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A Publication of Diversified Real Estate Investor Group

April 2018



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Meet The Team >>

Association Directors

President	Frank Nestore
Vice-President	Jon Owens
Treasurer	Raymond Lemire
Secretary	Marc Sherby
Executive Director	Stephanie Pappas

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Visit us at:
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www.diganswerline.org

Diversified Real Estate Investor Group is the leading regional association for Real Estate Investors in the Metropolitan Philadelphia/Delaware Valley Area. DIG is a National REIA Chapter whose area includes the PA counties of Berks, Bucks, Chester, Delaware, Lehigh, Montgomery, Philadelphia and surrounding counties in South Jersey and Delaware.

We have been serving this area since 1978.

Committee Members

Advertising/Marketplace	Elaine Kochanski
Vendors/Benefits	Marc Sherby
Education/Programs	Don Beck
Facilities/AV/CD Sales	Jon Owens
Membership	Stephanie Pappas
Technology	Scott Redilla
Director Online Training	Peter Durante
PROA Representative	Michael Mumma
Speakers	Raymond Lemire
Sub-group Coordinator	TK Rodgers
Volunteer Coordinator	Marian Maier



DIG Disclaimer:

Diversified Investor Group recognizes that many opportunities are presented to its members and guests. As an individual, it is your responsibility to investigate, and verify, the validity of these opportunities, and consult with a professional, such as your Attorney or Accountant, before investing, as it is possible to lose money investing in real estate. DIG neither sponsors nor recommends any offering made to or by its membership or vendors. Diversified Investor Group is not responsible or liable for the performance or offering or the accuracy of any information presented.

Monthly Meeting >>

What Happens at a DIG Meeting?

General Meeting: 6:00 – 9:00 PM

Genius Bar: 6:00 PM

Come to the meeting and step up to the Genius Bar to get your questions answered on the spot. Hosted by two DIG members that can answer your questions or direct you to the person or place for the answers.

Orientation: 6:00 PM

Are you new to DIG and the real estate investing world? Are you looking for some direction on what you need to do to get started? Do you want to learn all about what DIG has to offer and get your investing career on the right track? This is the place for you! Orientation will start at 6:00 pm, and at 20 minute intervals until 7pm. At your orientation, you will receive a brief overview of DIG and all it has to offer, and an opportunity to ask questions from some of DIG's Investors!

Round Groups: 6:00 – 7:00 PM

Real Estate Law, Getting Started, and various other topics, such as Landlording, Foreclosures, Rehabs, Shore Rentals, Note Buying, and many other real estate topics in a Q & A format moderated by a DIG member expert.

This month's Round Groups:

- Real Estate Law
- Go For It / Getting Started
- Buying and Managing a Vacation Rental

Open Forum: 7:00 – 7:30 PM

Steals and Deals: 7:00 – 7:30 PM

This is YOUR opportunity as a DIG member to share your deal in front of the room. Fill in the form with the information and it will be announced in front of the group and posted at the meeting for all to copy the information as well as to have it posted to the website after the meeting. Visit the website under STEALS AND DEALS to download the form and submit to executivedirector@digonline.org or fill in the form at the meeting to have your deal presented. **Only DIG members may submit forms.**

Guest Speaker/Panel Discussion: 7:30 – 9 PM

Residential Assisted Living Facilities presented by Gene Guarino



Date

*Thursday
April 26, 2018*



Place

NEW LOCATION
*North Hills Country Club
99 Station Avenue
Glenside, PA 19038*



Time

*6pm Discussion Groups
7pm Open Session
7:30 - 9pm Speaker*



Typical Renovations for a Residential Assisted Living Home

by Gene Guarino

The size of the home, the number of bedrooms and bathrooms and the layout are all major considerations when it comes to choosing a home for Residential Assisted Living. In general, bigger is better. More bedrooms and bathrooms means more revenue. Private rooms bring higher income than shared rooms. Private bathrooms can generate an additional \$500 to \$1,000 a month in additional revenue.

Interior space can be reconfigured to create additional bedrooms. Adding bathrooms is significantly harder and more costly though. BUT adding bathrooms will create additional revenue that will typically pay for themselves in less than 1 year. Converting a large bathroom into 2 smaller ones is an alternative. Converting under-utilized rooms into bedrooms is typical as well.

Consider converting garage space and porches into revenue generating bedrooms and bathrooms as well. Always use licensed contractors and get the proper permits when doing this type of work.

If required you may need to install a fire suppression system in the home. This can cost \$10,000 to \$25,000 depending on many factors. Installing a smoke detection system that is monitored by an outside service may be required as well. That is \$1,500 to \$3,000 to install and \$30-\$50 a month to monitor.

If these types of improvements and costs “scare you” at this point, I understand but you have to look at the cost to benefit ratio. If you invest \$30,000 in these renovations and it allows you to make \$10,000 per month in net revenue, how long is the “payback” period? Just 3 months. That is simple math and answers the question, “is it worth the effort?”

If you add an additional \$30,000 in improvements that allows you to generate an additional \$5,000 a month, would that be a good investment? Many real estate investors will remodel a kitchen or add a pool or an addition or a deck, that could cost

more than that and would only generate a fraction of the revenue that a Residential Assisted Living Home would generate.

The most common improvements to a home address the safety of the residents.

Grab bars installed in the shower and around the toilet are common. If you are 85 years old, it's harder to get up and to keep your balance. They are not expensive and they are pretty easy to install.

