

# HOLD: THE ULTIMATE WEALTH-BUILDING STRATEGY



Figure 0-1



List Price: \$170,000

10% Discount: \$17,000

Purchase Price: \$153,000

25% Down Payment: \$38,250

Mortgage: \$114,750 on a 30-Year Note

**Figure 0-2**

### The Power of Cash Flow in Year One

Annual Cash Flow	\$1,200
Rate of Return on Cash Flow	3.1%

**Figure 0-3**

### The Power of Debt Pay Down in Year One

Annual Debt Pay Down	\$1,179
Annual Cash Flow	\$1,200
<b>Total Return</b>	<b>\$2,379</b>
Rate of Return on Cash Flow	3.1%
Rate of Return on Debt Pay Down	3.1%
Rate of Return on Total	6.2%

Figure 0-4

### The Power of Appreciation in Year One

Annual Debt Pay Down	\$1,179
Annual Cash Flow	\$1,200
Annual Appreciation	\$7,480
<b>Total Return</b>	<b>\$9,859</b>
Rate of Return on Cash Flow	3.1%
Rate of Return on Debt Pay Down	3.1%
Rate of Return on Appreciation	19.5%
<b>Rate of Return on Total</b>	<b>25.7%</b>

Figure 0-5

### The Power of Leverage on Rate of Return

Fair Market Value	\$170,000
Purchase Price	\$153,000
Down Payment	\$38,250
Appreciation (1 Year @ 4.4%)	\$7,480 ( $\$170,000 \times 4.4\%$ )
Rate of Return on Price	4.4% ( $\$7,480 / \$170,000$ )
Rate of Return on Investment	19.5% ( $\$7,480 / \$38,250$ )

Figure 0-6



Figure 0-7

## Rule of 72 Formula Analysis

Rate of Return	Actual Years to Double	Rule of 72 Estimate	Time Difference
2%	35.0	36.0	1.0
3%	23.4	24.0	0.6
5%	14.2	14.4	0.2
6%	11.9	12.0	0.1
7%	10.2	10.3	0.0
9%	8.0	8.0	0.0
12%	6.1	6.0	-0.1
15%	5.0	4.8	-0.2
17%	4.4	4.2	-0.2
20%	3.8	3.6	-0.2
25%	3.1	2.9	-0.2
50%	1.7	1.4	-0.3
72%	1.3	1.0	-0.3

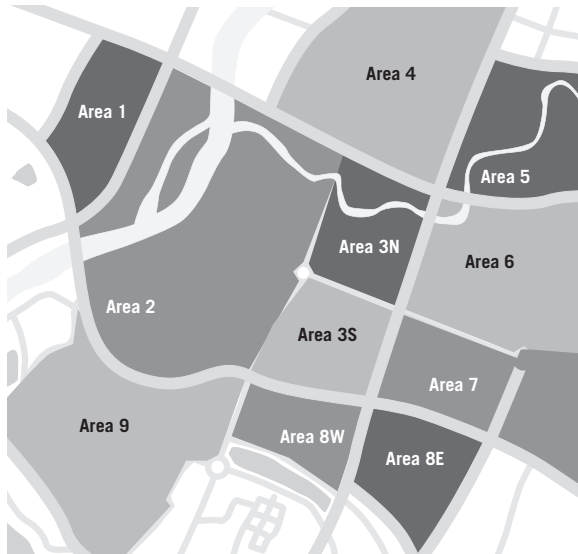
Figure 0-8



### 30-Year vs. 15-Year: How Notes Affect Cash Worth

YEAR	ANNUAL CASH FLOW		ACCUMULATED CASH FLOW		ACCUMULATED FINANCIAL RETURN ON INVESTMENT	
	30 year	15 Year	30 year	15 Year	30 year	15 Year
1	\$1,200	-\$1,727	\$1,200	-\$1,727	\$9,859	\$10,408
6	\$3,076	\$149	\$12,705	-\$4,858	\$71,291	\$78,348
15	\$7,335	\$4,408	\$60,757	\$16,849	\$245,075	\$285,906
30	\$17,908	\$27,014	\$248,960	\$341,639	\$812,387	\$905,065

