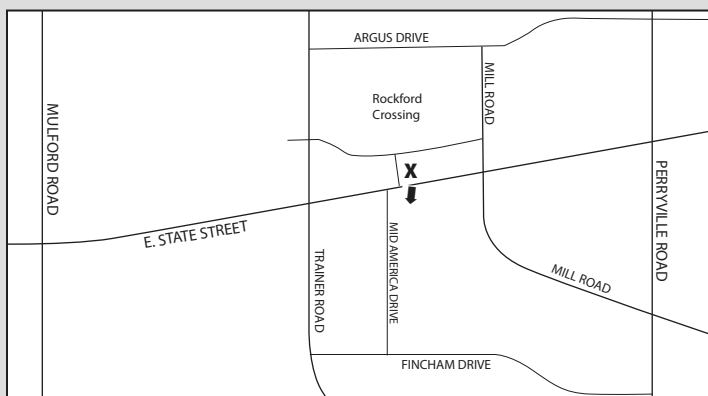




OCTOBER MEETING

Monday, October 19, at 7 P.M.

Featuring Guest Speaker **William Tingle** on Real Estate Investing
How to buy property with no cash and no bank qualifying.



New **Meeting Location**
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Association Of Realtors
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In This Issue:

This month's meeting will be nothing less than outstanding, we are honored to have national speaker William Tingle. William is from Macon, Georgia and will teach us how to buy rental property with no money down and without having to go to the bank for a loan. This is called buying a home subject-to. If you don't know what it means to buy a house subject-to, then you won't want to miss this meeting.

This issue is jammed packed full of great information. We have two articles, from this month's speaker about what buying subject-to is and the anatomy of a subject-to purchase. These articles will give you a taste of what he will be teaching us this month. Next our resident legal counsel, attorney Thomas Wartowski, will clear some of the confusion landlords are having with the water bills. Speaking of water, did someone leave the faucet on? No, that's just our new monthly column "Brain Drippings" Brain Drippings is a collection of great tips and helpful information. So, what are you waiting for dig in and we'll see you on October 19th at 7PM.

William Tingle

had worked in the restaurant business for almost 20 years when in 1999, he ordered the Carleton Sheets course. He read it and took a \$5000 advance from a credit card to start his real estate investing career. Exactly one year later he quit his job for good, paid the credit card off and has to this day never used a penny of his own money for investing.



He currently wholesales and rehabs several deals every year but his real niche is what he calls "Sub2", buying subject to existing financing. To date, he has taken the deed to well over 100 properties and continues to buy 20 to 25 properties a year in this manner.

A full time investor now for over 4 years, he and his family spend much of their time "on vacation" traveling over 3 full months out of every year.

William has written two real estate courses, "The 'Ultimate' Sub2 Guidebook" & "Extreme Marketing – The 'Ultimate' Marketing Guidebook & Software". "Ultimate Sub2" covers every aspect of "subject to" investing from marketing to find motivated sellers, to negotiating the deal, to completing the paperwork, to how to market and sell the properties. "Extreme Marketing" combines a marketing manual with literally hundreds of marketing ideas along with mailing and contact software that is the best available anywhere at any price.

Mr. Tingle is the founder and president of the Macon Real Estate Investors Association in Macon, Georgia and also hosts www.Sub2Deals.com, a website specializing in subject to investing.

Subject to: What It Is & What It Isn't

by William Tingle

There are many ways to buy property. In the almost 3 years that I have been investing, I have bought with cash, bank loans, via sandwich lease options and my personal favorite, "Subject-To".

In my opinion, subject-to is the easiest, fastest, cheapest, least complicated way to acquire property. Contrary to what some will tell you, it is not without

risk. Although in a lot of cases you CAN buy without having cash, I would not recommend doing so without cash or access to it. Agreeing to make payments on someone's loan is a huge responsibility, and I think everyone that utilizes this way of buying should look at each loan as if he himself had personally signed the mortgage.

Below are a few of the questions I have been asked in the past about this method of buying property. I hope these questions and answers help you in understanding this method.

