

# REIA

REAL ESTATE INVESTORS ASSOCIATION  
**WAYNE COUNTY**

WEBSITE: [reiaawaynecounty.org](http://reiaawaynecounty.org)  
FACEBOOK: Wayne County REIA of Michigan  
24hr recording (313) 437-2945  
Fax: 313-386-7600  
**MAILING: P.O. Box 5341  
Dearborn, Michigan 48128**

Volume 31

April 2015

Number 3

## NEXT MEETING

**TUESDAY APRIL 7, 2015**

**NETWORKING & DINNER  
RED LOBSTER**

**13999 Eureka Rd • SOUTHGATE**

**Next to 7-11, near Trenton Rd.**

6:00 - 7:15 ..... Dinner and Networking

7:30 ..... Meeting

## SPEAKER/TOPIC

### **Mike Stabley Public Adjuster. . .**

*√ Has been investigating and adjusted property claims for over 35 years.*

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**For Any Questions Please Call:**

**Wayde Koehler, President 313-819-0919  
or 24hr recording (313) 437-2945**

# Welcome

## New & Returning Members

**Rick Johnson**

**Sharita Clements**

**Grant & Monika Warrington**

**Leroy Williams**

**Matt McCormick**

**Leonard Martindale**

### **YOU ARE INVITED TO THE MONTHLY INVESTOR GET-TOGETHER!**

**Hosted by our New Director**

**- Bobbi Nied-Broderick**

### **3RD TUESDAY MEETING**

**APRIL 21, 2015 @ 6:00PM**

**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!*

**FREE ADMITTANCE** just make sure you pay for your food. :)  
*We hope to see many of you there, and feel free to bring a friend or two.*

**For More Info: Bobbi (734) 946-6280 or Bill 734-934-9091**

**Real Estate Investors Association of Wayne County**

**WWW.REIAWAYNECOUNTY.ORG**

## **Dear Members**

**The board has passed and will bring to a vote by the members two changes to our bylaws. This vote will happen at the May meeting.**

**Change one: To change our bylaws, our group can send out notification via Electronic notification such as e mail instead of via regular mail.**

**Change two: Members e mail address currently are not allowed to be distributed(given) to any other group. We are proposing to amend the bylaws that only RPOA our legislative group in Lansing will have the members e-mails so when they deem necessary they will send urgent emails to members for a call to action, so members can, if they choose, to send responses to their representatives in Lansing to help them vote in our favor. ROPA has an opt out button that you can remove your name from their e mail list.**

**Any questions, we can discuss it at the next meeting.**

**March 10, 2015**

**Meeting opened at 6:30 PM by President Wayde Koehler**

Directors present; President-Wayde Koehler, Vice President-Bill Beddoes, Rose Papp, Roberta Nied Jerry Kirschner, Richard Nagy, John O'Neil, Mike Brandau, Bob Cousino

Dinner Drawing      Jerry – Roberta

Meeting started with Matt McCormick from International Bancard, to better explain his system for accepting credit cards from Tenants or anyone. The fee is \$12.95 monthly for our REIA, plus the same for any member who uses the system, the first three months fee will be waived. Not limited to our members. The Landlord must get permission from the Tenant to accept making credit card payments, and passing the 2.95% use fee to the Tenant. Anyone signed up under our group will have 25% of all use fees rebated back to the REIA. Arrangements can be made for payments due soon, or Automatic Draw, additional fees may apply. Matt finished up and left the table. The Directors discussed the topic for the purpose of trying out the system.

Motion by Bill/Roberta to join the International Bancard system. Vote passed

Wayde - Noting that all 9 Board members were present, proposed that we need a Bylaw Amendment to give our email addresses to the RPOA. Motion by Bill/Jerry to amend our Bylaws as follows; We will give our entire email list, "only" to RPOA, for the purpose of sending time sensitive material to our members and guests about pending legislation and how to contact our Legislators to express our thoughts on the subjects. Motion passed unanimously.

Motion by Bill/Rich to amend our Bylaws, Article II, Section 1, as follows; Electronic notification,( email and the Newsletter), will be accepted the same as written notification, for the purpose of Official Notice.

Motion passed unanimously

We will bring this to the membership and print in the Newsletter in April for the members to vote at the May membership meeting.

