the deal."

I was psyched! At 20, I really didn't have any money so the idea that I could become part owner of an apartment building was absolutely amazing. They cautioned me not to get discouraged because this would be hard to find and would probably take me a very long time if I ever found one.

But they don't fuckin know me. I don't quit, I make shit happen. Within two weeks I found three apartment buildings that had more than a 15% return on investment, over 50 units each, and all three were in up and coming real estate markets. They were exactly what the "expert" wanted.

When I sent them the information they were ecstatic. They couldn't believe that I had found these great deals for them and they were going to look into it right away and get back to me. They were so fuckin ecstatic, that they passed out from excitement and remained unconscious and did not answer my calls for several months. Turns out, they really did not have the funds to buy any of these units; they were just claiming they did, in order to sell more classes.

You want to know where to start? Here's the answer, and it is easy, fast – and with some discipline and determination, it works.

Go to the courthouse for your county and get the landlord tenant eviction files. Call every landlord you can find, tell them you want to buy their house and set up a meeting. Whatever they ask, price, terms, etc., just tell them you'll discuss it when you get there.

You never want to get into to much detail over the phone because on the phone they can just hang up and then the conversation is over. In person, it's a totally different story. Anyone can hang up on me, but meet me face to face and you'll fucking love me. I promise!

After enough face-to-face meetings, you will appear and be confident enough to work out some terms for yourself. I'll get into that later in the chapter on acquisitions.

I got started by knocking on doors. I didn't have any money for mailers and didn't yet know about getting information at the courthouse, so I literally knocked on people's doors and asked them if I could buy their house.

Imagine this, a 20 year old kid knocking on your door, asking you if you would deed him the property and hold the mortgage for him. I know it sounds like it would never work, but it did. Just like the pickup line thing.

I would knock on ten doors a day during the week, 30 doors on Saturday and another 30 doors on Sunday. I did this for more than a year. No joke, I knocked on thousands of doors and I got lots of people who, after their initial surprise, and then understanding my offer, said "Yes!"

The hardest part is ringing the first doorbell. Once you get that down, you'll be fine. All you have to do is push a button. It's important to remember that no matter how good you are, people will always say no, you will always get more no's then yeses. Pay these people no mind.

Every time someone says no, get out, fuck off, I'm going to release the hounds (true story), you are one step closer to a yes. Keep stepping closer. You're always getting closer to death every day anyway. It's your choice if you're going to get closer to victory or defeat.

Need some handholding? Go get a fuckin job. That's what they are there for. Jobs are for people who can't manage themselves and need someone else to do it for them. For you, if you want to be a real estate investor, and enjoy all the benefits that come with it, you need to be accountable to yourself. It's simple, the more people you talk to, the more money you make. Don't complicate it. More appointments generate more money. You're not going to make a killing on your first few deals, but don't get discouraged.

*It's simple, the more people you talk to,
the more money you make.*

Every infomercial pitch man at the front of the club will tell you that they made 160K or 300K on a deal and blah blah blah. They are all full of shit. If you can make a couple hundred bucks a month, take it. Get the experience and build your track record.

I'm not a rags to riches story by any means; I've never worn rags or riches and never will. I'm also not a riches to riches story. I come from a middle class family and had very supportive parents who helped me in every way they could to achieve what I have.

My first deal netted me \$150 a month. That's it, \$150. That may seem like nothing, some people spend more than that on coffee in a month. Right now I spend more than \$150 on gym memberships (*I don't drink coffee anymore*) but the first deal gave me confidence and it also provided me with traction.

It gave me a real life experience from which I learned things that I can't teach you and you can't read in a book. Experience is the best teacher. It also showed me that this was possible; that the dream wasn't just a dream, it was a reality and it would soon be mine. My second deal was almost \$350 a month and then it began to grow.

Chapter Two

Acquisitions

Owner Finance

Ok, this one is going to be a bitch – but profitable and will provide you with continuous income. It's going to be really hard to convince someone to finance a property for you, especially if it is an income producing property. You have to demonstrate to them that you take away the headaches and they will still keep the money.

This is where landlord tenant court works. Find people who hate their tenants. Here's a secret: Everyone hates their fucking tenants. Tenants are the worst people in the world. Keep in mind that property owners/sellers, who just evicted someone, have probably had a few months of not making any money and paying for the property on their own.

If they are not a professional landlord, odds are it will take them a few months to get an eviction date. So they just lost their shirt and they are pissed, frustrated, and a perfect customer for you. They hate this house and the tenants they can't deal with.

