


Join us in the dining room of the Holiday Inn at 6:00 for Dinner before the meeting.

DISCLAIMER

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This information is designed to provide accurate and authoritative information in regard to the subject matter covered. It is offered with the understanding that the authors are not engaged in rendering legal, accounting or other professional service. If legal advice or other expert advice is required, the services of a competent professional should be sought.
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REMINDER!!

December 7th is our annual election

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Names and numbers are in this newsletter**

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How To Identify A Fraudulent Cashier's Check

The applicant for apartment #3 looked good on paper (and that's what this story is all about). She held a good job for several years, had fairly good credit, and had no UD-related history. We checked with her prior landlords and heard nothing negative.

Now the bad news. We require that the first month's rent and security deposit be paid by cashier's check or money order. This has worked well for us in the past. And it should have been fine this time.

It was not.

The applicant brought in a cashier's check for \$1,850. Our rental agent who accepted the payment thought everything was fine. She signed the rental agreement, and gave the applicant a copy and a set of keys.

The applicant (now tenant) moved in that after noon. Early the next morning our accounting department entered the new tenant *into our computer system and began to process the check for deposit with our bank. This employee processes thousands of personal checks, cashier checks and money orders each month.

This one felt "funny" to her. It was different. As it ultimately turned out, the tenant had given cash to a friend, and asked him to buy the cashier's check for her. He did. Then he photocopied it on a high quality color copier. Front and back. And we accepted it. We assume that he then returned the original check to the bank for a refund.

The relatively good news was that our alert accounting department picked it up right away. If we had deposited it, it could surely had been another week or so before we discovered the fraud. We acted swiftly with the tenant and she was fortunately able to make it good over the course of the next month. She turned out to be the real loser here having trusted her "friend."



So after this long story, here's the lesson: There are all are all sorts of safeguards built in to cashier's checks these days. They are there to protect you, so use them. One of the several such warnings reads: "The variable tone background of this document changes color gradually and smoothly from darker tones at both top and bottom to lighter tones in the middle."

It's true. If you photocopy this check, the colors change abruptly, with distinct lines in between. Another reads: "Company logos appear on back. Hold at 45-degree angle for viewing." Again, it's true. On the real check the logos will appear if held properly. On the copy, no logos. And one of the most clever safeguards is the process used on ADP checks, the company that does our company payroll checks. On the back of the check is a purple "ADP" logo, with the instruction that "Purple ADP logo is printed with ink that responds to warmth. Hold between thumb and forefinger or breathe on it and the ADP logo will fade and reappear." Sure enough ... it works. And you can bet that a photocopy will not do that. This was a scary lesson, and we were lucky. I pass this along and hope that it is of some help to you.

--HAPCO

Reprinted from the Muskegon Area Rental Association Newsletter

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Wayde Koehler 313-277-4168

If you have any suggestions for speakers, drop us a line at: ApPrint1@aol.com or reiawaynecounty.org

Credit Reports for Tenant Screening can be obtained locally at Credit Bureau Services, Inc. You must bring proof of property ownership and a copy of your prospective tenant's application. This service takes only 15 minutes for a hard copy report

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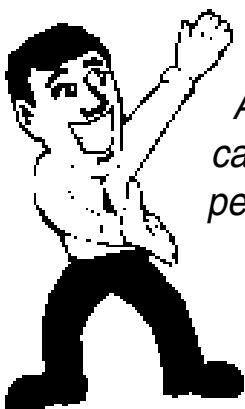
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Newsletter Subscriptions

A newsletter subscription can be obtained for \$20.00 per year for non members.

Simply mail a check payable to:

R.E.I.A.

2962 Fort Street
Lincoln Park, Michigan 48146

Around Town with Real Estate Investor Groups

(call each group for details)

- **OAKLAND R.E.I.A.** *2nd Thursday of the Month*
870 Main St • Clawson
K of C Hall (between 14 & 15 Mi Rd)
1 (800) 747-6742
- **D.O.L.L.A.R.S. Group** *3rd Thursday of the Month*
Mound & 13 Mile
Contact WEndy Patton • (248) 394-2125
- **Macomb Property Owners Association** *1st Thursday of the Month*
Cocktails/Dinner 6-6:30 pm • Meeting 7:00 pm
For More Info Call: 586-716-5370
- **Monroe County Landlord Association** *4th Thursday of every Month*
6:30-7:30 pm Social/Dinner • 7:30 pm Meeting
(734) 457-5758
- **American Landlord Association**
877-247-3372
- **Real Estate Investors Association of Wayne County (REIA of Wayne Co)** *1st Tuesday of every Month*
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- **New Real Estate Investors** *2nd Tuesday of every Month*
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PAST SPEAKERS/TOPICS

04

JANUARY: Matt Bezanson • 248 585-8584

--- Sherlock Homes Inspection
Property Taxes and lowering them

FEBRUARY: Sharon & Larry Yelnick

--- Full Time Real Estate Investors
• 810-231-8126

MARCH: Larry & Kimberlee Frank

--- How They Developed a Business in a Box •
810-577-2239

APRIL: Terie Clark & Sandra Law
from the Melvindale Housing
Commission • 313 429-1095

MAY: Mansa Musa

--- Investor Financing Mortgages
• 248-559-9467

JUNE: Gary Segatt: Real Estate

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JULY: Cathy Garrett: Clerk of

Wayne County

AUGUST: Panel of Wayne County
Investors

SEPTEMBER: Wayne County

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Goals, Foreclosures, Builder & Real
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OCTOBER: Gary Segatti:

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By Ted Orosz

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PAMELA A. MEEK
Assistant Vice President
Human Resources

12/04

ROOFING PEOPLE, a consumer organization, was established to assist property owners and property managers by providing them accurate information to utilize in the decision making process when dealing with a roofing issue. Roofing People provides an extensive webpage with vital roofing information at WWW.ROOFINGPEOPLE.COM and an "ask the expert" department that will answer any roofing question within twenty-four hours at 866-849-ROOF (7663).

Reprinted from the Rental Property Owner's Association (RPOA)

Membership Application

New Member () Renewal ()

ANNUAL DUES Family — \$100.00

(One Address — 2 People)

Single meeting fee for non-members is \$20.00 per person, which will be applied to the annual dues when you join the next month.

(we hope this will encourage people to join)

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How did you hear about us??: _____ Referred by a member?? Their Name _____

EMAIL ADDRESS _____

This newsletter is warranted to be free from defects but NOT Guaranteed!!

Next Meetings

REGULAR MEETING

- **Tuesday November 2, 2004**
- **Tuesday December 7, 2004**

BOARD OF DIRECTORS

Members Welcome (CALL FOR TIME & LOCATION)

- **Tuesday November 9, 2004**
- **Tuesday December 14, 2004**

Real Estate Investors Association of Wayne County

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Teresa Surowiak	313 218-2106	Des Scanlon	734 844-1874

— LIBRARY - Maggie Gibson 1/2 hr before Meeting —

ASSISTANTS: ----- MARGE MARTIN • BOB COUSINO

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03/05

Fair housing

Don't ask whether prospects have children or how many family members will live in apartment

“Familial status” is one of the seven federally protected classes. Practically speaking, this means that you can't discriminate against families with children. As a result, innocuous questions like, “How many children will be living with you?” can lead to a fair housing claim.

