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REAL ESTATE INVESTORS ASSOCIATION
WAYNE COUNTY

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Dearborn, Michigan 48128

Volume 29

December 2013

Number 11

~NEXT MEETING

TUESDAY DECEMBER 3, 2013

CHRISTMAS PARTY

THE 4TH ANNUAL REIA CHRISTMAS PARTY

The Same great spread (appetizers, all-you-can-eat buffet and Open Bar!) as last year, but with a **BIG BONUS** this year!

Don't miss this opportunity! Everyone is welcome, investors and non-investors alike! Hope to see you all there!!

William Dufrin - REIA Board Member



For Any Questions Please Call:1
Wayde Koehler, President 313-819-0919

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Hosted by our Vice President
Bill Beddoes

WHERE

Red Lobster@6pm - 9pm
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NO MEETING IN DECEMBER

WHEN 3rd Tuesday of the month

Join us for a casual evening with like-minded individuals to share your stories, discuss your issues and learn more about our investing community!

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We hope to see many of you there, and feel free to bring a friend or two.

Membership Application

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ANNUAL DUES Family — \$125.00 - (One Address — 2 People)

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

(we hope this will encourage people to join)

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FOR RENEWING MEMBERS: Any questions/comments on how to better our organization??

NEXT MEETINGS

MONTHLY MEETING

Tuesday December 3, 2013

CHRISTMAS PARTY

• Tuesday January 7, 2014

INVESTOR GET-TOGETHER — JAN 21ST

BOARD OF DIRECTORS

• Tuesday December 10, 2013

• Tuesday January 14, 2014

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TWELVE WAYS TO COLLECT RENT ON-TIME

Successful landlords use various strategies to collect rent on-time.

Here are 12 different strategies.

1. When I give keys to a new tenant, I give them 12-15 small yellow envelopes with my business address printed on it. Each month, my tenants buy a money order and a stamp, and mail it to me using the yellow envelopes. These envelopes are a bright Canary Yellow for a reason. 'They are a constant "visual monthly reminder" for the tenants to use only to pay rent with. Plus, when the postal carrier delivers mail to my mailbox, I always pick out the yellow envelopes first.

2. I send out a monthly bill every month to my tenants with a self-addressed, stamped return envelope. They tear off the bottom portion of this bill and mail it back to me in that envelope. Also, on that tear-off portion of the bill, there is a place for them to write in any repairs/concerns they have. I keep these stubs on file. If it ever came about that they complained I didn't fix things to either myself or a judge, I have proof that they have had the opportunity to tell me each month that there was a problem and neglected to do so.

3. Select a popular bank (more branches the better) in your area, and open a "tenant deposit only" account. (Tenants feel their money is more secure if they make a personal deposit and get a receipt). Now all you have to do is go online and check if the tenant made their rent deposit. And you can do this in your pajamas!

4. I have a locked drop box at my multi-unit buildings. Give everyone the option of mailing to a PO box or dropping a check or money order in the drop box. I only have one person who mails. Everyone else drops theirs in the box. I just make one stop at the box and pick up the envelopes.

5. I utilize automatic rent withdrawal on the first of the month from their checking account. So far there are no problems. It alleviates me from going to post office or bank. I know by the 2nd of the month if they don't have money. So far that hasn't happened. If it does, notice will go out by the 2nd of the month.

6. Mr. Landlord (Jeffrey Taylor), taught me about automatic bank drafts. I will be forever grateful. I now get an e-mail from the bank with routing codes. I will never argue with such a simple system.

7. For some time I've been using Clear Now (directrentdeposit.com) and require tenants to participate with direct rent deposits as part of the lease agreement. Love it!!!

8. I have a separate bank account for each unit and they deposit it right into the account each month. Works like a charm with properties in five states.

9. I get one year's worth of monthly POST-DATED checks from each tenant. No chasing them around. I deposit them the first Saturday of each month. So far it has been great (two years and counting).

10. I have money orders delivered to The USPS Store lockbox.

11. Locally, our bank will now do a "Designated Deposit". The tenant tells the bank teller the landlord's name, the teller looks it up, makes the deposit, and adds a memo to the deposit with the tenant's house number. This shows on the deposit receipt to tenant, and shows online for the landlord.