But everyone makes money in real estate right? So what are they doing wrong? Ohhhh that's it, they just don't know everything that you know. And if they had the time and the information to be the perfect landlord, they could. But wouldn't they rather just keep living their lives and get a check every month? Half of something is better than all of nothing, isn't it?

Here's how it works. You buy the house and you go on the deed. They keep a note for whatever amount you agree upon. Your payments are 50% of the net rents. This means half of the collected rents after the expenses. So if you collect \$2,000 and you have to pay insurance of \$100 and taxes of \$600, then the net rent is \$1,300.

Total (\$2,000) minus expenses (\$700) = your net (\$1,300). So that means you're taking \$650 and giving them \$650. That's what you start with but you're going to get some backlash. It's going to take a few tries before someone will give you a functioning asset. Just remember you're providing them with a service.

You're not ripping them off; you are taking away a migraine, a never ending thorn-in- their-side and turning it into monthly cash flow. They're now free to travel the world, turn off their phone, and live their life, whatever.

You can go as high as giving them 80% in the beginning. You're only making 20%, but it was fuckin free! All it cost to set this up was your time. It's a way to get some income and some experience dealing with tenants and properties.

The great news is that you do not need a realtor's license to manage your own property. If you are on the deed, then you are technically the owner. If it's an average two family house in the North Jersey area, 20% will end up being somewhere around \$400-\$600 per month.

Here is how it works, the average two family house in North Jersey will have two apartments renting for \$1,000 to \$1,500 a month. That's \$2,000 to \$3,000 in rental income. So if your name is on the deed and you are managing the property for 20% of that amount, you're looking at somewhere between \$400 and \$600 per month in income.

Not too bad for a "no money up front" investment. How many of those do you need to quit your job?

The downside to this strategy is that it takes a lot of cold calling. You're going to call a lot of people who don't want to talk to you. You're going to set up a lot of appointments and no one will show up. This is the cost of learning and building your business. If you can't handle rejection, Denny's is hiring.

People are going to ask why they should give you the money, and why they shouldn't do it themselves. Here's what you tell them:

- The headaches will all be gone,
- No more court,
- No more calls, and
- No more chasing renters.

If that doesn't work, you're with the wrong person.

If you go on 100 appointments and 98 people tell you to fuck off and 2 people agree, you just made \$1,200 per month, every month. That's like a second job. You're doing great!

You want the people who are at the end of their rope. No kidding. You want to connect with owners who hate their life and their rental property is the reason they're miserable. They should have

invested in the stock market, kept the money, played roulette, ANY thing except buy this damn property.

They are days away from burning the building down with the tenants locked inside. These are your people. They will be mean and frustrating to deal with. That's okay, it's worth it. If you don't take this property from them, they are going to hurt themselves and others. Be the hero and make some money.

Other People's Money

There are a lot of different ways to set this up. You're going to find that the more complicated you make this, the more fucked up it is going to get. There's nothing like a nice simple agreement between people. This is basically the same concept as owner finance. The only difference is that you can buy any property with this money and not just the one that the lender owns.

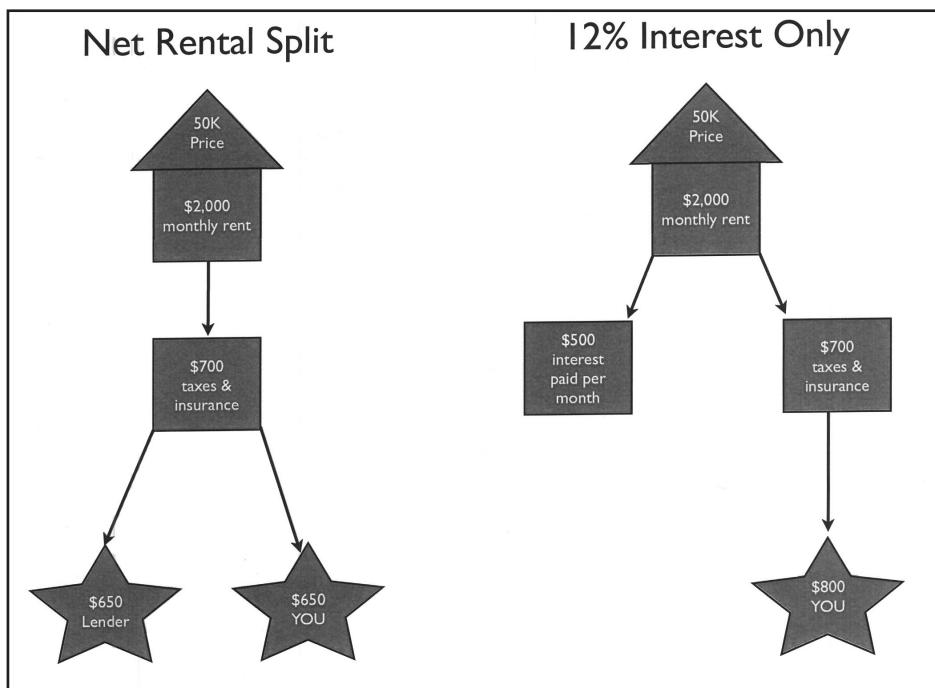
You can do interest per year. This means that the investor is going to lend you money with an interest rate attached to it. Say they lend you 100k at 12% interest. You're interest only payments will be \$1,000 per month.