Consider widening the doors as well. It doesn't need to be every door, focus on the doors they will be using the most. 36 inches wide is great. If a senior has a walker or a wheelchair, that's a real plus.

If you can't widen the door way consider an offset hinge. For \$15 gets the door out of the doorway about inch. An inch doesn't sound like a lot, but if you're a senior and using a walker or wheelchair, that inch is going to save your knuckles.

Smooth floors means less of a trip hazard. Carpet is softer but it also increases the potential for a fall because seniors may not lift their feet when they walk and they can actually increase the risk of a fall.

Good smooth surfaces to consider include: hard wood, tile, linoleum and vinyl. To learn more visit: www.RALAcademy.com

NOTE: Gene Guarino will be our featured speaker at the April 26 general membership meeting and will be presenting an all-day workshop on Saturday, April 28.

Gene is the President, CEO & Founder of RALAcademy. Gene has over 30 years experience in real estate investing and business. Today, Gene is focused on just one thing... investing in the mega-trend of senior assisted housing. Having trained tens of thousands of investor / entrepreneurs over the past 25 years, he now specializes in helping others take advantage of this mega-trend opportunity.

Real Estate Race >>



Real Estate Race at Churchill Downs

by Don Beck

To celebrate the running of the Kentucky Derby in a few weeks, I would like to introduce four horses that will be running in a preliminary race at Churchill Downs. The race is being called "THE KENTUCKY DERBY OF INVESTING" - Sponsored by O.P.M. Here are the four horses entered in the race. Read the track program for a better insight into their past racing history and See if you can pick the winner.

#1 - "Au" by Gold and Precious Metal. Trained by Fort Knox. Driven by the Federal Reserve. This horse is known for its sudden burst of speed (especially when the track is slow) but has no lasting kick in the stretch.

#2 - "SM" by Stock Market and Dow Jones. Trained by New York and American. Ridden by Over the Counter. This horse is known for its manic-depressive fits. Easily influenced by surrounding horses and track conditions. Can't seem to shake a bad crash that happened in 1929.

#3 - "MM" by Money Market and No Guarantees.

Trained by Prime Rates. Driven by Inflation. This horse is a steady runner if track conditions are prime. Will falter as conditions get worse.

#4 - "REI" by Real Estate Investing and Appreciation. Trained by Congress and Depreciation. Driven by Leverage. This horse is undefeated and the leading money winner of all times. No one has been able to keep up with his blistering pace. Has so many assets; wins differently every time he runs.

I knew - "REI" was the "shoe in"

QUOTES OF THE MONTH

Many of life's failures are by people who did not realize how close they were to success when they gave up,

Trust everyone but cut the cards anyway."

To get something you've never had, you must do something you've never done. - Mike Murdock



The most underdeveloped territory in the world lies under your hat.

DIG Rehab Tour June 9

DIG's Summer rehab tour is on for Saturday, June 9, visiting projects in Camden, NE Philly and Bucks County. If you want a real understanding of rehabbing, this is the event to attend. Visit homes in various stages of repair and learn what other investors are doing, or not doing, to reap the big rewards. Mark your calendar and make your reservation NOW. Class size is limited to the first 30 to register. Don't be disappointed. This event always sells out. Visit digonline.org to register. You will be notified of the starting location the week before.

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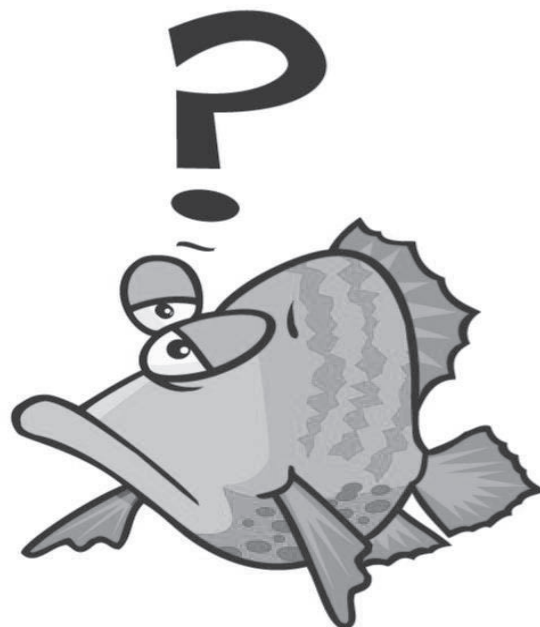
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Dear Dr. DIG: >>



Q. Last October we moved into our new home. We are thinking of renting our former house, perhaps on a lease-option. If we rent the house to tenants, how much tax would we owe?

A. Converting your personal residence to rental status is not a taxable event. Of course, you will report the rental income on Schedule E of your income tax returns. This is the same place you can deduct applicable expenses such as mortgage interest, fire insurance, property taxes, repairs and depreciation.

The best deduction is depreciation because it is a noncash deduction. You can depreciate the lower of your adjusted cost basis (usually purchase price plus improvements) of the home's market value on the date of conversion to rental. The tax result probably will be a tax loss which, up to \$25,000, is deductible against your ordinary taxable income if you earn less than \$100,000 per year.

Dear Dr. DIG

Q. After my neighbor died in 1993, her daughter and sole heir promised I would have the first opportunity to buy the house, which she inherited. She agreed to carry back the mortgage with a 10 percent down payment. We discussed the price and all the details. But last week she listed the house for sale with a Realtor at an asking price almost \$25,000 higher than we agreed on, and she wants all cash. How can I enforce our verbal agreement, which was witnessed by another neighbor?