What is buying a house "Subject-To"?

When you buy a property "subject-to", you are purchasing it subject to the existing financing. Simply, this means that the loan already on the property stays there without any formal assumption on your part. The owner deeds the property to you, and you take the payment book and start sending in the payments just as the former owner did. Simple, huh?

The seller deeds you the property and remains liable for the debt? Why would any seller agree to that?

There are as many reasons as there are houses. In the 2 1/2 years that I have been a full time investor, I have had over 60 houses deeded to me from sellers in a wide variety of situations.

There was the seller with perfect credit who was being downsized and wanted to stay, as he put it, "ahead of the 8 ball". He deeded me a beautiful 3/2 2 story, only 7 years old with over 25k in equity. He just needed a fast sale.

There was the lady who deeded me her house for the loan balance of 14k. She had owned the house for 25 years and her mother had recently died and left her another house free and clear. Although the house she deeded me needed 10k in work, it was still worth 70k or so. When I asked what she wanted for it, she said she just wanted to be rid of it. I was happy I could assist her.

There have been many sellers who have deeded me properties days and even hours away from the auction block, some with substantial equity, some with little equity but 6% loans.

Not all sellers who deed you their property are "unsophisticated" or "down and out". Some just realize that they have a problem that needs an immediate solution. You just need to know how to provide it.

Isn't buying this way illegal? What about the "due on sale" clause?

There is absolutely NOTHING illegal, immoral or unethical about buying property subject to. Banks began using "due on sale" clauses in their mortgages

in the 80's when interest rates rose significantly and homebuyers were assuming lower rate mortgages instead of obtaining the higher rate, new loans. The due on sale clause gives banks the right, at their option, to call the loan due upon transfer of title or beneficial interest in the property with a few exceptions such as transferring title into a land trust for estate planning purposes. With today's interest rates, the likelihood of any bank calling a performing loan due would be in my opinion miniscule.

I heard that if I buy this way, I am not liable for the loan. If I can't make the payments, I can just give the house back to the seller. Is this true?

Sorry, but I don't go along with that boloney some gurus will tell you about how you should "not make any promises" to your sellers.

In my opinion, from a moral standpoint, you are totally responsible for this loan once the paperwork is signed. A seller needed your help and you offered him a solution. He trusted you and now it is up to you to keep your word and do what you have to keep that loan in good standing.

From a legal standpoint, you might be responsible. I have heard of a couple of lawsuits in the past few months regarding investors who failed to make payments on loans they had taken over with this method. My best advice would be, don't do the deal if you can't follow through.

I have heard "Subject-To" is a good way to get started without cash or credit. Would you recommend this?

Absolutely not. Although it is touted by some investors as a good "no money down" way to buy, I recommend having at least 3 months reserves to cover payments until you can either sell this property or get a tenant/buyer in it. What happens if you can't get it rented quick enough? What happens if your tenant doesn't pay and you have to evict? Things like this happen (ask me how I know) and you have to be ready.

There is also the DOS to think about. What would happen if the bank DID call it due? Granted, the chance is small, but that has to be a consideration. What would you do? Could you refinance it? Do you know another investor who had good credit who would partner with you?

Subject to is a great way to buy property. It is cheap (no closing costs to pay), fast, (no qualifying with the bank), easy, (you can close on a kitchen table) but it is not without risk.

Learn to use this method properly and it will be very good to your balance sheet.

Anatomy of a Subject-To Purchase

by William Tingle

I am frequently asked how to put together a sub2 deal, so I put together this "play by play". When I purchase subject to, this is how it usually goes . . .

