



Overview

Real Estate Basics

Introduction

Congratulations on your decision to invest in the Real Estate Investors Series. We are excited to teach you the ins and outs of investing in real estate. We take this responsibility very seriously, and have created a comprehensive program that we know will bring you success if you apply the concepts and principles taught.

What You Will Learn

Upon completion of this *Overview Guide* you will be able to:

- Navigate through the guides in the Interactive Training System's Real Estate Investor Series
- Describe the basic skills and character traits you need to be a successful real estate investor
- Describe in general terms the tasks that will be taught in detail in future guides

Tips for Success

We like to begin our guides with a special tips for success. In this guide we look at four skills that you need to acquire or destructive habits you need to overcome to be successful in real estate investing.

1. Don't fear rejection

Nobody likes rejection; it is painful and keeps us from our goals, but you can bet that the people you know who are successful didn't get there without dealing with a lot of rejection along the way. They achieved their success by not letting rejection stop them.

As the author Mark Twain said, "Twenty years from now you will be more disappointed by the things that you didn't do than by the ones you did do. So throw off the bowlines. Sail away from the safe harbor. Catch the trade winds in your sails. Explore. Dream. Discover."

2. Don't fear success

On the other hand, it's important that people just getting into the real estate investment business don't fear success, either. People may say they want to be successful, but do they have to really think of themselves as successful? Being successful means you have more responsibility. You need to welcome and embrace the opportunity.

3. Be Prepared

Another skill or habit of successful people is that they make sure they are prepared for the opportunities and challenges they anticipate. Most people know they should be prepared, but they don't really take the time necessary to prepare. Being successful requires daily preparation.

4. Become comfortable as a "sales person"

You have to become comfortable in seeing yourself as a "sales person." If you feel like a fake, then you will act like a fake and people will feel it. Recognize that with the skills and knowledge you gain through this series of guides that you will be able to provide a worthwhile service and engage in an honorable means of making a living. As long as you are acting in an ethical manner, there is no reason to feel uncomfortable.

Keep these ideas in mind as you begin stepping out of your comfort zone with the actions you are asked to take as we proceed through these guides.

The Interactive Training System (ITS)

The Interactive Training System has been tested, refined, and improved over a period of several years now. We know it works because of the great success we have seen our clients achieve.

You now have access to several online, interactive lessons that are available at any time of the day or night. You can proceed through these lessons as fast, or as slowly as you wish. If a specific point or concept is new or confusing, you can stop and go back over it as many times as you wish. You don't have to worry about keeping up with someone else that may have more experience than you.

In addition, our lessons and guides have numerous real-life examples so you can see very clearly how to implement a particular technique or strategy.

Our training program is updated regularly to make sure you are taught the latest techniques; techniques that have proven effective in today's real estate market. Furthermore, our program will keep you up-to-date as new approaches and techniques evolve over time. We research and test many real estate related products and then recommend or make the best ones available to you. We have assembled a range of products that we are confident will help you to save time, money and resources as you get started with your own real estate investing efforts

Each lesson and guide covers a specific subject that is pertinent to building your business. There is a quiz at the end of each lesson and guide to help you determine whether you have mastered the concepts you have been taught. If you struggle with the quizzes, it would be to your advantage to go back through the portion or the lesson or guide where you are having difficulty and resolve any questions or misunderstandings.

Each lesson and guide includes a series of action items designed to get you out and working in the business that week. In a very real sense, your success in real estate depends on your completion of these action items. They will help you move onto the next guide with deeper understanding and greater confidence. If you do not complete them, you will not have the foundation you need to be successful. It is only through the continuous application of your knowledge that you will be able to build the wealth you seek. The process of learning about real estate investing is exactly like constructing a home. It is important to establish a foundation first and then build on it one level at a time. If you skip a step, your knowledge foundation will become unstable and will not have the strength to support your efforts in the future.

The Key to Success

We want you, our clients, to receive a great return from your investment in our real estate training program. We want you build wealth and accomplish your goals. Our Interactive Training System has been proven time and time again through the success that so many of our clients have been able to attain. We know that if you utilize the tools available to you and implement the principles we teach that you will be successful.

We can give you the information and tools, but their implementation and execution is up to you. You simply have to do it. We challenge you to step outside of your comfort zone and learn these new skills.

Critical Skills

Before we get into the real estate related concepts and principles, let's review a few basic skills that will be critical to your success.

1. Be persistent

As with almost any field of endeavor, you need to be persistent -- especially when things do not seem to be going your way. Sometimes you will find deals easily, and other times you will struggle to find motivated sellers. But, if you keep plugging away, looking for the right properties, and making offers, you will find the deals you want.