A. Sorry, verbal real estate sales agreements are not enforceable. The Statute of Frauds requires all contracts affecting real estate, such as for sales, leases and financing to be written if they are to be legally enforced.

There is a very good reason reality contracts must be in writing. It prevents misunderstandings. Although you had a witness to your discussion with the heir of the nearby house, you and the heir might recall the verbal agreement differently.

Only if you had partially performed the agreement, such as giving the heir a down payment or making improvements to the house, would the transaction be taken out of the Statute of Frauds writing requirement. Please consult your attorney for further details.

Dear Dr. DIG:

Q. Recently, on several incidents, some of our colleagues have not been able to collect rent in court for vacant units when tenants moved before the expiration of a year's lease. It would seem to me that for a written lease for one year, the ability to collect rent for the balance of a lease is enforceable in a court of law.

A. Your inquiry did not state the reason the courts have given for refusing to give judgments sought by landlords in your area. I will assume the reason to be mitigation, since that is encountered most often.

Leases are contracts and are governed by contract law which is pretty much the same in most states. Contract law requires that, when the contract is breached, the injured party must mitigate the resulting damages. To illustrate, suppose a grocer contracts with a Florida orange grower for his winter supply of fruit. Along comes a freeze and the price of oranges goes up sharply. The grower refuses to honor his contract with the grocer. The injured grocer cannot let the season go by with no oranges to sell and then sue the grower for all the lost sales. He must mitigate the damage. He must go out and buy oranges for his grocery at the best price he can get. Then he can sue the original grower for the difference between the profit he'd have enjoyed if the contract had been honored and the actual profit he made selling costlier oranges. In a lease situation, a breaching resident cannot be sued for the amount due through the balance of the lease when the resident moves out. The owner must mitigate the potential loss to the greatest extent he reasonably can. When the rental falls vacant in mid-lease, the landlord must clean it up, advertise it, show it and re-rent it for the best price he can get. Then he may sue the breaching resident for the difference between his actual net earnings for the period and what he would have received if the breach had not occurred. Obviously, the actual net earnings from the new tenant can be reduced by the costs of the extra clean-up, extra advertising and if a reduced rate was offered to the new resident because it was necessary to offer a bargain in order to obtain an off-season re-rental.

It is important to understand that there is not absolute right to recover the face value of a contract should the other party default. The courts will always require that you be able to demonstrate a good faith effort to reduce your contractual loss as far as it was in your power to reasonably do so.



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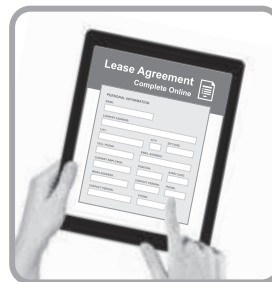
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3

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4

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Upcoming Events >>



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April 28

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May 31

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June 9

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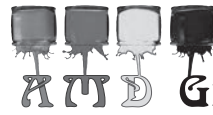
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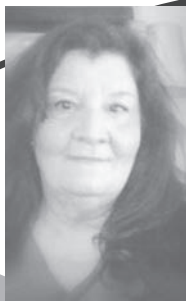
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Monthly Meetings (Subgroups are for MEMBERS only)

Bucks & Montgomery County

Zoto's BuxMont Breakfast Subgroup

Meets the 2nd Thursday at 8:30am in Line Lexington.
Contact Dina Yannich, rentals@yournewhomeagent.com

Rehabbers Subgroup

Meets the 3rd Wednesday at 9:00am in Montgomeryville.
Contact Don Rotanz don@buxmonthomebuyers.com

Vacation Rental Subgroup

Meets the 3rd Wednesday in odd numbered months at 6:30pm in Horsham.
Contact Susan/Larry Cerrito SMCerrito@comcast.net

Lower Bucks County Subgroup

Closed temporarily
Looking for a leader

Central Bucks Subgroup

Meets the 1st Monday at 6:30pm in Warminster.
Contact Mardi Harrison mardi@funding4flippers.com

Creative Real Estate Investors Group

Meets the 1st Wednesday at 9:00am in Dublin.
Contact Don Rotanz at don@buxmonthomebuyers.com

Deal Makers Subgroup

Meets the 3rd Monday at 6:30 pm in Conshohocken.
Contact Mike DeNoia digdealmakerssubgroup@gmail.com

Eastern Montco Sub Group

3rd Thurs of the month except for July and August at 630pm.
Location tbd. Robin Laufer, Hatboro443@yahoo.com

Delaware County

Delaware County Subgroup

Meets the 1st Wednesday at 6:30pm in Havertown.
Contact Daniel Harvey dmhinvest@gmail.com No July/August

Chester & Lehigh County

Chester County Subgroup

Meets the 2nd Monday at 7pm in West Chester.
Contact Steve Seymour seymourproperty@gmail.com

Chester/Montgomery Subgroup

Meets the 2nd Wednesday at 7:00pm in Oaks.
Contact Steve Babiak sbabiak2183@gmail.com
No January, July and August meetings

Lehigh Valley Subgroup

This group is CLOSED and looking for a new leader
Interested? Email membership@digonline.org

