



HOW TO 'HIRE' YOUR DREAM TEAM

PRACTICAL STEPS TO LOCATE, INTERVIEW AND SELECT
THE ESSENTIAL MEMBERS OF YOUR
REAL ESTATE DREAM TEAM

by Jeff Watson, Esq.
with Jack Sternberg

HOW TO 'HIRE' YOUR DREAM TEAM

By Jeff Watson, Esq. with Jack Sternberg

Notice: This publication is designed to provide accurate and authoritative information with regard to the subject matter covered. It is sold with the understanding that the publisher is not engaged in rendering legal, accounting, or other professional advice. If legal advice or other expert professional assistance is required, the services of a competent professional person should be sought.

Purchaser assumes all responsibility for use of all materials contained herein and adherence to all applicable laws governing business practices, agency relationships, and any real estate transactions engaged in through the use of these materials.

© 2006 Jeffery S. Watson and Jack Sternberg. ® All Rights Reserved. All materials in this book are protected by United States Copyright law. This material in any form, or parts thereof, may not be published or reproduced in any manner without the express written permission of Jeffery S. Watson or Jack Sternberg. You may not alter or remove any trademark, copyright or other notice from copies of the content.

CONTENTS

INTRODUCTION Page 3

1. INSURANCE AGENTS Page 4

2. TITLE COMPANIES AND ESCROW AGENTS Page 7

3. TAX PROFESSIONALS Page 10

4. HOME INSPECTOR/PEST INSPECTOR Page 13

5. CONTRACTOR/HANDYMAN Page 17

6. BANKER/MORTGAGE BROKER Page 20

7. REAL ESTATE AGENTS Page 22

8. REAL ESTATE ATTORNEYS Page 25

ABOUT THE AUTHORS Page 29

No real estate investor is an island unto himself. Even experienced real estate investors depend upon knowledgeable professionals to assist them doing the business. Without the availability of the group of professionals we have dealt with over the last twenty six years, many transactions would not have closed. Our ability to close a deal has in fact been helped many times by our association with the attorney and title company that we deal with.

Many real estate investors fail and go broke because they have not surrounded themselves with knowledgeable experienced professionals to assist them in completing the entire package. It has been said that your real estate investing destiny is only as good as your dream team.

The first step in selecting a good professional to assist you is to recognize that not all professionals are able to understand and meet the needs of a real estate investor. Some of those professionals who will want to try to be able to meet your business needs are just not able to do so due to a lack of experience, contacts, knowledge, and professional resources. In selecting a dream team member, you must understand that not every individual that you will find listed in the yellow pages or from whom you have collected a business card will be able to assist you.

Some of the things that you can do to narrow down which professionals you can use and which ones you cannot is by talking to other real estate *investors*. Find out who other successful investors use. A successful investor is someone who has been in the business for 10 or more years. Someone who has seen and survived "down" markets. When you do speak with a potential dream team member, one of the key questions that you must ask them is what percentage of their business is devoted to working with real estate investors. This is important because you need to know if they have an established system for handling this type of matter or if they will be charging you while they “reinvent the wheel” and learn how to do business in the way that you need.

CHAPTER ONE: INSURANCE AGENTS

Many real estate investors that I have worked with have never given much thought to selecting a knowledgeable and experienced insurance agent to advise them as to the appropriate types of insurance coverage that they will need in their investment and business operation. There are two types of insurance agents, independent agents and captive agents. Captive agents are those that work exclusively for one major insurance company such as State Farm, Allstate, Nationwide, American Family Insurance, etc.

Independent insurance agents are usually self-employed individuals who represent a number of insurance companies that are doing business in your state. When you contact the insurance agent it should be pretty clear whether they are a captive agent working for a major national carrier or whether they are an independent agent available to shop amongst various carriers for the best rates, terms and policies for your benefit.

With the growing trend of banking institutions buying up private insurance agencies, you need to be careful to find out who really is controlling that insurance agency. They may look like an independent agent but they may be owned by a large regional bank. That may limit the number of companies that they can recommend to you.

Many captive insurance agents are unable to provide insurance coverage for vacant houses that are being renovated because their companies do not want those risks and will not insure them, therefore you may be forced to deal with an independent insurance agent for at least that part (if not all) of your insurance needs.

When meeting with insurance agents, you need to determine whether they offer suggestions as to how to lower your costs of doing business including lower premiums and give you various choices of coverage. Is the insurance agent willing to explain to you the benefits of various deductibles, the difference between replacement costs vs. actual cash value, an HO2 or an HO3 policy? You want HO3 policies. You are looking for an insurance agent that is available to answer questions.

