

## Letter from the Editor

Happy New Year! We hope your family remains safe from COVID-19! We have a lot of CSF birthdays that we want to acknowledge. Chris G. has been with us 4 years as of December. Leanna Shaw has been with us 2 years. Margaret Einsmann going on 5 years. Drum roll please: Lesley, Seth, and Andy have been with us 7 years almost since inception. Thanks again for your confidence in us!

December was a great month considering the slowdown in the market. We originated 7 loans for \$2.252M. The LTV (loan to value) of the ARV (after repair value) was 66.25%. We like to keep this number below 70%. All loans were First Trusts. Three loans in MD/VA and one loan in DC. January is shaping up to be an odd month, as we had a lot of potential volume at the beginning, and some are being delayed as a few are short sales waiting on bank approval.

## CHUCKLE'S CORNER

*"There are far, far better things ahead than any we leave behind." —C.S. Lewis*

## Food for Thought

We have launched weekly podcasts called Basement Tales. We have 9 or 10 episodes out by the time you receive this newsletter. It is a podcast on various real estate investing subjects based around stories that have happened to us in the past. Below are links to our podcast.

You can access them on

<https://podcasts.apple.com/us/podcast/basement-tales/id1541056033>

or

[https://www.youtube.com/channel/UC0R91IRsAunltHsXN9ygf\\_Q](https://www.youtube.com/channel/UC0R91IRsAunltHsXN9ygf_Q)

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### Six Simple Ways of Locating Vacant Homeowners

The best way to make money in residential real estate is simply "driving for dollars." This is where you simply drive through older neighborhoods and look for vacant houses. This is the most profitable, lowest risk, and least competitive real estate opportunity out there right now. The majority of these vacant houses fall under the distressed property/distressed seller categories.

Though potentially very profitable, vacant houses can be difficult to find. After finding a vacant home worth investing in, you will still have to find the property owner so that you can make them an offer. The difficulty in finding vacant houses and vacant homeowners has caused many investors to avoid investing in them at all. This means more deals for you. There are several different ways to locate a property owner. Here is a list of methods for locating vacant homeowners:

#### 1. Tax Assessor's Office

The county or city tax assessor's office can give you more information on where tax statements are sent. Most of these offices can be found online. The homeowner's name will be on there as well.

#### 2. Visit Neighbors

Neighbors are not happy with the fact that there is a vacant property in their neighborhood. Vacant properties can be breeding grounds for vandals/squatters, and if left poorly maintained, they can be quite the eyesore. Not only might a property like that put their personal safety at risk, but it can also devalue their own property. Ask the neighbors about the property and details about the owner.

#### 3. Skip Trace

This is a popular method to find where the owner is located. Once you have the name of the owner you can look them online for free via [thatsthem.com](http://thatsthem.com), [whitepages.com](http://whitepages.com), [411.com](http://411.com), or other websites. If you cannot locate them, you can pay for more sophisticated online tools such as TLO and/or IDI Core. The last resort is to hire a firm that specializes in skip tracing (most expensive option).

#### 4. Leave a Note

In some rare cases the property owner will return. Leave a big bold yellow note on the door stating you want to buy that property. If the property is close enough to the road, make the note large enough that neighbors or passersby can see it. They may contact the property owner for you.

#### 5. County/City Land Records

If you know the homeowner's name, you can use that to find any documents signed by the homeowner to see if they own any other property. You may also find marriage licenses and voting records, which can contain information such as birth date, SSN, employment history, or other addresses.

#### 6. Send a Post Card or Letter

This is one of the most traditional ways to locate a vacant homeowner. Send a post card or letter to the vacant property with the words "Do Not Forward – Address Correction Requested" on it. If the Post Office has a forwarding address on file for that homeowner, the mail piece will be returned to you with the forwarding address listed.

### Foreclosure and Evictions—The Benefits and Pitfalls of Moratoriums

Foreclosures were halted in the spring of 2020 by the pandemic. The CARES Act included an eviction moratorium that was good through late July 2020. The eviction moratorium originally applied to certain federally funded rental units. However, in September 2020, the Centers for Disease Control and Prevention (CDC) issued a nationwide moratorium on evictions which covered the vast majority of renters nationwide. The CDC moratorium was set to expire at the end of December 2020, but then the stimulus package passed by Congress in December 2020 extended the moratorium until Jan 31, 2021. Many housing advocates made the eviction moratorium a priority by warning that the prior assistance packages were inadequate to stop a housing crisis.

Building on the recent history of eviction moratoriums, the new administration's American Rescue Plan is designed to extend the eviction moratorium until September 30, 2021. "The plan would extend the federal eviction moratorium, set to expire at the end of January, to September 30, as well as allow people with federally guaranteed mortgages to apply for forbearance until September 30." This is a clear win for tenants who are unable to afford their rent as a consequence of the pandemic.

Let's take a look at what happens to landlords who are impacted by the eviction moratoriums. A good example is a landlord who scrapes together enough money to buy a rental property in Prince George's County Maryland. It is their first and only rental investment. The rent is \$2,850 a month and the landlord's mortgage, taxes, and insurance are \$2,500 a month. The tenant moves in in March of 2020. In May of 2020, the tenant stops making payments because they lost their job due to COVID-19. Knowing that they have some obligation to pay rent, they make sporadic payments of \$1,000 by spending money they make from odd job employment. By November 2020, the tenant realizes that it is a lot of work to catch up and decides to ride out the eviction moratorium without making payments. In January 2021, the tenant is behind \$17,475. Paying that back exceeds the tenant's earning capacity, so the tenant decides to continue to wait out the eviction moratorium by not paying any further rent. Even when things move fast in Maryland courts, evictions take 6 months. Once they start happening again, you can anticipate a huge backlog and a year wait to conclude an eviction. In the meantime, the landlord is out 14 more months of rent, which is an additional \$39,900. Assuming the landlord can find a new tenant the day the defaulting tenant is evicted, the landlord is out \$57,375 in rent. So, since that is their only rental property, the rent shortfall has a seriously negative impact on the landlord's real estate investment portfolio. If they don't have the cash flow to support the mortgage, the landlord is going to either hope for a mortgage modification at the end of the foreclosure moratorium or think about liquidating their investment before the bank takes it back.

Meanwhile, the cost to purchase or lease rental housing continues to rise dramatically. This price inflation is directly linked to the lack of available inventory. Since tenants are not motivated to move, there are virtually no new rentals on the market. This is the reality of the eviction and foreclosure moratorium. You can decide for yourself if it creates the right balance between housing stability and equity between landlords and tenants.

## December Deals



733 Gleneagles Dr.



14 W Colonial Hwy



1032 6<sup>th</sup> Street NE



261 Glengary Garth



2328 Courthouse Rd.



5401 Melwood Park Ave.



4226 Janes Lane