It's not an automatic fair housing violation to ask about children, but because these kinds of questions can lead to a claim, it's safer not to include them in your rental applications or on your guest cards.

Ask instead how many “occupants” will live in apartment

Even though you risk a fair housing claim if you ask how many family members will be sharing an apartment, you can ask: “How many other occupants will live in the apartment?” according to Atlanta attorney Robin Hein. It doesn't violate fair housing law to ask how many people will be sharing an apartment, he notes. The violation is in making rental decisions based on someone's familial status. By asking about “occupants,” instead of “children” or “family members,” you avoid the risk of a fair housing violation.

Reprinted from Rental Property Owner's Association

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Next Meeting

DATE - Tuesday November 2, 2004

PLACE

Holiday Inn **HERITAGE CENTER**
17201 Northline Road
Southgate (at I-75 Exit #37)

TIME

Dinner at 6:00 pm
Registration/ Networking - 7:00 pm
MEETING at 7:30 pm SHARP!
FREE EARLY BIRD SPECIAL 6-6:30

TOPIC

OPEN FORUM

Discussing our web site for our members to list their properties — National R.E.I.A. — our library, the election of officers and 5 trustees.

If you are interested in running, please submit a short bio to a board member during or before the December meeting

NEED TO E-MAIL ANY QUESTIONS OR ARTICLES OR ANYTHING FOR US??

We will be using the web address of **ApPrint1@aol.com** or **REIAWAYNECOUNTY.ORG**.

Send us your email address and we can send you a reminder for our newsletter.

Welcome

to our New/Renewing Members & Guests!!

Matthew & Linda Abar

Emmett Hagood III

Vinnie & Suzanne Petre

Tonya Thomas Jefferson

Larry & Kimberlee Frank

John & Lois Janci

Chaudhry Khang

Ron Williams

Larry Becker

Rose Beal

Takeysha Beck

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Cindy Clark

Jerry Clinton

Herman Davis

Mary Depuydt

April Durham

Todd Foster

Keith Giesler

Stan Goodman

D Hardrick

Steve Hay

Bill Herbert

Rebecca Herbert

Mao-Yao Huang

Megann Jobson

D Jones

Sarah McKinley

Ramone Reese

Jen Runion

Justin Sammons

Lori Sarnowski

Harry Smith

Selena Thomas

Please Check out our Library. Maggie Gibson will have the Library available (for 1/2 hr) before our meeting! 7:00 pm - 7:30 pm

A NEW TWIST ON DELAYING TACTICS

While in the court filing recently, I had the opportunity to listen, while a lady tried to file a complaint for non-payment of rent against her tenant.

She had a letter in which she had mailed the notice, with her. It had been returned by the Postal Service with a yellow label pasted across it. The label read:

**Undeliverable.
Moved; left no forwarding address.**

I asked her about the situation and she assured me that the tenant was still there. She did not have a Certificate of Mailing to prove she mailed it, so she had shown the clerk the returned letter. The clerk, as required, could not accept filing the complaint, as the landlord had herself “proved” she had not served the notice.

Obviously, the “tenants” have found another way to attempt to circumvent the process, and in this case succeeded. It is possible that this tenant thought this up himself, but I think that the hand of the “usual suspects” can be seen here.

The way around this is to go to the Post Office, pay the \$.95, and get a Certificate of Mailing. This is proof to the court that you served the notice by first class mail, on such and such a date.

If the letter is returned, that is not your problem. Do not shoot yourself in the foot. Provide the court the Certificate of Mailing as proof of service, nothing else.

In the meantime, we will try to determine how a tenant was able to employ the United States Postal Service in his deception.

If you come across other scams from time-to-time, be sure to let the office know, so we can alert our members.

Submitted by Robert F. Tulloch & taken from Jackson Area Rental Property Owner's Association Newsletter

DTE & name switching tenants

DTE Energy reported to the RPOA-M that the company often experiences “name switching.” The term name switching identifies a situation where a tenant moves from apartment A and attempts to move into apartment B under a new name in hopes of escaping DTE Energy. Because of this, DTE demands positive identification of the customer and-where the tenant hasn't paid-will deny that tenant service.

Why report this to landlords? For two reasons: one, landlords should also be checking for positive tenant identification to ensure-for one thing-that the tenant will be able to get utilities installed in their name; second, so the landlord understands why they sometimes run into problems when trying to rent a vacated unit where the previous tenant owed a utility bill.

The latter reason is important to recognize. The utility may be very reluctant to approve a utility switch if they think that the “new” tenant in your unit is really the old tenant assuming a different name. So, to be safe, make sure you have proof of the identity of your new tenant and a copy of the lease agreement to give as proof to the utility company. Landlords won't always run into this problem-but at least it's good to know why it happens when it does.



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NEGLIGENCE

Landlord allegedly agrees to fix glass panes in door Failure to do so results in injury

Citation: Clark v. Huckleberry, Court of Appeals of Michigan, No. 231929 (2002)

Prior to executing a month-to-month lease, the tenants examined the premises and noted the condition of the swinging door with four large panes of glass. The tenants alleged the glass was visibly brittle and one pane of glass was cracked but held together by duct tape. The tenants also alleged the landlord acknowledged the door was faulty, but reassured the tenants he would repair or replace the door in the near future. The tenants stated they signed the lease based on this promise.

During the course of the lease, one of the tenants routinely asked the landlord when the door would be fixed. The landlord allegedly represented the repair would occur "sometime soon."

One day, as the co-tenant was leaving her home, the tenant reached to open the door to ask where the cotenant was going when her hand went through one of the panes of glass. The tenant sued the landlord for negligence and breach of contract. The court dismissed the claims, and the tenant appealed.

DECISION: Reversed.

The claims should not have been dismissed A trial was needed to

determine if the landlord was liable.

To prove negligence, the tenant had to show the landlord actually had a duty to fix the door. She did. Under state law, a landlord had a duty to maintain leased premises. This duty could not be avoided by utilization of the open and obvious doctrine, as the landlord argued.

To show the landlord breached the lease, the tenant had to show there was an issue of fact in this regard. She did. The landlord allegedly acknowledged a need to fix the door and said he would do it. There was also no evidence to show the landlord authorized the tenants to fix the door themselves under the tenant duties provision of the lease agreement. If true, the landlord could be held liable for breach of the lease, and a trial was needed to determine liability.

see also: Perry v. Sied, 611 N.W.2d 516 (2000)
see also: Arbelius v. Poletti, 469 N.W.2d 436 (1991).

CASE NOTES

Under this state's law, a landlord could not rely on the open and obvious doctrine to avoid liability imposed by state statute. The open and obvious doctrine essentially stated that a landlord couldn't be held liable for injuries caused by an open and obvious danger.

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Ever visit your tenants.?

