Next Meetings

Directors Board: Tuesday, October 11, 2022 at 6:00pm
at Leon's Family Dining
Next Monthly Meeting: November 1, 20222

Sadly, we have to say Goodbye to

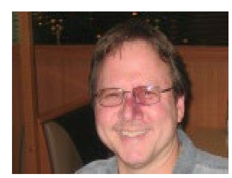
Rose Papp

Rose Ann Toth Papp 1933-2022

Rose was a long-standing REIA of Wayne member. She served over 30 years on the Board of Directors and through her company Apollo Printing she helped produce the monthly newsletter, among many of her contributions. She passed on September 25, 2022

There will be a memorial celebrating her life
On: October 7, 2022
From: 6pm-8pm
At: Hungarian Rapsody Restaurant
14325 Northline Rd.
Southgate, MI 48195

From the President's desk



Urgent Message To All Property Owners & Landlords

- **The court process was upended because of COVID.**
- **Emergency measures were taken on a "temporary" basis.**
- **This made court action take longer, cost more and made it extremely difficult to exercise your property rights.**
- **It was all in the name of *health*.**
- **The Michigan Supreme Court is now trying to make much of the emergency processes PERMANENT.**
- **We told you this was coming.**
- **It is here. You must do something now to protect your rights.**

What: The supreme court administrators office (SCAO) has proposed sweeping changes to the Court Rules that govern the landlord-tenant process. Click here to see the proposed new rules.

Here is how the SCAO office describes what they are doing: "*The proposed amendments would permanently incorporate certain provisions from Administrative Order No. 2020-17 into court rule format under MCR 4.201 and would make a number of minor changes due to a relettering of the rule."*

And their stated rationale: *"Many people believe that our state is finally at the end of the pandemic. Still, the court system will long be dealing with the effects brought about by the greatest health crisis in our generation."* There is no corresponding list of what are the "effects" the court system will be "dealing with" or why these are unique to landlord-tenant rules.

Examples of the new rules:

- **Landlords must now certify that their property is in compliance with "local health and safety laws".** Currently, you certify that the property was "fit for the use intended".
- **The tenant can demand a jury trial at almost any time before the trial date. Currently, the Tenant must demand a jury trial in their first appearance or it is waived.** This provides a massive delay tactic to an uncompromising tenant as jury trials in District Court are nearly unheard of and take months to schedule.

Fun facts: Michigan Landlord-Tenant statistics:

	2018	***2019***	***2020***
Statewide Cases	***203,114***	***209,236***	***108,637***
Jury Trials	***11***	***7***	***1***

- **Personal service on the tenant is REQUIRED for a default judgment to enter at the first court hearing.** This basically ensures a minimum of 2 court dates for each case which adds at least 7 days to the process.
- **If the tenant claims they are seeking rental assistance the Court must "stay" the case for 30 days.** This is probably unconstitutional. The legislature made the judgment time frame 10 days for a reason (this is a statute not a court rule: MCL 600.5744)

What can you do about this?

The public comment period is open for these proposed rules. Not surprisingly, the time period for comment has been shortened for some reason. Your voice is important and needs to be heard. Your name and comment will be listed. Please be polite, concise but direct. You can comment by clicking here. You will then need to scroll down and click on the red box "comment on this proposal". You can also email comments to: ADMcomment@courts.mi.gov

At least one of the Michigan Supreme Court justices is strenuously opposed to these proposals. His dissent is here.

Our Opinion: What is really going on here? The tenant activists and "cancel rent" crowd are unified in their efforts to undermine your property rights. The pandemic was a golden opportunity for deep structural reform that has little to do with COVID. Don't believe us? Check out these articles:

The Eviction Machine: The "eviction machine" of this article refers to the current court process in Michigan. Which it describes as a "society that treats eviction like a property dispute, not a fundamental injustice." Sound like something social media trolls would post? Think again, this article was written by and supported by the University of Michigan.

Statement By The US Attorney General. In August 2021, as the US Supreme Court vacated the eviction moratorium, the US Attorney General issued a call to arms to lawyers, judges and court administrators to do whatever they could to "ensure that eviction procedures are carried out in a fair and just manner."