Philadelphia

Philadelphia Subgroup

Meets the 3rd Tuesday at 7:00pm in Philadelphia.
Contact Joe Thomas jestprise@aol.com

NW Philadelphia Subgroup (formerly Manayunk)

Meets the 2nd Monday at 6:30pm in Philadelphia.
Contact Joe Scorese jscorese@firsttrust.com

Philadelphia/Lower Bucks Commercial Subgroup

Meets the 1st Tuesday at 6:30pm in Philadelphia.
Contact Joe Scorese jscorese@firsttrust.com
Closed July and August

Phila Breakfast Subgroup

Meets every Friday at 8:00 am in Philadelphia.
Contact Joe Scorese jscorese@firsttrust.com

Philly Riverwards Subgroup with HAPCO

Meets the 3rd Wednesday at 6:30pm in Philadelphia.
Contact Joe Scorese jscorese@firsttrust.com

South Philly Rehabber's Subgroup

Meets the 4th Monday at 6:30 pm in Philadelphia.
Contact Stephen Mazza or Joe Scorese
welovephillyrealestate@gmail.com jscorese@firsttrust.com

University City Subgroup

Meets the 3rd Monday at 6:30-8:30pm in Philadelphia.
Contact Pex Arellano or Joe Scorese parellano@cbpref.com
jscorese@firsttrust.com

New Jersey

Burlington County

Burlington County Subgroup

Meets the 2nd Thursday at 6:30 pm in Maple Shade Township.
Contact Joe Scorese jscorese@firsttrust.com

Members, for more information and exact locations please contact the leader or go to digonline.org

NEW GROUPS WELCOME

Want a great way to network? Join a subgroup near you! This is a great way to meet new people and talk about issues that pertain to your area of investing. No group in your area? Why not start one! If you are interested in starting a new group send an email to subgroups@digonline.org.



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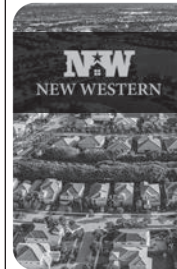
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Properties for Sale

84 E. Columbus Avenue	Pittston, PA	\$ 35,000	Duplex; Two 1 BR; Rent range \$500 - \$550 each	717-587-0440
800 East 9th Street	Ocean City, NJ	\$599,000	4BR/3BA; beach block, ocean views; 2 car garage	610-733-7690
Portfolio sale	Philadelphia	\$250,000	4 Section 8 turn key properties	215-718-7141
15 Ardmore Avenue	Lansdowne	\$125,000	4BR/1.5BA, wholesale deal; motivated seller	267-650-3450
637 Old Elm Street	Conshohocken	\$165,000	Wholesale flip; \$320K ARV; financing available	267-374-7726
2622 N. Chadwick Street	Philadelphia	\$ 25,000	3BR/1BA total gut; N. Philly; Attorney rep. seller	610-659-5926
342 Windermere	Drexel Hill	\$133,000	4BR/2.5BA; Finish rehab; \$265K ARV	610-389-0115
809 Cloverly	Jenkintown	\$175,000	REO; needs rehab; sold "as is"	484-614-1747
3050 Gaul Street	Port Richmond	\$ 80,000	3BR/1BA row; needs structural repair & full rehab	609-923-1743
50 Linden Avenue	Lansdowne	\$ 65,000	3BR/2BA needs some rehab; \$179K-199K ARV	267-875-3641
	Darby	\$ 20,000	3BR/1BA needs full rehab; 1044 SF	484-557-6659
225 E. Wildwood Ave. #405	Wildwood, NJ	\$120,000obo	1BR/1BA turnkey seasonal condo; partial finan.	215-939-6364
6505 Grays Avenue	Philadelphia	\$ 23,500	3BR/1BA perfect rental unit	215-490-4415
3144 D Street	Philadelphia	\$ 38,000	3BR/1BA ready for rehab	215-429-4888
228 E. Marshall Street	Norristown	\$ 47,500	3BR/1BA , garage; 20-30K rehab; financing avail.	267-716-3001
3905 Dennison	Drexel Hill	\$ 79,000	1BR/1BA duplex; \$1275/mo. rent; 9.8% cap rate	267-808-0574
2227 Hobson Street	Philadelphia	\$ 24,200obo	3BR/1BA; needs new flooring, paint, kit. & bath	267-405-2279
26XX Muhlfeld Street	Philadelphia	\$ 99,995	2 3BR homes; good cond.; \$1990./mo. total rent	610-246-7246
738 N. Hazel Street	Allentown	\$ 94,000	12 garages w/ roll up steel doors; \$95/mo rent each	215-350-3632
2602 Peoples Street	Chester	\$ 35,000	4BR/1BA townhouse; good tenant; renovated	610-931-9506
5149 N. 16th Street	Philadelphia	\$ 60,000	3BR/1.5BA; garage; basement w/ entrance	267-825-0978
119/121 E. Anna Street	Whitesboro, NJ	\$ 50,000	2 adjacent lots; no house; Cape May County	267-825-0978
106 Main Street	Darby	\$ 35,000	5BR/2BA; Full rehab @\$35K; ARV \$125K	610-716-1330
1305 Rainer Road	Brookhaven	\$ 60,000	3BR/2.5BA; row house with basement & garage	484-467-3533
176 Davisville Road	Warminster	\$595,000	5 unit farm house; basement & garages; 1 acre	267-987-0571
349 Wister Road	Wynnewood	\$530,000	6BR/3.5BA; ARV \$800K; Repairs \$150K	610-716-1330
1619 Fillmore Street	Philadelphia	\$ 55,000	Fully rented; Owner Financing possible	215-208-9531
176 Davisville Road	Warminster	\$595,000	5 Unit apartment farm house + garages	267-987-0571
1106 Mayflower Drive	Newark, DE	\$170,000	4BR/1.5BA; rehab \$16-20K; ARV \$240K	267-265-3777
7101 N. 19th Street	Philadelphia	\$135,000	3BR/1.5BA; Rehabbed; excellent rental area	215-805-2997