12. I have custom deposit slips with a code for each rental unit on it. I give the deposit slips to the tenants and they deposit the rent in the bank. I check the deposits online which also gives me the date and time stamps. If the tenant pays late they pay a late fee. I've rarely had a problem.

Bonus Tip: My tenants know if the rent is not paid on-time then they are getting a "pay or quit" form and the eviction process starts (NO GAMES). Stay on top of your tenants and notices, period!

Reprinted from the LJC NL & taken from the JALA NEWS

DON'T GIVE UP THE WAR ON LEAD

For a decade, a partnership between foundations, government and nonprofits was making a dent in one of Detroit's most pervasive problems: lead, a contaminant that has serious, irreversible effects for children, in thousands of homes.

There's no great mystery about how to abate lead hazards: You test for them, then deal with them. But the execution is more complicated. Funding has long been a problem, and coordination between agencies confounds consistent efforts.

That's all about to get worse in hard-hit cities like Detroit, thanks to Congress. First, lawmakers slashed the Centers for Disease Control and Prevention's lead abatement funding from \$29 million to \$2 million in the 2013 budget. Then the sequester hit and plunged lead funding to \$1.8 million - that's for the entire country. So in Detroit, where there's older housing stock and a population that's resourcepoor already, lead is about to become a more pernicious foe, and the city's children will pay the price.

It's an issue crying out for a leader - at the national or local level - to make it more of a priority.

Kids at untold risk

The effects of lead poisoning are irreversible - inattention, hyperactivity and irritability at low levels; learning disabilities, delayed growth and hearing loss at higher levels. It's essential to stop the damage before it occurs, which is incredibly difficult in cities like Detroit.

And the cost for the city's children is staggering.

A University of Michigan study issued this February made a startling finding: High levels of lead in the blood of Detroit Public Schools students could be linked to the city's abysmal test scores. The report follows a 2010 study by the schools in partnership with the city's health department that found just 23 of the almost 40,000 DPS students tested didn't have lead in their bodies. The more lead in a student's body, the U-M study found, the more likely that student was to perform poorly on tests.

Any community with older homes risks lead contamination. But Detroit is particularly at risk. Why? About 90% of the housing stock in Detroit was built before 1980, the year lead-based paint was removed from retail shelves. Most of the housing in Detroit is single-family, and during the building booms of previous decades, lead-based paint, then considered top-of-the-line, was a selling point for would-be homeowners.

The CDC is one of two primary funding sources for lead abatement. It funnels cash to states, which dispense the funds on the local level. Congress' cut to the CDCs budget came around the same time a CDC advisory committee lowered the blood-level threshold for dangerous lead poisoning from 10 micrograms per deciliter of blood to 5 micrograms. The U.S. Department of Housing and Urban Development's lead abatement grants are still available.

Even with full funding, lead abatement advocates face serious challenges: Programs and resources are split across agencies, requiring a high level of coordination to return results; funds to support lead detection and abatement are dwindling; and, most significantly, the resources that are available generally can't be brought into play until after a child has been poisoned.

"Which is closing the barn door after the horses are out. ... We need to get into primary prevention, to prevent lead poisoning from happening ever," said Lyke Thompson, the director of the Center for Urban Studies at Wayne State University and project coordinator of the Detroit/Wayne County Green and Healthy Homes Initiative.

There are hundreds of thousands of homes with lead in Detroit, Thompson said.

"If you're lucky, between the feds and the state you might see even 500, or some years 1,000, homes that are lead abated," he said. "So the investment means that it's going to be hundreds of years before all the houses that need it are renovated. Abatement tends to focus on houses where kids have been leadpoisoned already, Michigan law allows prosecutors to charge landlords on whose property a child has been lead-poisoned with a crime, but at that point, the damage has been done." — (continued next page - War on Lead)

(continued from the War on Lead)

That's one frustration for Wayne County assistant prosecutor Mary Morrow.

Still, Morrow has been able to use the law as leverage - the Prosecutor's Office can require a landlord who owns multiple properties to abate lead at all of them, not just the one that brought the landlord to the prosecutor's attention, in order to avoid criminal charges. She estimates that more than 200 homes have been abated since the program began - but it could have been closer to 1,200.