Trio Lumber will be added to our advertisers for 1 year.

Roberta – Sent out notices to our advertisers and members, when dues are due. She received 1 written response.

John – he is taking over Library duties.

Rich – Brought in a sheet explaining the Computer and software, needs and suggested that we include a Projector.

Bob – Read attendance report as printed.

Mike – Presented graph showing hits on our website and % who actually opened the website and newsletter.

Bill – Next Monday is the next RPOA meeting. They have about 14 issues (proposed Law changes) to discuss. One is the use of marijuana in rental properties. The tree issue is moved to Circuit Court

Rose – Credit Union is merging.

Jerry – Expressed concern about speaker ads in the newsletter. Yes Network is March 18, 2015. He would like to ask Mike Gunderson to join the Board of Directors.

8:15 Motion to close by Bill/Jerry vote passed

# Membership Application

New Member ( ) Renewal ( )

**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)*

Fill Out Form and Mail or Fax to: R.E.I.A. • P.O. Box 5341 • Dearborn, Michigan 48128

Make Check Payable to: REIA — 24hr recording (313) 437-2945 • Fax: 313-386-7600

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Mailing Address \_\_\_\_\_

City/State/Zip \_\_\_\_\_

Phone No.: Home \_\_\_\_\_ Work \_\_\_\_\_

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

Business Name(if applicable) \_\_\_\_\_

**EMAIL ADDRESS** \_\_\_\_\_ **Can you volunteer some time, talent or information??**  
**Tell us the companies you use and see if we can advertise for them.**

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

## NEXT MEETINGS

### MONTHLY MEETING

- Tuesday April 7, 2015
- Tuesday May 5, 2015

### BOARD OF DIRECTORS

- Tuesday April 14, 2015
- Tuesday May 12, 2015

**Investor Get-Together — April 21st**  
**Meeting Starts at 6:00pm**

## **Real Estate Investors Association of Wayne County**

P.O. BOX 5341 • Dearborn, Michigan 48128

24hr recording (313) 437-2945/Fax: 313-386-7600

WEBSITE: [www.reiawaynecounty.org](http://www.reiawaynecounty.org)

**Facebook — Wayne County REIA of Michigan**

### **\*\* OFFICERS \*\***

<b>PRESIDENT</b>	<b>WAYDE KOEHLER (313) 819-0919</b>
<b>TREASURER</b>	<b>WAYDE KOEHLER (313) 819-0919</b>
<b>VICE PRESIDENT</b>	<b>BILL BEDDOES (734) 934-9091</b>
<b>PARLAMENTARIAN</b>	<b>BILL BEDDOES (734) 934-9091</b>
<b>SECRETARY</b>	<b>Bob Cousino (734) 782-1847</b>

### **\*\* TRUSTEES \*\***

Jerry Kirschner	248-867-0744	Richard Nagy	734-283-1754
Rose Papp	313-383-6592	Bobbi Neid-Broderick	734-946-6280
Mike Brandau	734-231-0400	John O'Neil	603-848-8689

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from defects but NOT Guaranteed!!**

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## ATTORNEYS AT LAW

Free Simple Legal Advice

- **Peter C. Rageas CPA, MST**  
(313) 962-7777  
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- **John Payne**  
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- **Gary Segatti**  
(248) 808-2711

- **Aaron D. Cox**  
(734) 287-3664

- **RealChek, Thomas Moorhead**  
(800) 955-2435  
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## FREE ADVERTISING

The *Commercial Segment* is just before the regular meeting, at 7:15 P.M..

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(This may be why we are all here????)

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# Southgate homeowner fatally shoots an intruder

By Elisha Anderson Detroit Free Press

A 74-year-old Southgate man fatally shot an armed intruder who entered his home through a back window early Thursday.

"The suspect came out of a room and pointed a gun at him," Southgate Director of Public Safety Thomas Coombs told the Free Press.

The homeowner also had a handgun and fired a shot, police said. The suspect died at the scene and has not been identified by authorities.

Police said the couple who lives in the home - in the 15000 block of Flanders Street - was asleep in their bed when they heard noise.

The 74-year-old man was walking back to his bedroom and planned to call police when he had a gun pointed at him, Coombs said.