The White House holds summits on this topic. These events in Washington D.C., highlight the work of the Michigan Supreme Court's "visionary court-led eviction system reforms". They are talking about Admin Order 2020-17 which the SCAO is now attempting to make permanent.

This was all supposed to be about health, preventing the spread of COVID-19 and to avoid mass evictions. Remember that? Here is what the White House said 2 weeks ago: *"Instead of a Dramatic Eviction Spike Following the End of the Eviction Moratorium, Eviction Filings Have Remained 26% Below Historic Averages Nationally: Despite projections of an eviction “tsunami” following the end of the CDC eviction moratorium in August 2021, eviction filings nationally have remained 26% below historic averages in the 10 months since the end of the moratorium, based on an analysis of data collected by the Eviction Lab at Princeton University."*

Who is affected by these sweeping reforms? You. Most rental units are owned by "mom & pop" landlords. A recent study found that 87% of Detroit landlords only own 1 or 2 units. In our experience representing landlords all across Michigan, we see very similar statistics. Small landlords cannot bear the increased costs of these new rules and the massive delays that will result.

Wayde Koehler

Wayde Koehler

R.E.I.A. Membership Benefits

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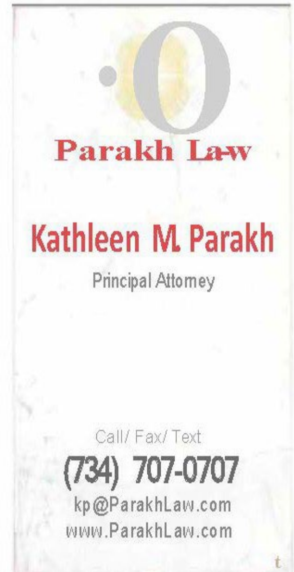
- Free 3 month subscription to Mr. Landlord newsletter.

Investors can build a rehab and investment team through referrals from other investors

Contractors get a great source on which to build long term repeat customer business

- Access to Court-Approved forms
- Liaisons with Local and State Government through RPOA
- Discounts with Sherwin Williams Paint,& Office Max and strategies to maximize saving at several big box chains



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Rental Owner Updates - September 22, 2022

FINDING UNSKILLED LABOR

FINDING UNSKILLED LABOR

A landlord asked the following question pertinent for these times:
"I would like to know how YOU go about hiring un-skilled labor in today's climate of a national labor shortage. I want to give an example of a landlord situation that requires unskilled labor and curious how you would handle this.

Lets assume here you have obtained a Writ of Possession after the eviction judge ruled in your favor. Now it is time for you and the sheriff (or constable) to meet at the house for the 'set out'. The constable tells you that you have only 45 minutes to remove all of your tenant's furniture, kitchen appliances, and other misc. junk out to the street curb. You have 24 hours here to locate unskilled labor to do this 'set-out' the following day. In the above situation, where do you find unskilled labor on short notice to do the above job in just 45 minutes? Please don't tell me this is a job that you, your spouse, and teenage children all do together."

There were several responses by fellow landlords regarding finding unskilled labor. I'll share a couple of the responses below:

ONE APPROACH -
"I use day labor workers from the mission but you have to realize there is a risk when you do. In almost all states, you are required to carry workers comp insurance. For all practical purposes, these folks are employees. They meet the definition which includes directing their work, establishing the hours, and providing the tools. If they get hurt, the ambulance chasers will take them on for a cut of what they get which will be a sizeable settlement that isn't bound by the limits of the state's workers comp rules. Your commercial policy will have a liability exclusion for employees hurt on the job, so they will be no help.

So, you can either go through a temp agency that pays the workers comp insurance, an HR place that will take care of the payroll and workers comp requirements for employees, attempt to establish them as an independent contractor (my approach), or just not worry about them getting hurt and risk the peril."

