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SYSTEMS & STRATEGIES



Newsletter

Industry News for the High Achieving Real Estate Professional

December 2008

Issue 71

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If you've been up late at night or awakened early in the morning, I'm sure you've seen the "get rich quick" investment schemes. These programs tell you that you can buy a property for \$1000 then sell it for thousands over and over. None of my coaching clients nor I have ever had such an opportunity drop in our laps; however, there are fantastic investment opportunities that pass across our desks every day.

Rather than "get rich quick" schemes, we need long-term investment plans so that you can plan for retirement. Don't know what retirement is for a real estate agent? Well, let's see if we can help you with that, too!

This month's article is **Getting Rich by Buying in a Down Market**, and I hope that you take advantage of the opportunities that are presented in this market.

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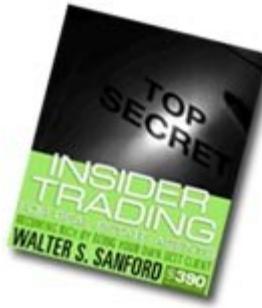
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PRODUCT OF THE MONTH



**INSIDER
INVESTING
FOR REAL
ESTATE
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Walter
personally
invests in real
estate. Thirty
years of secrets
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use format.

You'll find management forms for your
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ARTICLE OF THE MONTH

Getting Rich by Buying in a Down Market

Investing in real estate is one of my favorite subjects. It is also the one item in my career that has been the largest estate builder. Using the three main leverage points of real estate has always been a goal. Let me explain:

Sellers (listings) produce buyers. Buyers, as you search unlisted inventories for their purchase, produce sellers. However, the best leverage point of real estate is the fact that as an agent you get paid by your clients to examine and find real estate inventory everyday. Sometimes that inventory is the correct investment to add to your personal plan!

Of course, there is never a better time to buy than when prices are soft. I do not want you to assume that I base my investment decisions on buying low, because that would assume that I sell high. I can buy during all types of markets, because my philosophy is simply not to sell and let the tenant pay the mortgage off. You might think this takes a long time; however, if you buy a breakeven or cash flow property and manage it well for rental increases, you can pay it off much

sooner than the standard amortization periods.

If you take any positive cash flow from a real estate investment and apply it to the underlying loan every month, you can amortize a 15 year loan in 7-10 years. Almost anything that produces an income will qualify. Houses, condos, multi-family, and commercial properties are all candidates for purchase. As an agent, you have access to the MLS, making it easier to check the "hot sheet" each morning for new listings. You can then apply six rules for purchase.

- 1. Can I own it forever?**
- 2. Will it be breakeven or a positive cash flow property after the first 6 months?**
- 3. No balloon payments.**
- 4. No variable or adjustable interest rate loans.**
- 5. No horrible areas where pride of ownership is not practiced. A good school district helps in renting, too.**
- 6. Buy within a two hour drive time from your home.**

After implementing the above plan, the investment goal is to increase your net worth, then create income as the loans fully amortize. Use that income to accelerate the other amortizations, creating a snowball effect of paid off properties for retirement.

The analysis is fairly simple. Imagine the income in about 6 months. Use a 35% expense factor (high to most investors but I find it more realistic). Subtract this expense factor from the proposed income to find what is leftover to pay principal and interest. Work backwards to see how much of the loan the payment will obtain in the current interest rate market. Next, take the loan amount and divide it by the inverse percentage of the down payment that you are going to use. This will give you the sales price. I used digital offer forms with a nice cover letter that I Emailed to the listing agent.

Obviously, this philosophy works in any market; however, you find more properties that qualify in a slow market than you do in a crazy market.

It is important that you try to buy for the long term. It gives you holding power, if you get the market direction wrong. I never buy to sell, but sometimes I sell if I discover that I do not like the property. Investors who buy for appreciation usually lose more than their original investments, because they keep buying bigger properties. Finally, when the market changes, these individuals often lose everything because they can not hold on.

With this investment program, it is important to get a fixed loan, because I believe we have no where to go but up. It is harder to get fixed loans on commercial and multi-family so private money or seller carry backs on free and clear properties would be options.

Managing while you are doing great in brokerage can be a real time drain. As I teach that sellers are easier to handle than buyers, well, almost anything is easier to handle than a bunch of tenants! You can mitigate the time drain by using my management secrets.

- 1. Rent a good property at a fair rent. Be the best option available.**
- 2. Get a great tenant. This requires a full background check with you confirming every detail. Credit report, sex offender search, job history, property ownership/rental history, previous landlords, and police reports.**
- 3. Get a large deposit. If they have to pay it over time, that's fine.**
- 4. Get long term leases. Your greatest cost is turnover.**
- 5. Have their current place of residence checked out. It is hard to see your cute little rental destroyed. Referral directories for other cities can be great for this task. Other REALTORS® are usually glad to help if your new tenants are from out of town.**

Remember, as a great real estate agent, you owe a fiduciary duty to your clients to have fair and ethical dealings with everyone. Even though I have bought my own listings, I don't recommend it. I gave the seller the option to get out of the transaction any time they wanted, and I disclosed what the property might be worth if properly marketed. When I would negotiate a great deal for a buyer, then that buyer stepped out of the deal – I would step in!

Being in this business is the greatest leverage. Other people pay you everyday for you to look over the investments for your family and future. Good luck in your quest for the perfect investment properties!

Walter Sanford was one of the top real estate agents in North America for nearly thirty years, and now, he is one of the most requested speakers, trainers, and coaches. He has authored twelve systems and books on checklists, pro-active lead

generation, affiliate lead generation, plus others mentioned in this article. You can hire Walter or buy his products by visiting his website for more details at <http://www.waltersanford.com/>, by calling 815-929-9258, or emailing Walter at walter@waltersanford.com.

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