VACATION RENTALS

Myrtle Beach, SC	Call for rates	2BR/2BA ocean view condo on the beach; sleeps 6	267-496-5246 Lynette
Duck, NC	\$855-2900	4 BR/3BA; sleeps 10; www.elanvacations.com; The Grey Goose	252-491-8787 Dawn
Orlando, FL Timeshare	1BR/\$199; 2BR/\$299	Mystic Dunes Resort & Golf; Sunday checkin; 1/22-4/9; 5 nights	215-534-1610 Frank
Sarasota, FL	\$ 695-795/wk.	Relax on #1 beach in US; 2BR+; see it at www.goSiesta.com	215-344-1100 Jeremy
Bonita Springs, FL	Call for rates	2BR/2BA condo, beach, pool, views, WIFI	614-975-6428 Jen
Ocean City, NJ	\$1000-2000/wk.	New 4BR/2BA condo w/ elevator, www.homeaway.com #227402	215-237-1977 Keith
N. Wildwood, NJ	\$ 450-1700/wk.	www.vrbo.com/159300, 3BR/3BA beachblock, sleeps 8, pool, view	610-388-2757 Dave
Ocean City, NJ	\$995-3595/wk.	www.nicerentalhomes.com; 4BR/3BA beachblock; sleeps 10; 9th St	610-473-9981 Susan
Orlando/Kissimmee, FL	\$750-1200/wk.	3BR/2BA home close to Disney, pool & WIFI (call for others)	610-570-4125 Sandy
Margate, NJ	\$1000-5500/mo.	1BR/1BA oceanfront complex condo, sleeps 4, WIFI, pool, parking	610-570-4125 Sandy
Lake Wallenpaupak, Poconos	\$ 625/wk. - \$350/we.	3BR/1.5BA, sleeps 8, 20 min. from Tanglewood Ski Resort	267-242-2712 Olga
Ocean City, NJ	\$ 800-\$1750/wk.	3BR, 2nd fl., beach blk., weeks avail August & September	215-364-1970 Lynn
Wildwood, NJ	\$1400-1950/wk.	4BR/3BA condo w/pool, 1.5 blks. to beach (call for others)	267-254-3507 Bill
N. Wildwood, NJ	\$1800-4495/wk.	www.nicerentalhomes.com; 4BR/3BA fabulous ocean front; pool	610-473-9981 Susan
Ocean City, NJ	\$ 550-850/wk.	1BR luxury condo, 1 blk from beach & boards (call for other 2-4 BR)	215-672-7150 John
Ventnor, NJ	Call for rates	Ocean front/boardwalk/ocean, sleeps 4	732-619-6594 Raymond
Cape May, NJ	\$2300-4500/wk.	1 blk from beach, very large homes, sleeps 17	Landlord@writeme.com
Key West, FL	\$2650-4500/wk.	4BR/3BA, private compound, sleeps 8	215-266-2575 Ron
Key West, FL	\$2400-3900/wk.	3BR/2BA, private pool, sleeps 8	215-266-2575 Ron
Ocean Club, Atlantic City, NJ	\$22K/season	2BR plus den, 2.1 BA, front view of ocean, 18th floor	215-237-3147 Morris
Wildwood Crest, NJ	Call for rates	Condo w/pool, sleeps up to 6, on the beach (call for others)	215-431-4689 Walt

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SEVEN RED FLAGS WHEN CONSIDERING FUTURE RESIDENTS

1) DEMAND FOR IMMEDIATE POSSESSION

When the prospective resident requests immediate possession, do not be lulled into acceptance by the flash of cash of the first month's rent and security deposit in crisp new bills, or the soothing assurance or, "I love this apartment." There are not really many valid circumstances in which a person needs to move that very day. There are plenty of bad reasons though.

2) EXCUSES FOR NOT SHOWING CURRENT DRIVER'S LICENSE

Any excuse or hesitation is a nuclear warning sign. You would never be able to guess how many tenants have given their landlord fake names spelled art variance with their real names, or a different middle initial, etc.

3) INCOMPLETE OR SLOPPY APPLICATION

If the prospective tenant omits any information requested in the application, there usually is a reason other than oversight. Do NOT give the prospect the benefit of the doubt. Demand the information. Look for obvious mistakes on the application. For example, the wrong date, lineouts and cross-outs, non-existent area codes, and addresses, inconsistencies in handwriting, and so on. People who lie give themselves away.

4) OFFER TO HELP FIX UP – EXCHANGE FOR REDUCED RENT

This is a clear indication that the prospect cannot afford the rent. This is a sucker play. (And worse 99% of the time the property will never get fixed up and turns out in poor condition).