Why bother? I've had people brag to me that they've had a great tenant for 10 years; always pays the rent on time and NEVER calls about a problem. "I don't bother them -they don't bother me." Personally, I would dread going into an apartment where the tenant was left to take care of all maintenance for a long period. Three possibilities could exist:


- 1) Complete unmaintained shambles: toilet, kitchen and bathroom faucets all leaking MY MONEY down the drain, pipes under sinks leaking and rotting the flooring, smoke detectors pulled out of the walls or not working. And this is just the obvious, deferred maintenance to expect.
- 2) Incompetent attempts by the tenant to fix things resulting in more damage to plumbing and electrical than if the tenant had left them alone.
- 3) Everything professionally maintained at the tenant's expense. My bet for reality is on the first two choices.

Would you hire an inexperienced handyman or painter, a plumber or electrician with no training? Evidently, many owners and managers are content to collect rent and let the tenant be responsible for maintenance.

They naively take for granted that owning property is a carefree walk in the park. Ignoring maintenance is a good example of "pay me now or pay me later." A problem that begins small, won't fix itself. In time it will only get more expensive to repair and could cause damage to surrounding areas, adding more maintenance (and cost) to what began as a small task.


Look back at your records of maintenance requests for each apartment. If you haven't heard from a tenant in 18 months, do you really believe the washers and toilet flappers are still water tight? Most tenants only complain about leaking water when it gets so bad the sound bothers them.

01/05



DAVID SMITH
Loan Officer

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Have they been using their disposer regularly and treating it properly or have they not used it for so long, it's frozen and rusted and has to be replaced? If you think about it, you must admit that no apartment can exist without periodic maintenance; therefore, how can you leave it up to the opinion or whim of a tenant to decide when maintenance is needed and how to do it. If they are not reporting maintenance requests year after year, wake up and smell the damage.

My tenants know that I have a planned, periodic maintenance routine. Every six months I send out a letter:

- 1) giving them one to two weeks notice that I will be inspecting their apartments for smoke detectors and plumbing problems,
- 2) giving them a choice of two weekdays and one Saturday that they can choose, if they want to be home when I enter, and
- 3) inviting them to make a list of anything that is not working right.

You say you have the tenant who refuses you entry because he feels you are intruding on his "privacy" and your inspection is not necessary? You have a legal right AND RESPONSIBILITY to check smoke detectors periodically. You also have a legal right to maintain your property. Don't let the uncooperative or confrontational tenant prevent you from conducting inspections. Some tenants who would object could be hiding something they don't want you to see and only using "privacy" as an issue. I personally have never had a tenant refuse to cooperate. You should make even the most shy and private tenant feel confident that you will handle the visit professionally. They can appreciate that this is a valuable service and that you are a conscientious landlord.

You say, "Gee' that's a lot of work." If this represents your attitude, be sure to wrinkle your nose and say the words as nasal and whiney as you can. Now, bend over so I can kick you. - *(continued next page)*

(continued from other page - Visiting Tenants)

I can't take space here to list how many times I've found unreported maintenance that has saved me the work and expense of a much larger job down the road. The lower water bills from fixing unreported leaking toilets and faucets more than pays me for the time it takes to do the inspection. Repairing other maintenance that you find during the same inspection visit will save you additional return visits to repair them one-by-one in the following months as the tenant reports them separately.

You'll also discover unbelievable housekeeping practices and potential safety hazards that could never be anticipated. A few examples:

— A tenant had built a "steam room" enclosure out of plywood and plastic trash bags in his dining area so he could enjoy a private "spa" after work. Not only was the escaping steam damaging the dining area walls and ceiling, but he had a heavy duty electrical cord stretched from the dining room to the bedroom where the breaker panel was located. He had amateurishly attached this cable directly to the high voltage contacts so he could supply 220 VOLTS to the electric steamer in his "spa."

— I'll try to describe this next "discovery" as politely as possible. A tenant who had never requested maintenance had stopped flushing the toilet because the water supply line had kinked and the tank went dry. For months he was using only a plunger without the help of water.

— The discovery doesn't always have to come from a deceitful or weird tenant. As part of my normal inspection, I entered the apartment of a very nice lady who would never knowingly do anything wrong. In the kitchen, the things I normally give attention to are faucet, disposer, under sink, stove and hood fan and filter. I happened to notice that the top of the cabinets were about one-half inch away from the ceiling. What was causing them to pull away?

Upon opening the cabinets, I saw the shelves were jam-packed with ceramic and glass dishes and cookware. Dishes weigh-up extremely heavy. See how many you can put in a cardboard box before you can't lift it.

Since she wasn't home and the weight had to be reduced, the sooner the better, I unloaded over 200 lbs. of dishes from the cabinets, stacked them neatly on the dining room floor, and called her that evening. It turned out she collected sets of dishes and the kitchen cabinets were the logical place for her to store them. I explained the problem. She packed the dishes in boxes and stored them in a closet. I jacked the cabinets back into position and re-braced them.

Imagine the crash when the cabinets would have inevitably pulled away from the wall and ceiling. Broken dishes, countertop, cabinet framework beyond repair. The tenant would have wanted me to pay for her "priceless dish collection." I would have wanted her to pay for the new cabinets and countertop that had been destroyed. We would have ended up in a lawsuit and I would have lost a perfectly innocent good tenant.

Space here limits telling you more experiences. I could write you a long list of problems to watch out for, but no matter how extensive I make the list, your next inspection will turn up a problem that was not on the list.

The philosophy to follow is to do scheduled periodic inspections religiously with no advanced thought to who's right or wrong, good tenant or bad tenant, expected or unexpected problem. Have your list of traditional items to check and keep your eyes open.

MARVIN FLESCHEMAN is a Certified Apartment Property Supervisor. As a property Management Consultant and a "HUD Designated Lead-Safe Work Practices Trainer," he advises and represents apartment owners, management companies and investors. His expertise includes landlord/tenant relations, preparing your case for small claims court, management operations, reduction of expenses, management training, LA Inspection Ordinance (pre- & post-inspection problems), and Fair Housing and Discrimination (pre- & post-law suits). He may be contacted by E-mail at mfleschman@earthlink.net or website at www.aptproblemsolver.com or phone 818/ 704-7179.

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PAYING THE PIPER

Private annuity trusts allow owners of real estate to defer paying capital gains when they sell property. Here's how the payments to the annuity holder are taxed:

- First, the annuity holder has a cost basis in his or her property.
- A proportionate share of that basis is returned to the holder each year in the form of an annual payment. That share is tax free to the annuity holder.
- Another part of each year's payment will be a proportionate share of the capital gains realized from the sale. That portion will be taxed at capital-gains rates.
- So if the annuity holder has a 15-year life expectancy, he or she will receive 1/15th of his or her basis and 1/15th of the capital gains each year.
- The last part of the payment is ordinary income, and is taxed accordingly, at ordinary income tax rates. The reason the annuity holder receives ordinary income is that the private annuity always earns interest on the unpaid balance. Interest is paid out each year on top of the basis and capital-gains portions.
- The entire value of the property is removed from the taxable estate of the annuity holder. When the holder dies, payments cease and the annuity becomes null and void, leaving nothing in the estate. What's left in the trust passes to the beneficiaries free of estate and gift taxes.