But Morrow says her office is clogged with boxes full of open cases that can't be prosecuted. Once a child is identified as lead-poisoned, the landlord is notified that he or she is facing criminal charges unless the property is addressed. If the landlord abates the lead, the case is settled. But for the Prosecutor's Office to make that determination, the City of Detroit must re-inspect the property. That's the same City of Detroit that has seen its work force and revenue drop precipitously. And this is where the process derails.

Lead inspections are lengthy and costly, said Jane Nickert of the city's Institute for Population Health, the independent nonprofit that was formerly the city's Department of Health and Wellness Promotion.

"Who pays for the followup inspection so they can move forward with prosecution?" Nickert said. "With the Institute for Population Health, I have no inspectors on board. We have this tool out there that can't be used."

Some recently allocated state funding will provide one inspector to handle lead in the city of Detroit - a move Nickert says will help, but doesn't begin to match the volume of homes that must be abated.

Foundation dollars have helped close the gap, said Mary Sue Schottenfels of Clear Corps Detroit, but once again - this is a volume problem.

"The biggest obstacle is funding," she said. "We know exactly what to do. We really figured out exactly what to do with lead, including moving landlords to action, educating families, and getting city departments to prioritize lead."

Part of the problem is that for most people, lead isn't top of mind. Lead-based paint has been off the shelves since 1980, and for most people, lead is firmly identified as a hazard of the past. The public eye has focused on newer ailments or environmental hazards that compete for grant dollars.

But there are a few things that could make lead abatement more functional.

The first, obviously, is to restore or increase funding - funding pays for abatement, inspection, testing and counseling for children and families of children who have been lead-poisoned. But equally important is enforcement of the city's building maintenance code. It's essential that landlords get property tested, abated and registered with the city.

That's the kind of primary prevention that could stop kids from being poisoned in the first place. Accelerating the pace of demolition of structures with lead would remove environmental hazards. And education of parents, so they're aware of the dangers of lead, is another piece that can't be overlooked.

But it all comes back to money. In the face of dozens of other competing needs and causes, lawmakers can't forget that this is a real opportunity to make a difference for thousands of Michigan children.

A DIFFERENT KIND OF DANGER IN DETROIT

Removing or abating lead paint in older homes is a key part of the fight against lead poisoning. Homes built before 1980, when lead-based paint was removed from retail shelves, are likely to contain lead. In Detroit, that's the vast majority of the housing stock.



OUR WEBSITE!!!

www.reiawaynecounty.org

THE BASICS OF TURNING “UGLY” HOUSES INTO GOLD

By Robyn Thompson

I have made thousands of dollars by taking ugly houses that nobody wants and turning them into nice homes that people want to move into. There is no real magic that is involved, just a few basic principles that you must follow. You must first determine what the value of the house will be after you’ve completed the renovations phase. This is a term called “Market Value” or “After Repaired Value” (the “ARV”). Realtors and appraisers are the best source to help you determine what the home will be worth.

The second critical factor is to accurately estimate the repair cost. This can be a difficult task for the beginner. Many first time investors underestimate the cost of repairs because they do not see all the structural issues. A home has to have a new or recently updated furnace, roof, and new kitchen with all the appliances, plus a new bath. In my expert opinion the renovated home must be “drop dead gorgeous”. Your house must be better than anything else on the market if you want it to sell quickly. An experienced investor will also spend \$3000 to \$5000 on “the extras” to enhance the appearance of the property. Items that will increase your home’s salability include chandeliers in the dining room and staircases, gold knobs on all cabinetry, mini-blinds in all windows, and gold fixtures for the vanities and kitchen sink.