You do not want to have a clueless premium collector who is unable to give you any sort of input without checking with the home office or underwriting. Key questions to ask a potential insurance agent are the following:

- How many insurance carriers that you are an agent for offer or sell coverage for vacant properties or rental homes?
- What percentage of your customers have investment/rental property? What type of insurance is best for this particular investment/rental property that I have?
- How many investment/rental houses can I add to my existing homeowners policy?
- Do you have a blanket policy that would cover houses I buy and sell as well as those that I might keep in a rental pool?
- What about a separate business liability policy?
- What about premium financing?
- Since I use several entities, can they be named as insureds?
- Since I may have transactions with various parties, can they too be named as insureds?

Several large insurance companies will allow you to add as riders to your existing homeowners policy insurance coverage on rental properties. This is a cost saving to you as it affords you a multi-policy discount, provides better liability insurance protection and consolidates billing.

Other important questions if you do a lot of “subject to” deals are:

- How easy is it to add an additional insured to a policy?

Also ask the insurance agent:

- How many investment properties can I or my company own before I need to buy commercial insurance?

- Since my attorney suggests that I use limited liability companies and land trusts does the usage of LLCs and land trusts present any issues with either you or the underwriters when it comes to writing insurance policies for my investment/rental properties?
- Since I am taking an ownership interest in a house that is currently insured by XYZ Insurance Company, do you recommend that I change insurance companies or just have myself or my investment company added as an additional insured to the existing policy?

Then ask the insurance agent,

- What are the reasons for your recommendations? Never be afraid to ask why.
- Since I hire many contractors to do various kinds of work at houses that I am fixing up, should I buy a general liability insurance policy? If so, what type of general liability insurance policy should I purchase?
- Since I have an office at home for this business, do I need any home business riders on my existing policy?

In summary, selecting an insurance agent is incredibly important because this is the person who will be assisting you in protecting all of the assets that you have under control and making sure that if something goes wrong the insurance company is the first line of defense and protection available to you.

One of the best values that you can buy from an insurance company is an umbrella liability policy. Make sure you discuss with the insurance agent what an umbrella liability policy will do for you, what coverage it provides and its cost. It is usually the cheapest form of liability insurance that you can purchase in today’s insurance market.

HOW TO “HIRE” YOUR DREAM TEAM

TITLE COMPANIES AND ESCROW AGENTS

CHAPTER TWO: TITLE COMPANIES AND ESCROW AGENTS

The title company officer or escrow agent that you use as part of your dream team is the only member of your dream team that must be neutral and impartial and as the only member of your team who cannot be biased in your favor. Why must they be neutral? A title company officer or escrow agent has a fiduciary duty owed equally to all parties to a transaction, even in a relatively simple real estate transaction, you have the seller, the buyer, the lender, existing lien holder, government offices and possibly one or more real estate agents. Each one of these people is owed the same level and quality of service, accuracy and information. So when you hear other investors say “my title company will favor me”, you now know something they don’t.

The duties of a title agent or an escrow agent are set forth in both the terms of the purchase and sales agreement that you have negotiated as a party to the transaction and according to the terms of the escrow agreement that the underwriting insurance carrier requires the parties to the transaction to sign.

The first step in getting a good title company or escrow agent is to include in the paperwork that the title company that you are comfortable working with is going to be handling the escrow or closing of the transaction. When you are looking for a title company or escrow agent key questions to ask when you meet with them are:

- Who are your title insurance carriers? Many title agencies or escrow agents have two different underwriting insurance companies and these companies have different criteria regarding the types of transactions that you may be able to close.
- How much is the premium for owners title insurance per \$1000 of purchase price.
- Which one of these insurance companies/underwriters is the most "investor friendly"?
- What volume of deals do I need to send you in order to get the best prices on your services regarding title searches and current owner lien searches and closings?

HOW TO “HIRE” YOUR DREAM TEAM

TITLE COMPANIES AND ESCROW AGENTS

- What is the cost of a current owner lien search. This search will reveal all voluntary and involuntary liens that are against the property that you are considering purchasing or investing in.
- What is the turnaround time from when we request a current owner lien search to when it is available to me? How will it be made available, e-mail or fax?
- How is the contact person at the title company to interface with?
- Ask the preferred method of communication, electronic, by fax or what.