Figure 1-1



**Figure 2-1**



Figure 2-2

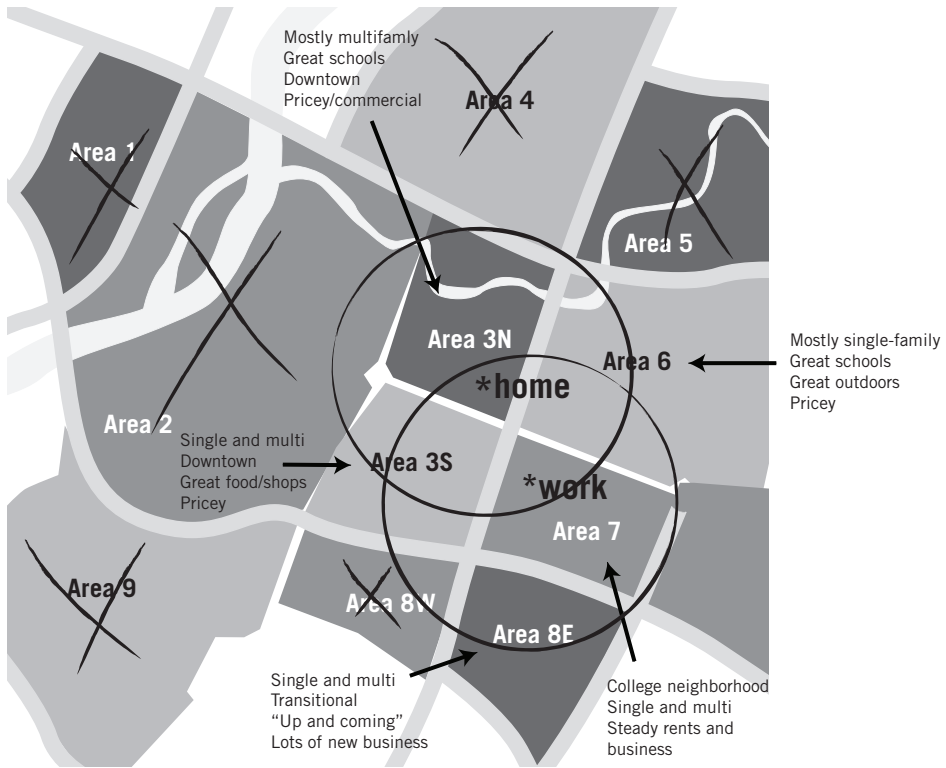


Figure 2-3

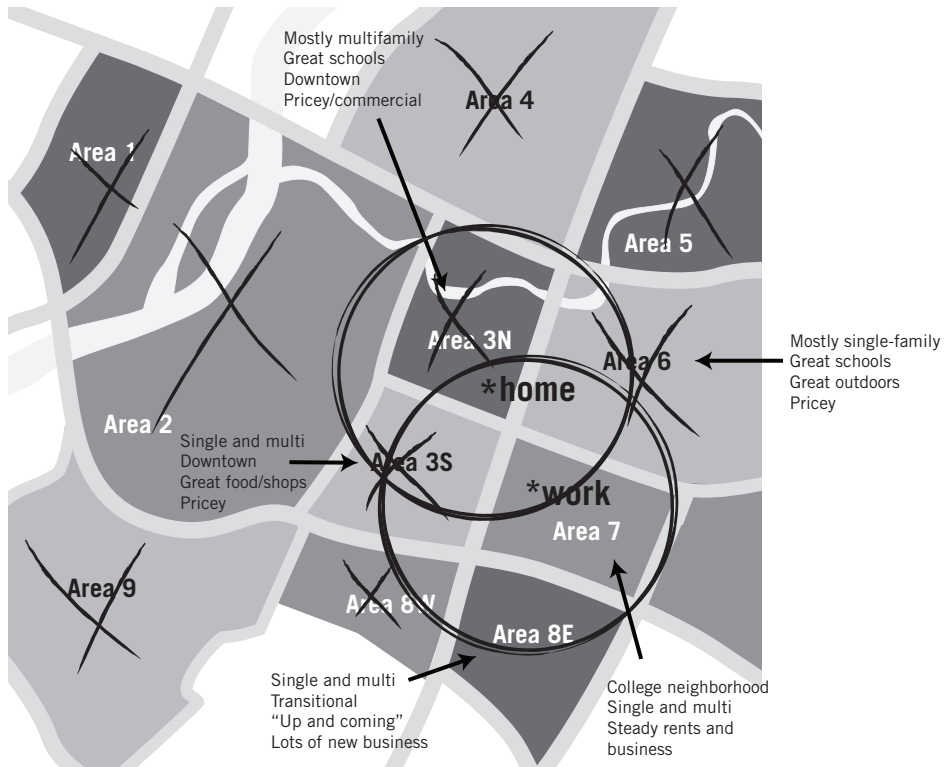


Figure 2-4

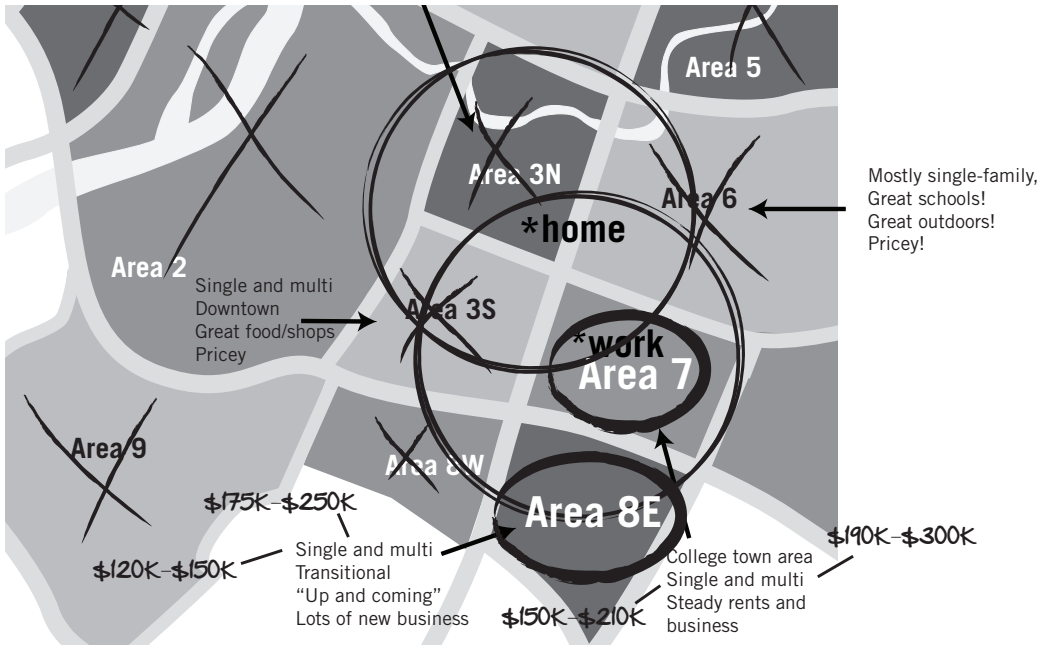


Figure 2-5

# The HOLD Investor's Criteria Worksheet

## 1. LOCATION

### State/Province

- Taxes
- Rental Laws
- Weather

### Street

- Traffic
- Size

County/Parish \_\_\_\_\_

### City/Town

- Taxes
- Services
- Neighborhood
- School District
- Crime
- Transportation
- Shopping/Rec

### Lot

- Zoning
- Adjoining Lots
- Lot Size
- Trees
- Privacy
- Landscaping
- View

## 2. PROPERTY TYPE

### Single Family

- Home
- Condo
- Townhome
- Mobile Home
- Zero Lot

- Duplex
- Fourplex
- Large Multi/Commercial
- Land/Lot
- New/Preconstruction
- Resale

- Urban
- Suburban
- Exurban
- Rural
- Resort/Vacation
- Farm/Ranch

## 3. ECONOMICS

- From \$ \_\_\_\_\_ to \$ \_\_\_\_\_
- Discount \_\_\_\_\_%
- Cash Flow \$ \_\_\_\_\_/Mo.
- Appreciation \_\_\_\_\_%/Yr.

## 4. CONDITION AND CONSTRUCTION

- Needs No Repair
- Needs Minor Cosmetic
- Needs Major Cosmetic
- Needs Structural
- Needs Demolition
- Roof
- Walls
- Foundation
- Plumbing
- Water/Waste
- Wiring
- Insulation
- Heating/AC
- \_\_\_\_\_
- \_\_\_\_\_

## 5. FEATURES AND AMENITIES

- Age/Year Built \_\_\_\_\_
- Beds \_\_\_\_\_
- Baths \_\_\_\_\_
- Living \_\_\_\_\_
- Dining \_\_\_\_\_
- Stories \_\_\_\_\_
- Size \_\_\_\_\_ Sq. Ft.
- Ceilings \_\_\_\_\_ Ft.
- Parking/Garage
- Kitchen
- Closets/Storage
- Appliances (Gas/Electric)
- Floor Plan
- \_\_\_\_\_
- \_\_\_\_\_

Figure 2-6

## HOLD's Three Lead-Generating Methods



Figure 3-1



## Network

- |  |  |
|--|--|
| <input type="checkbox"/> Seminars            | <input type="checkbox"/> Neighborhood Associations     |
| <input type="checkbox"/> Friends and Family  | <input type="checkbox"/> Courthouse Proceedings        |
| <input type="checkbox"/> Business Colleagues | <input checked="" type="checkbox"/> Real Estate Agents |
| <input type="checkbox"/> Community Events    | <input checked="" type="checkbox"/> REI Clubs          |
| <input type="checkbox"/> Lenders             | <input type="checkbox"/> Attorneys                     |

Figure 3-2

## Prospect

- I. Listings
- II. Vacancies
- III. For Sale by Owner (FSBO) Properties
- IV. Pre-foreclosures or Foreclosures

**Figure 3-3**

## Market for Leads

- I. Create billboards or yard signs – “We pay cash for houses!”
- II. Send direct mailings including your name and sales message.
- III. Invest in radio or TV ads to extend your reach.
- IV. Include ad dollars in your price of purchase.

**Figure 3-4**

## Two Springfield Prospects

### **742 Evergreen Terrace**

Single-family home

3–2 floor plan with garage

1,200 sq. ft.

Year built: 1984

List price: \$150,000

Currently unoccupied; no rental history

Details: cement foundation, all brick exterior, carpet and vinyl flooring

### **127 Elm Street**

Multifamily duplex

2–2 and 2–1 floor plan with carport

890 sq. ft. and 750 sq. ft.

Year built: 1979

List price: \$210,000

Rents for: \$1,125 and \$850

Currently rented

Details: cement foundation, all brick exterior, carpet and vinyl flooring

**Figure 4-1**

## HOLD Property Analysis Worksheet

Prepared By \_\_\_\_\_ Client Name \_\_\_\_\_  
 Property Address \_\_\_\_\_ List Price \_\_\_\_\_

### I. Fair Market Value

Discount (%,\$) \_\_\_\_\_ %    \$ \_\_\_\_\_  
 Purchase Price (max offer price) \$ \_\_\_\_\_  
 Percent Down \_\_\_\_\_ %  
 Down Payment Amount \$ \_\_\_\_\_  
 Amount Financed \$ \_\_\_\_\_  
 Interest Rate \_\_\_\_\_ %  
 Costs of Repairs (make-ready) \$ \_\_\_\_\_  
 Length of Mortgage (years) \_\_\_\_\_

	Monthly	Annual
<b>Mortgage Payment</b>	\$ _____	\$ _____

### II. Rental Income

	Monthly	Annual
Unit A	\$ _____	\$ _____
Unit B	\$ _____	\$ _____
Unit C	\$ _____	\$ _____
Unit D	\$ _____	\$ _____
Gross Rental Income	\$ _____	\$ _____
Vacancy Rate	_____ %	_____ %
<b>Net Rental Income</b>	\$ _____	\$ _____

### III. Expenses

	Monthly	Annual
Property Management Fees	\$ _____	\$ _____
Leasing Costs	\$ _____	\$ _____
Maintenance Reserve	\$ _____	\$ _____
Utilities	\$ _____	\$ _____
Property Taxes	\$ _____	\$ _____
Insurance	\$ _____	\$ _____
Other (HOA fees, lawn care, trash, etc.)	\$ _____	\$ _____
<b>Total Expenses</b>	\$ _____	\$ _____

### IV. Net Operating Income

<b>Net Operating Income</b>	\$ _____	\$ _____
Mortgage Payment	\$ _____	\$ _____
<b>Net Cash Flow</b>	\$ _____	\$ _____

### Investment Analysis

Total Cash In (down payment + repairs)	\$ _____
Appreciation Rate (20 yr. avg. = 4.4%)	4.4%
Rent Appreciation (20 yr. avg. = 3.1%)	3.1%

Figure 4-2

## Comparative Market Analysis for 742 Evergreen Terrace (SFH)

Address	Price Sold	Sq. Feet	Price/ Sq. Ft.	Beds	Baths	Stories	Year Built
221 Main St.	\$172,000	1,390	\$124	3	2	2	1979
1644 King St.	\$145,000	1,100	\$132	2	1	1	1982
437 Euclid Dr.	\$189,000	1,715	\$110	4	2	2	1986
1214 Highland Ave.	\$170,000	1,400	\$121	3	2	1	1970
26 Evergreen Terr.	\$157,900	1,300	\$121	3	2	1	1975
13 Elm St.	\$169,900	1,460	\$116	3	1	1	1981
137 Main St.	\$185,000	1,500	\$123	4	2	1	1980
279 Evergreen Terr.	\$155,000	1,100	\$141	3	1	1	1973
115 Euclid Dr.	\$142,000	1,100	\$129	2	1	1	1984
1789 Main St.	\$160,000	1,150	\$139	3	2	1	1979
Average	\$164,580	1,321	<b>\$125</b>				
<b>742 Evergreen Terr.</b>		<b>1,200</b>		<b>3</b>	<b>2</b>	<b>1</b>	<b>1984</b>