"That was the confrontation that caused everything to happen," he said. "I don't believe there were any words exchanged."

Police responded at 4:47 a.m. and said the homeowner, whose name has not been released, legally owned the gun used in the shooting.

"It's still an open investigation," Southgate Chief of Police Jeff Smith said.

The Michigan State Police is assisting.

Fingerprints were taken at the home, and police said they plan to use those to positively identify the suspect in the home invasion. His name is expected to be released today.

"Nobody is in custody," Smith said.

He said it's still early in the investigation, but it doesn't sound as if charges will be sought in the case.

The Wayne County Medical Examiner's Office plans to conduct an autopsy today, a spokesman said.

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Smith called what happened very rare for the Southgate community.

"It's a very quiet neighborhood," he said.

Reprinted from the Detroit Free Press  
& submitted by Wayde Koehler, Pres, R.E.I.A. of Wayne County

**Wayne County REIA of Michigan**  
**LOOK FOR US ON FACEBOOK!**

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jcampeau@mspcpa.com

## Turning a Good Deal into a Great Deal

**YOU'VE GOT TO UNDERSTAND WHAT YOUR SELLER REALLY NEEDS.**

This was a lesson that I learned 25 years ago. I was out in the streets, always trying to sniff out deals, like every real estate investor has to do to find deals at good prices. There was one property in a very nice suburban neighborhood that came up, and it smelled like it could have potential.

The guy who owned it wanted to sell. He had gone through a divorce, and he was the only one living in the property. At the time, the price had dropped from \$150,000 to \$130,000, and that caught my eye. But he still wasn't negotiable enough to sell. I left him my card and said, you know, if circumstances change, just give me a call.

A few months later, I get a phone call from him. "Mark, can we discuss my property? I want to see if you're interested in it"

So I reviewed the property with him again, and I made him an offer of \$90,000. The next day he accepted. I would put \$15,000 down, and he would hold the seller financing of \$75,000 for a period of five years. I thought I had gotten a good deal.

### THEN THE PHONE RANG

But a few days later, I get a phone call from someone inquiring about myself and this seller-financed note I was going to be creating.

Afterwards, I called the homeowner back and I asked, "What's going on?" It turns out that he was going to sell the note. He had a business that was starting to go bad, and he needed to sell the property for cash quickly.

And he was going to take a \$20,000 discount on the note.

I said, "Well, if I'm able to come up with cash, can you just discount the sale price by \$20,000?" He said sure.

It ended up that I paid about \$70,000 on a property originally offered at \$150,000. I put about \$12,000 into cosmetic repairs and other upgrades. Within six months, I sold it for \$175,000.

THREE LESSONS There were three real lessons I learned out of this transaction.

Starting out, I was always about finding deals and making offers. This deal taught me to get into a conversation with the seller to ask why they're selling the property.

As a real estate investor, especially as a businessperson, my sole purpose is to solve other people's problems. Until I know what that problem is, though, I'm just trying to solve my own unique situational need to find a property rather than solve the client's problem. So that

was a real lesson: Take the time, have a conversation. Create an opening where there's trust and an authentic conversation where they feel safe.

The second aspect that I learned was not to ask how much they want for the property. I ask how much they need. Many times, they'll come out and say they need X number of dollars to solve their problem. Which is totally different from I want this much money, but I only need this much. "Once you know the real facts of the situation, it's a lot easier to come up with a solution.

And finally, I learned that even if I can't solve their problem at that particular time-and I've built up that trust

I always leave my card, my name and my number with the statement, "If your situation changes, and you'd like to have another conversation on this, feel free to call me"

And many times, one, two, three, six months down the road, I'll receive a phone call. 0

Mark Nagy is the principal at Metro Street Capital and has nearly three decades of experience in the world of real estate investment, mnagy@metrostreetcapital.com

Community Investor

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**Section 8 Questions???**  
**Call Jane Scarlett**

Wayne Metropolitan Community Action Agency  
Housing Agent for the Michigan State Housing  
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[jscarlett@waynemetro.org](mailto:jscarlett@waynemetro.org)

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## BOARD MEMBERS INFORMATION

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# Squatters, slow the razing of houses

By Corey Williams Associated Press

Chris Mathews' crew showed up this month to demolish one of the thousands of vacant homes destined for demolition as part of Detroit's grand plan to bulldoze its way to prosperity when a call from his office stopped them in their tracks: Someone was living there.