If you do this, be prepared to pay a high interest rate, like 10%. No one is going to give you \$100,000 for 3%, when they can give it to the E*TRADE baby. You need to come up over the top. Start with 10%, it's a nice round number, and see what they say.

The other way is the same setup as before; half the net rents. That's going to be your best bet. You might be able to make more going down the interest road but it leads to a nasty bear trap with evictions. Trust me; you will get fucked doing interest if you do enough of them.

Half the rents means, if no rent is collected, there is no payment. It means you split repair costs, maintenance, taxes, and insurance. Otherwise they don't care. And they shouldn't. If you agree to a 10% interest rate, then the idea is fuck you!

You said 10% get me my 10% and before you know it, all of your hard work is going to pay someone else. There's no problem with other people making money, the problem is if you're not making money.



So let's recap. Basically, you can take money from people to buy real estate. To pay them back there are two methods. One method is paying interest on the money. The up side to interest is if you make a lot of money you keep more. But if you don't, you're screwed. The investor will want their money even if the property that you bought is losing money. It becomes an unnecessary expense.

The other way is a percentage of the net rents. Typically when it comes to this type of lending you're going to be paying out 50% of the net rents. You show them what you expect the net rents to be and they agree to lend with the understanding that if things go wrong you're in it together.

I bought a house in Patterson, New Jersey on an interest-based loan. This was a little risky. It was a giant six bedroom colonial style house that had been partially redone. The kitchen and bathrooms were brand new and the foyer looked like it belonged to a castle.

I bought it subject to the debt. So the seller's debt is still in place but I now own the house. The seller wanted to buy another house so he was pretty antsy to have the mortgage paid off. According to our agreement, I had as much time as I wanted and he knew this, but I believe in keeping the people who give you money very happy.

Before I could get a tenant in there, one of the prospective tenants wanted to buy it from me. This will actually happen more than you would expect. He wrote up a contract, I put him through a credit restoration program, and he was good to go.

The purchaser was living down the street and wanted to move in. At this point, we were in the middle of the mortgage. The loan guy told me it would be another two or three weeks before the prospective tenant would be clear to get a mortgage and buy the house.

Due to my inexperience, I jumped the gun. I thought Derrick, the prospective tenant, was going to buy it. He's half way through the mortgage process so I'll borrow some money and pay off the seller. What's the worst that could happen? Famous last words right there.

Not only did it take him forever to buy the house, but he also backed out of being a tenant. He said that he didn't want to move in until after he owned it. So now I'm stuck paying a crazy ridiculous interest rate and there's no incoming rent to cap off the loss. So I'm just bleeding cash every month. My profit dwindled from \$49,000 to under \$7,000. Trust me, don't fall into this trap.

I would never do it again, and you shouldn't either UNLESS you have these three things:

1. The house is already rented. The longer the better and you want proof of this. Cancelled checks, Tax returns, PROOF! Not just what someone says. People will lie to get you to buy a house with deadbeat tenants in it, which is fine. Just NEVER on an interest based loan.
2. The building must pay for itself. You want to make sure that you can cover that monthly nut. NEVER, **under any circumstances**, buy a house where you will be paying out of pocket every month. It may still happen if something goes wrong, but never plan to fail.
3. And finally, you need to have an exit plan. There's got to be a way to get out of this. Eventually the interest based loan will suck up all your profits. I promise. Always have an exit strategy. One of the best exit strategies you will find is converting your interest based loan to a percent of the rents.