Figure 5-1

## Comparative Market Analysis for 127 Elm Street (Duplex)

Address	Price Sold	Sq. Feet	Price/ Sq. Ft.	Beds	Baths	Stories	Year Built
345 Main St.	\$230,000	1,770	\$130	2 2	2 1	1	1979
189 Elm St.	\$195,000	1,475	\$132	2 1	1 1	1	1982
1234 Euclid Dr.	\$240,900	2,000	\$120	3 2	2 1	1	1986
278 Highland Ave.	\$210,000	1,800	\$117	2 1	2 1	1	1970
76 Evergreen Terr.	\$205,900	2,100	\$98	2 1	1 1	1	1975
342 Elm St.	\$229,900	1,700	\$135	2 2	2 2	1	1981
198 Main St.	\$215,000	1,800	\$119	3 1	2 1	1	1980
334 Evergreen Terr.	\$200,000	1,500	\$133	2 1	2 2	1	1973
879 Euclid Dr.	\$198,000	1,650	\$120	2 2	1 1	1	1984
237 Main St.	\$217,000	1,400	\$155	2 1	1 1	1	1979
Average	\$214,170	1,719	<b>\$125</b>				
<b>127 Elm Street</b>		<b>1,640</b>		<b>2 2</b>	<b>2 1</b>	<b>1</b>	<b>1979</b>

Figure 5-2

**742 Evergreen Terrace Fair Market Value**

**1,200 sq. ft. x \$125 = \$150,000**

**Figure 5-3**



## **127 Elm Street Fair Market Value**

**1,640 sq. ft. x \$125 = \$205,000**

**Figure 5-4**

## HOLD Property Analysis Worksheet - SFH

Prepared By \_\_\_\_\_ Client Name \_\_\_\_\_

**Property Address: 742 Evergreen Terrace      List Price: \$150,000**

**Fair Market Value: \$150,000**

Discount (%,\$)	10%	\$15,000.00
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<b>Purchase Price (max offer price)</b>	<b>\$135,000.00</b>
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Percent Down	25%
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<b>Down Payment Amount</b>	<b>\$33,750.00</b>
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<b>Amount Financed</b>	<b>\$101,250.00</b>
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Interest Rate	6.94%
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Costs of Repairs (make-ready)	\$11,000.00
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Length of Mortgage (years)	30
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	Monthly	Annual
<b>Mortgage Payment</b>	<b>\$669.54</b>	<b>\$8,034.53</b>

Figure 5-5

## HOLD Property Analysis Worksheet - Duplex

Prepared By \_\_\_\_\_ Client Name \_\_\_\_\_

**Property Address: 127 Elm Street      List Price: \$210,000**

**Fair Market Value: \$205,000**

Discount (%,\$)                      10%                      \$20,500.00

**Purchase Price (max offer price)                      \$184,500.00**

Percent Down                      25%

**Down Payment Amount                      \$46,125.00**

**Amount Financed                      \$138,375.00**

Interest Rate                      6.94%

Costs of Repairs (make-ready)                      \$11,000.00

Length of Mortgage (years)                      30

	Monthly	Annual
<b>Mortgage Payment</b>	<b>\$915.04</b>	<b>\$10,980.52</b>

Figure 5-6

## What to Ask a Property Manager

1. Which property types are renting quickly?
2. What rents are you getting for a typical three-bedroom home?
3. How long are the homes in this area on the market?
4. What is the vacancy factor right now?
5. Are rents going up or down?
6. Are you offering any concessions for a new renter or lease renewal?
7. How many single-family homes do you manage?
8. How many multifamily properties?
9. What amenities must a property have to rent quickly?

**Figure 6-1**

### Comparative Rental Income Market Analysis for 742 Evergreen Terrace (SFH)

Address	Rent	Sq. Feet	Rent/ Sq. Ft.	Beds	Baths	Stories	Year Built
137 Main St.	\$1,560	1,600	\$0.98	4	2	1	1980
279 Evergreen Terr.	\$1,380	1,100	\$1.25	3	1	1	1973
115 Euclid Dr.	\$1,225	900	\$1.36	2	1	1	1984
1789 Main St.	\$1,400	1,200	\$1.17	3	2	1	1979
Average	\$1,391	1,200	\$1.16				
<b>742 Evergreen Terr.</b>		<b>1,200</b>					

Figure 6-2

## **742 Evergreen Terrace Rent Projection**

**1,200 sq. ft. x \$1.16 = \$1,392/month**

**Figure 6-3**

## HOLD Property Analysis Worksheet - SFH

Prepared By \_\_\_\_\_

Client Name \_\_\_\_\_

### Property Address: 742 Evergreen Terrace

<b>Rental Income</b>	<b>Monthly</b>	<b>Annual</b>
Unit A	\$ 1,390.00	\$ 16,680.00
Unit B	\$ --	\$ --
Unit C	\$ --	\$ --
Unit D	\$ --	\$ --
Gross Rental Income	\$ 1,390.00	\$ 16,680.00
Vacancy Rate	5.0 %	5.0 %
<b>Net Rental Income</b>	<b>\$ 1,320.50</b>	<b>\$ 15,846.00</b>

Figure 6-4

## HOLD Property Analysis Worksheet - Duplex

Prepared By \_\_\_\_\_

Client Name \_\_\_\_\_

**Property Address: 127 Elm Street**

<b>Rental Income</b>	<b>Monthly</b>	<b>Annual</b>
Unit A	\$ 1,125.00	\$ 13,500.00
Unit B	\$ 850.00	\$ 10,200.00
Unit C	\$ --	\$ --
Unit D	\$ --	\$ --
Gross Rental Income	\$ 1,975.00	\$ 23,700.00
Vacancy Rate	5.0 %	5.0 %
<b>Net Rental Income</b>	<b>\$ 1,876.25</b>	<b>\$ 22,515.00</b>

Figure 6-5



## HOLD Property Analysis Worksheet - SFH

Prepared By \_\_\_\_\_

Client Name \_\_\_\_\_

**Property Address: 742 Evergreen Terrace**

---

<b>Expenses</b>	<b>Monthly</b>	<b>Annual</b>
Property Management Fees	\$132.05	\$1,584.60
Leasing Costs	\$57.92	\$695.04
Maintenance Reserve	\$66.03	\$792.36
Utilities	\$0	\$0
Property Taxes	\$250.00	\$3,000.00
Insurance	\$62.50	\$750.00
Other (HOA fees, lawn care, trash, etc.)	\$15.00	\$180.00
<b>Total Expenses</b>	<b>\$583.50</b>	<b>\$7,002.00</b>

Figure 7-1

## HOLD Property Analysis Worksheet - Duplex

Prepared By \_\_\_\_\_

Client Name \_\_\_\_\_

Property Address: 127 Elm Street

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<b>Expenses</b>	<b>Monthly</b>	<b>Annual</b>
Property Management Fees	\$187.63	\$2,251.50
Leasing Costs	\$82.29	\$987.48
Maintenance Reserve	\$93.81	\$1,125.72
Utilities	\$0	\$0
Property Taxes	\$341.67	\$4,100.04
Insurance	\$85.42	\$1,025.04
Other (HOA fees, lawn care, trash, etc.)	\$15.00	\$180.00
<b>Total Expenses</b>	<b>\$805.82</b>	<b>\$9,669.78</b>

Figure 7-2

<b>Cost of Possible Make-Ready Repairs</b>		
	<b>Low-Mid</b>	<b>Mid-High</b>
Flooring	\$1,500	\$2,000
Paint – Interior	\$1,000	\$1,500
Paint – Exterior	\$1,000	\$1,500
Replace HVAC	\$5,000	\$5,500
Re-key	\$100	\$100
Cleaning	\$100	\$100
Landscaping	\$250	\$350
Misc. Repairs	\$500	\$500
Misc. Fixtures	\$500	\$500
<b>Total Expenses</b>	<b>\$9,950</b>	<b>\$12,050</b>
<hr/>		
<b>Average</b>	<b>\$11,000</b>	

**Figure 7-3**

### Calculate Your Monthly NOI on a 30-Year Note

	<b>742 Evergreen Terrace</b>	<b>127 Elm Street</b>
30-Year NRI	\$1,320.50	\$1,876.25
Expenses	<u>-\$583.50</u>	<u>-\$805.81</u>
<b>30-Year NOI</b>	<b>\$737.00</b>	<b>\$1,070.44</b>

Figure 8-1

## HOLD Property Analysis Worksheet - SFH

Property Address: 742 Evergreen Terrace

	Monthly	Annual
Net Operating Income	\$737.00	\$8,844.00
Mortgage Payment	\$669.54	\$8,034.53
<b>Net Cash Flow</b>	<b>\$67.46</b>	<b>\$809.47</b>

Figure 8-2

## HOLD Property Analysis Worksheet - Duplex

Property Address: 127 Elm Street

	Monthly	Annual
Net Operating Income	\$1,070.44	\$12,845.30
Mortgage Payment	\$915.04	\$10,980.52
<b>Net Cash Flow</b>	<b>\$155.40</b>	<b>\$1,864.78</b>

Figure 8-3

## Single-Family Home Pros and Cons

### PROS

1. Tend to have higher appreciations.
2. Values more in line with marketplace.
3. Less management (time).
4. Can entail less stress on investor.