A SECOND APPROACH -
"I have had great success with posting gigs on Craigslist, of all places. I post the job to be done, with pictures. I ask them to respond with how much they'll charge, their qualifications, and their phone number. I post it at most, two days before I need the job done. There are a surprising number of people with legitimate skills who are willing to do a side hustle on their day off."

There are at least three or four more approaches suggested in the recent discussion on our Q&A Forum. Click now to see that complete discussion.

Editor's Note: If you only have one or two rentals, I like the idea of hiring workers from a local temp or man-power agency so that the workers fall under the agency's worker's compensation. For those with a few or more rentals, I would encourage landlords to consider hiring at least one part-time employee (even if only a few hours a week) for maintenance that would include repair tasks that are subject to potential injury. Even if you're not required by your state to have worker's compensation coverage, it may still be a good idea to get workers' compensation insurance because of the work that may be needed at rentals. Just like property management errors and omission coverage, (specifically for self-managed properties), a workers' comp policy helps protect you and your business.

If a company doesn't have workers' compensation insurance and a worker is injured on the job, most states will allow the employee to sue their employer by filing a personal injury claim. Not only is this a complex and expensive process, but the employer could be found liable for their injuries and forced to pay a costly settlement. In this scenario, the worker can sue for full compensation, pain and suffering, lost wages, etc. This would open the employer up to far greater losses than if they had just carried a work comp insurance policy with workers' compensation insurance. You don't have to worry about that. In most states, it's the "sole legal remedy" for injured workers. Worker's compensation coverage will pay for medical costs, rehabilitation, and lost wages for injured workers – and in most cases, the employer will also be covered (up to the policy limits) if the employee tries to sue for damages

LOANS FOR FLIPPING HOUSES: 6 WAYS YOU CAN FUND A FLIP

FinanceBuzz Last updated Aug. 25, 2022 | By Matt Miczulski

The costs of flipping a house

The costs of a flip can vary, as there are several components that make up the total amount you will pay on a project. These costs can include:

- Purchase price and closing costs (property acquisition)
- Cost for renovating the house (material and labor costs)
- Carrying costs (interest on financing and financing fees)
- Marketing and sales costs

Although you can cut costs in some areas, such as performing as much of the labor yourself as you can, you should have a thorough vision for what the total cost of your flip is going to be before you start looking for funding. The goal for successful flippers is to turn a profit on each project, so being strategic is critical.

With all the costs in mind, it's time to secure financing for your real estate project. Likely, traditional banks will be hesitant to loan you money for a house that won't be your primary residence. Even banks that loan money for flipping likely prefer someone with a track record of successfully flipping houses versus a first-time flipper.

So where do real estate investors turn to cover their costs? Here are six financing options for house flippers to get the funding they need, including the details, pros, and cons of each.

Family or friend loans

Pros:

- May be able to avoid costly interest and fees
- Fewer hoops to jump through

Cons:

- Personal relationships could be affected

Turning to your family or friends to lend you the money for your real estate investment is definitely an option worth considering. If your friends or family are interested in investing in your project, this can be a great way to avoid many of the costly add-ons of borrowing money from traditional mortgage lenders. That said, there are some caveats you should keep in mind when using loved ones as private lenders. (If you do end up considering a traditional loan, our list of the best mortgage lenders is a great place to start your research).

Money and relationships don't always mesh well. Borrowing money from someone with whom you have a personal relationship should be done with caution. What happens if your flip flops and you don't have the money to pay back your friend? What if your family members get restless and demand you return the money sooner than you agreed? Are you prepared to have those discussions with loved ones?

If you're going to borrow money from family or friends, treat it the same as a bank loan. Lay out the terms of the agreement in writing and abide by them. Throw in some incentive for them to want to invest in your project. This can be something as simple as insisting you pay interest on the money you borrow, even if your friend or family member doesn't ask for it.

Pay an interest rate that's comparable to the rate they could earn with a high-yield savings account. That way, the money isn't treated as a gift, but rather a true loan. You never know, your friend or family member may be looking for ways to make money too. And although family and friends can be a great way to save on borrowing money, you don't want to spoil these relationships in the process.