A middle-aged woman who watched the crew tear away the home's warped wooden steps the day before had called their company, Adamo Demolition, to point out she was living on the second floor, despite no power, heat or gas and a flooded basement.

"It was like a swimming pool. We would never have thought anybody was upstairs," said Mathews, noting that the incident cost his crew time because the demolition wasn't called off until after they had shown up with their equipment.

As Detroit carries out its plan to tear down tens of thousands of homes to combat blight and tailor the city to fit its population, which has dwindled to about a third the size of its 1950s peak, it will have to deal with an unknown number of squatters. Since the city doesn't allow occupied properties to be demolished, squatters who won't leave voluntarily and who have no previous connection to the homes have to be removed by police for violating the city's trespassing laws. That makes them a complication of sorts for the recovery of the city, which emerged in December from the largest municipal bankruptcy in U.S. history.

Clearing away as many vacant houses as possible as quickly as possible is a priority. Drug dealers often set up shop in them, bodies turn up in them and some houses have been sites of sexual assaults.

But for some of the approximately 16,000 homeless people in Detroit, the structures offer safety and shelter.

Michele McCray calls them "abandonminiums." McCray, 58, has been homeless for much of her adult life, yet she has had her pick of vacant houses to live in over the years.

"You look for one that's decent, already fixed up," McCray said from a homeless shelter where she stays when it's too cold to hunker down in a house without heat and other utilities.

"The first thing you do is cut the grass ... because the neighbors want to know who you are and what's going on over here. You have to maintain the property. Paint the place up, keep it looking good."

She sees it as a community service.

"A lot of people leave the door open because they want somebody to move in there," McCray said. "When you got somebody that's living in a place ... that keeps people from coming in, tearing the place up, stealing the fixtures. It cuts down on people starting places on fire, stealing your furnace."

A survey completed last year determined that more than 40,000 structures needed to be torn down. Another 38,000 had indications of blight and could be up for demolition.

Squatters aside, the city will not stop its fight against blight, said Craig Fahle, a spokesman for the Detroit Land Bank Authority, the agency overseeing the project.

"Illegal occupancy is an issue, but there is plenty of work to do with homes that are not occupied," he said.

About 10% of the houses Adamo goes out to demolish have squatters or evidence of squatters, according to Mathews.

Tiffany Tilley, a real estate agent, said about 20% to 30% of the more than 100 properties she has shown have had signs that someone had been squatting in them.

"When you're in the kitchen you might see food with plastic utensils in open jars," Tilley said. "There was an incident or two when there were feces stored in a bedroom in a bucket."

Squatters make it more difficult to show and sell properties, she said, referencing an east side house shown to investors about a month ago.

"We didn't go past the kitchen," said Tilley, A "It was evident someone had been in there or was still in there. There is always a risk of danger when you're dealing with someone who is squatting, I don't want to take that chance."

Latisha. Johnson wants vacant houses in her East English Village neighborhood to be occupied, but not by squatters. She sees people living in houses that don't belong to them as part of Detroit's blight problem.

Johnson, a block captain and former leader of the neighborhood association, calls Detroit's squatting "an epidemic."

"I don't personally believe that any squatter is a good squatter," she said. "You don't know exactly what is going on in that house. You don't know if they are tearing up that house. The person has no responsibility and will not be held responsible for anything that occurs at that house."

*Reprinted from Detroit Free Press & submitted by Wayde Koehler, Pres, R.E.I.A. of Wayne County*

## **NEW Member Application**

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# HOUSE PASSES MORTGAGE FORGIVENESS DEBT RELIEF ACT

In the first week of December 2014, the U.S. House of Representatives approved a package of tax extension measures that included the Mortgage Forgiveness Debt Relief Act, a measure that prevents the IRS from taxing distressed homeowners on "phantom income" forgiven when utilizing a short sale. The bill is retroactive through all of 2014 and saves distressed homeowners from paying taxes on \$8.1 billion in forgiven debt. The U.S. Senate is expected to take swift action on the measure and President Obama is expected to sign the measure upon passage in the Senate.