### CONS

1. Single income stream makes prolonged vacancy painful.
2. Single income stream typically yields lower lifetime cash flows.

Figure 8-4

## Duplex Pros and Cons

### PROS

1. Multiple income streams typically offer increased cash flow.
2. Generally in line with SFH values.
3. Generally viewed similarly to SFH for financing.
4. Much lower chance for total vacancy.

### CONS

1. Double the management.
2. Very market-by-market strategy.
3. At times located in less-desirable areas.

Figure 8-5



## HOLD Property Analysis Worksheet - SFH

Prepared By \_\_\_\_\_ Client Name \_\_\_\_\_

**Property Address: 742 Evergreen Terrace      List Price: \$150,000**

### I. Fair Market Value: \$150,000

Discount (%,\$)	10%	\$15,000.00
<b>Purchase Price (max offer price)</b>	<b>\$135,000.00</b>	
<b>Percent Down</b>	<b>25%</b>	
<b>Down Payment Amount</b>	<b>\$33,750.00</b>	
<b>Amount Financed</b>	<b>\$101,250.00</b>	
Interest Rate	6.94%	
Costs of Repairs (make-ready)	\$11,000.00	
Length of Mortgage (years)	30	

	Monthly	Annual
<b>Mortgage Payment</b>	<b>\$669.54</b>	<b>\$8,034.53</b>

### II. Rental Income

	Monthly	Annual
Unit A	\$1,390.00	\$16,680.00
Unit B	\$ _____	\$ _____
Unit C	\$ _____	\$ _____
Unit D	\$ _____	\$ _____
Gross Rental Income	\$1,390.00	\$16,680.00
Vacancy Rate	5.0%	5.0%
<b>Net Rental Income</b>	<b>\$1,320.50</b>	<b>\$15,846.00</b>

### III. Expenses

	Monthly	Annual
Property Management Fees	\$132.05	\$1,584.60
Leasing Costs	\$57.92	\$695.04
Maintenance Reserve	\$66.03	\$792.36
Utilities	\$ _____	\$ _____
Property Taxes	\$250.00	\$3,000.00
Insurance	\$62.50	\$750.00
Other (HOA fees, lawn care, trash, etc.)	\$15.00	\$180.00
<b>Total Expenses</b>	<b>\$583.50</b>	<b>\$7,002.00</b>

### IV. Net Operating Income

	Monthly	Annual
Mortgage Payment	\$669.54	\$8,034.53
<b>Net Cash Flow</b>	<b>\$67.46</b>	<b>\$809.47</b>

### Investment Analysis

Total Cash In (down payment + repairs)	\$44,750
Appreciation Rate (20 yr. avg. = 4.4%)	4.4%
Rent Appreciation (20 yr. avg. = 3.1%)	3.1%

Figure 8-6

## HOLD Property Analysis Worksheet - Duplex

Prepared By \_\_\_\_\_ Client Name \_\_\_\_\_

**Property Address: 127 Elm Street      List Price: \$210,000**

### I. Fair Market Value: \$205,000

Discount (%, \$)	10%	\$20,500.00
<b>Purchase Price (max offer price)</b>	<b>\$184,500.00</b>	
<b>Percent Down</b>	<b>25%</b>	
<b>Down Payment Amount</b>	<b>\$46,125.00</b>	
<b>Amount Financed</b>	<b>\$138,375.00</b>	
Interest Rate	6.94%	
Costs of Repairs (make-ready)	\$11,000.00	
Length of Mortgage (years)	30	

	Monthly	Annual
<b>Mortgage Payment</b>	<b>\$915.04</b>	<b>\$10,980.52</b>

### II. Rental Income

	Monthly	Annual
Unit A	\$1,125.00	\$13,500.00
Unit B	\$850.00	\$10,200.00
Unit C	\$_____	\$_____
Unit D	\$_____	\$_____
Gross Rental Income	\$1,975.00	\$23,700.00
Vacancy Rate	5.0%	5.0%
<b>Net Rental Income</b>	<b>\$1,876.25</b>	<b>\$22,515.00</b>

### III. Expenses

	Monthly	Annual
Property Management Fees	\$187.63	\$2,251.50
Leasing Costs	\$82.29	\$987.48
Maintenance Reserve	\$93.81	\$1,125.72
Utilities	\$_____	\$_____
Property Taxes	\$341.67	\$4,100.04
Insurance	\$85.42	\$1,025.04
Other (HOA fees, lawn care, trash, etc.)	\$15.00	\$180.00
<b>Total Expenses</b>	<b>\$805.82</b>	<b>\$9,669.78</b>

### IV. Net Operating Income

Mortgage Payment	\$915.04	\$10,980.52
<b>Net Cash Flow</b>	<b>\$155.39</b>	<b>\$1,864.70</b>

### Investment Analysis

Total Cash In (down payment + repairs)	\$57,125.00
Appreciation Rate (20 yr. avg. = 4.4%)	4.4%
Rent Appreciation (20 yr. avg. = 3.1%)	3.1%

Figure 8-7

## Pros and Cons of Private Lending

### I. Investor and Syndicates

- Pros**
1. Less out-of-pocket money
  2. Increased buying power that can lead to affording great deals
- Cons**
1. Financial ties with a second (or third) party
  2. All involved parties need to be on the same page up front—needs to run like a business

### II. Owner Financing

- Pros**
1. Avoid conventional requirements
  2. Potentially no points or closing costs
  3. More aspects of the sale open to negotiation
- Cons**
1. Overall property cost may be higher
  2. May be charged a higher interest rate

### III. Local Banks

- Pros**
1. Increased processing and closing
  2. Getting a loan that wouldn't necessarily be approved under conventional guidelines
- Cons**
1. Possibility of higher interest rates
  2. A larger down payment
  3. Shorter maturity time

### IV. Partnerships

- Pros**
1. Can reduce your risk
  2. Can make up for what you're lacking—larger down payment, strong financial statements, etc.
  3. Partners may have experience, time, or expertise to lend outside of finances
- Cons**
1. Since you share in the cost, you also must share the success
  2. Can lose control of the business based on decision-making strategies
  3. Partner may buy you out

Figure 9-1

## Tips to Form an Investment Syndicate

1. Choose people you get along with. Find people with similar investing styles and goals. If there's bad chemistry, you're setting yourself up for personal and legal problems.
2. Keep it small. You need enough people to have an adequate amount of money, but not so many that it complicates decision-making.
3. Run it like a business. The firefighters created an LLC with clearly stated rules about who holds the money, how it will be used, and who makes decisions.
4. Follow the rules. You can never be too careful when managing yours and other people's money in a committee or group setting.

**Figure 9-2**

## The Do's and Do Not's of Partnerships

### Do ...

- Find out about your prospective partners, and be comfortable with their reputations and capabilities.
- Write a business plan that includes goals, priorities, and strategies to make sure both partners have the same vision, ideas, and direction.
- Start with an operating agreement that outlines each partner's responsibilities, the goals of the partnership, and builds in as many contingencies as possible.
- Start with a small deal as a test run. If it makes money and everyone does what's expected, take it to the next level. In other words, date first and see if you get along before you marry.

### Do Not ...

- Over-commit and under-deliver. That only damages trust.
- Do it just for the money. Do it because you have a common vision. A partnership can't work if you and your partner's visions aren't aligned.
- Move forward until everything is in writing. Small disagreements can lead to big problems.

**Figure 9-3**

## Partnership Agreement Checklist

- Reason for forming the company and goals the company wants to achieve
- How and when proceeds should be allocated
- Capital investment (initial contributions)
- Value of the investments
- Management strategy for the partnership
- How and when to make partnership decisions
- How and when to make the decision to sell an investment or buy more
- How to allocate profits and/or losses
- How to liquidate distributions if and when the company is dissolved
- What to do in the event of the death or incompetence of a partner
- Life insurance to buy out the other person's family
- Buy-sell agreement with right of first refusal
- How to handle dispute resolution so that you avoid ending up in court

**Figure 9-4**

### Three Negotiations Necessary in a Lease Option Term

1. **Price** - How much money is needed to secure the property, and what's the final purchase price?
2. **Monthly Payments** - What is the monthly cost of the lease option and, of that, how much gets applied to the purchase price?
3. **Length of Time** - Timing is always negotiable. What's the length of the term?

Figure 9-5

## Lease Option vs. Lease Purchase

### Lease Option

1. Get a long-term lease that gives you control of the property without a down payment.
2. You can buy the home at any time during the contract.
3. You are the only one with the option to buy the property during the lease period.
4. In an appreciating market, you may get a good deal if the home's value exceeds your locked-in purchase price.
5. You have a chance to clean up your credit and build equity.
6. You have the option not to purchase.