Here are some of the benefits:

- It is setup the same way as owner finance,
- You get the deed,
- They get note secured against the property,

- Principal to be paid at sale of property,
- You decide when to sell. (Never is a good time.)

Other People's Credit

This is a total clusterfuck and I would strongly advise that you don't do this. This is probably the second worst way you can buy property. This has to be setup with someone you trust and I would say hell fucking no to anyone who isn't family or a close friend. In fact, now I would say hell fucking no to anyone who asked. **Anyone.**

It works like this. I give you money for a down payment. You take out a mortgage in your name. I go on the deed with you. The down payment can be sourced as a gift. If it's someone that is in your family, it's even better in the eyes of the mortgage company. We split the profits after the mortgage and all expenses are paid.

The only problem is when that property doesn't work out, that's when the problems come up. The bank is less forgiving than a private lender. At least with a private lender you can have a "come to Jesus" meeting, which is a sit down where you basically tell them you fucked up and beg for their mercy.

People tend to be very forgiving when you man the fuck up and take responsibility. Banks, on the other hand, are not forgiving. Tenant moved out? Fuck you, pay me. Pipes burst? Fuck you, pay me. House got broken into and became a hostage situation in which the police kicked in all the doors and windows and broke through walls so now it's not rentable? (True story). Fuck you, pay me.

Seriously, don't do this unless you can cover the cost of the mortgage yourself and even then it's an unnecessary gamble.

You probably should just look for a better deal. And don't fuck over people who trust you with their credit. Karma is a bitch.

I actually bought one of my very first houses this way. That was before I knew all the pitfalls that I was about to experience. And holy shit, what a clusterfuck! Everything was fine, for about three seconds. I swear I learned more on this one house than almost all the other ones combined.

For starters, when I got the property it already had tenants, and when I did the math; it looked good. But I failed to take into consideration two main aspects that I now know to always have before moving forward.

First, I bought the house far outside of choking distance. It was about four hours away. That was my first mistake; I was pretty much asking for it.

Second, I got a management company.

Third, I didn't meet the tenants face to face. I never got to sit down with them to talk and see how they felt about it. I never got a chance to feel their home.

Now that's one of the first things I do. You can tell very quickly if someone wants to move. Does their home look like a home? Do they take good care of it? Do they mow the grass? Do they keep everything clean?

If yes, then they are going to stay there a while. You're looking for pride of ownership. You want someone who is proud of their home, whether they own it or not. My tenants made it three months, and then they both left. I was left with a house with a mortgage that had to be paid and no income coming in.

I know what you're thinking. A house far away with a mortgage and no tenants, well goddamn that's about the best thing in the world. How could that get any better? The answer is,

the house gets broken into and vandalized ANNNNNNNDLLL insurance won't cover it. I swear the reason I'm so successful today is because of all of the good karma I have coming to me after dealing with that blistering ball of shit.

Luckily, the mortgage was only a couple hundred dollars a month. It was in western Pennsylvania and houses are really cheap there. Thank God! If the house had New Jersey prices, it would have bankrupted me really fast. But I managed to get the repairs done and get the house rented so it was a little better than cash flow neutral. It didn't end up being the great return I expected, but I kept afloat.

So if you're going to do this, keep a few things in mind:

1. Don't be a fucking idiot. Look for a better deal.
2. Make sure you can cover the mortgage if it all goes to shit, because there's a chance it will.
3. Keep it in choking distance. Always, everything you buy, keep it close.
4. Meet every existing tenant before you buy. Feel what it feels like in their home and trust your instincts.
5. Always take care of the people who help you. There's a special rung of hell for people who screw over those who lend them money or credit. It's right below the people who waste good scotch.

Cash

Cash is king motherfucker! (In a Samuel L Jackson voice)

Cash is always the best way to go. That's what everyone wants. That's what controls the real estate market, access to cash.

The reason markets go up and down has nothing to do with the properties. It has to do with mortgages. If mortgages are easy to get, the values go up. If they are hard to go, the values go down.

Whenever you're buying for cash, it's important to remember one thing. You're the boss. Everything else is fluff. When you find a house, figure out an offer that makes sense to you. Then no matter what the seller, realtor, or bank says, stick to your guns.

Finance

Hope you didn't totally fuck up your credit with the place that was giving out credit cards with a free t-shirt. Still have the t-shirt? Me neither. Credit cards that you get in college have the highest interest rates ever and will totally fuck you in the long run, but if you managed to keep your balances low, they can be an awesome credit history for a mortgage.