Short sale tax extension protects distressed homeowners from \$8.1 billion in "phantom income" taxation and removes a roadblock for investors using short sale strategies. Congressional action sets stage for passage of permanent break in 2015 to expand utilization of short sales.

*Reprinted from Michigan Landlord - Where Landlords go for help & submitted by Wayde Koehler, Pres, R.E.I.A. of Wayne County*



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## ***SMALL BALANCE WILL GROW TO THOUSANDS IF YOU LET IT!***

Each month closely monitor all of your AR(accounts receivable) and even small unpaid rent payments or other charges. If renters are slacking or carrying small balances (i.e., unpaid late fees), they get a letter or legal notice. Keep working this list, each and every month. Terminate those that tend to keep popping up on the list. A little effort goes a long way, because usually there is no good that comes out of letting mediocre tenants rack up huge bills. Eventually they will move out after much frustration for both parties. Often they leave damages and lots of stuff inside the rental unit. Very few will attempt to make payments, even with a judgement. Small balances can grow to thousands before you realize it.

A landlord on the MrLandlord.com facebook page responded by saying: "Why let renters get behind in the first place. Train them when they are new. Don't wait for slow payers. Serve notice as quickly as your state allows."

My response: Your line of thinking is the ideal business practice... The landlord advising here is addressing so many rental owners who unfortunately have not been as firm in their payment policies as you and have allowed residents to get a little behind, with the landlords thinking they are trying to help the renters and hoping they will eventually get caught up. As you have learned, the reality is that most do not.

The warning here to those landlords, is that the practice of allowing renters to gradually get a little behind (and to do so repeatedly) will most likely only lead to much BIGGER financial problems. So the advice is to get back to the ideal business practice and not allow slow pay by taking legal action NOW to either prompt renters to get completely caught up while the amount is small or evict them before the situation blows up on you!

### **IRS REWARDS YOU FOR TRAINING YOUR CHILDREN**

**Do You Use an Overlooked Tax Deduction Available To All Landlords?**

Many of us get interested in real estate after we have children. However, not enough of us take advantage of using our dependents to lower our taxable real estate income. Since I don't want to get into trouble by offering tax advice, let me just recount my story and drop some overt hints. But first let me give credit to Al Aiello, CPA, MS Taxation for opening my eyes. He is also the author of *Millionaire Tax Strategies for Real Estate Investors*. I met him at Jeffrey Taylor's 2014 Mr. Landlord Convention in Nashville, TN (which was an awesome event).

Check Out IRS Publication 929. I want to direct your attention to what the IRS says about "earned income" for your children. There is a table included that specifies that your dependent can earn up to \$6,100 without having to pay/file taxes. That's the 2014 limit which tends to go up each year.

I'm a big time believer in teaching my children about financial literacy and teaching them how to run our landlording business. So I was excited to learn that the IRS indirectly rewards you for training your children. Let me show you how on-the-job training creates tax deductions for landlords.

Instead of giving my 11 year old daughter an allowance, I've hired her to work for our rental business. Her duties for the month include: Proof Reading, Lite Landscaping, Office Cleaning, Video Editing, Research, Filing, Assist with tenant turnover and Litter pick up. A total of 35 hours per month.

### **SPEAKERS COMMITTEE**

*Jerry Kirschner*

*248-867-0744*

*If you have any suggestions for speakers, drop us a line at: [www.reiawaynecounty.org](http://www.reiawaynecounty.org)*

For 2014, we're paying her \$14/hour so she racks up \$490/month (\$5,880 per year). HINT: You can always pay your child to be a model in your advertisements. I'm sure they are just as adorable as any professional model. Okay, so we're paying her less than the \$6,100 limit and we are in compliance with IRS guidelines.

I've opened a checking account for my daughter with my wife and I as joint owners, and each month we transfer her payments into it. I suggest being formal about the paper trail. Then we use the money from her account to pay for her expenses (just like normal) and contribute to her college savings (just like normal). Please read that last sentence a few times. Let it sink in.