### Lease Purchase

1. No down payment necessary.
2. Assuming the property meets your investment criteria, you'll have time to put together the money you need to purchase it.
3. You have the same tax benefits as if you held the legal title.
4. You can lock in at today's price and build equity if the market appreciates.
5. This shares the advantages of a wrap-around loan without triggering the "due on sale" clause in most states.

Figure 9-6



### **Creative Financing Checklist (Before You Sign, You Should ...)**

1. Do a home inspection. Be as detailed as possible—photograph and document the condition of the property and any necessary repairs.
2. Make sure all payments are current, such as mortgage, taxes, and insurance, and verify if there are any liens against the property.
3. Spell out the terms of the lease option. As an investor, you want to get as long term a lease option as possible.
4. Arrange to pay the mortgage company directly instead of paying the seller. If the mortgage payment is higher than the rental payment, get proof the seller is paying the overage, and specify a penalty if they fail to do so.
5. Put everything in writing—option contracts must include the same information you'd find in sales contracts in order to be enforceable.
6. Call on experts to assist you through the process. Make sure you understand the contract and complete a successful transaction.

**Figure 9-7**

## **Three Things Every Investor Wants to Know About the Seller**

1. Reason: Why are they moving?
2. Time Line: When are they moving?
3. Flexibility: Will they accept terms?

**Figure 10-1**

## Useful Information for Terms on Springfield Prospects

	<b>742 Evergreen Terrace (SFH)</b>	<b>127 Elm Street (Duplex)</b>
<b>Why Selling</b>	Career Opportunity	Divorce
<b>When Moving</b>	Already Moved	No Set Time, Currently Occupied
<b>Cash or Terms</b>	Either	Cash

Figure 10-2

## Ten Focal Points of a Home Inspection

1. Structural, both foundation and framing
2. Exterior, including wall coverings, flashings, trim, grading, decks, patios, and balconies
3. Roofing, including flashings, skylights, chimneys, and roof penetration
4. Plumbing, including water supply, drainage, and water-heating system
5. Electrical, including conductors, cables, lighting fixtures/switches, and ground fault circuit interrupters
6. Heating
7. Air-conditioning
8. Interior walls, ceilings, floors, stairways, railings, doors, windows, etc.
9. Insulation and ventilation, including unfinished spaces and attics
10. Fireplace and solid fuel-burning appliances

**Figure 11-1**



Figure 12-1

### Enchanted Cottage

Adorable 3-br., 2-bath bungalow on a tree-lined street.  
W/D/Central AC. Close to shopping and entertainment.  
\$1,390 per mo. plus utilities.  
Call for an appointment: 555-4444.

**Figure 12-2**

2 Blocks from John Adams Elementary!

Spacious, spotless 3-br., 2-bath with fenced yard.  
Park, playground nearby. W/D/ Central AC.

\$1,390 per mo. plus utilities.

Call for an appointment: 555-4444.

**Figure 12-3**

Roommate Heaven

2-br., 2-bath with study on the Red Line,  
five minutes from campus.

Clean, quiet, secure, all appliances included.

\$1,390 per mo. plus utilities.

Call for an appointment: 555-4444.

**Figure 12-4**



## Marketing Plan Worksheet

<b>Marketing Tool</b>	<b>Use</b>	<b>Cost</b>	<b>Distribution</b>
<b>1. Yard Signs</b>	Capture area residents and drive-bys	\$3.00–\$50.00	Front yard, windows, directional signs
<b>2. Internet and Social Media</b>	Ads on rental and social media sites	Free	Continual runs on various sites
<b>3. Local and Community Newspaper Ads</b>	Week/Weekend editions	Call for rates	First and last weekends of the month
<b>4. List with an Agent</b>	Post to MLS	Percentage of one month's rent	Leverages established real estate system
<b>5. Fliers and Brochures</b>	Detailed information and referral fees	\$0.10–\$1.50 plus design cost	Fax, email, bulletin boards, mailing lists, open house
<b>6. Direct Mail</b>	Used as piece in mail campaign	\$0.40–\$0.60 including postage	Mailing list
<b>7. Open House</b>	High-end or hard-to-rent properties	Varies	Sunday afternoon between 1:00 and 4:00 p.m.

Figure 12-5

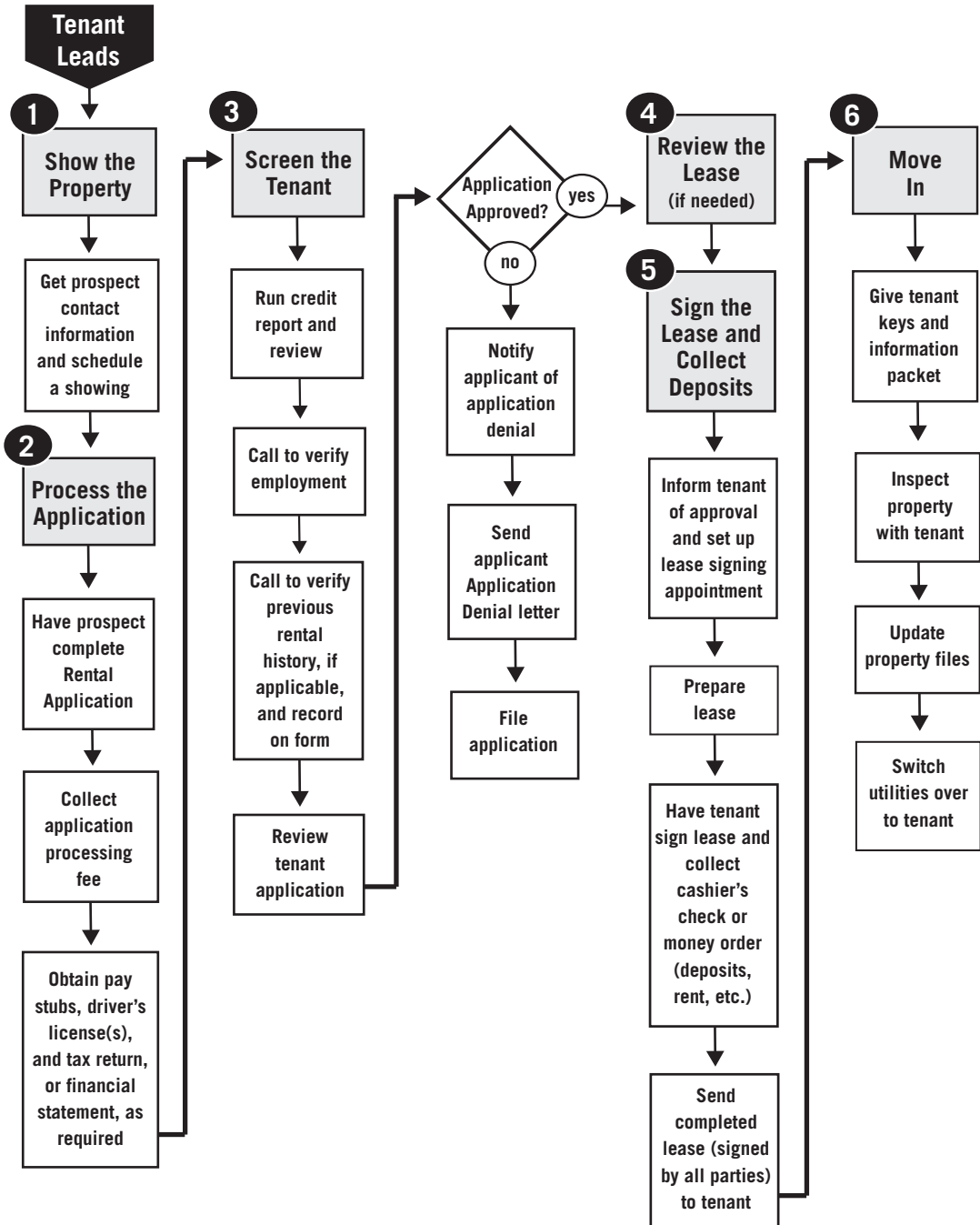


Figure 12-6

## Tips to Maximize Leasing Success

1. Schedule two or more prospective tenants to view the property at the same time to optimize your time and avoid no-shows. The prime time to schedule appointments is Monday through Thursday from 5:30 to 6:00 p.m., when prospects are leaving work.
2. Be prepared to answer questions about the property—including utility costs—and have rental applications with you for prospective tenants to fill out.
3. Sell yourself. Even if prospective tenants love a property, they may still walk away from the deal if they have doubts about the landlord. When you're renting a property, unlike selling a home, you're starting a long-term relationship.
4. Meet prospective tenants personally even if you are using a real estate agent. While they are assessing you, you should be assessing them. Listen to your instincts. If they are sounding an alarm, pay attention. Renting to the wrong person is an expensive mistake to make.
5. If you're using a property management firm, you should rely on their expertise to find and negotiate with prospective tenants. You are paying the property manager to serve as the buffer between you and the tenant—if the tenant knows who the owner is, it can make negotiations far more difficult and create more complications when conflicts or requests for rent abatement arise.