If you're just out of school, banks will lend up to 96.5% and 100% on Veteran loans to purchase. You only need to have been working for six months and need a credit score over 640. If you fucked up, check this link, www.20sumthing.com and go find credit restoration under the resources tab. We'll fix you up. Most counties in New Jersey will actually give you down payment assistance for first time homebuyers.

Please note this is the worst fuckin idea ever! Having a mortgage sucks. You are now bent over with your pants down, just waiting to get fucked. One bad tenant can fuck you so bad you won't walk for a week.

Mortgages will fuck you soooo hard in the long run, so pay them off as soon as possible. I have seen more people get burned by this method, me included, than any other method.

I suggest buying a four family unit in a maybe not so good area and use the rents to supplement your income, but to also pay off the mortgage as soon as possible. Two extra payments a year turn a 30 year mortgage into somewhere around a 12 year mortgage.

This is actually worse than using someone else's credit, because it's you. You're stuck, and granted you're pretty much stuck the other way too, but this one stings a little more. There's no story here, just the lesson. With Conventional financing, aka getting a mortgage, you need to take a few steps to protect yourself from certain doom:

1. Make sure the rents cover the mortgage and then some.
You're not doing this for free and you're sure as fuck not buying it hoping that it might go up in value one day. That's fucking dumb. You might as well play roulette. Odds are pretty comparable.
2. Meet with all the tenants; get to know them, and their home.
3. Get copies of cancelled rent checks. Either this, number 2 above, or GET OUT! This one is not for you.
4. Have a reserve, three to six months of expenses. After that you should put EVERYTHING into getting this fucker paid off ASAP. There's always a debate about whether a house is a liability or an asset. Let me end it right here. The house is the asset. The mortgage is the liability. Get it paid off NOW. You'll save hundreds of thousands over the next 30 years and lots of gray hair over the next ten years.

Subject To

Subject to is one of the best ways to acquire property. This basically means that someone is giving you their house, either for a lump sum, or not, and leaving their mortgage in place. This is a little different from using someone else's credit.

This isn't someone you know, this isn't someone who's investing with you. This is someone who wants to get out of their house BAD and they want to do it now. So much so that they are willing to just hand over the keys and let you take over the property.

This is going to be hard to find and even harder to find one that makes sense, one where the rental income of the house is more than the mortgage. You're going to run into some really interesting stories.

These people are going to be fleeing the country, dying, losing their minds, going to jail for 25 years to life (true story), very sick, moving, or just the most incredible depressing people on the planet. Remember, these people have something that works and they're going to give it to you.

It works like this:

- Deed comes to me,
- Mortgage stays in their name, and
- You now own it.

Here are a few things to be certain about:

1. The mortgage needs to be current. If the mortgage is not current, the late fees can be horrendous and every

mortgage has an “assignability of rents” clause, so you might take this thing over for no incentive at all and just be left with the hangover.

2. It is not an ARM, an Adjustable Rate Mortgage. You want a fixed rate.
3. Interest rate. Right now interest rates are around 3%. Just make sure you check it out before you take it. Even if it's at 6%, it's still 4% less than what private money will cost you.
4. Tenants pay rent. Get cancelled checks and a visit to their apartment/house.
5. What's the why? Someone giving you a working house for no money means there's some serious distress there. Figure it out, if you can't, you are being scammed.

Management

Then there's always management. This is one I will honestly say I've never done but it's not a bad idea if you're starting out. Legally, only a realtor can collect a management fee for managing a property. But I'm sure the owner would be willing to pay you if you were kind enough to handle the calls from his tenants and collect their rent.

Don't go in asking for this though. This is a last ditch effort to squeeze some money out. Go in asking for 50%, and if that doesn't work, go lower and lower and lower; then there's always this.

This will be an easier pitch, especially if you're young, and they can see it as a way of helping you get a start, rather than letting you buy their property for no money down and only the

promise that you will give them something when you get it. Start at 20% and settle for 10%.

Times will be slow in the beginning, and if this is the only thing you're doing, you have more time than money; use it to make what you can. When your income is up, you can dump this one or make them an offer to buy.

I AM IN NO WAY SUGGESTING THAT YOU PRACTICE REAL ESTATE WITHOUT A LICENSE OR BREAK ANY LAWS. Check this out with an attorney before going forward.