The next step is to figure out what all of the renovations will cost. If you do not have a construction background, you need to get in touch with three contractors. As a beginning investor you should always get three written quotes. You must make sure that they include everything you’re asking for. Good sources for an ethical contractor include referrals from your city planning and zoning officials and other investors in your landlord’s/real estate associations. You should always check at least three references and be sure to get a copy of his license before you hire a contractor. Now you’re ready to determine what to pay for your ugly property. Here’s the basic buying formula for any home that will sell for between \$50,000 and \$175,000 after all repairs have been completed: Multiply the market value (the “ARV”) by 70%. Next, subtract out all your repair costs and a flat \$5,000 for cost of borrowing capital to fund the project. The figure that comes from this equation is the highest purchase price that you can pay for the ugly house. The formula provides the investor a 20% profit and 10% for closing cost. Expressed as a formula, it looks like this:

AFTER REPAIR VALUE (“ARV”) times 70% minus REPAIRS minus \$5000 equals MAXIMUM ALLOWABLE PURCHASE PRICE.

Let’s illustrate with an example. The home will have a market value of \$ 100,000 once all repairs are done, so we multiply \$ 100,000 times 70% and get \$70,000. We will do \$25,000 in repairs, so we subtract \$25,000 from \$70,000 and get \$45,000. You must then reduce the purchase price by another \$5,000 for financing the project. The HIGHEST price we could pay for the house would be \$40,000. Your initial offer should be between \$32,000 and \$35,000.

In this game, it’s critical that you practice looking at and MAKING OFFERS on “junkers”. The more you explore, the more you learn. You will know when you find profitable deals.

Use this time-tested buying formula and you, too, will begin making thousands of dollars a year in the “ugly house business”.

Reprinted from the LJC NL & taken from JALA News



FHA NEEDS \$1.7 BILLION TO COVER REVERSE MORTGAGE LOSSES

By Andrew Miga
Associated Press

WASHINGTON - A federal housing agency said Friday it needs a \$1.7-billion bailout from the Treasury to cover projected losses in its reverse mortgage programs, which allow seniors to borrow against their homes for everyday living expenses.

Federal Housing Administration Commissioner Carole Galante told Congress in a letter that her agency will withdraw the money from the Treasury before the fiscal year ends Monday. Congressional approval is not required. The cash infusion is the first in the agency's 79-year history.

The agency, which insures 40 million home mortgages, is struggling with \$5 billion in losses on its reverse mortgage program.

Reverse mortgage borrowers, who must be 62 or older, can take lump-sum or monthly payments. They still must pay property taxes and insurance. Sale proceeds from a home go to the lender when the borrower dies or moves out.

The FHA suffered big losses when many borrowers took large payments up-front and later ran into financial problems, often because of falling home values during the financial crisis.

The agency has sufficient cash to pay insurance claims against mortgage defaults, Galante said, citing more than \$30 billion in cash and investments on hand.

"These are more than sufficient resources to allow FHA to fund its claim activity," she wrote.

The FHA is required by law to maintain reserves equal to 2% of the total amount of home mortgages it insures. The 2% capital reserve ratio is aimed at covering projected losses over the next 30 years in the agency's Mutual Mortgage Insurance Fund.

With help from Congress, the FHA has taken steps to limit its losses on the agency's reverse mortgage program. The agency has curbed large upfront payments on reverse mortgages. It has also raised mortgage insurance fees and toughened scrutiny of reverse mortgage borrowers' finances.

Galante said those steps should help boost the insurance fund's reserves down the road.

"In the next few months, we expect updated data and economic forecasts to reflect what we already know to be true - the health of the fund has improved significantly," Galante wrote.

Reprinted from the Detroit Free Press and submitted by Wayde Koehler, Pres. REIA of Wayne Co

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Bills to crack down on illegal scrapping pass state House committee

By Kathleen Gray
Detroit Free Press Lansing Bureau

LANSING-After a couple of years of work, a package of bills to strengthen the laws against illegal scrapping of metal and the junkyards that buy the materials passed the House Regulatory Reform Committee Tuesday.

The bills, which passed on votes of 11-3 and 12-3, would require scrap metal dealers to identify and maintain records of the people who bring in scrap metal to sell, as well as photos or video images of the metal being sold.

The dealer would also have to wait three days to pay a seller for frequently stolen items such as catalytic converters, air-conditioners and copper wire. The seller could either accept the payment by mail or in person three days after the transaction.

The bills also would prohibit a person from selling or a scrap dealer from accepting metals that are: public fixtures; new materials used in manufacturing or construction; equipment or tools used by contractors; materials clearly marked as belonging to someone other than the person selling the material; decorative or cemetery-related items and items removed from a railroad company or electric utility.