**Figure 12-7**

# MOVE-IN WALK-THROUGH INSPECTION FORM

Move In: \_\_\_\_\_

Move Out: \_\_\_\_\_

Inspected By: \_\_\_\_\_

**Key:**

C = Clean, D = Dirty  
 1 - Needs Replaced, 2 - Needs Repaired,  
 3 - Slight Wear, 4 - Excellent

**1. Kitchen**

Doors/Locks	C D 1 2 3 4
Walls/Ceiling	C D 1 2 3 4
Floor	C D 1 2 3 4
Stove	C D 1 2 3 4
Stove Pans	C D 1 2 3 4
Oven	C D 1 2 3 4
Microwave	C D 1 2 3 4
Countertop	C D 1 2 3 4
Sink	C D 1 2 3 4
Faucet	C D 1 2 3 4
Dishwasher	C D 1 2 3 4
Refrigerator	C D 1 2 3 4
Blinds	C D 1 2 3 4
Screens	C D 1 2 3 4
Cabinets	C D 1 2 3 4
Garbage Disposal	C D 1 2 3 4
Vent Fan	C D 1 2 3 4
Pantry	C D 1 2 3 4

**2. Dining Room**

Walls/Ceiling	C D 1 2 3 4
Floor	C D 1 2 3 4
Blinds	C D 1 2 3 4
Screens	C D 1 2 3 4

**3. Living Room**

Walls/Ceiling	C D 1 2 3 4
Floor	C D 1 2 3 4
Blinds	C D 1 2 3 4
Screens	C D 1 2 3 4
Ceiling Fan	C D 1 2 3 4

**4. Family Room**

Walls/Ceiling	C D 1 2 3 4
Floor	C D 1 2 3 4
Blinds	C D 1 2 3 4
Screens	C D 1 2 3 4
Ceiling Fan	C D 1 2 3 4

**5. Hall Baths**

Doors/Locks	C D 1 2 3 4
Walls/Ceiling	C D 1 2 3 4
Floor	C D 1 2 3 4
Toilet	C D 1 2 3 4
Basin/Faucet	C D 1 2 3 4
Tub/Shower	C D 1 2 3 4
Blinds/Screen	C D 1 2 3 4
Medicine Cabinet	C D 1 2 3 4
Towel Bar	C D 1 2 3 4
Paper Holder	C D 1 2 3 4
Mirror	C D 1 2 3 4

**6. Master Bedroom**

Doors/Locks	C D 1 2 3 4
Walls/Ceiling	C D 1 2 3 4
Floor	C D 1 2 3 4
Closet	C D 1 2 3 4
Blinds	C D 1 2 3 4
Screens	C D 1 2 3 4
Ceiling Fan	C D 1 2 3 4

**7. Master Bath**

Doors/Locks	C D 1 2 3 4
Walls/Ceiling	C D 1 2 3 4
Floor	C D 1 2 3 4
Toilet	C D 1 2 3 4
Basin/Faucet	C D 1 2 3 4
Tub	C D 1 2 3 4
Shower	C D 1 2 3 4
Blinds/Screen	C D 1 2 3 4
Medicine Cabinet	C D 1 2 3 4
Towel Bar	C D 1 2 3 4
Paper Holder	C D 1 2 3 4
Mirror	C D 1 2 3 4

**8. Fireplace**

Grate/Screen	C D 1 2 3 4
Hearth/Mantle	C D 1 2 3 4

**9. Additional Bedroom**

Doors/Locks	C D 1 2 3 4
Walls/Ceiling	C D 1 2 3 4
Floor	C D 1 2 3 4
Closet	C D 1 2 3 4
Blinds	C D 1 2 3 4
Screens	C D 1 2 3 4
Ceiling Fan	C D 1 2 3 4

**10. Additional Bedroom**

Doors/Locks	C D 1 2 3 4
Walls/Ceiling	C D 1 2 3 4
Floor	C D 1 2 3 4
Closet	C D 1 2 3 4
Blinds	C D 1 2 3 4
Screens	C D 1 2 3 4
Ceiling Fan	C D 1 2 3 4

**11. Additional Bedroom**

Doors/Locks	C D 1 2 3 4
Walls/Ceiling	C D 1 2 3 4
Floor	C D 1 2 3 4
Closet	C D 1 2 3 4
Blinds	C D 1 2 3 4
Screens	C D 1 2 3 4
Ceiling Fan	C D 1 2 3 4

**12. Additional Bedroom**

Doors/Locks	C D 1 2 3 4
Walls/Ceiling	C D 1 2 3 4
Floor	C D 1 2 3 4
Closet	C D 1 2 3 4
Blinds	C D 1 2 3 4
Screens	C D 1 2 3 4
Ceiling Fan	C D 1 2 3 4

**13. Den/Loft**

Doors/Locks	C D 1 2 3 4
Walls/Ceiling	C D 1 2 3 4
Floor	C D 1 2 3 4
Blinds	C D 1 2 3 4
Screens	C D 1 2 3 4
Ceiling Fan	C D 1 2 3 4

**14. Additional Bath**

Doors/Locks	C D 1 2 3 4
Walls/Ceiling	C D 1 2 3 4
Floor	C D 1 2 3 4
Toilet	C D 1 2 3 4
Basin/Faucet	C D 1 2 3 4
Tub	C D 1 2 3 4
Shower	C D 1 2 3 4
Blinds/Screen	C D 1 2 3 4
Medicine Cabinet	C D 1 2 3 4
Towel Bar	C D 1 2 3 4
Paper Holder	C D 1 2 3 4
Mirror	C D 1 2 3 4

**15. Hall**

Coat Closet	C D 1 2 3 4
Linen Closet	C D 1 2 3 4
A/C Filter	C D 1 2 3 4
Smoke Detectors	C D 1 2 3 4

**16. Utility Room**

Doors/Locks	C D 1 2 3 4
Walls/Ceiling	C D 1 2 3 4
Floor	C D 1 2 3 4
Drapes/Blinds	C D 1 2 3 4
Screens	C D 1 2 3 4
Washer	C D 1 2 3 4
Dryer	C D 1 2 3 4

**17. Garage**

Doors/Locks	C D 1 2 3 4
Walls/Ceiling	C D 1 2 3 4
Floor	C D 1 2 3 4
Remotes	_____

**18. Exterior Condition**

Paint/Trim	C D 1 2 3 4
Roofing	C D 1 2 3 4
Patio Lights	C D 1 2 3 4
Patio	C D 1 2 3 4
Fence/Gates	C D 1 2 3 4
Landscape Front	1 2 3 4
Landscape Back	1 2 3 4
Doorbell	C D 1 2 3 4

**19. Other Items**

Pool	C D 1 2 3 4
Spa	C D 1 2 3 4
RO	1 2 3 4
Barbecue	C D 1 2 3 4

**Notes:**

Figure 12-8

## Initial Accounting Setup Checklist

- Meet with a reputable CPA. It should be your goal to find one who is knowledgeable in this type of business. (You don't want to be the guinea pig.)
- Start the conversation with your HOLD advisers about the pros and cons of setting up a corporate entity to hold your property.
- Open up your primary and depository bank accounts.
- If necessary, establish a separate or trust account for your security deposits as well. This should be an interest-bearing account. The money you receive for security deposits has to be held until the end of the lease. Some states require that you pay interest to the tenant. If you combine the security deposits for all of your tenants, you may still be able to make more interest than the state requires you to pay the tenant.
- Buy and install accounting software to track and pay company expenses. Or work with your CPA to set up and track expenses via a spreadsheet.
- If your accounting software doesn't come with one, ask your CPA about establishing a "chart of accounts" for you recordkeeping. A chart of accounts predefines categories for expenses and income so that you can track them according to industry norms. The labels change from business to business so you will want one for property management.
- Have your CPA review your setup.
- If applicable, have your CPA meet and train you or your bookkeeper as to how they want the bookkeeping handled.

