Private Money Update

CLEAR SKY FINANCIAL NEWSLETTER

MAY 2017

Letter from the Editor

Happy MAY!! How do you like our new update format? Thanks to Don P. and Laura D. for the newest design. This newsletter incorporates standard fonts and our new logo, we hope you like them. We will be launching our new website in June along with a refresh of all of our marketing collateral. It has been a hectic few months getting this completed.

April was a good month for loan originations. We originated 4 loans for a loan volume of $526,250. Of those originations, 3 were First Trusts and 1 was a Second Trust. We did 3 loans in Maryland, and 1 loan in Virginia. May looks to be a crazy month as we have already closed 4 loans with about 10 or 11 more in the cue, so probably 6/7 will actually close.

CHUCKLE'S CORNER

"If you would know the value of money, go and try to borrow some."

- Ben Franklin

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Charlie's Corner

What You Should Know About Out-of-State Owners

Buying properties from out-of-state owners is what I consider to be the most overlooked method for getting great deals. Why? Because many top investors are NOT pursuing this method. Here's the situation: Those who aren't pursuing out-of-state owners often tell me, "Yeah, I need to be doing that." And the ones who are already doing it--absolutely LOVE it!

The worst comment I've heard about this method was as follows: "I tried mailing to out-of-town owners. I got a deal from it, but it seemed like the sellers I talked to were getting a letter about once a month from another investor or Realtor. So the competition was a little stiff."

I disagree. Compare that to the pre-foreclosure list where sellers are getting 10 to 30 letters a DAY. Truth is, sending an effective letter to out-of-state owners works wonders.

Note that I'm referencing out-of-STATE owners, not just absentee owners. An absentee owner could live down the street or across town. So their level of motivation is likely to be lower. They can more easily rent, sell, or take care of the property. An out-of-state owner, on the other hand, is usually too far away to deal with the property.

Out-of-state owners typically have one or more of these problems:

1. The house is vacant, so they're worried about vandalism.
2. The house is vacant, so they're paying for a house that they're not using. And on top of that, they're probably paying for their new house, so they have two house payments.
3. If they have it on the market, they're probably frustrated that most potential buyers are too picky. And they're not there to make the house look nice for showing.
4. They have a non-paying tenant in the property.
5. The property needs repairs, but they're not in town to oversee the renovation.
6. They have a property manager who is not taking care of the house.

So, how do I find these out-of-state owners? There are several ways to get a list of out-of-state owners, ranging from free to costing $400 or more. You decide how much you want to pay. But the more you pay, the better the list gets.

For free, you can go to your county's property tax website and pull up property records one at a time to see if the owner lives out of state. Free? Yes. Unbelievably time consuming? Big yes. I don't advise doing this. There are better things you can do with your time.

Another way to getting these lists is to purchase them from a list provider. There are many of these companies out there that could help. Once you get the file that contains the list, sort by the mailing address state field. You can delete those that are in the state where you're looking to buy. And you're left with out-of-state owners.

But you're not done yet... There's a VERY good chance that 20% to 30% of the mailing addresses are no good. Tax districts just aren't good at keeping that info up to date. So, if you want to get the current addresses for those people, you'll need to "clean your list." You can do this by paying a "list cleaning" company $250 to $450 per thousand names. It can be pricey, but I highly recommend it.

Another good way to get this information is to call a list broker. They can get information from many sources, compile it, cross-reference it, etc., and come up with a list of out-of-state homeowners. Okay, so some of them can. I recently called 14 different list brokers and only two of them had a list. You can expect to pay about $250 for a list of 1,000 out-of-state owners.

Little or no competition for some of the best deals.

Pursuing out-of-state owners requires a little bit of time and money up front--which turns out to be a great thing! After all, that's what scared most other investors away, leaving you with little or no competition for some of the best deals in your market. Don't delay. Start generating your list of out-of-state owners today and profit tomorrow!