5) TENANT ASKS FOR KEY TO THE APARTMENT BEFORE THE RENTAL PROCESS IS COMPLETED

This request will come cloaked in the mask of innocence. If a you comply, you will suffer because that person, or other persons, will simply move-in. This request usually works well with do-it-yourself landlords who don't want to make a trip back to the premises to show the rental to other prospective residents,

6) PROSPECT PARKS DOWN THE STREET

Assuming there is parking in front of the property and the prospect has parked down the street,

consider this unusual and not accidental. If the prospect is driven to the premises by someone else, and that other person waits in the car, consider why. Make note of the model of the car and compare it to the application.

7) PROSPECT USES TERMS OF THE TRADE

As you are showing the rental, the prospect says, "You sure keep this place nice and habitable" or "Has your property ever been tested for..." In other words, the prospect is clueing you in that he is familiar with the terms associated with landlord/tenant law or evictions. The use of such words or phrases in and of itself is not a reason for turning down a prospect. But, like the six other warning signs in the above checklist, this is a strong hint that you should look very carefully at all factors regarding the prospect before possibly accepting him or her.

Reprinted from May 1996 Mr. Landlord



Time Out For LAUGHS CORNER

Real Estate investing can be stressful at times, whether you're an agent, buyer or seller so enjoy these fun facts, figures and interesting anecdotes to keep it light.





National Economic Outlook – March 2018

March 22, 2018

By: Ingo Winzer

One reason a lawyer might pay off a porn star with a home equity line rather than a credit card is that interest rates on credit card balances are very high, around 15 percent at a time when inflation is only 2 percent. The high rates are needed partly because banks constantly have to write off credit card balances that are uncollectable. This can be a big deal – the 2008 recession pushed ‘charge-off’ rates over 10 percent.

Current charge-off rates are around 3.5 percent, far from the danger level, but they have been increasing – back in 2015 they were below 3 percent. And the other part of the picture – credit card delinquencies – have also risen, from 2 percent to the current 2.5 percent.

This news isn’t yet ominous, but it could quickly become so because of the outsized role that consumer debt now holds, both in the profitability of banks and in the ability of consumers to keep spending money. Regulators will focus on the stability of the banking system, but the bigger problem will come from the consumer side. We don’t know at what level delinquencies and charge-

offs will become dangerous because consumers have never carried so much debt, it’s new territory.

Jobs in February were up 1.6 percent from last year, pretty much the same story we’ve seen in previous months. Jobs were up 1.8 percent in manufacturing, 2.4 percent in business services, 1.9 percent in healthcare, and 2.2 percent at restaurants. There was a very small increase in retail and in government. It’s too early to know how much of an impact the recent tax restructuring will have on jobs or income.

About the Author: Ingo Winzer is President of Local Market Monitor, and has analyzed real estate markets for more than 20 years. His views on real estate markets are often quoted in the national press and in 2005, he warned that many housing markets were dangerously over-priced. Previously, Ingo was a founder and Executive Vice President of First Research, an industry research company that was acquired by Dun and Bradstreet in March 2007. He is a graduate of MIT and holds an MBA in Finance from Boston University. He resides in Cambridge, Massachusetts.

Don’t Flop Before You Flip: How to Navigate Through Scams and Create Financial Freedom

By: Christine Martinez de Castro | March 30, 2018



Ryan Kuhlman, creator of *The Flip Coach*, addressing an audience.

P.T. Barnum once said, “A sucker is born every minute.” But, with the birth of reality TV, it can be argued a sucker is born every episode. By using their “celebrity status,” reality TV personalities prey on fans trying to replicate the results they see on popular TV shows like *Flip or Flop* and *Flip This House*. Real estate investing has become an industry rife for scams.

“The fact is that several networks have made the idea of easily making money and becoming financially free wildly popular,” says Ryan Kuhlman, creator of *The Flip Coach*. “These shows have mislead viewers to make it look so easy, and they are unrealistic in the profits they portray.”

The reality is that the average flip generates about \$25,000 to \$45,000 in profit, but many stars of these popular TV shows promise much more. They

(Continued on next page)

Don't Flop Before You Flip cont.

have made millions by promising to share their secrets, but the fact is that most of their millions come from their \$30,000-plus "mentoring programs," versus real-estate investments. We trust these TV stars because we invite them into our homes every week and feel like we know them. Websites exist that are dedicated to reviewing these programs and calling out these scams, but what are some things you can look out for from the get-go if you truly want to learn about real estate investing?

1) Remember the adage, "If it is too good to be true, it probably is." Why would a millionaire real estate investor want to give you all of his secrets for free? He wouldn't, and that's because everything has a price. These gurus advertise their mentoring programs and get rich with "no money, no credit" gimmicks all over the Internet and radio. They tempt fans to sign up for "FREE" seminars that will allegedly equip you with all the valuable information needed to be successful in this business. That's when you'll find red flag number 2...

2) The upsell. The free seminar is only an opportunity for them to sell you on their boot camp, where they entice you with just enough information to sell you their boot camp.

3) More upsell. The two-to-three day boot camp is a way for reality TV celebrities to offer tidbits of information before going in with the hard sell, offering you their \$30k-to-\$60k real-estate mentoring courses that promise to finally give you their secret. But here's the real secret: there are no secrets. Sadly, the chance of you ever hearing from these so-called mentors again is nearly zero.

4) No real local or specialized market knowledge. How can investing in property be the same in Kansas as it is in Los Angeles? It absolutely isn't. You either have to have local market expertise, or learn how to find someone who does. If a program tells you that their program works in any market, it is probably a scam.