- ARE YOU CONFUSED AND NEED HELP GETTING STARTED IN REAL ESTATE?
- DO YOU NEED A MENTOR? DO YOU HELP FILLING OUT THE FORMS?

LEARN THE FOLLOWING:

- HOW TO INVEST IN REAL ESTATE NO MONEY DOWN
- LEARN HOW TO FILL OUT PURCHASE AGREEMENTS
- LEARN WHAT IS A LAND TRUST AND HOW TO FILL IT OUT

WE HAVE A TWO 1 DAY BOOT CAMP, ONE 2 DAY BOOT CAMP
OR A 3 DAY ONE ON ONE

CONTACT US AT WWW.REALESTATEJUNKIE.COM
OR 888-SOS-ASAP — FOR MORE INFORMATION

Source: The National Association of
Financial and Estate Planning
& reprinted from Muskegon Area Rental
Association Newsletter



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Ecorse, MI 48229

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Fax (313) 841-7540

jscarlett@waynemetrol.org

Wayne-Metropolitan
Community Action Agency

09/05

WHY WOULD ANY ONE WANT TO BECOME A DIRECTOR OR OFFICER OF WAYNE COUNTY REAL ESTATE INVESTORS ASSOCIATION?

1. AS YOU BECOME INCREASING INVOLVED IN AN ORGANIZATION, YOU LEARN ABOUT LOCAL AND NATIONAL SPEAKERS, LOCAL LAWS AND ORDINANCES.
2. HOW LOCAL CITIES ARE CHANGING AND ENFORCING THEIR HOUSING ORDINANCES OR ARE THEY STRONG ARMING THE LANDLORDS DURING INSPECTIONS.
3. WHETHER THE CITIES POLICE AND FIRE ARE DOING THEIR JOB PROTECTING ITS CITIZENS.
4. YOU FAMILIARIZE YOURSELF WITH THE MEMBERS AND FIND OUT WHAT IS OR ISN'T WORKING FOR THEM, WHERE THEY ARE INVESTING. IS IT SINGLE FAMILY, MULTIPLE FAMILY OR MOBILE HOMES.

SO WHAT DO YOU RECEIVE AS AN OFFICER OF THE GROUP?

1. FREE DUES FOR YOUR TERM AS AN OFFICER..
2. TWO FREE MEALS ONE AT THE GENERAL MEETING AND ONE AT THE DIRECTORS MEETING.
3. ALL THE KNOWLEDGE YOU CAN ABSORB.
4. THE SATISFACTION OF HELPING OTHERS AS YOU GROW.

WHAT WILL IT COST ME?

1. AS AN OFFICER, YOUR MINIMAL DUTIES ARE SPELLED OUT, SEE ATTACHED SHEET.
2. AS AN OFFICER YOU WILL BE EXPECTED TO VOLUNTEER FOR VARIOUS DUTIES, SOME WILL BE DONE ON A MONTHLY BASIS, SOME ONLY ONE TIME. IT COULD INCLUDE MAKING TELEPHONE CALLS TO MEMBERS, RESEARCHING A NEW TOPIC OR SERVICE FOR THE GROUP. WE NEVER FORCE YOU TO DO ANY WORK, BUT WORK IS EXPECTED OF YOU.

WHO SHOULD NOT RUN!

1. IF YOUR LIFE IS SO FULL YOU CAN NOT FINISH YOUR OWN CURRENT DUTIES.
2. CURRENTLY THERE IS ONE OR MORE SIGNIFICANT DISRUPTION SUCH AS A DYING OR MAJORLY ILL RELATIVE. YOU ARE THEIR MAJOR CARE GIVER AND SHOULD NOT LEAVE THEIR SIDE
3. IF YOU AWAKE EACH MORNING DREADING THE START OF THE DAY
4. YOU LACK THE ENERGY TO TAKE ON ONE MORE TASK.
5. THERE IS A STRONG POSSIBILITY OF RELOCATION FROM THE AREA.
6. THERE ARE NO RULES ON HOW LONG YOU SHOULD BE A MEMBER TO RUN FOR OFFICE. IT IS RECOMMENDED THAT YOU BE A MEMBER AT LEAST ONE YEAR. ALSO IF YOU HAVE BEEN A MEMBER FOR THE SEVERAL YEARS THAT YOU HAVE NOT LET YOUR DUES LAPSE FOR ANY SIGNIFICANT PERIOD.
7. DO YOU ATTEND 10 OUT OF 12 MEETING EACH AND EVERY YEAR. IF YOU CAN'T ATTEND MEETING, HOW ARE YOU GOING TO DOUBLE YOUR MEETINGS WITH DIRECTORS MEETINGS AND THE DUTIES YOU ARE ASSIGNED.

WHAT DO YOU HAVE TO DO?

1. HAVE SOMEONE NOMINATE YOU AT THE DIRECTORS MEETING IN DECEMBER.
2. ACCEPT THEIR NOMINATION.
3. BE ELECTED BY THE GENERAL MEMBERS AT THE DECEMBERS MEETING.

WHY YOU SHOULD INVEST IN REAL ESTATE!
BY WAYDE KOEHLER

A BRIEF HISTORY OF WHY I STARTED INVESTING IN REAL ESTATE.

IN OR ABOUT 1992 I STARTED ATTENDING MEETINGS FOR THE DOWN RIVER REAL ESTATE INVESTORS ASSOCIATION. I FOUND THE MEETINGS INFORMATIVE AND WORTH ATTENDING. BUT I HAD A DECISION TO MAKE. WAS I GOING TO BUY REAL ESTATE OR INVEST IN MY IRA. I TALKED WITH THEN VICE PRESIDENT CRAIG MORRISON. HE ASKED ME WHY AN IRA. I EXPLAINED FOR THE DEDUCTION OF \$ 2000.00 OFF MY TAXES. CRAIG SAID WHY NOT TAKE THE \$ 4000.00 YOU WERE GOING TO INVEST OVER TWO YEARS IN YOUR IRA AND BUY ONE RENTAL AND DEDUCT \$ 2000.00 A YEAR FOR THE NEXT 29 YEARS. I WAS INTRIGUED BUT NOT FULLY SOLD. SO AT THE END OF THE MEETING I JOINED IN A DISCUSSION THAT CONSISTED OF ABOUT SIX OF THE TOP INVESTORS IN THE GROUP. EACH ONE HAD OVER TWENTY RENTALS, ONE HAD OVER ONE HUNDRED RENTALS. THERE WAS AT LEAST ONE THOUSAND YEARS OF RENTAL EXPERIENCE BETWEEN THEM. (RENTAL EXPERIENCE AS I DEFINE IT IS IF YOU HAVE ONE RENTAL FOR FIVE YEARS THAT IS FIVE YEARS EXPERIENCE. FIFTY RENTAL FOR TEN YEARS IS FIVE HUNDRED YEARS EXPERIENCE.)