Seller financing

Pros:

- Helpful if you can't secure a mortgage
- Closing process is generally faster and cheaper
- You and the seller agree on a down payment

Cons:

- You may pay higher interest
- You can still get turned down if you're a credit risk
- Seller financing is less common than traditional methods

Seller financing is when the buyer has a loan agreement directly with the seller of the property, instead of going through a financial institution. This can be useful if you're having trouble getting a loan due to bad credit or because you have less cash available for a down payment.

Sellers may also have less rigorous requirements when it comes to flip financing. Because a bank isn't participating in the transaction, you will generally encounter fewer closing costs as well. You can avoid the cost of mortgage points (fees paid to the lender during closing to reduce the interest rate), origination fees, and other charges often associated with lender financing.

In this scenario, the seller takes on the role of financier, extending you enough credit to purchase the home. In most cases, you will sign a promissory note to the seller detailing the interest rate, repayment schedule, and what happens if you default on your loan. Then, you pay back the loan over time as you would with a traditional lender.

Typically, the idea is that in a few years, when the home has gained enough in value or your financial situation has improved, you can refinance with a traditional lender. Because you may be paying higher interest than you would with a traditional mortgage, refinancing is often a good idea.

Home equity loan or line of credit

Pros:

- Interest rates are generally lower than hard money loans
- Financial flexibility
- Interest payments may be tax deductible

Cons:

- Your home is your collateral
- The amount you can borrow depends on your home's value (and other factors)

If you've built enough equity in your home, you may want to consider tapping into it to fund your house flip. Equity is the difference between what your home could sell for and what you owe on the mortgage. You can use this equity to fund a flip in a couple different ways:

Home equity loan

A home equity loan is a type of loan that is backed by your home. In other words, you use your home as collateral. Should you default on your loan, the lender could foreclose on your house.

For the most part, interest rates and payments are fixed with a home equity loan, so your monthly payments won't fluctuate. You can usually borrow up to 85% of your home's value; however, the exact amount of money you can borrow will depend on factors such as your income, credit history, and how much your home is worth.

For example, say you have a home with a market value of $350,000 and you have a remaining balance of $200,000 owed on your first mortgage. Your lender has said they will allow you to borrow up to 85% of your home's value. That means you can borrow up to $97,500. Here's how to get that number:

- $350,000 x 85% = $297,500 (the total maximum of what you can borrow)
- $297,500 - $200,000 (the amount you owe on your mortgage) = $97,500

Using this example, that's $97,500 you could put toward funding your flip.

Home equity line of credit

A home equity line of credit, also known as a HELOC, is a revolving line of credit that is also secured by your home. It resembles a second mortgage but functions much like a credit card in that you have a credit limit you can tap into whenever you need it. HELOCs can be used for anything, which makes it a suitable funding option for flipping houses. You use the credit you need and make payments only on the amount you borrow.

Similar to a home equity loan, you may be able to borrow up to 85% of your home's value. However, unlike a home equity loan, HELOCs usually have variable interest rates similar to a credit card. As a result, your interest rate can change month to month depending on U.S. economic trends. This can lead to lower payments one month and higher payments the next.

Closing costs and fees vary by lender for both home equity loans and HELOCs. These can include, but are not limited to appraisal fees, origination fees, notary fees, and title search fees. Some lenders might not charge closing costs and fees at all, so comparison shopping is always a good idea.

401(k) loans

Pros:
- You're borrowing your own money
- Approval is easy
- Low interest rate (which is paid to you, not a bank)

Cons:
- May be required to repay loan in full if you leave your job
- Unpaid amounts (according to the loan's terms) become a plan distribution, which can result in a taxes and penalties
- You're jeopardizing your retirement
- You're double-taxed

Tapping into your retirement funds to finance a flip is another option, though it has upsides and downsides. A benefit of using a 401(k) loan to fund your flip is the easy approval process — as long as your plan permits loans, you can borrow against your account.

For a traditional 401(k), the repayment process is hands off. You repay your loan through payroll deductions as long as you are employed, which helps reduce the possibility of falling behind on your payments. If you're self-employed, you just need to set up a payment schedule for your solo 401(k).