At the end of the year, my LLC will report a \$5,880 tax deductible expense for "Administrative Services" and according to the publication, my daughter won't need to file at all. This deduction flows to my 1040. Assuming I'm in the 30% tax bracket, this strategy leads to a \$1,764 tax offset. Check with your tax preparer to see if you can do something similar. Don't be afraid to read and use the tax code.

The IRS allows you to correct your last three years of tax returns, so I tried to amend my return from three years ago. I wasn't paying my 11 year old as much back then, but I figured I was due a \$200 refund. I was paying her out of my business account, so I sent the IRS proof and they agreed. Today I received my first overpayment refund. Now I plan to go after refunds from the past two years.

#### Some Warnings

- 1 - Don't lose your morals. There are plenty of legitimate ways to use this tactic. Be ethically creative.
- 2 - This expense might negatively affect your commercial property's appraised value.
- 3 - If you completely shelter your income with this strategy you may draw unwanted attention.
- 4 - Make sure your documentation is thorough; don't be lazy.

Now that you know, what will you do with this information?

This last series of tax tips are by Al Williamson, adapted from strategies by Al Aiello, both who are featured authors at LandlordBooks.com.

The above tips are shared by regular contributors to the popular MrLandlord.com Q&A forum, by real estate authors and by Jeffrey Taylor, Founder@Mrlandlord.com. To receive a free sample of Mr. Landlord newsletter, call 1-800-950-2250 or visit their informative Q&A Forum at LandlordingAdvice.com, where you can ask landlording questions and seek the advice of other rental owners 24 hours a day.



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# ***Flagstar ordered to pay \$27.5M to thousands caught in foreclosure crisis***

Struggling homeowners tried to avoid foreclosures and they reached out to their mortgage service provider Troy based Flagstar Bank. But unnecessary foot-dragging and hurdles meant many lost their homes anyway, federal officials say.

Flagstar now must pay \$27.5 million to about 6,500 consumers whose loans were being serviced by Flagstar and who were subject to the unlawful practices, according to a settlement reached with the federal financial watchdog.

Flagstar Bank was charged with illegally blocking attempts by borrowers to save their homes, according to the Consumer Financial Protection Bureau.

At least \$20 million would go to about 2,000 of those foreclosure victims. Flagstar also must pay a \$10-million fine.

“At every step in the foreclosure relief process, Flagstar failed borrowers,” the Consumer Financial Protection Bureau said in a

Flagstar is the largest bank headquartered in Michigan; it ranked No. 7 in Michigan based on deposits, according to the FDIC’s latest report.

The mortgage servicing industry was one of the villains in the housing meltdown and charged with sloppy record keeping and bad practices. Other headlinegrabbing settlements have been reached with other servicers and other federal agencies.

But Flagstar is the first company to be fined by the Consumer Financial Protection Bureau for violating new mortgage servicing rules, which took effect in January 2014.

Flagstar has consented to the order but did not admit wrongdoing.

Consumer advocates and industry experts say the action is a sign that mortgage servicers are being put on notice.

“If you’re doing a garbage job of it, the CFPB is going to take you to task,” said Paul Muolo, managing editor at Inside Mortgage Finance Publications.

Barry Zigas, director of housing policy at the Consumer Federation of America, said it remains to be seen if Flagstar is the first of many settlements, but it’s a sign the bureau will use its powers to tackle bad behaviors that cost consumers dearly.

Flagstar’s requirement to make financial payments to consumers is significant, Zigas said, but the money will hardly compensate for the unnecessary loss of their homes. People saw their lives dramatically altered.

CFPB Director Richard Cordray said Monday’s action signals a new era of enforcement to protect consumers against the cost of runarounds.

“Struggling homeowners paid a heavy price, including losing the opportunity to save their homes, as a result of Flagstar’s illegal actions,” Cordray said Monday.

Flagstar also must engage in outreach, including a doorknocking campaign and translation services, for borrowers who were not foreclosed on but still affected.

FlagstarBancorp, the holding company for Flagstar Bank, on Monday said in a news release that it entered into a settlement agreement regarding alleged violations of federal consumer financial laws arising from the bank's loss mitigation practices and default servicing operations dating to 2011.

"This resolution is in the bank's best interest and allows us to continue building a great company that is poised for sustainable, long-term growth and value creation, benefiting our shareholders, customers and the communities we serve," said Alessandro (Sandro) DiNello, president and CEO.