5) I repeat, if it sounds too good to be true, it probably is! Reality stars who promise easy profits from their overpriced mentoring programs are little more than scam artists. While there is money to be made in real estate investing, it takes diligence, experience, teamwork and hard work.

There are many sites dedicated to reviewing these programs, so anyone interested can do their homework before investing such a large sum of money in a mentoring program. There are also other options such as Kuhlman's Flip Coach program (yourflipcoach.com) that provide a blueprint of how to start your own real-estate investment business, while respecting the need for local market knowledge, hard work and dedication. He is also the only one in the industry

to provide live online coaching. Unlike other real estate investment programs, The Flip Coach is a standalone program that does not require any additional upsold products to be effective.

"The fact is that you can be successful in real estate investing, but you have to be willing to put in the work and learn your market," says Kuhlman, who is also the owner of Broward and Miami-Dade's Real Estate Investors Associations and the youngest board member of the National Real Estate Investors Association.

Don't allow the celebrity of reality TV lure you into investing \$30,000 into celebrities rather than into real estate. According to Google, Than Merrill is worth over \$100 million, Armando Montelongo brags that he makes more than \$50 million per year, and Cody Sperber owns more than \$1 million in cars alone and is worth an estimated \$200 million. Sperber's website states he has closed 1,000 deals in seven years, and averages 7 to 15 deals per month. If you do the math, it just doesn't add up.

However, the real question remains: how much do these so-called celebrities earn from selling you their secret systems, and how much of their fortune is from actually flipping houses? More importantly, once they sell you their mentoring program, what is their incentive to make you successful? Once these reality stars have their team sell you their mentoring program, they leave town. You'd be lucky to have more than a few conversations over the phone or email, and you are out a very significant investment.



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Online Marketplace

DIG has a "Marketplace forum hosted on it's new Forum www.diganswerline.org for exchanging information about deals, selling leftover rehab materials, finding tenants, promoting properites, publicizing your rehabs for sale, ect.

The Marketplace allows participants to send/recieve non-commercial marketing-related messages to those who are intersted. The DIG Marketplace is realtime, and the updates are manages by the individual seller. This allows very quick responses to the opportunities that are posted.

Sign up by going to: www.diganswerline.org

Once you are registered, submit your properties, ect., on the Marketplace forum. You can also post by emailing your ad to Marketplace@diganswerline.org

We hope to see you there!

Member Resources

Missed a meeting and want to find out what the Speaker talked about? Looked at your notes, and you just know you missed an important point?

DIG has the solution.



Every DIG meeting is recorded.



Meeting recordings are available for download on the DIG website at the DIG Store in the Member Links tab.

GUEST POLICY

Anyone who has never attended a general membership meeting is cordially invited to come to their first meeting as a guest of DIG. After this guest meeting, we invite you to join for a Full Year Member (12 months). Any return visits to a meeting by a Non-Member require a \$25.00 guest fee to be paid.

How many landlords does it take to change a lightbulb?

One. But if you want to change anything else, it takes a lot more of us.

HAPCO fights for your interests every day. JOIN US!

We're the Homeowners Association of Philadelphia and we're the voice of residential property owners and investors like you. In city and state government, in the courts, in negotiations with tenants' groups and others, we stand up for your rights and advance your interests.

But we need your support. Your membership will not only get you a stronger voice, it'll get you practical benefits like member discounts and our low-cost eviction service.

Here's what HAPCO has done for you lately:

Worked with PGW to ensure you're not held responsible for your tenants' unpaid gas bills. PGW's landlord cooperation program, which HAPCO helped develop, allows landlords to avoid having liens placed on their properties if tenants fail to pay for gas service.

Pushed for limits on City Council's lead paint testing law. HAPCO stood up for landlords against a proposed city law that would require lead paint testing with every tenant change. We helped to hammer out a compromise that calls for testing only when the new tenants include small children.

Helped develop a Rental Suitability Certification that doesn't overburden landlords.

City Council's original rental suitability law was onerous. HAPCO led the fight to change it, helping to eliminate unnecessary requirements and expenses.

Helped maintain your right to speak before City Council. When a bill was introduced to take away the right of citizens to speak at city council meetings, HAPCO joined others to defeat the measure so that landlords would always have the right to be heard.

As a member, you'll also get access to information and strategies to help improve your business. Get the perks, get the advice, get a stronger voice.

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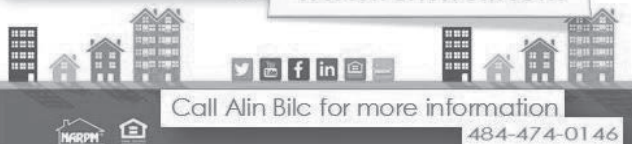
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Nationwide Adoption of Online Notarization Just Took a Big Step Forward

Ben Lane, February 20, 2018

One of the main things standing in the way of a fully digital mortgage in many states is the requirement for a notary to witness the signing of the mortgage closing documents.

Currently, only four states allow their notaries to perform online, remote notarizations, which allow borrowers to “sign” their mortgage documents from anywhere, via secure video conferencing. But it appears that the push to take online notarization nationwide is about to take a huge step forward.

On Monday, the **National Association of Secretaries of State**, a group that includes the secretaries of state for all 50 states, Washington, D.C., and the U.S. territories, adopted nationwide standards for online notarization. And the move is important because in most states, secretaries of state are the commissioning authority for notaries, granting them the authority to act as a notary.