1. Seller calls me from one of my lead generators. I prequalify them pretty heavily on the phone. They usually have a good idea of what I will propose before I set up an appointment to go out and see them. By this I mean that I have at least introduced them to the idea of me simply taking over payments on their property. I have a "close" estimate of what "they say" is owed on the property. By "they say" I mean that more times than not, I find that there is more to the story than they tell me up front. Not always, but most of the time.
2. Then we meet in person. I look at the house to see if it "qualifies". We sign the sales agreement and we are off to the races. If they don't know the exact amount owed on the loan, that's ok. I will just put "Approximately \$XX, XXX" in the space where it says "Loan balances taken subject to". They should have an old payment coupon that will give you the balance. If not, no problem, since I also have them sign an "Authorization To Release Information" on their loan, I can call and get the balance.
3. Once I have the property tied up, I can check and verify all the info they have given me. Loan balances, liens, clear title, and any inspections I choose to do. I can take my time with the due diligence and things can progress along at my pace.
4. After I am satisfied that all the info is accurate or at least that there is a real deal here, we are ready to close. I have done a few of these so I just print off the trust docs myself and we go anywhere that there is a notary to sign off on them or I can bring my friend who just happens to be a notary. :-)
5. Once the docs are signed, all you have to do is file the deed at the courthouse. There are a few other details like getting the insurance squared away and so forth that will have to be addressed later, but at this point the house is yours.

This is how I do it. I am sure that there are as many ways to get it done as there are investors doing it. You CAN use an attorney if you like. It might be a good idea for your first experience.

Ken Becker

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Brain Drippings

Eviction forms now online . . . It seems that the Winnebago county circuit clerk is really embracing the information age. They now have put all the forms needed to file an eviction online. You no longer have to go down there and to get the forms and then fill them out by hand. These forms are in PDF format and you can fill them out before you print them. You can get these forms on the circuit clerk's website at http://www.cc.co.winnebago.il.us/courtinfo_formresults.asp?P=C.

Free ads for your rental . . . Trying to get your rental units filled can be a very expensive proposition. Enter www.rentals.com, a free internet website that allows you to list your rental unit for no charge. Once you set up an account you can list as many units as you like and even include a picture and description of the property. I have used this service and have been very happy with it. Finally, if you have a property that is off a main thorough fair, put up a rent sign on the corner with a directional arrow pointing them to your property.

Getting work done at a competitive price . . . This tip came from Jerry Glawe, an investor and icon in the Rockford

real estate market. When he needs something done, like having a room painted, he places an add on www.craigslist.org asking if someone will do the work for x amount of dollars. He told me that it has worked out fantastically. As Jerry put it, there are tons of people out there with nothing to do and would love to make a quick buck. Great tip Jerry!

The last drop . . . As we approach winter it is very important to make sure that your furnaces, smoke and carbon monoxide detectors are in proper working order. I suggest you send a note to your residents telling them to check the detectors and the batteries. In addition, I would make sure they have some furnace filters, even if you have to buy them. It is much cheaper to buy some furnace filters then pay for a service call.

Brain Drippings is a monthly column filled with helpful information and quick tips offered by Tim Jensen, a local real estate investor for over 18 years. If you have any tips you would like to share, please e-mail them to tjrockford@gmail.com.

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Tom's Tips by Tom Wartowski

There has understandably been some confusion among landlords about water utility issues in the City of Rockford. The confusion stems in large part from a conflict between the city ordinances that are posted on the city's website and the revised ordinances that are actually in effect. (Due to budgetary restraints the city has discontinued posting newly revised ordinances on its website.) This column will attempt to clarify a few of the key issues. Under the city ordinances that are currently in effect:

1. All applications for water service must be made by the property owner and all related bills and notices will be sent (only) to the property owner. (City of Rockford Ordinance Sec. 28-163 (a)) There is no provision for the use of "agents" as had previously been the case. This means that tenants of single-family homes can not sign up for water or receive water bills, as has been the limited practice of some landlords. With multiple units, property managers should contact property owners to make suitable arrangements to address the way they do business (i.e. property owner can forward bills to property managers if the latter pays all of the bills, etc.).
2. The city will "not terminate water service to tenants upon request from the landlord." (Sec/ 28-3 (b)) This new provision was effected to be in accordance with Illinois Statutes at 765ILCS735/1.4. The state statutes have specific restrictions that prohibit landlords from shutting off tenants' water and provides for financial penalties. Landlords should read the statute carefully.
3. "No person other than an authorized agent of the water utility shall turn on the water to any service branch." (Sec. 28-105) The language in this provision eliminates testing by plumbers and adds a provision for violation fines.
4. Tenants may apply for continuation or resumption of water service, if the property owner is delinquent, upon payment of the charges owed for the most recent month and a turn-on fee, if applicable. (Sec. 28-191) The change in this language only reduces the timeframe to "the most recent month" from "most recent quarter."
5. If a property owner is delinquent on any water bill at any city location, the city can deny water service to any (new) application. (Sec. 28-163 (c))
6. Under Sec. 28-163(k), the city can transfer outstanding balances from one account to another if both properties belong to the same property owner. This provision comes under the general heading