"The dedicated employees of Flagstar Bank have completed thousands of successful loan modifications and work incredibly hard to meet and exceed the **needs of our customers,**" he said.

Flagstar made a disclosure with the Securities and Exchange Commission in August that hinted of an upcoming announcement. In August, Flagstar said it was discussing a possible settlement with the Consumer Financial Protection Bureau relating to loss mitigation practices.

Regulators took Flagstar to task for how it handled that business.

The consumer bureau charged that it took Flagstar staff up to nine months to review a single application. By contrast, regulators expect such activity could take a month or less. • Regulators even mentioned the use of a thirdparty vendor in India, noting that Flagstar had 13,000 active loss mitigation applications in 2011 but assigned only 25 full-time employees and its vendor in India to review them.

Edmund Mierzwinski, consumer program director for U.S. PIRG, said the \$10-million civil penalty is significant relative to the amount of restitution, which sends a very strong message to other banks.

"Two thousand wrongful victims will receive an average of \$10,000 each plus retain the right to take other legal actions," Mierzwinski noted.

Among other things, the bureau charged that:

- Flagstar would close applications due to expired documents, even though documents had expired at times because Flagstar took excessive time to review loss mitigation applications.
- Flagstar miscalculated incomes of borrowers and, as a result, wrongly denied loan modifications.
- Flagstar did not give borrowers a specific reason for the denial of applications.

Under the Consumer Financial Protection Bureau's new rules, mortgage servicers must provide the specific reason a complete loan modification application is rejected.

- Flagstar has been wrong telling borrowers that they only have the right to appeal the denial of a loan modification if they live in certain states. Cordray said that is not true.

## INFORMATION FOR HOMEOWNERS

• **The Consumer Financial Protection Bureau will contact consumers directly if they are eligible for remediation in the Flagstar settlement.**

• **Borrowers can contact the CFPB to submit complaints, as well. File a complaint at [www.consumerfinance.gov](http://www.consumerfinance.gov) / complaint or call 855-411-2372.**

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While the mortgage servicing rules are new, the bureau said it could go back to 2011 because it has authority to take action under the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Contact Susan Tompor. 313-222-8876 or [stompor@freepress.com](mailto:stompor@freepress.com)  
& submitted by *Wayde Koehler, Pres, R.E.I.A. of Wayne County*

# Spotting the Signs of Meth

HOW CAN YOU TELL IF YOUR PROPERTY IS BEING USED TO PRODUCE METHAMPHETAMINE?

by Brian McTavish

There are numerous warning signs that an apartment or house is being used to produce methamphetamine.

Yet following one simple piece of advice from law enforcement can be the most effective way for landlords to entirely avoid or immediately halt the dangerous, clandestine activity, which poses a threat not only to property but to human life.

“Managers need to inspect their properties at least once a month,” said Crime Prevention Officer Gary Starks with the Independence, Mo., Police Department. Starks has taught a crime-free multihousing class for landlords since 1999. All too often, he said, property owners and managers make the mistake of thinking that no news is good news.

“They assume if they’re getting their rent, everything’s OK, and they’re happy,” he said. “And if they don’t hear from the police, everything’s good. But the bottom line is that a lot of this stuff goes undetected. And if they would inspect their properties on a regular basis, they could stop a lot of this before it ever happens.”

What could happen?

“We’ve found meth tabs through house fires,” Starks said, “because places were blowing up and the fire department was responding.”

## The Sights and Smells

Fortunately, there are other ways to possibly detect a poisonous and potentially explosive meth lab in operation, starting with a strong and unpleasant odor that is often described as smelling like ammonia or cat urine.

“An odor is always going to raise suspicion,” Starks said. “But when we get there and investigate, it’s not always meth. It can be the smell of natural gas or trash or real cat urine.”

Trash itself can be a tipoff, including plastic soda bottles with puncture holes, rubber hoses, cold tablets and other tools and ingredients associated with meth production.

“Be looking for empty blister packs of (the cold medication) Sudafed,” Starks said. “They’ll steal those, punch out all of the pills and throw away the packs—there could be dozens or hundreds of packs. We’ve seen at apartment complexes where they’ll leave trash bags full of them in Dumpsters. And you might see coffee filters with a red stain, because they use red iodine.”