Your 401(k) loan agreement will spell out the principal, loan term, interest rate, and any fees that apply. The IRS limits the amount of money you can borrow from your 401(k) or solo 401(k). The maximum amount will be the lesser of $50,000 or 50% of the amount you have vested in the plan. Depending on the cost of your flip, the maximum amount you can borrow ($50,000) may be enough to cover the renovations of your flip, but not the purchase price.

Your vested amount is the amount you own in a retirement plan, and you also always own 100% of your contributions. Company matching funds usually vest over time. So if you're 100% vested in your account balance, you own 100% of the funds — both what you contributed and what your employer contributed.

The normal loan length for a 401(k) loan is five years. This is the longest repayment period the government allows. You may be able to arrange for a shorter repayment term with your 401(k) plan administrator.

Pulling from your retirement savings to fund your flip isn't always the best idea. By withdrawing your money, you not only lose out on retirement savings, but you also put your retirement in jeopardy. The risk of losing money on your flip may not be worth your financial future.

Personal loans

Pros:

- Quick, easy process
- High loan amounts can provide more flexibility

Cons:

- Loan terms are dependent on your credit history and income

When you take out an unsecured personal loan — an unsecured loan is issued solely based on your credit worthiness, without putting up collateral — you can typically use the funds for just about any purpose. This includes financing flipping a house.

The primary factors that determine whether you'll qualify for a personal loan are typically your credit score and your income. The lender will use this information to assess your ability to repay the loan and this will affect the terms of the loan, such as the interest rate, how much you can borrow, and for how long. If you have strong credit and adequate income, you shouldn't have much trouble getting favorable loan terms.

The amount of money you can borrow will vary from lender to lender but can range from $1,000 up to about $100,000. Keep this in mind when searching for the best personal loan so you can get the full amount of funds you need to cover your real estate project.

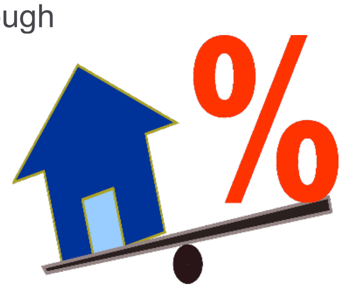
If you can't secure enough funding with one personal loan, you may consider taking out several loans to fund your flip. Although average interest rates for personal loans are currently around 10%, according to credit reporting company Experian, rates can vary widely from lender to lender. Your actual rate depends upon credit score, loan amount, credit usage, and other factors.

Online lending makes it a breeze to get a personal loan. There are a number of online lenders to choose from, each with their own benefits and drawbacks. In many situations, you can be approved in a matter of minutes, with your funds deposited into your account within just a few business days — sometimes within 24 hours.

Hard money loans

Pros:

- Can be a quicker solution to financing, as it requires less hoops to jump through
- Perfect credit scores aren't usually necessary



Cons:

- Loan terms may not be ideal
- The loan is collateralized by the underlying property or another hard asset
- Higher interest rates and fees compared to traditional loans

Reminder: Clean the gutters, and while you are roaming around your roof, check the condition of the shingles, your chimney and flashing. If you need a service for gutter cleaning, contact our own Wayde Koehler at Koehler Kleaning 313 819-0919

If you can't qualify for traditional financing to fund your real estate investment, a hard money loan might be a solution. These types of loans are primarily used in real estate transactions, in which the underlying property or another existing property is often used as collateral. Lenders are typically individuals or companies advertising themselves as hard money lenders, but not traditional banks.

Hard money lenders typically have an understanding of local real estate markets and don't require you to jump through as many hoops as traditional lenders in order to secure funding, making them a quick solution for financing. But although hard money loans are usually easier to get, they often come with higher interest rates and fees.

These types of lenders primarily consider the property you're flipping or another underlying asset more than they do your income or creditworthiness. For a house flip in which the flip property is used as collateral, hard money lenders will inspect the property and make a decision after determining whether the property is worth owning. Should you default on the loan, the hard money lender will take ownership of the property. The inspection process usually includes an appraisal, survey, and home inspection to rule out hazardous conditions. Other considerations may include your plan for the property and even the neighborhood of the property.

