

Letter from the Editor

It's hard to believe that summer is almost over! We hope you had a chance to rest, relax, and enjoy some family time in the sun.

July was a slow month for loan originations. In July, we originated three loans for a loan volume of 800K. All three loans were first trusts, and one was in Virginia and two were in Maryland. Business development activity was slow in July due to vacations and the lack of REI (Real Estate Investor) meetings. August is shaping up to be a more productive month.

CHUCKLE'S CORNER

"Only when the tide goes out do you discover who's been swimming naked."

– Warren Buffett

FOOD FOR THOUGHT

Do you have an article you want to write or a business that you want to promote? We would be interested in promoting any business in the financial/real estate arena if it correlates with our finance company. Examples include title companies, mortgage companies, insurance companies, etc. The only requirement for this completely **free** advertising opportunity is that you need to submit a strong article to accompany your ad.

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Four Components of Setting Goals (in Real Estate Investment and Beyond!)

No matter who you are or what you've chosen as your profession, one of the most important things you can do to better yourself and your life is to begin setting strong, achievable goals.

Once you've set goals, the next important thing to do is to follow through on those goals until they are met. In both real estate investing and in life, setting small, attainable short-term goals to help keep up your momentum as you work towards more long-term goals can be incredibly helpful.

Four main areas of your life can help you set goals and achieve them:

1. Good health

When it comes to living a healthy life, there are many goals that can be set, including starting a new exercise regimen, quitting smoking or drinking less alcohol, or switching your diet to healthier, more nutritious foods.

2. Relationships

You can set goals to help foster deeper, more communicative relationships with your spouse, your children and any others that you care for.

3. Knowledge and Learning

Learning and expanding your skill set is always an asset! Set a goal of learning a new skill in real estate or another field, a new negotiation tactic, or a new finance tip.

4. Financial

This doesn't necessarily mean making a lot of money (although it can), but rather taking care of your financial situation, getting yourself out of debt, or learning and new skill that allows you to be more successful in your chosen field or profession.

Good luck with your goal-setting! We hope you attain – and surpass – your short- and long-term goals.

Financial Controls - A Pathway to Success

Whatever kind of real estate professional you are, you need to review your financial controls and see that they are matched to your business needs. Whether you are a flipper; investor; lender; or real estate broker, understanding all of your financial transactions is essential to your success. It is best to use multiple processes and methods to manage finances. Five strategies are outlined below:

1. Two sets of eyes

Once you are doing multiple projects or transactions, you can no longer rely on a single person to review your numbers. At the most basic level, an investor flipping one house needs to have an accountant review their finances at the end of the year. As layers of complexity are increased, more people need to be involved in tracking and reporting. Invoices should be received/reviewed/approved/paid through a defined process involving multiple people. Project expenditures need to be recorded in a way that the project manager can see what was paid and what remains to be paid on your project.

2. Checklists

Checklists are a systematized way to go through a process without relying on your memory. This is not a to-do list. To-do lists can stress you out. They are big tasks without the specificity of steps. A checklist should de-stress you because you know exactly what steps to take to get something done. When building a checklist, avoid building a cookbook, because there is some variability in all tasks. You should build a checklist that tells you the critical items to your success that cannot be missed.

Build a short pause point into your checklist that give you time to reflect and verify that you have not missed anything. Also, at the end of any checklist, take time to review similar situations where there have been failures. Make certain that you have accounted for the learning from prior failures before determining that a task is complete. Checklists are a path to lower stress and more consistent data reporting.

3. Spreadsheets

If you are working on multiple tasks, you need to handle financial data in a spreadsheet. This gives you a way to categorize and sort expenditures and revenues. It is handy for keeping multiple versions of baseline budgets vs. actual budgets so you can closely monitor any budget deviations. Ideally, the person who is managing the expenditures directly is the person who is going through the budgets every time an expense is planned or made. That person is held accountable for tracking, notifying the team of deviations, and the overall financial success of a project.

4. Automation

There are an array of software tools available for expense tracking and control. Some tools, like Quickbooks, give you very detailed levels of control and can scale you from a mom and pop operation up to an enterprise handling tens of millions of dollars of transactions. The key to most software tools is the setup process. Invest in the setup. You don't want to use a software tool for five years only to find out that you have entered your detailed data into it in a way that doesn't maximize the tools reporting and export functionality. If you are new to Quickbooks or a property management tool, find an expert and ask them to spend time with you setting up your organization on the software product.

5. Common Sense

Now that you have spent a lot of time and effort having your work checked by our peers, putting checklists together, distilling projects to spreadsheets, and automating your accounting – you may think all of your work is done. This is not true. You can't rely entirely on systems and processes and leave your brain turned off. Common sense is the best final cross-check for all of your data.

Ask yourself if you used the right inputs, if your vendors billing came in completely, if you have ever had failures after taking all of the necessary steps in the accounting process and if you have considered those failures before moving forward. Another common-sense financial check is a ratio analysis. If all of your prior expenditures amounted to 20% of the project costs – how does your current project stack up against that statistic. Ask yourself what might be causing any variances from past performance.

Use these five methods for tracking and controlling your finances on all of your projects and you will definitely know where you are every step of the way. It is a lot better to find out early in a project if you are looking at a financial success or failure so you can plan accordingly.

Deal of the Month

The deal of the month revolves around a property in Catlett, Virginia. We acquired our first loan related to a divorce settlement case. This case had been going on for a long time and the lender bailed out at the last minute (ran out of money). We got a referral from Rick Oppenheim (Atlantic Settlement Group) through some high-powered divorce attorneys in the Northern Virginia area. The property had an appraisal of \$760,000 and the loan was for \$425,000. A new lender originated this loan in less than a week and we purchased the paper immediately thereafter. The attorneys were very impressed.

July Deals



9746 Elk Run Road



292 Possum Court



4401 Cotuit Circle