Figure 13-1

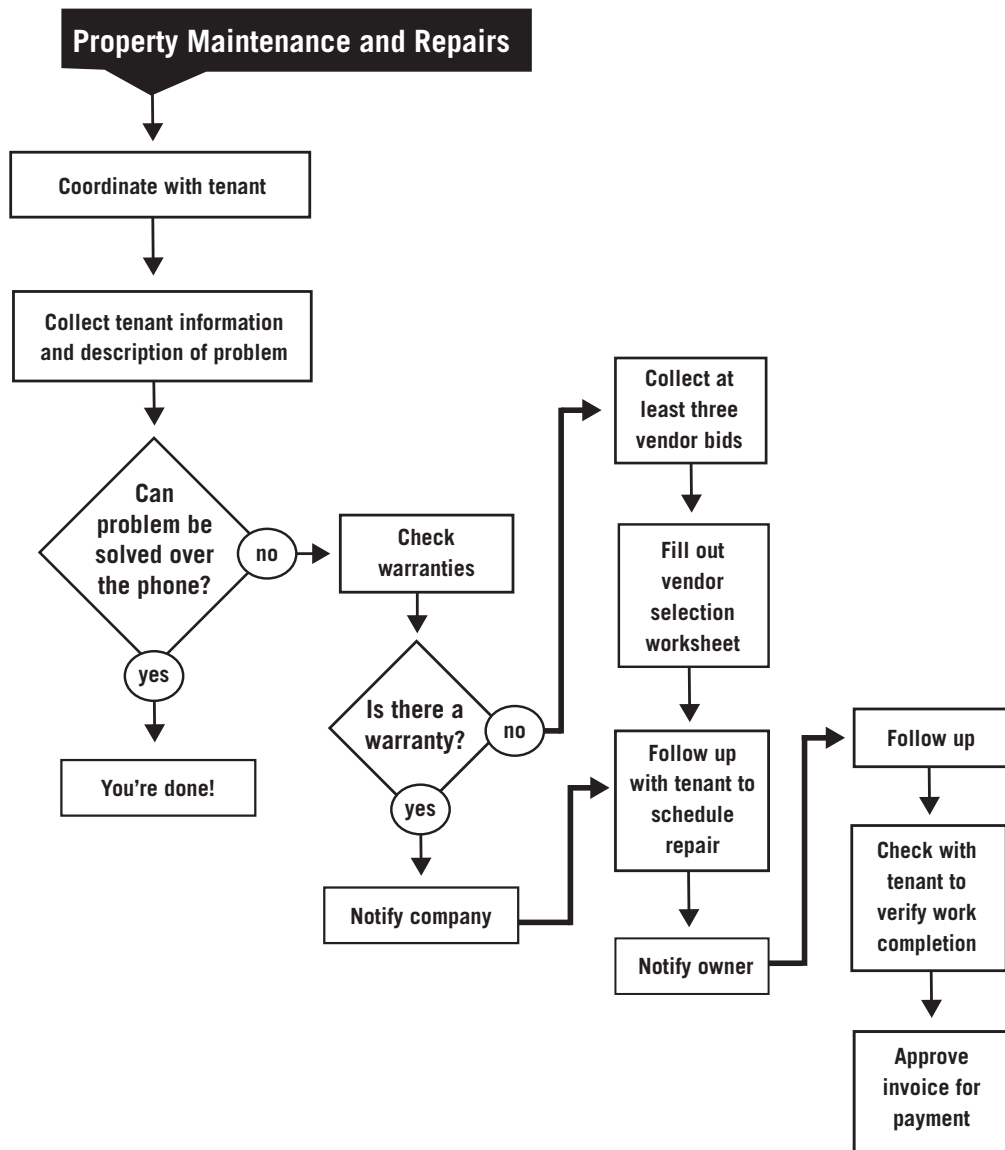


Figure 13-2

## Maintenance and Repair Worksheet

Question	Vendor #1	Vendor #2	Vendor #3
What services do they provide?	<input type="checkbox"/> roofing <input type="checkbox"/> painting <input type="checkbox"/> carpentry <input type="checkbox"/> plumbing <input type="checkbox"/> electrical <input type="checkbox"/> landscaping <input type="checkbox"/> pool/spa <input type="checkbox"/> other _____	<input type="checkbox"/> roofing <input type="checkbox"/> painting <input type="checkbox"/> carpentry <input type="checkbox"/> plumbing <input type="checkbox"/> electrical <input type="checkbox"/> landscaping <input type="checkbox"/> pool/spa <input type="checkbox"/> other _____	<input type="checkbox"/> roofing <input type="checkbox"/> painting <input type="checkbox"/> carpentry <input type="checkbox"/> plumbing <input type="checkbox"/> electrical <input type="checkbox"/> landscaping <input type="checkbox"/> pool/spa <input type="checkbox"/> other _____
What are their rates? Do they have a minimum charge?			
Do they have workmen's compensation insurance?	Yes / No	Yes / No	Yes / No
Is there a trip charge? What is it?	Yes / No	Yes / No	Yes / No
Do they support emergency calls?	Yes / No	Yes / No	Yes / No
What are their off-hour charges?			
Contact person:			
Billing address:			
Phone number: After hours number:			
Notes:			

Figure 13-3

## Vendor Selection Worksheet

Question	Vendor #1	Vendor #2	Vendor #3
What is the base charge?	Cost \$ _____ ___ bathrooms ___ windows / screens	Cost \$ _____ ___ bathrooms ___ windows / screens	Cost \$ _____ ___ bathrooms ___ windows / screens
What does this include?	___ window treatments ___ carpets ___ floors ___ oven / refrigerator ___ walls ___ other _____	___ window treatments ___ carpets ___ floors ___ oven / refrigerator ___ walls ___ other _____	___ window treatments ___ carpets ___ floors ___ oven / refrigerator ___ walls ___ other _____
Contact person:			
Billing address:			
Phone number: After-hours number:			
Notes:			

**Figure 13-4**



### Life Expectancy of Home Components

<b>Component/System</b>	<b>Life Span</b>
Roof	15–20 years
Siding	30–40 years
Furnace	20–30 years
Plumbing	40–50 years
Air Conditioner (central)	10–15 years
Major Appliances (washer/dryer, refrigerator, range)	12–15 years

**Figure 13-5**

**If**

**Then**

---

**You do not want to renew the lease and want to re-rent the property**

Send the tenant a certified, written notice thirty days prior to the lease expiration, informing them that the lease will not be renewed and what the move-out date is.

**You want to renew the lease**

Send a renewal addendum to the tenants forty-five days prior to the expiration date.

**Figure 13-6**

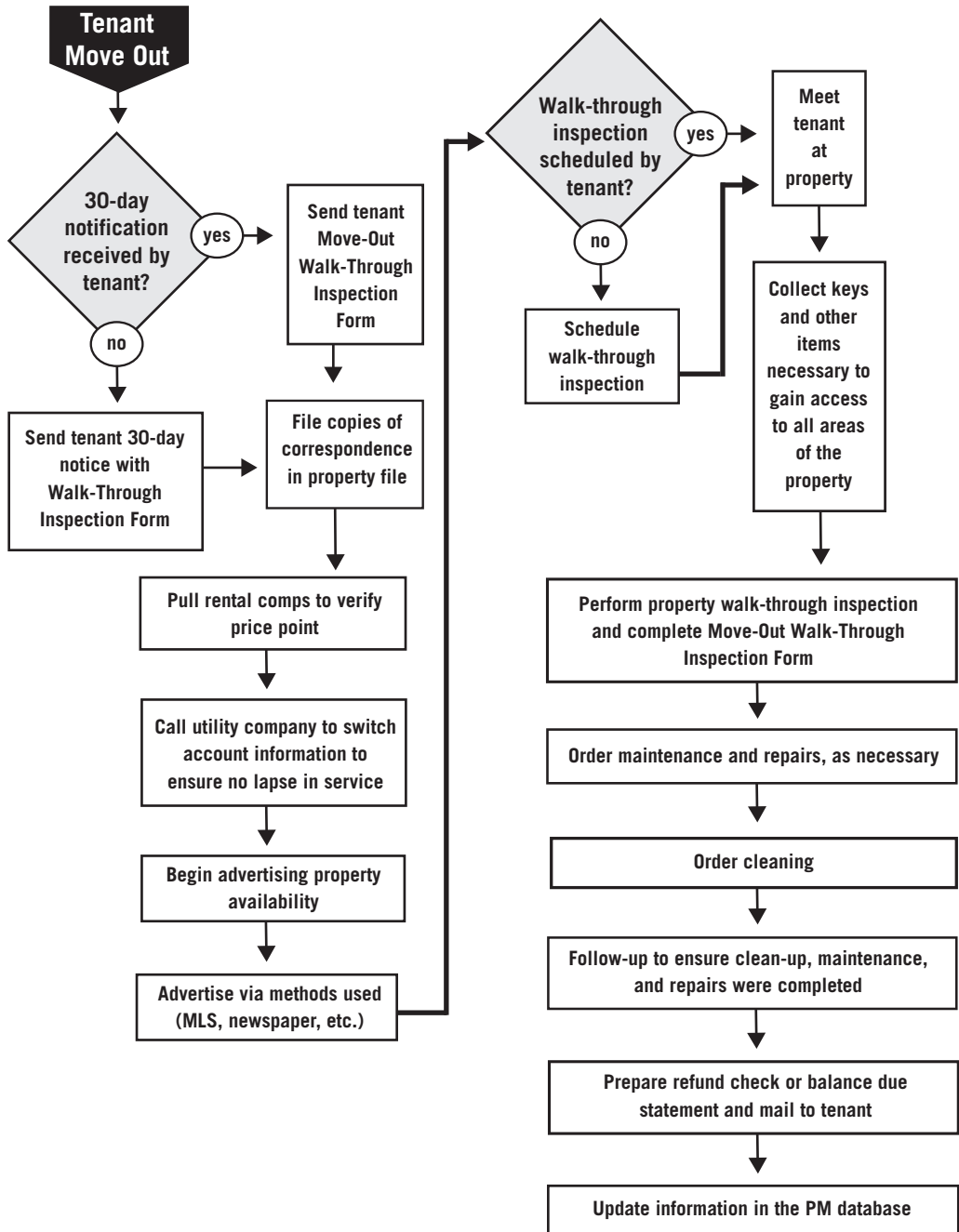


Figure 13-7

<b>If</b>	<b>Then</b>
<b>The tenant does not want to be present for the inspection</b>	Schedule the walk-through and collect the keys from the tenant. Once the tenant returns the keys, the inspection should be completed no later than the next day. As long as the tenant has possession of the keys, they are considered to be in possession of the property and can be charged rent.
<b>The tenants wants to be present for the inspection</b>	The tenant will schedule the walk-through inspection. Meet the tenant at the property at the specified time, and collect all keys and other items in possession that allows access to areas of the property at this time.