When you place what is considered an order with the title company, you either order a lien search or submit a purchase and sales agreement for an escrow and real estate closing. The real estate closings are where the title insurance companies make their money. So ask them how do you want me to place these orders? To fax in the purchase and sales agreements, to bring them in or what?

Other questions to ask while interviewing and meeting with a potential title company agent or escrow agent is:

- Do you close short sale transactions? If so, how frequently?
- Are your underwriters comfortable closing deals involving short sales?
- Are you familiar with short sales that involve back to back closings?
- How much is your escrow fee?
- How much do you charge for deed, mortgage, and document preparation?
- Will you accept payoff letters sent to me that I will forward to you?

HOW TO “HIRE” YOUR DREAM TEAM

TITLE COMPANIES AND ESCROW AGENTS

- When I am acquiring a property in foreclosure and will be quickly reselling it, how do you want me to set up the transaction to keep the chain of title as simple and clean as possible?
- What is the best way to structure and present the paperwork on a deal where I want to do a simultaneous closing where I will be funding the first half of the transaction?
- When I am attempting to perform a short sale on a property in foreclosure and the ultimate buyers/lender orders a title commitment, how are you going to document and report the chain of title to the new buyers lender? The answer to that question will tell you how to structure your short sale transactions in order to avoid a seasoning issue or other problems with the chain of title.

Usually, the main item a title company looks for is adherence to the terms and conditions of the contract. They will frown on (and rightfully so) any out of the “four corners of the contract” payments, promises, transactions or “deals”.

CHAPTER THREE: TAX PROFESSIONALS

Tax professionals are one of the two financial management experts that you need to have assisting your business from the very beginning.

One of the greatest fears that any business person has is that of tax troubles or problems with the IRS. Even just the ordinary letters that I receive from the IRS regarding forms and publications still give me pause before I open them. The only way to avoid having serious tax troubles is to get solid, competent tax advice from the beginning.

There are two different types of tax advisors that you can seek, an accountant or an enrolled agent. Some accountants don't do taxes but are willing to work with you regarding the establishment of your business, helping you with record keeping and business records management and cash flow management and could become a valuable aide in your business.

If you are unable to find the type of accountant who is familiar with the type of work that you need done, or one who is not willing to do both the tax work and the income and expense statements and other business related record keeping, then it would be important for you to locate an enrolled agent. An enrolled agent is a licensed professional who is allowed to practice before the IRS and specializes in completing, preparing and filing tax returns. Whether you choose an accountant or an enrolled agent, you must look for a professional that works with lots of real estate investors that do your type of investing. If you are landlord, look for a tax preparer who does tax returns for landlords. If you are rehabber, look for one who does work with rehabbers. Subject to's, quick turning, the same thing applies.

A basic rule to remember in planning for taxes is that if you are operating a multiple member limited liability company, it is going to be treated just as a partnership for tax purposes. A single member limited liability company will pass through directly onto your 1040 tax return in the form of a schedule C. At present, the IRS has announced that the focus of its audits will be on sole proprietors that file Schedule C's. Therefore, consider adding a "partner" to your business and having all of your LLC's be multiple member LLC's. The partner need only own 1-2%. This will result in partnership tax returns being filed with K-1's coming over to your individual tax return.

If your business is active in short selling and quick turning and you are not taking title or engaged in the long term holding of the property, then you must have a separate legal entity for just that type of activity. If you are serious about doing that type of business then you should establish a C corporation. If the C corporation generates sufficient revenue then the format of that corporation will allow you the greatest amount of tax advantages, deductions, and expense options. But you should never take title to real estate in that C corporation.

Under no circumstances should you ever do a consistent stream of flips or short sales in the same legal entity that is also the holding company for your various rental properties or subject to properties. The reason for this is if that entity ever gets tagged by the IRS as a being a dealer, then you lose certain substantial tax advantages that benefit landlords and those who hold long term subject to's. Therefore it is important to have at least two separate entities if you do various kinds of investing. If you are only doing the occasional (10 or less a year) flip or short sale then you can do those through a separate entity such as an LLC or your regular business.

Questions to ask potential tax professionals:

- What is the preferred method of communication, electronic, fax, phone calls?
- What is your policy for charging for phone conversations?
- What percentage of your customers are real estate investors?
- How many audits have you attended on behalf of your customers/clients in the last five years?
- What percentage of those audits were a “no change” audit? (The higher that number, the better).
- Are you familiar with breaking down various real property components on to separate and faster depreciation schedules? This is absolutely essential for a landlord or long term holder of real estate.