According to the NASS, the electronic notarization standards will form a framework that policymakers and regulators can use when developing and implementing remote notarization laws, regulations and guidance. The effort was led by Kentucky Secretary of State Alison Lundergan Grimes, who chaired a NASS task force on electronic notary standards.

“This task force’s exhaustive process yielded a comprehensive product that sets forth baseline standards to support transactional security, the privacy of the document signers, and the centuries-old assurances of the notarial act,” Grimes said in a release. “I’m proud to have led

this discussion with a bipartisan group of secretaries and key stakeholders from across the country.”

Back in 2006, NASS adopted standards for electronic notarization, which allowed documents to be signed electronically on a tablet or computer. But, the standards still required an in-person appearance in order to verify the signer’s identity. Therefore, electronic notarization was not fully digital. But the adoption of the new standards moves the country closer to nationwide acceptance of online notarization. Currently, notaries in Virginia, Texas, and Nevada are allowed to perform online notarization for signers nationwide. According to Grimes’ office, nine more states, including Kentucky, are currently considering online notarization legislation.

The move towards online notarization is being led, in part, by **Notarize**, a digital platform that allows for legal, online document notarization. As expected, Notarize celebrated the NASS decision.

“We’re thrilled to announce that today, the National Association of Secretaries of State officially adopted standards for online notarization. The new standards are a huge step forward – providing clear policy and regulatory guidance for the effective operation and regulation of online notarizations,” Notarize said in blog post. “It puts notarizations conducted online on par with in-person paper notarizations for acceptance by key regulators.”

Notarize CEO and Founder Patrick Kinsel took to Twitter to further applaud NASS’ move.



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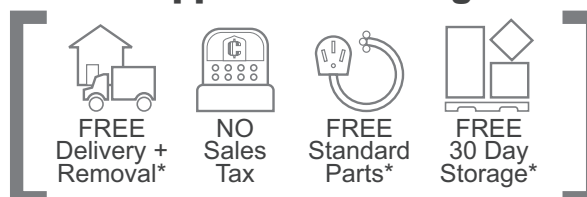
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Collecting the Last Month's Rent at the Start of a Lease Could Cost You

By David M. Tkacik, Esq.

March 26, 2018

A recent ruling from the Pennsylvania Superior Court in *E.S. Management v. Gao*, 176 A.3d 859 (Pa. Super. 2017) clarifies that payment of the last month's rent at the start of a residential lease must count as security deposit for purposes of the Landlord and Tenant Act of 1951, as amended.

Additionally, the Superior Court upheld the application of the Pennsylvania Unfair Trade Practices and Consumer Protection Law and its treble damages and attorney's fees penalties against a landlord who collected the last month's rent in addition to the two month maximum.

To review, PA's Landlord and Tenant Act restricts the collection of security deposits to a maximum of two months' rent for the first year of occupancy. In addition, at the start of the second year of occupancy, the legal maximum is reduced to one month's rent. The relevant section of the law is Section 250.511a, which reads as follows:

Escrow Funds Limited

(a) No landlord may require a sum in excess of two months' rent to be deposited in escrow for the payment of damages to the leasehold premises and/or default in rent thereof during the first year of any lease.

(b) During the second and subsequent years of the lease or during any renewal of the original lease the amount required to be deposited may not exceed one month's rent.

The most notable ruling in the *Gao* case is that collecting the last month's rent at the initiation of a lease falls under the limitations of subsection

(a) above and the Unfair Trade Practices Law. Although the Unfair Trade Practices law was first envisioned as an exclusive tool for the PA Attorney General, with its incredible six-year statute of limitations, its scope has been continually widened by legislative amendment and court decisions. The law was legislatively amended to allow application by private consumers and their attorneys for what are construed to be "deceptive"

actions by those dealing with consumers. Thus, creative application of the word "deceptive" and an ascertainable loss by a tenant is usually all that is needed for a tenant's attorney to make a claim under the Unfair Trade Practices Law.

The law carries stiff penalties which include three times (treble) damages and the shifting of reasonable attorney's fees.

A more troubling aspect of this case is that the court upheld the decision of the Allegheny County trial court that two days is an insufficient time for a tenant to review a residential lease before signing if the court finds the lease to be complicated. The court further upheld the theory that requiring such a short time period was "deceptive" or likely to create misunderstanding. Granted in the *Gao* case it was stressed that the landlord's lease was 15 pages in single spaced type. The Pennsylvania Association of Realtors has been capitalizing on this aspect of the case and encouraging use of its form residential lease, which one would assume, it believes would be found to be uncomplicated by a court. That remains to be seen; however what is clear is that a landlord who uses a shorter, double-spaced, plain-language lease will have a better chance of a favorable court ruling.

If you are unsure if your lease would be considered "plain-language," the PA Attorney General's Office will review it and issue a determination. The procedure for having your lease pre-approved by the Attorney General can be found here:

<http://app.getresponse.com/click.html?x=a62b&lc=BI7m7D&mc=I9&s=0sPCaY&u=SjrP&y=i&>

Tkacik Law Office was directly involved in *E.S. Management v. Gao*, 176 A.3d 859 (Pa. Super. 2017) in representing the interests of the landlord, starting with the appeal to the Superior Court.

David M. Tkacik, Esq. is a real estate attorney and landlord. He can be reached at 412-414-9644 or DTkacik@TkacikLawOffice.com.



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