Police, prosecutors, utilities and railroad executives testified in the spring that illegal scrapping has become an epidemic and is creating a safety risk when metal rail ties are stolen and utility transformers are broken into and wires scavenged, leaving customers without power.


The number of incidents of illegal scrapping has increased from 527 in 2011 to 1,402 in 2012, according to the Michigan State Police.

There was resistance to the bill from some legislators, who said they were concerned about added regulations on the recycling business and on sellers who would face additional burdens before they could sell the materials.

But in the end, the bills passed the committee and now move to the full House for consideration.

"This bill has gone through a lot over the last several months," said state Rep. Hugh Crawford, R-Novi, chairman of the committee. "Both sides are a little bit mad or a little bit happy and I guess that makes it a good bill."

Contact Kathleen Gray - kgray99@freepress.com or @michpoligal on twitter
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ICE AND SNOW ARE YOUR LIABILITY

For those of you who live in climates where snow and ice are an issue, know that you have to be more than just a little careful about when and how you deal with it.

Your first consideration is about what knowledge you have or should have about any hazards. One court case dealt with ice that resulted from a drain pipe that was sometimes too small to accommodate the water that would run through it. The landlord really had no way of knowing it was too small, since the ice accumulation was so rare an occurrence. The court actually (unbelievably) ruled that the tenant who slipped on the ice and fell should have been more careful. On the other hand, if a hazardous situation is known and obvious to the landlord, he/she could be held responsible for injuries. That naturally brings up the question, how much will it cost you to prove you had no knowledge? This is an example of a case of even if you win, you lose. Your best defense is a good offense. Walk through each of your properties and scout out spots that could be lawsuits waiting to happen.

Obvious things to look for are places where downspouts have come loose and leave pools of water. As soon as the temperature drops below 32 degrees you have sheets of ice instead of pools of water. It is especially dangerous if these pools extend across sidewalks, driveways or into parking lots. In most instances, reattaching a downspout takes less than 30 seconds. Make sure that the water is turned off to outside spigots. If you don't have a program to alert your tenants to the need for turning them off, do it yourself. Then, put those foam covers over the spigots to protect them from the freezing weather. Don't do any of that and you not only have sheets of ice from the broken water pipes but also a huge plumbing bill.

Removing snow is an entirely different problem. When and how well you do it determines your liability. For example, in most localities you have no obligation to remove snow until it stops snowing. Up to that point, the burden of care falls on the person who is walking on it. But what happens if it stops snowing in the middle of the night?

Not too many landlords or property managers are going to get up at 3:00 in the morning to shovel snow; nor should they. At least one court ruled that you have to know that the snow has stopped before you are responsible for removing it. Then be careful that you do it well. A property owner can be held liable if the snow was removed negligently. It is better to not remove snow at all than to do it badly. Usually

snow is a fairly stable walking surface until it melts and refreezes, especially compared to the ice that will form if you do a bad job of getting the snow up. If you live in a climate where it snows regularly, you are all too familiar with shoveling snow. You know how to do it. Take the time to do it properly. If you have to leave hazards, either because there is no way to clean it up or you have too much snow to haul off, put barricades around the hazardous places. Give people adequate warning of a dangerous situation. The same goes for ice hazards. If you haven't been able to avoid them, barricade them. Make it difficult for people to hurt themselves!

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12/09

Reprinted from the LJC NL and taken from the JALA News

FIVE COMMON MISTAKES THAT LANDLORDS MAKE IN MY COURTROOM

The first mistake that a landlord can make is to show up in court without a written rental agreement. The most common excuses for no lease are that they were renting to friends or family, or to those in a crisis situation who needed immediate housing. THERE IS NO EXCUSE FOR LACK OF A WRITTEN DOCUMENT.