- Describe the type of tax preparation business that you have. How do you want your customers/clients to send or bring you data? Yearly, monthly, quarterly.
- Do you also do payroll tax filings, W2s and 1099 preparation?
- Do you charge an hourly rate for your services, or do you have a set schedule of fees based upon the number and types of forms and schedules that you complete in preparing tax forms and returns?
- What are the steps/actions that I need to take to get started keeping records the right way.
- How many tax returns have you done for investors who have sold using a 1031 tax deferred exchange?

This is an important question for every landlord and long term real estate investor, particularly those that hold commercial property. The reason that this is important is because the whole idea behind a 1031 tax deferred exchange is to legally avoid/defer paying any federal income tax on the profit or gain that you have made by holding this property. You do not want to jeopardize that tax deferred status by having an improperly or incompetently prepared tax return. If the tax professional that you are working with has absolutely no clue what a 1031 tax deferred exchange is then that person is not a dream team candidate.

CHAPTER FOUR: HOME INSPECTOR/PEST INSPECTOR

Often, many real estate investors do not use either of these professionals as part of their dream team. However, depending upon the type of properties that you are involved with and the nature of the transactions that you are doing, the few dollars used for a home inspection or pest inspection can greatly benefit you.

For example, if you are looking to acquire a property on a subject to basis, and the seller is negotiating for cash in exchange for some of their equity then the results of a home inspection showing that their home is not as perfect as they think it is will give you extra leverage in negotiating a lesser amount of cash to the seller. By the same token, a pest inspection can prevent you from inheriting a huge problem with wood destroying organisms. While both these jobs are very different, they have similar functions. Their purpose is to look at a home and see what, if any, potential problems that house has.

Home inspectors are relevant when you are dealing with an owner occupied or pretty house. When you are looking at purchasing a vacant or ugly house that needs rehabbing or work, pass over using a home inspector and go straight to the licensed contractor. Working with a home inspector, the most important thing you need to ask them is:

- What do they see as being their role in the house buying process?

Do they see themselves as your advisor, do they see themselves as your protector/deal killer? Do they see themselves as the person who will work with various city and local government officials regarding point of sale issues? Should you be working in cities that have point of sale or pre-sale inspection programs?

- What type of a report will they prepare? Will they just give you a verbal report, are they going to give you written, detailed report? Are they going to give you a report on a pre-printed form with checking off certain boxes?

When they do give you a report in any format, are they going to include suggestions for resolving any problems as well as any approximate costs for any necessary repairs? This type of

HOW TO “HIRE” YOUR DREAM TEAM HOME INSPECTOR/PEST INSPECTOR

information would be incredibly valuable in negotiating with a homeowner in order to obtain an even fairer purchase price.

Additional questions to ask a home inspector are:

- What kind of training have you had in the past in order to qualify you for this type of work?
- Are you licensed, bonded or certified by any independent agencies?
- What kind of ongoing training and updates do you receive?
- Do you carry any liability or error and omissions insurance? While most if not all home inspection reports contain exculpability clauses wherein the home inspector is trying to say “if there is something that I missed, it’s not my fault, it’s your fault because you are the one who ultimately bought the house”. It is still important to have this conversation with them because there are instances where home inspectors have missed open and obvious defects and conditions.
- What, if any, experience do you have in finding and identifying any attempts made by the current homeowner to conceal or hide defects or problems with the house?

This question is important, because regardless of how experienced you are as an investor another set of eyes and ears, and another nose going through a house will help you identify any potential problems that the seller may be trying to hide.

My mind goes back to one rehab property that I purchased where I didn’t think anything of the thin steel plate lying on the basement floor and it wasn’t until after the closing that I discovered that it was strategically placed to conceal not only a hole in the concrete floor but a broken sanitary waste line and eroded away dirt around it. Had I walked through that house with a contractor, it is much more likely that he would have moved that piece of steel and I would have been able to negotiate a purchase price that reflected the additional \$2000 worth of plumbing work that had to be done.

HOW TO “HIRE” YOUR DREAM TEAM HOME INSPECTOR/PEST INSPECTOR

The other person in this situation is your wood destroying organism or pest control inspector. Dealing with pest control inspectors as well as home inspectors you need to talk to them about their availability and their response time, as well as the type of reports that they will prepare on your behalf.