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Managing through Vendors and Partners

Effective vendor management enables us to control costs, drive service excellence and mitigate risks. It allows us to gain increased value from vendors throughout the life cycle of each deal. Since we have multiple vendors doing similar tasks on different transactions, this has become a critical area for our backoffice management and a focal point for me.

We are in a steady expansion of our flip and our hard money business. This business expansion requires us to evaluate current vendors and partner organizations to make sure that they are ready to handle expansion. When we evaluate the "eco-system" of entities that we interact with in order to transact business we have to understand their capacity. These entities include contractors, accountants, lawyers, settlement companies, etc. We have to maintain a very clear dialogue with our vendors so they are aware of changes in our organization and know what we need in order to support our expansion. In cases where our vendors are unable to support our expansion, we help them by augmenting their staffing and processes.

Let's look at a couple of examples of creating more depth in our vendor relationships. In DC we have a couple of preferred construction contractors. We worked with them to make sure that they had an understanding of our expansion plans so they could have the correct licensing and inspection network in place in advance of doing work in the district. Licensing and networking fell on the contractors. However, they were not prepared to work with our expanded back office and budgeting needs. We stepped in and helped direct them in budgeting/planning so we could manage our payments to them and they could plan their cash flows accordingly.

Closing management and backoffice processing have grown tremendously with the expansion of the hard money business. We have added processes both internal and external to process payments and manage loan files. On the closing side we have had to reach out to multiple vendors to drive the closing process. Ordering title work and following up to make sure that all documents are in order post closing requires us to manage through a myriad of settlement companies that close loans for us. While we would like to consolidate closings to one or two companies, that isn't possible since borrowers ultimately need to choose the settlement company that works best for them.

We look at each vendor and try to understand their key performance indicators. For example, are we measuring success by quality, timeliness, or cost control? We share our thoughts on this with each vendor. Then we let the vendors know how things are going, both good and bad. By mutually supporting one another, we can grow along with our vendors.

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Deal of the Month

211 PROPERTIES ACQUIRED SINCE 2009

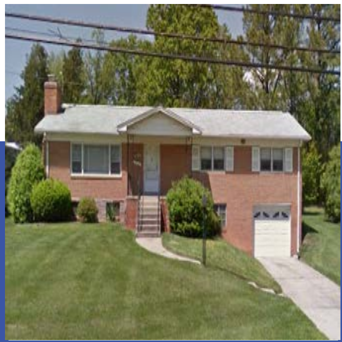
The deal of the month involves a deal from a flip investor that we have built a relationship with for eighteen months. He wholesaled a deal to us in the past and has been wanting to do his first flip. When we tried to get him to flip a house previously, he didn't feel like he was ready and ended up wholesaling it to us. More recently, he brought us a deal to finance at 810 Venice Drive. He purchased it for $200,000 and it needed an $80,000 renovation. The house is worth between 430K - 470K. The great part of this deal is that the seller is holding a first trust for 200K at 0% interest. We put a 100K second trust on it to help him with the renovation costs. This is the beginning of a good deal for the flip investor. We shared our contractor network with him, helped him price the asset, and will list it for sale as his real estate brokerage. I will update you in a future newsletter on his performance results.

FOOD FOR THOUGHT

We will be at the Think Realty National Conference & Expo on June 24, 2017 at the Baltimore Convention Center and will be involved in two speaking engagements. First we will be giving a presentation on "How to Find Distressed Assets". This is similar to the one we gave last year at the National Harbor event. For our Second speaking engagement, Charlie will be on an expert panel of Hard Money Lenders. See us at a speaking event or visit our booth. Please make time to attend. Go to https://thinkrealty.com/think-realty-conference-baltimore-speakers/ The early bird cost for the event is $25.00. Paid at the door, the cost is $45.00. The event is from 8:30 AM to 4:30 PM. Our presentation will be from 2:00 PM to 3:00 PM. The expert panel on "How Investors Successfully use Private Money to Fund Fix & Flips" will be from 9:30 AM to 10:30 AM.

APRIL DEALS

14510 Hamowell St.



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