2. Keep current and be flexible

There will be times where the market shifts and you need to adjust to its changes. Doing research to keep your knowledge up-to-date is critical to making consistent money in real estate.

3. Be positive and confident

Don't listen to people who have never invested in real estate. You can make good money in any real estate market; you just need to know how. Our courses will teach you about the different real estate markets and how to make money in each. Surround yourself with positive people who support and encourage the steps you are taking to improve your life.

4. Be organized and stay focused

Find and focus on a technique that works well in your market. Don't be too greedy and over extend yourself. If you want to change your focus at some point organize a plan of attack and then stick with it to accomplish your goal.

5. Be dedicated and patient

Wealth does not happen overnight. However, it will happen over time if you are patient and dedicated. When you learn a technique, apply it, test it, and modify it until it works for you. Most investors find their natural groove after they have tried and tested a few different techniques over time. Be patient until you find what works for you in your market. Be dedicated to your goals and to learning real estate. You will be well-rewarded for your dedication in the end.

You may already have these skills or you may need to develop them overtime. Either way, they are essential when applying the knowledge you gain in these guides to real world situations.

The Challenge of Real Estate

Real estate investing can be challenging and yet very rewarding. Even though some of the strategies and techniques necessary to be successful in real estate may be difficult to grasp at first, don't worry. If you perform the action items we recommend they will quickly begin to make sense. You are embarking on new and exciting career path. You can expect the learning curve to be about the same as in any new job you accept.

You will find that not every principle contained in our courses is ideal for every market. For example, if your target area is a college town, your ideal property type might include condos, townhouses, or multi units, as well as single family residences. If you have access to our advisors, you can discuss your local situation with them. They may suggest some creative or alternative approaches to try in your target area.

Even though the real estate industry is always changing and evolving, there are many features that are constant too. Once you learn about real estate cycles you will be able to predict what is going to happen in your target area. So while the market may change, you can rely on the indicators we teach you to make the right decisions, respond quickly to market shifts and preserve your profit margins.

Conventional financing may not be an option for you right now, but that should not prevent you from getting into the business. We teach many alternative techniques you can use to purchase great properties and pursue new avenues of opportunity. If you learn and apply these techniques, you will be able to execute more deals than someone who focuses only on conventional loans.

Basic Tasks

For the remainder of this guide we will provide an overview of the basic tasks in which you will be involved as a real estate investor. We will examine each of them in much greater detail in later guides.

Success in real estate requires that you be able to:

1. Find properties
2. Qualify properties
3. Finance properties
4. Construct contracts
5. Select appropriate investment strategies
6. Play the numbers game
7. Build your success team
8. Market your business

1. Find Properties

An important key to your success will be finding the properties that will make you money. This is by far the biggest job because there are so many criteria that the property must satisfy. The first criterion is to find a property that you can purchase at a good discount.

A good discount means you can buy it for at least a 20% to 40% discount off the fair market value. Some experts say that your profits come from actions you take later in the transaction, but the fact is that you make your profits when you buy. To do this you have to expand your search beyond simply the Multiple Listing Service and For-Sale-By-Owners and look for sellers that are “really” motivated. Many sellers say that they are motivated, but, the ones who are truly motivated are those who are in jeopardy of losing their properties or who will end-up with bad credit if they don't sell the property.

In recent years we have seen an unprecedented number of pre-foreclosures, short sales and bank owned properties available for purchase. Now having one of these features does not automatically mean that the property is a good deal, but it certainly helps.

A second requirement of properties worth purchasing is that they have a popular floor plan for the area.

We have found that properties with three bedrooms, more than one bathroom, between 1,000 and 1,800 square feet and that have an appealing floor plan (for the area) have the highest number of renters/buyers interested in them. When we say that the floor plan is appealing, we mean it is not choppy or cut up in such a way that you have to go through a bathroom to get to the kitchen, for instance.

A third important criterion is that the property be in a good neighborhood; close to good schools, shopping and transportation. As an investor, you can change or remodel a property, but you can't change the entire neighborhood. So, pick properties that are in neighborhoods where other properties are being rehabbed or are well maintained. One of the biggest indicators of a good neighborhood is the schools. If the school has a good reputation, the property will be easier to market. We also recommend that you look for properties in neighborhoods that are close to shopping and services, instead of outside of the town limits, because you are limiting who will be interested in buying/renting.

If you find a property with all these characteristics chances are that you have found a property that will be easy to rent or sell.