I ASKED EACH THEIR WORST EXPERIENCE THEY HAD IN INVESTING OVER THE YEARS. THERE WASN'T ONE STORY THAT WAS SEVERE ENOUGH TO SCARE ME OFF.

SO WITHIN A YEAR I PURCHASED MY FIRST TWO RENTALS. FOR PERSONAL REASONS I DIDN'T BUY MY NEXT RENTAL FOR ABOUT FIVE YEARS. THEN I SET MY GOAL OF PURCHASING AT LEAST ONE RENTAL PER YEAR FOR THE TEN YEARS, AFTER TEN RENTALS I WOULD THEN PAY OFF EACH RENTAL OVER THE NEXT SEVEN YEARS. THEN RETIRE WITH AN INCOME OF ABOUT FIFTY TO SEVENTY THOUSAND A YEAR.

I'VE STUCK WITH THIS GAME PLAN AND ITS WORKED WELL FOR ME. THERE HAS BEEN SOME UPS AND DOWNS, TIMES I WISHED I HAD NEVER SEEN A RENTAL. OVER ALL ITS BEEN A GREAT RIDE.

YOU NEED TO FORM YOUR OWN PLAN IF YOU WISH TO EVER RETIRE.

WAYDE KOEHLER FOR PRESIDENT

I HAVE BEEN PRESIDENT SINCE 1994, ITS BEEN A VERY INTERESTING DECADE. I WANTED TO INFORM YOU OF WHAT YOUR DIRECTORS HAVE BEEN UP TO. WE HAVE GROWN AS A GROUP FROM 105 MEMBERS DOWN TO ABOUT 75 UP TO THE CURRENT 145 MEMBERS.

WE ARE TRYING TO HAVE TWO NATIONAL SPEAKERS PER YEAR NO MORE NO LESS. WE DO NOT WANT THE GROUP TO BE A PERPETUAL AD ON TV FOR REAL ESTATE BOOKS AND TAPES.

SPEAKING OF BOOKS AND TAPES WE NOW OFFER A LIBRARY FOR OUR MEMBERS CONTAINING BOOKS AND TAPES FREE OF CHARGE.

A WEB SITE THAT OFFERS OUR NEWSLETTER, CURRENT AND PAST LINKS TO POPULAR WEB SITES.

WE ALSO HAVE A LINK FOR MEMBERS TO PLACE A CLASSIFIED AD.

WE ARE CURRENTLY REVIEWING THE COST OF PLACING WEEKLY ADS IN LOCAL PAPERS FOR PERSPECTIVE TENANTS TO KNOW OF OUR WEB SITE AND CAN RENT YOUR HOUSES.

AS MEMBERS IN OUR ASSOCIATION WE ARE NOW ALL MEMBERS IN THE NATIONAL REAL ESTATE INVESTORS ASSOCIATION. SOON ALL MEMBERS WILL RECEIVE A BENEFITS PACKET. IT WILL INCLUDE DISCOUNT CARDS TO STORES SUCH AS SHERWIN WILLIAMS PAINT, ACCESS TO THE NATIONAL REIA WEB SITE THAT CONTAINS THEIR MONTHLY NEWS LETTER, ALONG WITH OTHER BENEFITS.

THERE ARE OTHER BENEFITS IN THE WORKS BUT THEY ONLY BECOME VIABLE FROM THE HARD WORK OF OUR TRUSTEES.

Joe Trometer is requesting the opportunity to serve the WC-REIA as a trustee. He is a member since July, 2004, has attended two board meetings, and offers his 27 years experience with Real Estate investing.

He is licensed in Mechanical, Building, and Real Estate Sales, has exceeded fifteen investment deals, holds rental property, and enjoys full time investor status.

If elected, Joe can offer his know how and action plan to member investors; from beginner to retire the employer.

Get more for your investment dollars.

Elect Joe Trometer at your December election. See you there.

Joe Trometer
(734)612-0115
retemor@comcast.net

Protect right to opt out when contract expires

If your Section 8 contract is set to expire in the next year or two, take steps now to protect your rights at contract expiration. HUD's Section 8 Renewal Policy Guide sets out new notice requirements that apply to all sites that send notices after Jan. 19, 2001.

HUD now requires you to give residents a one-year notice of your intent to opt out of the Section 8 contract as a condition of opting out. This means that if you don't send residents a notice of your site's intent to opt out of the Section 8 contract one year before your contract expires, you'll delay your ability to opt out once your contract expires. You'll have to wait a full year from the date of the one-year notice before you can opt out of the contract and get higher rents for the units, says Deana Wilson, vice president at the Gene B. Glick Co., in Indianapolis, Ind.

Here's what you should do to preserve your right to opt out when your contract expires.

Send opt-out notice if there's any chance you won't renew

The guide gives two sample notices, one for sites that intend to renew and one for sites that intend to opt out. To preserve your right to opt out at contract expiration, send residents the one-year opt-out notice- even if you think you might renew, suggests Wilson. For instance, you may be undecided about which renewal option is best for the site. But a year from now, you may decide that the best option is in fact to opt out. If you send the opt-out notice, HUD rules permit you to change your mind and renew as late as 120 days before expiration, says Wilson. But if you've sent the one-year notice saying that you intend to renew, you won't be able to opt out when your contract expires. You'll have to send residents an opt-out notice, then wait one year from the date of the opt-out notice to opt out of the Section 8 program

AHMI Says: If your HAP contract expires in less than a year and you still haven't sent opt-out notices to your residents, send them now. The longer you wait to send the opt out notice, the longer you'll have to wait to opt out after your contract expires.

If you've already sent one-year notices to residents saying you intend to renew the contract, talk to HUD or your contract administrator about sending new opt-out notices. But if you sent one-year notices before Jan. 19, 2001, that complied with HUD's previous renewal procedures, HUD says you don't have to send new one-year notices.

Add language to opt-out notice

Sending opt-out notices to residents even if you intend to renew is likely to cause your residents unnecessary alarm. So if you're likely to renew, you may want to soften the impact of the notice. You can do this by adding language that lets residents know you don't intend to renew at the time you send the notice, but you still have the option of renewing and may in fact do so, says Denise Muha, executive director of the National Leased Housing Association. Here's some sample language you can add. It's similar to the language of an opt-out notice that Muha's organization prepared for its members to submit to HUD for approval to use.

SAMPLE LANGUAGE:

However, if Congress makes funds available, the owner and HUD may agree to renew the Section 8 contract and avoid the expiration of the contract and termination of the projectbased subsidy for your unit.

Add this language in the second paragraph, immediately under the sentence: "This letter is to notify you that we do not intend to renew the current Section 8 contract when it expires" that appears in boldface type in the middle of the page.

Get HUD approval. You must get HUD's approval to change any language in its opt-out notice, says Wilson. HUD requires that all one-year notices you send residents, including opt-out notices, be reviewed and approved by HUD, says Muha. So, to preserve your options at contract expiration, show the revised opt-out notice to your attorney, and get HUD's approval before using it.