**Figure 13-8**

# MOVE-OUT WALK-THROUGH INSPECTION FORM

Move In: \_\_\_\_\_

Move Out: \_\_\_\_\_

Inspected By: \_\_\_\_\_

**Key:**

C = Clean, D = Dirty

1 - Needs Replaced, 2 - Needs Repaired,

3 - Slight Wear, 4 - Excellent

**1. Kitchen**

Doors/Locks	C D 1 2 3 4
Walls/Ceiling	C D 1 2 3 4
Floor	C D 1 2 3 4
Stove	C D 1 2 3 4
Stove Pans	C D 1 2 3 4
Oven	C D 1 2 3 4
Microwave	C D 1 2 3 4
Countertop	C D 1 2 3 4
Sink	C D 1 2 3 4
Faucet	C D 1 2 3 4
Dishwasher	C D 1 2 3 4
Refrigerator	C D 1 2 3 4
Blinds	C D 1 2 3 4
Screens	C D 1 2 3 4
Cabinets	C D 1 2 3 4
Garbage Disposal	C D 1 2 3 4
Vent Fan	C D 1 2 3 4
Pantry	C D 1 2 3 4

**2. Dining Room**

Walls/Ceiling	C D 1 2 3 4
Floor	C D 1 2 3 4
Blinds	C D 1 2 3 4
Screens	C D 1 2 3 4

**3. Living Room**

Walls/Ceiling	C D 1 2 3 4
Floor	C D 1 2 3 4
Blinds	C D 1 2 3 4
Screens	C D 1 2 3 4
Ceiling Fan	C D 1 2 3 4

**4. Family Room**

Walls/Ceiling	C D 1 2 3 4
Floor	C D 1 2 3 4
Blinds	C D 1 2 3 4
Screens	C D 1 2 3 4
Ceiling Fan	C D 1 2 3 4

**5. Hall Baths**

Doors/Locks	C D 1 2 3 4
Walls/Ceiling	C D 1 2 3 4
Floor	C D 1 2 3 4
Toilet	C D 1 2 3 4
Basin/Faucet	C D 1 2 3 4
Tub/Shower	C D 1 2 3 4
Blinds/Screen	C D 1 2 3 4
Medicine Cabinet	C D 1 2 3 4
Towel Bar	C D 1 2 3 4
Paper Holder	C D 1 2 3 4
Mirror	C D 1 2 3 4

**6. Master Bedroom**

Doors/Locks	C D 1 2 3 4
Walls/Ceiling	C D 1 2 3 4
Floor	C D 1 2 3 4
Closet	C D 1 2 3 4
Blinds	C D 1 2 3 4
Screens	C D 1 2 3 4
Ceiling Fan	C D 1 2 3 4

**7. Master Bath**

Doors/Locks	C D 1 2 3 4
Walls/Ceiling	C D 1 2 3 4
Floor	C D 1 2 3 4
Toilet	C D 1 2 3 4
Basin/Faucet	C D 1 2 3 4
Tub	C D 1 2 3 4
Shower	C D 1 2 3 4
Blinds/Screen	C D 1 2 3 4
Medicine Cabinet	C D 1 2 3 4
Towel Bar	C D 1 2 3 4
Paper Holder	C D 1 2 3 4
Mirror	C D 1 2 3 4

**8. Fireplace**

Grate/Screen	C D 1 2 3 4
Hearth/Mantle	C D 1 2 3 4

**9. Additional Bedroom**

Doors/Locks	C D 1 2 3 4
Walls/Ceiling	C D 1 2 3 4
Floor	C D 1 2 3 4
Closet	C D 1 2 3 4
Blinds	C D 1 2 3 4
Screens	C D 1 2 3 4
Ceiling Fan	C D 1 2 3 4

**10. Additional Bedroom**

Doors/Locks	C D 1 2 3 4
Walls/Ceiling	C D 1 2 3 4
Floor	C D 1 2 3 4
Closet	C D 1 2 3 4
Blinds	C D 1 2 3 4
Screens	C D 1 2 3 4
Ceiling Fan	C D 1 2 3 4

**11. Additional Bedroom**

Doors/Locks	C D 1 2 3 4
Walls/Ceiling	C D 1 2 3 4
Floor	C D 1 2 3 4
Closet	C D 1 2 3 4
Blinds	C D 1 2 3 4
Screens	C D 1 2 3 4
Ceiling Fan	C D 1 2 3 4

**12. Additional Bedroom**

Doors/Locks	C D 1 2 3 4
Walls/Ceiling	C D 1 2 3 4
Floor	C D 1 2 3 4
Closet	C D 1 2 3 4
Blinds	C D 1 2 3 4
Screens	C D 1 2 3 4
Ceiling Fan	C D 1 2 3 4

**13. Den/Loft**

Doors/Locks	C D 1 2 3
Walls/Ceiling	C D 1 2 3
Floor	C D 1 2 3
Blinds	C D 1 2 3
Screens	C D 1 2 3
Ceiling Fan	C D 1 2 3

**14. Additional Bath**

Doors/Locks	C D 1 2 3
Walls/Ceiling	C D 1 2 3
Floor	C D 1 2 3
Toilet	C D 1 2 3
Basin/Faucet	C D 1 2 3
Tub	C D 1 2 3
Shower	C D 1 2 3
Blinds/Screen	C D 1 2 3
Medicine Cabinet	C D 1 2 3
Towel Bar	C D 1 2 3
Paper Holder	C D 1 2 3
Mirror	C D 1 2 3

**15. Hall**

Coat Closet	C D 1 2 3
Linen Closet	C D 1 2 3
A/C Filter	C D 1 2 3
Smoke Detectors	C D 1 2 3

**16. Utility Room**

Doors/Locks	C D 1 2 3
Walls/Ceiling	C D 1 2 3
Floor	C D 1 2 3
Drapes/Blinds	C D 1 2 3
Screens	C D 1 2 3
Washer	C D 1 2 3
Dryer	C D 1 2 3

**17. Garage**

Doors/Locks	C D 1 2 3
Walls/Ceiling	C D 1 2 3
Floor	C D 1 2 3
Remotes	

**18. Exterior Condition**

Paint/Trim	C D 1 2 3
Roofing	C D 1 2 3
Patio Lights	C D 1 2 3
Patio	C D 1 2 3
Fence/Gates	C D 1 2 3
Landscape Front	1 2 3
Landscape Back	1 2 3
Doorbell	C D 1 2 3

**19. Other Items**

Pool	C D 1 2 3
Spa	C D 1 2 3
RO	1 2 3
Barbecue	C D 1 2 3

**Notes:**

Figure 13-9

**If**

**The tenant pays the rent within the time period stated on the notice**

**The tenant does not pay the rent within the allowed time period stated on the notice**

**Then**

Assess the late fees, prepare the bill, and submit to the tenant.

Begin the eviction procedure.  
(see eviction notice procedure)

**Figure 13-10**

**If**

**Then**

**The tenant is in compliance with the lease following the inspection**

Document the findings of the inspection and place in the property file.

**The tenant is not in compliance**

Begin the eviction procedure. (see eviction notice procedure)

**Figure 13-11**

<b>If</b>	<b>Then</b>
<b>The tenant pays the total amount of the judgment</b>	The tenant may be allowed to stay, if you choose. If you don't want them to stay or the tenant elects to move out by the specified date, follow the tenant move-out procedure.
<b>The tenant elects to make payments on the judgment amount, as determined by the court</b>	The tenant must vacate the property by the date specified by the judge using the tenant move-out procedure.
<b>The tenant does not pay the judgment, but moves out of the property</b>	Instruct your attorney to record the judgment and turn the account over to a collection agency. The tenant forfeits all deposits.
<b>The tenant refuses to move out of the property by the specified date</b>	Instruct your attorney to file a writ with the court. Once the writ is filed, the constable's office is notified and they will contact you with a scheduled date to evict. You or someone from your office will have to meet the constable at the property on the scheduled date to forcibly evict the tenants.

**Figure 13-12**



### Doing the Math on a 1031 Exchange

Original Purchase Price	\$150,000
+Capital Improvements	\$15,000
-Depreciation	\$30,000
<b>Adjusted Basis</b>	<b>\$135,000</b>
Sale Price	\$450,000
Sale Expenses (estimated 6 % of sale price)	\$27,000
Net Sale Price	\$423,000
<b>Realized Gain (Net Sale – Adjusted Basis)</b>	<b>\$288,000</b>
Depreciation Recapture ( $\$30,000 \times 25\%$ )	\$ 7,500
Capital Gains Tax ( $\$288,000 \times 15\%$ )	\$ 43,200
<b>Total Federal Taxes Amount</b>	<b>\$ 50,700</b>

Figure 16-1