2. Qualify Properties

Qualifying a property is the process of research and evaluation you go through when deciding whether to make an offer on it. There are two main factors to consider when you are qualifying a property. First, the price of the property has to meet your investment criteria. There are many formulas that investors use to determine if a deal meets their investment criteria. One formula investors use to determine their purchase price is the fast offer formula. The fast offer formula is used when you want to buy and sell properties quickly. The formula is simple. Simply start with average cost of the comparable properties. Then subtract the costs of the transaction, the cost of repairing the property and the amount of the profit you want. The result provides a good idea of what your maximum offer should be for the property.

The second factor used to qualify properties is the property's condition. You will run into properties that don't have any economic life left in them, as well as properties that require very little fix-up. We recommended that you stick with properties that require no more than \$10,000 to \$12,000 in repairs. These costs will include new flooring and painting the property inside and out. One of the biggest mistakes a new investor makes is under-estimating the cost of doing repairs and overestimating the after-repair value of a property. Be sure to get at least a couple of bids on repair costs before making a decision on what you will offer for the property.

Experienced real estate investors typically have a network of resources to utilize when they are looking for new properties to invest in. This can be very helpful as you work through all the steps in qualifying a property. In general, you have to

- Physically inspect the property
- Negotiate price and terms
- Construct a purchase agreement
- Do a title search
- Arrange for financing

3. Finance Properties

There is a saying in the industry, “Money flows to good deals.” Well, it only flows to good deals if the lender, private or conventional, knows about them. A great deal of your success will come from how many funding sources you have at any given time. There is a lot of money out there, but you need to find and develop rapport with potential lenders. Keep these lenders informed of what you are doing. Finally, you need to be able to explain your deals to lenders to secure financing.

4. Construct Contracts

For your first few deals, we recommend working with a real estate agent who understands your investment criteria and is experienced in constructing that specific type of contract. Have the agent draw up the contract for you. If you work with a For Sale by Owner, or FSBO, and you and the seller do not know how to write-up the contract, you could have a closing officer, an escrow company, title company, or a real estate attorney draft the contract for you. As you become more seasoned in the business, you will gain confidence in drafting contracts for your deals. We are talking about contracts now, because we want to make sure you know that all contracts in real estate must be in writing to be legal. Thus, it’s important that you have a working knowledge of how to construct and design your contracts.

5. Select Appropriate Investment Strategies

You should never purchase a property without having several investment strategies already in mind. You want several because conditions may change. For instance, you may be interested in doing a buy and sell, however, after buying the property you realize that the expected days-on-market are six to nine months, so you need to switch to a buy and hold or a cash flow strategy. The shift in strategy may require some additional resources from you, but if you know your options you can make sure your deal is still profitable. It’s important to be flexible and knowledgeable of your target area, so you can react quickly and preserve

profit margins. You will learn all about the following investment strategies and techniques in later guides.

Investment Strategies	Techniques
Fast Cash	Bird Dogging Assignment of Contract Buy and Sell Buy, Fix, and Sell
Cash Flow	Lease Options Sandwich Lease Options Seller Financing
Buy and Hold	Buy and Hold

6. Play the Numbers Game

A popular song a few years ago gave some good advice to gamblers that applies to real estate investors as well. The advice is that you have to

Know when to hold 'em
Know when to fold 'em
Know when to walk away.
And know when to run.

From *The Gambler*, words by Don Schlitz

Real estate investing is all about the numbers. There are several points to consider when you are evaluating the numbers. If the numbers do not add up to a profit when you buy the property, you need to walk away from the deal. One number to consider is the purchase price, if that is not evaluated correctly you will lose money. Next, you need to consider the time frame to repair the property and costs to repair it. Then, since the property will be held for a certain period of time, you will need to know how much it will cost to hold onto it for that time. Finally, the most important number is how much profit is reasonable for a property in that area.

Another element of the numbers game is the number of properties available, the number of offers you make, and the number of deals that you do in a certain period of time. Keep in mind, the more offers you make, the more deals you will do, and the better your odds of earning a good income.

A typical buyer looks at three to five houses before purchasing their home. The typical investor looks at 10 to 20 properties before buying. However, the numbers could be higher depending on your area. It's important to remember that anyone can buy real estate for the asking

price. However, investors must purchase the property at a deep enough discount that when they sell it there is at least a 1% - 20% profit or at least \$10,000. Now, there are many investors who feel that \$10,000 isn't a sufficient profit. They look for \$20,000 to \$40,000 profit for each deal. It takes significant resources and knowledge of the area to capture that amount of profit on every deal. We feel that \$10,000 is a fair profit amount, but if you can make more all the better. Remember, your profit is determined when you purchase the property and not when you sell it.