AHMI Says: You can download a copy of HUD's Section 8 Renewal Guide by logging on to HUDCLIPS at www.hudclips.org and clicking on "Section 8 Renewal Guide" under "Shortcuts." The document is nearly 400 pages long, so you may want to print it out in batches. HUD's sample notices are contained in the appendices to Chapter 11.

10 Things You Need to Do to Make Money in Multis

With Mark Monroe

Multifamily investing is a very profitable business when done intelligently. The problem is that too many people go into these investments without truly understanding the economics of owning and maintaining apartments. Here are some common-sense tips that I think are very often overlooked by investors who purchase multifamilies.

1. Look at ALL the expenses and income. Too many buyers of multifamily buildings look only at the expenses on the MLS sheet or the seller's schedule "E." These do not reflect all of the expenses you might have in running the building. For instance, accounting costs, legal costs for maintaining your entities, the cost of your financing-none of these things will be reflected in the agent or owner's info ... but they are all real expenses to you.

2. Don't believe everything you're told. Some sellers have been known to overstate their income and understate their expenses to the IRS on the last 2 tax returns before they intend to sell. Check every piece of information you are given.

3. Look at the current AND potential numbers. Many buyers get too involved with the potential profit from a run-down property, forgetting that it could take several years to turn it around and get to those numbers. Conversely, if you look only at the current income on an undermanaged property, you could pass up a good deal that just needs better management.

4. Don't forget that some expenses will change as a result of your purchase. This is especially true of real estate taxes: as soon as the new sale is picked up by the taxing authority, the value will be raised to your purchase price, and the taxes raised accordingly. On a large property, this could mean thousands a year in extra taxes to you.

5. When calculating rate of return, don't forget to include ALL acquisition costs. Return is usually calculated as income divided by downpayment. But inspections, closing costs, appraisals, and immediate repairs should also be included in this calculation to get a true idea of the return on your investment.

6. Replacement reserves cannot be overlooked. The biggest overlooked expense in owning apartments is the replacement reserves. The reserves are a way of accounting for the fact that the mechanical components of your building are slowly depreciating and will eventually have to be replaced. By accounting for this annually, you get a much clearer idea of the true return on your property.

7. Lack of capital will sink you. It's not enough to account for replacement reserves. You must also keep money in a reserve account to pay for the, bad roof, broken boiler, and so on as the problems arise. Too many property owners get themselves into major trouble by being under-capitalized when repairs are needed.

8. Don't forget to take into account the effects of income taxes. One of the big advantages of owning rental properties is that they often make money in reality but lose money on paper due to depreciation deductions. This translates to real money in your pocket.

9. There's more than one way to profit from multifamilies. Conventional wisdom says that buying and holding is the only way to make money in apartments. But I have successfully bought, fixed, rented up, and resold large buildings for huge profits on several occasions.

10. Run your business like a business. There are lots of great management and bookkeeping programs available for landlords, and a number of excellent seminars and home study courses. Keeping good records and learning how to correctly manage your rentals will decrease your hassle enormously. As with all the other great real estate strategies, knowledge is profit in owning and running multifamilies.

REMINDER

**The ANNUAL ELECTION will be held at our regular
December meeting on DECEMBER 7, 2004**

All Office positions and five Trustees will be elected.

THE DUTIES ARE:

President (one year term)

Presides at Association meetings, at meetings of the Board of Directors, and, as necessary, at Other Events.

Sees that all orders and resolutions of the Board of Directors are implemented.

Oversees work of committees of the Association and is an ex-officio member of each committee.

Performs such other duties as the Board of Directors may prescribe.

Vice-President (one year term)

Performs the duties and exercises the powers of the President in his/her absence or disability.

Performs such other duties as the Board of Directors may prescribe or the President may delegate.

Succeeds to the office of the President until a successor is chosen, if the office of president become vacant.

Treasurer (one year term)

Has custody of all funds of the Association.

Keeps full and accurate accounts of receipts and disbursements.

Promptly deposits all funds into the Association bank accounts.

Maintains complete and accurate records of the Association's funds.

Renders financial reports to the President and Board of Directors upon request.

Renders financial reports to the membership as requested by the president and Board of Directors.

Performs such other duties as the Board of Directors may prescribe or the President may delegate.

Secretary (one year term)

Keeps a record of all official actions taken at Regular Meetings, special meetings, Board of Director's meetings, the Annual Election and, as necessary, Other Events. Is responsible for carrying out the communication program of the Association, including seeing to it that notices of all Association meetings and Other Events are duly given.

Oversees collection of Dues and fees payable to the Association.

Maintains the general membership tally and other official records of the Association.

Maintains attendance records for Association meetings and Other Events.

Performs such other duties as the Board of Directors may prescribe or the President may delegate

Trustee (two year term)

Are full voting members of the Board of Directors, which, in conjunction with the Officers, conducts the business, and administration of the Association.

If you are interested in running for one of these positions, you may want to let other members know of your interest. The best way of doing that is to submit a brief (up to 3 paragraphs) description of who you are, what position you are running for and why you would be a good candidate.

That write-up will be printed in the November newsletter Submit the write-up to Rose Papp or any member of the Board of Directors

FREE 2 DAY BOOT CAMP ON HOW TO MAKE MONEY IN REAL ESTATE & \$3,000/\$5,000 IN YOUR POCKET IN THE FIRST 6 MONTHS OR LESS WITH BUSINESS IN THE BOX

\$1,797.00 per Person \$397.00 2nd Person (Partner or Spouse)

ORDER NOW & SAVE \$697.00

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Things you need to know to become successful in Real Estate with Kimberlee & Larry Frank

JAN 29 & 30 (Sat & Sun) We Accept Credit Cards

Held at: 12514 N. Saginaw, Mt. Morris, MI (5 minutes from Flint - I 475 - Exit 13)

Nationally known successful Real Estate Investors, Kimberlee and Larry Frank (read our biography which is in Ron LeGrand's New Book) of Real Estate Junkie are inviting you to their office in Mt. Morris, Michigan to tell you all the secrets we know about real estate. (WHOLESALE, RETAIL, REHAB, LEASE OPTION / RENT-TO-OWN, SUBJECT TO, LAND TRUST are just a few things we discuss at our boot camp).

YES, THE BOOT CAMP IS FILLING FAST AND WE HAVE ONLY A FEW SEATS LEFT. WE ONLY TAKE 12 STUDENTS TO MAKE IT CLOSE AND PERSONAL SO THAT YOU CAN BECOME SUCCESSFUL. At this 2 day Boot Camp you will learn HANDS ON - STEP BY STEP - what's needed to become successful quickly.