Questions for the Pest Inspector:

- Is it a verbal report, is it a written report, or is it a report that is satisfactory to the FHA and to various lenders and underwriters? Are they flexible regarding the type of report that you may want depending upon house to house, deal to deal situations?
- How long have you been at this job and is this your full time occupation? Do you have any special licensing, bonding or insurance?
- Please explain the amount of past training that you have had in order to qualify for this job?
- What kind of continuing ongoing training do you receive?
- In speaking with pest inspectors, you want to tell them what areas of the community that you are planning on investing in and ask if there are any known problems or infestations in that area? Geography influences bugs. The soil and water characteristics of the community will determine what kind of wood destroying organisms, if any, are present.
- Will the pest control expert be able to treat infestations and bring about resolution of problems?
- Always enquire as to the pricing of their services. How much do they charge to physically come look at the property and give you a verbal report, how much do they charge for a written report, how much do they charge for a FHA or lender format report?

HOW TO “HIRE” YOUR DREAM TEAM HOME INSPECTOR/PEST INSPECTOR

The laws of many states require home sellers to complete disclosure forms identifying the characteristics and problems with the property. Make sure that the sellers that you deal with have completed these forms and make sure that your home inspector, pest inspector and maybe even your contractor look at them or have those forms when they are inspecting the house.

CHAPTER FIVE: CONTRACTOR/HANDYMAN

Another essential member of your dream team is the contractor/handyman. Even if you are merely doing short sales and other quick flip transactions, you are still going to be in situations where you are going to want to have new carpeting and painting, plus minor touch-up and minor fixes of pretty or nearly pretty houses. This is where a handyman is going to be useful. For major projects, electrical, plumbing, roofing, siding, and HVAC, you are going to want to either go with a very good handyman or a contractor.

Regardless of what the situation is and who you are going to choose, the first thing you need to find out is, what is their business like?

- Do they run their contracting or handyman business like a business?
- Are they incorporated?
- Do they have a business name?
- Do they have a business checking account? These are important questions to ask.
- Are they licensed, bonded and insured, because any drunk with a broken down pickup truck and a few tools can go get some business cards printed up and claim to be in the business of repairing and renovating houses.

A rule that I have lived by over the last twenty five years is “Only hire a Contractor/Handyman with a nice truck” Why? Because if they have a “nice” truck chances are they have decent credit because they are still paying on it and the credit bureau will almost always have a record of their current address if by chance the contractor/handyman skips out on you. The other reason is that if they have a nice truck, it might be paid for and you would have a source of repayment if there is a problem down the road. If they have an old or broken down truck, they are not successful enough to work with.

Other key questions:

- How long have you been in the business?
- What size of jobs do you normally handle?
- How many jobs do you have going at any one time?
- How can I make sure that my jobs have top priority with your company?
- Are you willing to provide me with written estimates before you begin to work that show the nature, type and quantity of the materials that you are going to be using as well as identifying the hourly rate?

It is essential to get this type of written estimate so that you can compare apple to apple when you have competing bids from various contractors. Two individuals total prices may be close, but if one individual's quality of materials is below that of the other one, then you are probably paying too much in labor and getting too little in quality of materials. This also prevents you from buying too much in materials.

When you are working with a contractor, it is important to understand the terms under how you are going to pay them. For your business purposes you need to be paying them by check to a business name. They must appear on paper to have the ability to either make money or go broke based on their own initiative and work skills. This will prevent them from being called an employee of yours by the IRS. Another key fact is do they work for other people beside yourself. If that is true, then they are independent contractors.

When paying a contractor/handyman you should never give them more than a third of the total project cost at the beginning of the project. If possible, pay them only 25%.* This is particularly important in working with contractors or handymen for the first few times. The last thing you want to do is to give them too much money so that they disappear and have no reason to show up again and do any work.

Another trap to avoid is the situation of where they ask you to buy the materials and they will do the work. You need to watch out for this because you have just become either an employer or a general contractor on the job and this exposes you to different types of tax and litigation liability in the event that something goes wrong. If you are the one who buys the

materials, then in the eyes of the law you are the one dictating how the work must be performed, therefore if something goes wrong you can be held responsible.

It is important that whenever you are working with a handyman or contractor you obtain from them certain vital information, such as their tax identification number, the name of their workers' compensation carrier or other evidence indicating that they have valid workers' compensation insurance coverage, as well as general liability insurance coverage. If they lack this essential protection don't hire them. If you do hire them and if something goes wrong, you could very well be liable for any injuries that happen to their workers.

