



WEST FLORIDA REIA NEWS

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Doing Your Due Diligence

By Barbara Grasse

Due diligence is the work you do before and after you sign a contract, whether you're buying a home, services, a business, or looking for a life partner. Usually, due diligence refers to the care a reasonable person would take before entering into or following through on an agreement.

When considering a property, the first stop on your due diligence trip is the county appraiser's office. Check to see if the person selling or renting the property is actually on the deed. It is not uncommon for a scam artist to list a property for sale or rent on Craigslist that they don't own. You need to work with the owner(s) or a personal representative who has power of attorney.

The second check is the most recent sale. What did the owner pay for the property and when? This is when you find out if a person is flipping a property or selling the old homestead. It makes a huge difference in your negotiations.

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Helping Your Lease Option Tenant Succeed

Once you have a lease option tenant in place, how do you help them succeed in qualifying for financing? There are good credit restoration programs available, ranging in price from a few hundred dollars to over \$1,500. Clean Slate is a program at the lower end of the price scale. Scorewell, out of California is at the higher end of the range.

While "cleaning up" credit is good, you also need to build credit. Some people don't have bad credit so much as they have NO credit. They need to add to their credit score. One of the best ways to do this, of course, is to make a monthly mortgage payment on time. But you can't get a mortgage without good credit. So, how do you break the Catch 22?

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"While 'cleaning up credit is good, you also need to build credit."

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Check the listed square footage. If the interior square footage is substantially larger than what the property appraiser has on record, someone along the line may have closed in a lanai or garage without permits. In extreme cases, the county could make you tear out the addition.

Checking out a property online can save you time and gas money.

Also check the County Clerk's site. Bring up the official records for the owner and see what pops up. If someone has a lot of properties, you will see pages of deed transfers, mortgages, satisfactions, liens, etc. If someone is a "civilian," there may be just a few transactions. Knowing your seller's level of expertise is helpful. Now check for any liens, including mortgages and lis pendens against the property's legal description. On a good day (meaning the site is working properly) you can look at the documents online get a good feel for how much is still owed on the property, whether or not the owner is upside down or how far along they are in the foreclosure process.

A home inspection, particularly on a larger rehab project, may save your neck. Always have an inspection contingency clause in your contract and use a professional to do the inspection. Conventional lenders call for a professional appraiser and in most cases, you should, too. Have your title company run a quick title search when you are considering a property and then a full title search if you decide to buy. Your contract should state that the seller needs to provide clear title but you need to make sure of it on your end, too.

Due diligence includes finding out as much as you can about the owner.

We also recommend doing your due diligence on the seller. A seller with a long criminal record is going to, at the very least, have drama surrounding him. A seller with pressing liens may be more motivated to sell than someone with a comfortable retirement income. If you're working with an elderly seller who seems a bit confused, call in one of their family members or a trusted friend to ensure that this is what the seller really wants.

When you are renting or selling to someone on terms, always do a credit and background check, even if you know them or they've been referred to you. It is okay if people have a small bump along the road, especially if they tell you about it upfront. What you are looking for are patterns of bad behavior or "bad luck." People who are perennial victims make lousy tenants.

A quick check online might be enough to convince you not to even look at a house. Knowing about a seller's financial position can shape negotiations to your advantage. A credit and background check on a tenant can save you months of unpaid rent, eviction fees, and even damages.

Thanks to the internet, doing your due diligence is easier than ever. A few quick steps can save your bacon. Everyone talks about making money in real estate. Part of that equation is not losing money. Caveat emptor.

What's Your EQ?

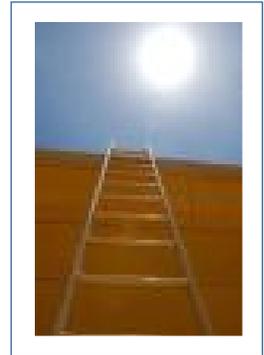
The question, "If you're so smart, why aren't you rich?" has finally been answered. Study after study has shown that EQ is the most important factor in success, even more than IQ.

EQ or your Emotional Quotient is a measure of your emotional intelligence. It's comprised of 26 sectors or competencies that fall into four separate sectors: Self-Awareness; Other/Social Awareness; Self Management; and Relationship Management.

The competencies include things such as self-control, integrity, realistic optimism, resilience, stress management, empathy, teamwork and collaboration, communication, and building bonds.

Sound touchy-feely? It is. EQ is how well you read social (including political and corporate) cues, how well you communicate and relate to others, and your general attitude towards life. How well you handle a setback - handling the stress, realizing that others may be affected, your ability to bounce back -- are skills that will take you further in your career and quest for success.

So, what's your EQ?



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There are several options now available for landlords to report their tenants on-time (and late) rent payments. RentTrack, ClearNow, Inc., and PayYourRent report to Experian; RentTrack also reports to TransUnion.

The fees vary for these services but they are minimal and have the added convenience of allowing tenants to pay online, using a credit or debit card, a recurring charge on their card or ACH. The money is then deposited in your account. No more "the check is in the mail" and tenants have an incentive to get the rent in on time. That's a win.

Two separate studies showed that renters who had previously been rated as "unscorable" - that is, there wasn't enough data to determine a credit score - became scorable once they had between two to six months of reported rent payments submitted.

While we as investors may not want to walk into a bank and beg for conventional financing, our tenants and future buyers need that type of financing. In today's market, buyers need a minimum credit score of 640. Being able to show steady, on-time payments will help your tenants qualify for the financing they need to close.

"These services have the added convenience of allowing tenants to pay online."

Upcoming Speakers

We're working to bring in speakers on topics you'd like to know about. Coming up in the next few months:

Funding for Your Deals - Hard and Private Money - Bridgewell Capital (April)

Seller Financing -- Larry Harbolt

Investing In Probate -- Sharon Vornholt

What real estate and business topics would you like to hear about? Let us know and we'll do our best to contact and bring in knowledgeable speakers.

Send us an email: info@WestFloridaREIA.com and tell us what you want to learn.

Our Next Meeting:

TUESDAY, April 14th, 2015

FUNDING FOR YOUR DEALS

Meeting Place and Time:

Sarasota Association of Realtors
2320 Cattlemen Road
Sarasota, FL
Doors Open: 6:30 pm

West Florida REIA Members: FREE

Guests: \$20.00

*In the Port Charlotte/North Port/
Englewood area?*

Our Port Charlotte Sub-Group meets every Thursday night at 6:30. Bring your deals, your questions, your experience. Pick up a new trick and talk shop with fellow investors.

Sub-Group Leader: Carol Pollard

Perkins Restaurant March 12 and 19th

Starting the 4th Thursday of March we are moving to

Luigi's Restaurant

3883 Tamiami Trail

Port Charlotte, FL

\$5 per meeting

FREE to West Florida REIA members.

VOLUNTEERS NEEDED

We can always use a helping hand!

We're looking for people who can help check in members, assist with coffee set up and break down and putting together our newsletter.

If you'd like to help, please email us at

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