7. Build Your Success Team

You have already skills that will assist you in your real estate investing business. However, no matter who you are, there are skills that you will need to acquire, or you'll need to find someone who has that set of skills. In many cases, it is a lot easier to rely on various people who have specific skill sets, rather than taking the time to learn them all. For this reason, you'll want to develop a success team that includes people who can provide the knowledge and expertise that you don't have. Your team might include:

- Real estate agents
- Appraisers
- Property inspectors
- Handymen or contractors
- Funding sources
- Lawyers

You can't start too soon developing these relationships. Continue building and maintaining this team throughout your real estate investing career.

8. Market Your Business

Finally, it is important to market your business. Typically, you will market, or advertise, to buy properties, to find buyers, to locate professionals to help you, and to connect with partners who will provide financial backing. You want to build a reputation of dependability and honesty that will bring people back for years to come. Once you get to the point that referrals are coming in, you will not have to work as hard as you did when you started. It is one way to truly work smarter, instead of harder.

We have offered this information in an overview format to give you a basic understanding of the main elements involved in real estate investing. The remaining lessons in the Real Estate Basics Course cover these topics in much greater detail. Depending on the consulting package

you have purchased, you will also have access to a variety of different types of specialized courses and outside- the-box techniques.

Assessment

Here is a quick quiz to help you test your knowledge of the information in this guide. Just answer the questions to the best of your ability. If you find you are having difficulty, please refer back to relevant part of the guide.

1. Which of the following are true of the online Interactive Training System guides? Select all that apply.
 - a) Available 24 hours a day
 - b) Cannot be accessed with a Mac
 - c) Allow you to go at your own pace
 - d) Require previous knowledge of word processing software
 - e) All of the above

2. Match the following critical skills for real estate investors with the appropriate explanation.
 - a) Be persistent
 - b) Be positive and confident
 - c) Be organized and stay focused
 - d) Be patient
 1. Wealth does not happen overnight
 2. Don't be too greedy and over extend yourself
 3. Don't listen to people who have never invested in real estate
 4. Sometimes you will struggle to find motivated sellers

3. Which of these discounts off the fair market value of a property is considered attractive?
 - a) 5% -10%
 - b) 10% - 20%
 - c) 15% - 25%
 - d) 20% - 40%
 - e) None of the above

4. Which of these property descriptions would likely be most attractive to the highest number of buyers?
 - a) 3 bedrooms, 1 bathroom, 3,000 ft²
 - b) 2 bedrooms, 2 bathrooms, 1,500 ft²
 - c) 3 bedrooms, 2 bathrooms, 2,000 ft²
 - d) 1 bedroom, 2 bathrooms, 1,000 ft
 - e) 3 bedrooms, 1 bathroom, 1,500 ft²

5. Write the correct word to complete the sentence, "Money flows to good _____".
6. The typical investor looks at _____ properties before buying.
 - a) Three to five
 - b) Five to 10
 - c) 10 to 20
 - d) 20 to 30
7. You should make a profit of 10% to 20% or \$_____ on your average property sale. Write the amount in the blank.
\$_____

Assessment Answers

1. a and c; 2. a-4, b-3, c-2, d-1; 3. d; 4. e; 5. deals; 6. c; 7. \$10,000

Action Items

The action items at the end of each guide are designed to help you obtain hands on experience in real estate. They will help you take the information that you learned and apply it in your own market. We do not want to see you become book smart only. Our program is designed to help you step out of your comfort zone and become an active player in the real estate industry. If you are not doing something in the real estate business each day, you are not in the real estate business. It sounds obvious, but you can't make money in real estate if all you are doing is learning about it. You should apply these actions items this week.

- Review the information in the workbook chapter for this guide
- Review the resources available within the Interactive Training System
- List the skills you can bring to real estate and the ones you need to develop
- Make a list of the locations that you might want to invest in. Include what you know about the area, such as reputation, schools, income level, crime rate, etc.

Each guide in the Real Estate Investor Series is designed to build upon the previous one. You want to make sure you complete these action items this week so that you have the knowledge and experience you need before taking the next guide. Also, the activities in the workbook further enhance these action items and sometimes combine action items from two guides to show how those items work together to give a more in depth understanding of real estate investing. So by completing this guide's action items and the ones in the workbook, you will be able to

- Review courses on an ongoing basis for reinforcement of concepts and principles taught.
- Utilize all of the tools and resources available in the Interactive training System.
- Identify your current strengths and the areas in which you need to improve.

We are confident that if you apply the techniques and strategies presented in the guides to come you will achieve great success.