Some investors have chosen to buy workers' compensation insurance that covers them both as investors and landlords engaged in the operation, repair and maintenance of real estate. This way, in the event that something does go wrong and the contractor or handyman did not have the appropriate coverage and someone is hurt then they will avoid being in trouble with the in the event that a workers' compensation claim is filed. It is better to have coverage and have a bogus claim filed against you then to not have coverage and have "any" type of claim filed against you.

* This is a tip that Jeff Watson, Esq. discusses in greater detail in his soon to be released book "Landlording 101".

CHAPTER SIX: BANKER/MORTGAGE BROKER

You are going to be using these individuals for two different purposes. The first purpose is acquiring loans or lines of credit from lending institutions so that you can fund your business operations and purchase real estate. The second purpose is going to be getting your tenant/buyers/customers financed so that they can buy the homes that you have for sale.

In either instance, you are not looking for a mortgage broker or banker who predominantly concentrates on refinances, home equity lines of credit, or conventional conforming purchases. Such a person is not going to be experienced in all the intricacies of completing a loan application for an investor who has a number of (rental) properties and that type of person is not going to be able to accurately track and wash out operating expenses and depreciation when calculating your debt to income to ratio. Also this type of person is not going to be familiar with the various loan products that are available to help first time homebuyers and those types of homebuyers that have got less than perfect credit, a variable employment history or self-employment issues.

When working with banker/mortgage broker for your own purposes here is what to ask:

- What percentage of loans do they originate that are commercial loans for real estate investors?
- What percentage are loans for non owner-occupied properties or for investors?
- How many different lenders do they work with, or have access to, that have programs for real estate investors?

In some areas of America, the banking industry has taken such severe losses from unscrupulous real estate investors that many lenders have pulled out of the area.

You will be working with at least two different mortgage brokers just for the purpose of assisting your customers in getting financing. You will need more than one because there are many mortgage brokers who find it easier to make promises than to actually deliver. Finding individuals that are truly committed to getting the job done deal after deal are hard to find but

once you discover one don't let them go. You are probably going to have to look at and ask many questions of many different brokers. Some of the many questions are:

- How long have you been working as a mortgage broker?
- How many different lenders do you have contacts with?
- What percentage of your business is c and d credit worthy borrowers seeking to buy homes?
- What percentage of your business is working with real estate investors to help them get their houses sold?
- When you receive an initial loan application (not necessarily a fully completed loan application), how much time until the deal is submitted to underwriting or approval is obtained from underwriting until you have can close?
- What is the typical range of credit scores that you deal with for various borrowers?
- Do you have experience at doing FHA or VA funding?
- How much information do you need initially for my prospective borrower in order to determine if you are going to be able to work with them?
- Do you have a simple application form that I can have my prospective customers fill out so that I can fax it to you? Are you willing to allow me to refer potential homebuyers directly to you in my advertising and marketing of houses that I have for sale?
- Will you pre-qualify people for free?
- Will you issue a pre-approval letter (as opposed to a pre-qualified letter)

CHAPTER SEVEN: REAL ESTATE AGENTS

Successful real estate investors have got to learn how to get along with and rely upon knowledgeable and aggressive realtors. They will frequently be a source of deals for properties that you can buy or negotiate short sales on when the realtor is unable to list them. Furthermore, a knowledgeable and aggressive realtor who has a reputation of being a strong buyer’s agent may be able to bring you a steady stream of qualified homebuying customers. In real estate markets where there is a strong demand for housing, you will not need a realtor in order to sell property.

However, in real estate markets where there are ten houses on the market for every qualified buyer out there looking, having a knowledgeable aggressive realtor referring business your way and knowing about your properties may go a long way in helping you sell houses when other people are unable to do so.

Real estate professionals that make a living working for other people buying and selling houses can be divided into three categories. Real Estate Agents, Realtors, and Real Estate Brokers. Real estate agents are the most common and have the least amount of training and education in the field. Realtors have undergone necessary training in order to earn that distinctive name of realtor and are registered with various regulatory agencies in either the cities, counties or states where they work.

Finally, a real estate broker is an individual who actually employs and supervises other realtors and real estate agents. It is not necessary for you, the real estate investor, to work with real estate brokers nor realtors. Knowledgeable and aggressive agents can serve your needs just fine.

When interviewing a prospective real estate agent or realtor for your dream team, you will need to ask them the following:

- Are you a full time real estate agent/realtor?