The second error is not understanding the procedures governing the collection, management and return of the security deposit. The tenant has the right to the security deposit when he/she moves from the rental unit if the tenant does not owe the landlord/lady any rent; does not owe for utilities; leaves the rental unit in the same condition as move-in (excluding normal wear and tear). Security deposits are considered the tenant's property until the landlord/lady establishes a claim on that money through court action or through mutual agreement with the tenant. (Landlords: NEVER forget to send that security deposit notice within thirty days of the tenant moving out.) Failure to do an inventory check list at the beginning of occupancy and at the end of occupancy is the third error. Without this you have no written and signed proof of the condition of the unit. How can you ask for damages that you cannot prove were done by the tenant? (Note: Remember, landlords, the key word is "damage." General cleaning, even if the tenant was a poor housekeeper, cannot be charged. That is normal wear and tear. But for example, if the tenant's children wrote in crayon all over the walls, then that is damage. You will need to repair it, or repaint it. That can be charged against a security deposit, both materials and labor. However, you cannot charge for your own labor, you must hire it done.)

Next, is not knowing the correct complaint form to use when filing a court action on a 7-day or 30-day. Make sure that you use a "Complaint-Nonpayment of Rent" for a 7-day and a "Complaint-Termination of Tenancy" for a 30-day. The summons form is the same for both of these. (Note: There is also a corresponding complaint form for "7 Day Health Hazard." On the "24 Hour Notice to Quit Illegal Drug Activity" you may use the complaint form for Termination of Tenancy. Again, The Summons form is the same.)

The last mistake is not knowing how much to ask for a money judgment. The possession amount of rent is rent due to the end of the month. The money judgment is rent that is due on the day of court. To figure out the prorated rate, multiply the month's rent by 12 to get the yearly amount due; then divide by 365 to get the daily amount due. If your court date is on the ninth of the month, multiply the daily rate by nine. This is the amount of rent owed on the court date. Have your figures ready. To obtain a money judgment, you must have the tenant served in person, mark money judgment on the Summons form, and complete the Supplemental Complaint section on the Complaint form. You must also ask for a money judgment when you file the papers at the court.

Editor's note: This article was written for landlords in Saginaw, Michigan. Be sure to consult a legal representative for requirements in your city/state before filing forms and going to court.

Reprinted from the LJC NL, KS & Taken from JALA Newsletter (Jackson Area Landlords Association)

BOARD MEMBERS INFORMATION

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Rose Papp	313.383.6592	rosep2962@yahoo.com
Bob Cousino	734.782.1847	bojic@att.net
Diane Barcalow	734.626.4444	dbarcalow@yahoo.com



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Andrew Cordle
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Cash Flow & Creating
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- Peter C. Rageas CPA, MST
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- John Payne
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- Gary Segatti
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- Aaron D. Cox
(734) 287-3664

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SPEAKERS COMMITTEE

Wayde Koehler

313-819-0919

If you have any suggestions for speakers, drop us a line at: www.reiawaynecounty.org



Section 8 Questions???
Call Jane Scarlett

Wayne Metropolitan Community Action Agency
Housing Agent for the Michigan State Housing
Development Authority

734-284-6999

jscarlett@waynemetrol.org

Wayne Metropolitan
Community Action Agency

05/14

**Wayne County REIA of Michigan
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— WEB SITE CORNER —

This new column of useful website addresses is a new addition to our newsletter format. If you wish to have a website featured in this column please email reianews@aol.com

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www.nationalreia.com National Headquarters
www.irs.gov IRS web site
www.bendover.com Govt. Red Tape Help
www.taxsites.com Tax and Accounting
www.unclefed.com Online Tax Resource
www.courts.michigan.gov/ Michigan Courts
<http://www.michigan.gov/taxtrib> Tax Appeals
<http://www.ask-the-rehabber.com>

State Criminal Records:

www.state.mi.us/mdoc/asp/otis2.html Offender Tracking System (OTIS)
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<http://www.oakgov.com/crtsOO04/main> Oakland County District Court Case Search
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Need to E-mail any questions or articles or anything for us?? Our web address is ApPrint1@aol.com Send us your email for meeting reminders and to get your newsletter sent to you. Or fax your email address to us at 313-386-7600 or call and leave it on the 24hr Real Estate Investor Line at 313-347-1401

— **MEETING AGENDA** —
RED LOBSTER ON EUREKA • SOUTHGATE
Next to 7-11, near Trenton Rd.
6:00 - 7:15 ... Dinner and Networking
7:30 - Meeting — (\$20.⁰⁰ FOR GUESTS)