Meth manufacturers also might install outdoor security cameras to protect against discovery or theft.

“When we see cameras, we give it a little more special attention,” Starks said. “But I’ve got cameras on my house, so having cameras doesn’t mean it’s a meth house”

Nor do covered windows necessarily translate to meth-making: “I’ve seen cardboard boxes and aluminum over windows, but that’s not always drug activity,” Starks said. “It can be a sign.”

Most often, though, it’s an accumulation of different clues that raises a reasonable suspicion that meth is being produced on a property.

“You could see consistent heavy traffic in and out,” Starks said. “You could see paranoid behavior, where they’re out looking around their house constantly, or on the phone, or tweaking (twitching)—where they literally can’t stand still. They’re just constantly moving and looking around and scratching sores—they’ll scratch at their hands and make sores.

“Most times, people who are into meth are filthy. They’re dirty. So the outside of the apartment or the house is probably going to be just as dirty as the inside. Whenever you get inside, 99 percent of the time, they’ve destroyed the apartment. It’s trashed. There

## HOW BIG IS THE METH PROBLEM?

**Meth costs the U.S. economy \$23.4 BILLION, according to a 2009 study from the RAND Corporation.**

**U.S. authorities responded to 11,210 meth lab and dumpsite incidents in 2012.**

**“ALL TOO OFTEN, PROPERTY OWNERS AND MANAGERS MAKE THE MISTAKE OF THINKING THAT NO NEWS IS GOOD NEWS.”**

are holes in the walls. They've ruined the electrical. They devastate apartments, and it's because they have no ownership there. They can just move along"

## How to Respond

Still, Starks said, some property managers make the error of not wanting to deal with the police, because of legally imposed cleanup and decontamination costs after a meth lab is found on a property.

"I know of a maintenance man who went into an apartment and found a meth lab," Starks said. "He called his property manager, and the property manager said, 'Doi\* call the police, because if they come out, it'll cost thousands of dollars to clean up"

Starks said the property manager told his maintenance man to go into the apartment upstairs and turn on the water, so that the apartment with the meth lab would be flooded, and that way the manager "could just clean everything out, put it in the Dumpster and he wouldn't have the police to deal with."

Instead of following his boss's orders, the maintenance man called the police and wound up speaking with Starks.

"I said to him, 'No, don't do that,'" Starks said. "And then I called the drug task force, and they went out there and found the meth lab. The manager got fired. in fact, the police drug task force took the manager in on a 24-hour hold"

It just doesn't make sense-ethically or financially-for a landlord to not do the right thing, whether before or after a meth lab is found, Starks said.

## FEWER PEOPLE USING METH?

In a 2012 study, 1.2 MILLION Americans reported using meth in the past 12 months. That represents about 0.4 percent of the population.

About 440,000 (or 0.2 percent) had used meth in the past month. That's an improvement compared to 2006 , when 731,000 people reported priormonth use.

Meth led to 103,000 emergency-room visits in 2011, down from 132,000 visits in 2004.

Source:: National Institute on Drug Abuse, RAND Corporation, U.S. Drug Enforcement Agency.



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"Owning rental property is a business," Starks said. "It's what you're making money on. If you're not going to responsibly run it like any other business, you shouldn't be doing it.

"It costs you more money to deal with cleaning up meth labs or the destruction of property because of drug abusers, than it does to drive to that house or apartment once a month and look at it."

If a landlord does discover a meth lab, what's the best course of action?

"First off, don't touch anything," Starks said. "It's very toxic. If you've got a cell phone, walk outside, stay right at the door and call the police.

"It's all very common-sense stuff. It's just that a lot of property owners, all they're worried about is occupancy rates and getting their rent-and not what's going to occur if they don't deal with this. And, if they don't, then they're going to deal with us."

BRIAN McTAVISH is the SENIOR WRITER of COMMUNITY INVESTOR MAGAZINE. REPRINTED FROM COMMUNITY INVESTOR & SUBMITTED BY WAYDE KOEHLER, PRES. R.E.I.A. of WAYNE COUNTY

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