- In the last twelve months, how many houses have you listed, how many houses have you sold? This question will tell you if the person is merely a lister who does absolutely nothing to market their property, or if they are

diligent about selling what they have listed and capable of bringing in buyers.

- In the last twelve months, what is the gross sales price of all the transactions that you have participated in? (Usually they will embellish the truth and just about double the true numbers they really have participated in.)

Since that real estate professional may only be paid as little as 2% of the total transaction price, if they are not involved in a million dollars' worth of sales per year or more, they are not making a living, because by the time they get done with their splits with the broker and any other realtors involved with the transaction they may only be netting 2% of the deal and 2% of a million dollars is \$20,000.

- Find out if the realtor/real estate agent has any specialized areas and whether any areas that they are “farming” are consistent with any areas that you as an investor are "farming".
- Ask the agent/realtor what type of marketing plan that they use for either selling a house or for locating prospective purchasers. You are not asking for the details of their marketing plan but you want to find out if they actually have one.
- Ask the agent/realtor what their opinion is and theories are regarding open houses.
- Ask them if they maintain a buyers list, specifically a list of people who are looking for certain kinds of houses in certain neighborhoods.
- If the agent/realtor that you are planning on working with will assist you in buying houses that are listed by other realtors (assuming you want to buy such houses) then ask them what system they want to use in presenting your numerous offers.

- Ask the agent/realtor if you are able to develop a good working relationship with them, will they refer to you home sellers that either owe too much on their property, or are behind on their mortgage, and therefore the agent or realtor is not able to list their properties with any likelihood of success in selling the property?
- Do you have any assistants that are able to access the MLS system and what would it take for me to become an assistant so that I could legally access the MLS in order to search for properties that I will ask you to present offers on?
- Ask if you could use their conference room to meet with potential clients.

CHAPTER EIGHT: REAL ESTATE ATTORNEYS

The legal needs of a real estate investor can be pretty much defined into three categories. Business law, real estate law and unfortunately litigation. There are very few attorneys who are competent to practice all three areas at the same time and you would possibly do the best at finding a small to mid sized firm that has attorneys at the firm that are able to do each of these different areas.

The need for an attorney in the area of business law is so that you can have a competent practitioner assist you with entity structuring when you are establishing yourself in the business. You will need to talk to that attorney regarding the difference between partnerships, single member limited liability companies, multiple member limited liability companies, partnerships and limited partnerships, S corporations and C corporations. The vast majority of real estate investors will find that their needs are going to be met through either multiple member limited liability companies or S corporations.

The other area that an attorney is going to be needed for a real estate investor is in the area of real estate law whether it has to do with the drafting and preparation of purchase and sales agreements, letters of intent to buy commercial property, the basics of landlord/tenant law, and housing code issues, evictions, contract law and of course all important real estate title issues.

The third area that you will unfortunately need an attorney for is in the area of litigation. While a good litigation attorney will do their best to keep you out of Court, given the trends in society it is inevitable that as a real estate investor you will end up in Court one way or another. The most frequent way that you will end up in Court is as an investor doing evictions of tenants who are not paying on their rent or on lease option buyers who are not fulfilling the terms of their lease option contracts or their land installment contracts.

However you may need to have an attorney represent you when you have a disgruntled homebuyer contact you regarding the refund of their non refundable option deposit or when a “subject to” transaction that you are involved in becomes complicated by either the original seller changing their mind or your tenant buyer defaulting on the terms of their purchase. Lastly, you may need to hire a litigation attorney to do foreclosures when you have sold a property and taken back financing and are not receiving your payments.

If you are seeking to do short sales in a judicial foreclosure state, you may need to consult with a litigation attorney regarding the individual process in each foreclosure case in which you are attempting to do a short sale.

It is not reasonable to expect any one attorney to be able to do all of the foregoing in the area of business law, real estate law and litigation. In interviewing an attorney for any one of the three above mentioned roles, it is important to clearly understand exactly what you are looking for that attorney to do for you and to make it clear to that attorney what you are looking. When meeting with or interviewing a potential attorney for your dream team, we suggest that you meet with them at their office, for 15 minutes or less, explain to them the nature of what you are seeking to do and then ask them if that is an area that they regularly handle. Do not be afraid to specifically ask them what percentage of their practice time is spent doing that type of legal matter because it is important to know if they have already an established system for handling this type of matter or they will be charging you while they reinvent the wheel. You do not want to have to pay to train your attorney.