***Where to find the Money to Buy Real Estate \$\$**

***How to get Motivated Sellers calling you**

***Understanding all the Forms especially LAND TRUSTS postcards**

***Advertising that works from Flyers to**

***Entity Structuring & Bookkeeping**

***House Tour and analyzing repairs**

***A list of team players - CPA, Attorney, Contractors**

***Understanding what is needed to get Mortgages**

***Finding Cash Buyers**

***Formulas needed to make offers on**

houses

***How to track owners of vacant homes**

***How to find good deals listed with Agents &**

FSBOs

***You will get Course, Forms, 10 CDs & 6 Mo. Coaching**

***READ THE TESTIMONIALS ON THE BACK**

WHAT IS BUSINESS IN THE BOX?? WE DO EVERYTHING AND YOU DO NOTHING. Our Students just can't stop talking about BUSINESS IN THE BOX. This program is available for our Students only. We help you find a house, you buy it, our crew will fix it, you get a mortgage, we find a Tenant Buyer, and you rent to own/lease option to them who will ultimately buy the home from you. We will do all the managing and paperwork during Business in the Box. You just sit back and watch it work. You get paid \$3,000 to \$5000 WHICH MAKES THIS BOOT CAMP FREE and you still own the property with an equity position of \$10,000 or more. Just think what that will do to your Personal Financial Statement. With all the write-offs, you can lower your tax basis and maybe ZERO out your taxes.

Name: _____ Address: _____

Email: _____ City, State, Zip Code: _____

Phone: Hm _____ Cell _____ Fax _____

Credit Card Number: _____ Expiration date: _____

Amount: \$ _____ "X" _____

Signature

Mail checks to: ASAP Investments, P.O. Box 342, Hartland, MI 48353 - Phone & fax - 810/750-4910

Boot Camp is from 8 to 8 on Saturday and 8 to 6 on Sunday - See you there

CALL OR FAX YOUR ORDER TO RESERVE YOUR SEAT NOW !!!

888-SOS-ASAP

TURN PAGE OVER

www.RealEstateJunkie.com

TURN PAGE OVER

**ONE ON ONE TRAINING AVAILABLE FOR 3 DAYS INCLUDES COURSE, 10 CDs, FORMS
AND 1 YEAR OF MENTORSHIP**

\$3,750.00

TESTIMONALS FROM STUDENTS

I have attended your boot camp and have done "BUSINESS IN A BOX". Your Boot camp was clear and concise and more importantly it was in my own back yard "MICHIGAN". Your Business in the Box is a "NO BRAINER" and it is a great way to start in the business. On my first deal I made \$17,000.00 at closing and it was GREAT!! I will continue to do business with you both anytime. You both are always there to answer questions and make me feel comfortable. Thank you both again for all your help. Gregory Hall – Whitmore Lake, MI

If we hadn't attended your December boot camp, we would still be sitting at our REIA groups watching everyone else talk about their deals. Well thanks to the two of you, we can now say we have a deal too. You gave us knowledge, enthusiasm, a dream team and a guiding hand. Your confidence, experience and integrity actually relieved the fear we had in doing our first deal. We can never thank you enough for helping us into the wonderful world of real estate investing. Sue and I are having a great time rehabbing our new house which we purchased for \$16,026.00 and will appraise for about \$55,000.00, and can't wait to "rent to own" this home so we can get another. I have a feeling we just may become "real estate junkies ourselves". Everett and Sue Wilbur - Commerce Township, MI

I wanted to take a moment and thank you for the impact you have had on my life. Though I only met the two of you at your Boot Camp in January I consider you both good friends and you are also the foundation of the Dream Team. I must say that your REAL ESTATE JUNKIE BOOT CAMP is probably one of the best things to ever happen to me. I joined the NREI Club in October and after attending 4 meetings I decided rather than continuing to wish I was one of the members up front giving their story it was time for me to make my own story. To my amazement 3 weeks after taking your Boot Camp I had two offers accepted and closed on my 1st house all within one month of taking your Boot Camp. What's even more amazing is that on March 1st; I will be closing on my second home. HOW AWESOME.... Oh, I gues I left out one small detail, after I take a mortgage out on these two properties I should put \$17,000 IN MY POCKET. SEVENTEEN THOUSAND DOLLARS in like two months and that does not include the remaining equity of \$20,000.00 in the two homes. Thanks for changing my life, helping me fulfil my dream in real estate and becoming great friend. Todd C. - Macomb County, MI

Thanks for the great advice and class information discussed at your boot camp. I found it extremely helpful, organized and informative. Attorney Robert Mattler - Franklin, Michigan

We have about \$20,000 in a home we purchased with the help of Larry and Kimberlee. That includes purchase price, all closing costs, rehabbing (Materials only, Roof & Furnace too It will appraise for \$60,000 by the end of February 2004 (After a little elbow grease). My husband and I are forever grateful that Larry and Kimberlee chose to share their wisdom in real estate for a fraction of what we were charged elsewhere. Doug & Lisa Caruso - Rochester Michigan

For more testimonials please visit our website at www.realestatejunkie.com and click on testimonials.

Read more about Larry and Kimberlee Frank in Ron Legrand's new book, "How To Be A Quick Turn Real Estate Millionaire", page 101.

HURRY CALL OR FAX YOU ORDER TO RESERVE YOUR SEAT NOW!

www.realestatejunkie.com

(810) 750-4910 Telephone or Fax

**FREE HOUSE "SUBJECT TO"
ONE DAY TRAINING**

**\$699.00 per Person \$149.00 2nd Person (Partner or Spouse)
ORDER NOW & SAVE \$250.00**

**EARLY BIRD Special \$499.00 for 1 and \$99.00 for the 2nd Person Ends January 5, 2005
Things you need to know to become successful in Real Estate with Kimberlee & Larry Frank**

JANUARY 16TH (Sunday) We Accept Credit Cards

**Held at: 12514 N. Saginaw, Mt. Morris, MI (5 minutes from Flint – I 475 - Exit 13)
Nationally known successful Real Estate Investors, Kimberlee and Larry Frank (read our
biography which is in Ron LeGrand's New Book How to be a Quick Turn Real Estate Millionaire)
of Real Estate Junkie are inviting you to their office in Mt. Morris, Michigan.**

**How would YOU like to have a FREE HOUSE and I mean not an ugly piece of junk house??? I
mean a beautiful house that needs absolutely no work well maybe clean the carpet or minor
repairs but not a full blown rehab. And it is free!!! Or even better, you get paid to get a FREE
HOUSE!!! This is known as getting a house "Subject to" the existing financing. We have a One
Day Training Class for a lucky few who can step outside the box and leave their comfort zone.
This training could be your ticket to wealth. How do we know???? We have done it many times
most recently in September of 2004 and got paid \$2,000 to take the home with minor clean up
and with a profit of \$30,000 plus on the back end. This didn't include the down payment we
would receive from our Tenant Buyer.**

- *Hands on Training**
- *How to find Motivated Sellers**
- *You will be filling out forms**
- *Reasons why Sellers will give you their house**
- *How to fill out a Purchase Agreement**
- *A disk with all forms on Subject to**
- *What things triggers the Due on Sale Clause**
- *Clear explanation of all forms**

Name: _____ Address: _____

Email: _____ City, State, Zip Code: _____

Phone: Hm _____ Cell _____ Fax _____

Credit Card Number: _____ Expiration date: _____

**Amount: \$ _____ "X" _____
Signature**

Mail checks to: ASAP Investments, P.O. Box 342, Hartland, MI 48353 – Phone & fax - 810/750-4910

**Boot Camp is from 9 to 5 on Sunday – See you there
CALL OR FAX YOUR ORDER TO RESERVE YOUR SEAT NOW !!! 888-SOS-ASAP**

TURN PAGE OVER www.RealEstateJunkie.com TURN PAGE OVER

??? LAND TRUST & PURCHASE AGREEMENTS???