of "Application to open account; application fee" and appears aimed at foreclosures and short sales. It could also be applied to other property owners, however. This section contains other provisions that are worth reviewing if you are buying or selling any property in the city.

7. If a property owner experiences any "catastrophic water loss," he/she can submit a claim seeking to reduce the bill to "the normal amount." This applies to residential accounts and requires, generally, that the owner prove that there had been a "major plumbing problem" that resulted in water usage in excess of "normal amounts." Read the full ordinance for details.

NOTE: In recent days there has been a lot of discussion among RAA members about how to handle water utility payments when the tenant is responsible for water usage. Given Rockford ordinances my suggestion is that you incorporate the reimbursement of utility costs (sewer and trash, too, while you're at it) in the lease as an obligation of the tenant in the same way that you obligate the tenant for the payment of rent. You should consult your own attorney to draft specific language for use in your particular lease(s).

Attorney Wartowski serves as legal counsel to the Rockford Apartment Association.

Last time we met . . .

WOW! We kicked off this new season with a bang! September's meeting was held at the Rockford Area Association of Realtors Building, 6776 East State St. Rockford, IL. The room was packed as we all learned about the new lead paint disclosures and certification needed when you work on pre-1978 property. Sam Churchill and Kristine Stensland were the main speakers discussing the new lead laws being enacted in 2010. Sam Churchill is the Illinois Lead Program Manager and Kristine Stensland is the Coordinator- Lead Programs, Winnebago County Health Department.

Effective immediately when you renovate a pre-1978 built property and disturb more than 6 sq. feet on the inside and 20 sq. feet on the exterior, you must give the tenant a Renovate Right Lead Based Paint Pamphlet. Visit www.epa.gov for more information.

Also at the meeting, Andco Kitchens and Bath informed us of their new line of contractor grade cabinets, which are perfect for rental units and available at contractor prices. Michael Zibrun with State Farm Insurance discussed how important it is to shop around and get an insurance check up to make sure you have proper coverage at a competitive price.

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Rockford Apartment Association Code of Ethics

We, the members of the RAA, recognizing our duty to the public and the intimate nature of the relationship between the apartment resident and the owner, or manager, and being aware of the vastly increasing role of the apartment industry in providing the home of the future, and in order to provide the apartment-residing public with the maximum in quality and service upon the highest standards of honest and integrity, do hereby bind ourselves, with each and every member, together and alone, agreeing that, so long as we remain members of the RAA and so long as nothing contained herein shall be unlawful, we shall:

1. Promote, employ and maintain a high standard of integrity in the performance of all rental obligations and services in the operation of our apartment communities.
2. Maintain and operate our apartment communities in accordance with fair and honorable standards of competition, ever mindful of the purposes of the Rockford Apartment Association and in compliance with the bylaws thereof.
3. Strive continually to promote the education and fraternity of the membership and to promote the progress and dignity of the apartment industry in creating a better image of itself in order that the public may be better served.
4. Seek to provide better values, so that an even greater share of the public may enjoy the many benefits of apartment living.
5. Establish high ethical standards of conduct within the apartment industry in the business relationship between the owner, managers and suppliers of products and services to the apartment industry.
6. Maintain property standards of the appropriate governmental authority.
7. Ensure that every qualified individual, regardless of that individual's race, color, religion, gender, disability, familial status or national origin is afforded the same opportunity to rent an apartment and enjoy the benefits of apartment living.

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