Speaking of paying, it is very important to determine will the attorney be doing this on a flat fee basis, on an hourly rate basis, and if so on an hourly basis ask the attorney what is their hourly rate and at what increments do they bill? Make sure you have a clear understanding of not only what the attorney’s fee will be, but how they expect to be paid and when they expect to be paid.

Also it is important to ask the attorney whether the cost associated with the type of work that is being done such as registration or filing fees with various state agencies or courts, cost of hiring other professionals to assist the attorneys such as surveyors, appraisers, structural engineers or accountants, because depending upon the type of matter that you are bringing to them the attorney may need information from other people who specialize, these would be known as expert witnesses. Make sure that you know what the cost of these experts will be and who will be paying for them and how.

For example, even in the event of a simple eviction, in addition to the attorney’s fee, there will be court filing costs that will have to be paid on more than one occasion, plus the cost of the actual move-out which may include movers and court personnel to be present at the house at the time of the moving.

In some firms, attorneys charge one hourly rate and their assistants are charged at a lesser or lower hourly rate. Make sure you understand how this will be billed and make sure that you understand how payment is expected. Ask them:

- Is there an initial retainer charged up front?
- How much of that retainer is refundable if the work is done cheaper than anticipated?
- How frequently will you be billed? Ask the attorney what is their policy regarding communication with you.
- Do they charge you for phone calls? Do they charge you for postage? Do they charge you for photocopying?
- Ask the attorney what is their preferred method of communication - by email, by phone call, by letter?
- Ask if you could use their conference room to meet with potential clients.

When interviewing the attorney make sure you also ask them do they belong to any specialized practice groups that are dealing with the area that you are asking them to handle. Don't be afraid to ask them how many continuing legal education hours they have taken in the last two or three years on that particular subject matter. Ask them what percentage of their practice is devoted to that type of matter.

If it involves litigation, ask that attorney what his/her experiences are with either opposing counsel and/or the judge or magistrate that the case is going to be assigned to. You do not want to hire an attorney who has a poor history of dealing with and getting along with either the Judge, Magistrate or opposing counsel.

In summary, when it comes to hiring an attorney one of the most important things that you can do is make sure that you have the right attorney for the task. This will reduce the overall cost, improve the overall outcome, and keep your frustration and your attorney's frustration level at a minimum. As a final reminder, if you ever get involved in a legal situation where you think you may need an attorney, you are right, you will need one. Resist the temptation to represent

yourself, for when you choose to represent yourself, you may very well end up with a fool for a client.

© 2006 Jack Sternberg and Jeffery S. Watson

All rights reserved.

All materials contained in this book are protected by United States copyright law and may not be reproduced, distributed, transmitted, displayed, published or broadcast without the prior written permission of Jack Sternberg or Jeffery S. Watson. You may not alter or remove any trademark, copyright or other notice from copies of the content.

JEFFERY S. WATSON

Jeff has been an experienced full time practicing attorney for the last 16 years, and has an active trial/hearing practice. He and his wife Lorri have been real estate investors since 1994. Their real estate investing experience includes: rehabbing, creative buying, long term holding of numerous rental properties and apartment buildings and actively handling several short sales in more than one state at any given time. Jeff frequently assists and represents other investors in their deals, negotiations and in litigation. He prepares deeds and other documents for local title company and real estate brokerage.

Jeff has responsibilities and involvement with Realeflow LLC, Loss Mitigation Solution LLC and Strategic Real Estate Coach as legal counsel and part owner. He is a frequent guest speaker at various real estate investor meetings.

Married and the father of five, Jeff resides near Cleveland, Ohio. You are welcome to contact Jeff at jwatson@lmsnow.com.

JACK STERNBERG

Jack Sternberg is an experienced full time investor. As the “gurus’ guru”, he is well known by the professional creative real estate community as “Obi-Wan Kenobi”. Having been a full time investor since 1977, Jack has bought and sold in excess of 1,000 single family homes and 4,000 apartment units and participated in excess of 90 million dollars of institutional financing. Additionally, almost a million square feet of commercial space, both retail and office, and light industrial property has been owned and operated by Jack. He has built new homes, remodeled existing ones and operated a full service property management company as well as both a mortgage corporation and title company. With almost 30 years of full time investing experience, Jack has the depth of experience that lend value to his associations and most “gurus” can only dream about.

Married and the father of four, Jack resides in New Orleans, Louisiana . You are welcome to contact him at certainapproval@aol.com.