ONE DAY TRAINING

\$299.00 per Person \$149.00 2nd Person (Partner or Spouse)

ORDER NOW & SAVE \$100.00

EARLY BIRD Special \$249.00 for 1 and \$99.00 for 2nd Person Ends January 5, 2005

Things you need to know to become successful in Real Estate with Kimberlee & Larry Frank

JANUARY 15TH (Saturday) We Accept Credit Cards

Held at: 12514 N. Saginaw, Mt. Morris, MI (5 minutes from Flint – I 475 - Exit 13)

Nationally known successful Real Estate Investors, Kimberlee and Larry Frank (read our biography which is in Ron LeGrand's New Book) of Real Estate Junkie are inviting you to their office in Mt. Morris, Michigan.

Do you know what a Land Trust is? Do you know why SMART Investors use a Land Trust? Should you be using a Land Trust for your property? No one understands a Land Trust. If you are going be a Real Estate Investor, you need to know what a Land Trust is and how to properly use it! You need this class. It is not what you know that can hurt you, it's what you don't know that can really hurt you. You don't want to be the unlucky Investor who is sued by an attorney (CALL ME FREE) and loose everything because you were uneducated in protecting your assets. Most people put property in their own name. You need to know how to title property in case of a lawsuit. If property is in one name, then everything in that name is at risk. This training will answer all of your questions and teach you how to prepare the forms yourself. You can immediately place your own HOME in a Land Trust, this is worth the cost of this course 10 times over. There will be no high attorney fees for an attorney to prepare the Land Trust.

Are you worried about what paragraphs are really necessary to have in a Purchase Agreement? There are so many forms and paragraphs that a lot of Investors get confused what Purchase Agreement to use. If you have a CASH SALE or a LAND CONTRACT SALE wouldn't it be nice to have a specific Purchase Agreement? Would you like to have a short explanation on why you should use certain paragraphs in the Purchase Agreements?

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Fair Market Rent and Section 8

By Mary McDonald, HUD Program Manager Seneca NY

For those of you who currently participate in the Section 8 Housing Choice Voucher Program or are planning to participate in the future, some clarification may be in order for Section 8 rent amounts based on recent answerline frustrations: HUD's definition of "Fair Market Rent" or FMR is published on HUD's website at <http://www.hud.gov> for each Local Housing Authority (LHA) every October. The LHA is bound by HUD's FMR amount for each bedroom (BR) size unit. In major metropolitan areas, HUD's FMR is set at 50 percent of the market rent; in non-metro areas, their FMR is set at 40 percent of market rent. HUD comes up with the FMR through a survey conducted in each area to determine a range of rents for each BR size; then the 40 th or 50 th percentile (depending on location of unit) is determined by HUD. The FMR includes utilities. LHAs then set their "payment standard," which is what they will actually approve for a rental amount, based on number of bedrooms at between 90 percent and 110 percent of the FMR. Most housing authorities are setting their-payment standards at between 105 percent and 110 percent of FMR. They are not allowed to go over 110 percent without special approval from HUD. The proposed rent amount from the landlord has to fall within the payment standard, including utilities. The proposed rent from the landlord must also pass a "Rent Reasonableness" test to ensure the asking rent is comparable to rent charged for similar unassisted units in the same area. Each LHA has its own method to determine reasonable rent, based on location, number of bedrooms, amenities provided by the landlord (i.e. refrigerator, dishwasher, central air, garage, etc.) and utilities included in the rent.

Prior to the tenant receiving their voucher, which indicates the number of BRs for which they are approved (this is an actual piece of paper that you can ask to see when they apply for your unit, so you know how much BRs they are eligible to receive assistance for), the tenant's income has been verified and their adjusted income calculated by the LHA. The tenant's share of monthly rent and utilities is determined based upon 30 percent of their adjusted monthly income. The LHA then subtracts the tenant's portion of rent from the payment standard amount to determine the amount the Housing Assistance Payment (HAP). The tenant's share plus the HAP (which is the monthly amount toward rent paid by the LHA) equals the payment standard. If the rent proposed by the landlord exceeds the payment standard but is still rent reasonable, the tenant's portion of rent may go up to 40 percent of their monthly adjusted income. There is somewhat of a "shopping incentive" here, because the difference between the 30 percent and 40 percent amount comes out of the tenant's pocket.

In theory, then, a possible rent scenario will run as follows:

The tenant, armed with a 3BR voucher, wants to rent your unit. Your asking rent is \$900, and the tenant is responsible for all utilities. The LHA's payment standard for a 3BR unit in the area in which your unit is located is \$950. The LHA determined utility allowance for your unit is \$125 per month. Your asking rent is determined to be reasonable. The HAP amount is determined using the payment and standard minus 30 percent of the tenant's adjusted monthly income. Let's say the tenant's monthly adjusted income is \$1,417 per month. Thirty percent of their income is \$425 per month. The HAP amount is therefore \$525 per month (\$950 minus \$425). If this were where the story ended, your asking rent would have to be reduced to \$825 in order to fall within the payment standard (\$950 minus \$125 for utilities), the LHA would pay \$525 per month and the tenant would pay \$425 per month. However, a fairly new regulation allows the tenant to pay up to 40 percent of their monthly adjusted income toward their housing costs, so their monthly income of \$1,417 is now multiplied by 40 percent to determine the maximum amount the tenant can pay. This would calculate to \$567 per month. The tenant's \$567 plus the HAP amount of \$525 = \$1,092 per month minus the utilities of \$125 per month equals \$966 per month highest base rent allowable. Your asking rent of \$900 is lower than this maximum amount of \$966, so you get the rent you're asking for and the tenant makes up the difference of the extra \$75 per month. The HAP payment to you remains at \$525 per month, and the tenant pays you \$375 and pays their own utilities of \$125 per month.

LHAs do not particularly want to tell you (as the landlord) what the payment standard is for your unit. This tends to be closely guarded information. The theory, I guess, is that if your unit comes in below the standard, and the tenant pays their part, the HAP amount is lower. The tenant pays 30 percent no matter what the rent is, so the HAP amount is the amount that will be reduced if your unit is lower than the payment standard. There is therefore more money in the "kitty" to help subsidize another unit. For example, using all the same numbers as in the previous paragraph, let's change the asking rent to \$800 plus utilities. The utilities will be the same at \$125 per month. Total housing cost is therefore \$925 per month. The tenant pays their same \$425, and the HAP amount is reduced by \$25 to \$500 per month, leaving \$25 per month toward the subsidy of a different unit.

From the "Best of the Answer Line" in the *The Diversified Investor* newsletter. See more at www.digonline.com.