Alternatively, if you have significant equity in an existing property, a hard money lender may provide a cash-out refinance loan. A cash-out refinance loan pays off your existing mortgage, resulting in a new mortgage. Although this can give you access to funding, be aware of the risks of using an existing property such as your primary residence as collateral.

Contractors:

(Note: REIA of Wayne does not support or make any recommendations regarding contractors. It is up to you to do your due diligence when hiring any contractor. This is for information purposes only)

Heating and Cooling:

Pollard Heating and Cooling………..313 551-4011
Main Heating and Cooling…………....248 650-8511
Mega Rooter Heating and Cooling….313 254-3529

Plumbing

Waterwork Plumbing…………………..248 542-8022

Painting

Diamond Painting………………………248 935-4514
Dante's Painting (Edmond)…………...586 610-1812
Sergio Guerrero…………………………313 282-9119
Edgar Plass………………………………313 926-3814

Handyman

Mike Sloan………………………………..313 618-5277
American Skilled Service: Brandon …313 264-9579
Handyman Service Plus (Tom)……….313 242-7372

Locksmith

American Lock & Key(Kevin W)………734 281-1454

Lawn Service

J & A Lawnservices (Jason)…………..727 906-7958
Classic Cuts (Liz)……………………….313 989-8713

Appliance Repair

Keith Devoy Appliance Repair………..313 689-2446

Tree Trimming/Removal

Paul Harris-Tree Trimming…………….734 775-6974

Tub Reglaze

Surface Solutions……………………….734 455-0200
Michigan Tub Refinishing……….……313 304-9639

Around Town with Real Estate Investor Groups

(call each group for details)

• **OAKLAND R.E.I.A.**
www.Reiaofoakland.com

• **Macomb Property Owners Association**
Cocktails/Dinner 6-6:30 pm • Meeting 7:00 pm - For More Info Call: 586-977-7372

• **Monroe County Landlord Association**
6:30-7:30 pm Social/Dinner •
7:30 pm Meeting
(734) 457-5758

• **American Landlord Association**
Northwest Activity Center
877-247-3372

• **Real Estate Investors Association of Wayne County** (REIA of Wayne Co)
1st Tuesday of every Month
6:00 pm Networking & Meeting Starts
★ Meeting Ends at 9:00 pm
Leon's • (313) 563-3713
23830 Michigan Ave, Dearborn
(313) 347-1401 • 24 hr Answering Machine

• **Jackson Area Landlords**
6:30 pm Meeting
517-596-2592

• **Toledo Real Estate Investors**
Sullivan Hall @Gescu Parish
2049 Parkside @Bancroft
6:45 pm Meeting
(419) 283-8427

• **Southeast Michigan Real Estate Investor Association**
39555 Orchard Hill Place
Novi, Michigan
(248) 692-1100

Pest Control Service
Stop Pest Control……………………….313 914-2981

Construction/Remodeling
Ideal Home Improvement………………734 624-3454

Concrete
J Nelson Concrete………………………. 313 212-3927

Roofing
Jeff Williams Roofing……………………734 341-3843
Kanga-Roof………………………………..566 255-0308

Dumpster Rental
All Purpose Disposal…………………….734 748-7300

If you have a contractor that you like and would like to Share, let us add to the list. Let us know if you have a bad experience with a contractor from the list. So we can share info with all our members.

Websites

Lead Based Paint Pamphlet…………www.hud.gov.lead
Real Estate Comps…..………………..www.homeradar.com
Rent comps…………………………..www.rentometer.com
Criminal Records…………………….www.state.mi.us/mdoc/asp/otis2.html
IRS Website………………………….www.irs.com
Tax & Accounting……………………. www.taxsites.com
Michigan Courts……………………..www.courts.michigan.gov
Tax Appeals………………………….www.michigan.gov/taxtrib
HUD………………………………….www.hud.org
Historic Properties…………………..www.historicproperties.com