REMOTE CONTROL RETIREMENT RICHES

MARCH/APRIL 2021

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WHERE ARE THE HOMES FOR SALE?

ONLINE EXPO COMING

Saturday, May 15th, 2021

You are invited to attend our Quarterly Expo. The Expo will take place on Saturday 5/15/21 from 10:00AM PST to 2:00PM PST.

Weiming Peng will teach us the ins and outs of 1031 tax-deferred exchanges, including reverse exchanges, something we should all know. The current administration is proposing some limitations on 1031 exchanges, but it appears it may not affect the type of properties we buy.

Aaron Ruiz will talk about insurance, what coverages we need, what the tradeoffs are, etc. It will be presented from the perspective of the state of Oklahoma, but is useful to everyone, of course.

Lucian Ioja, who had also participated in my PBS TV program "Life 201", is always an insightful and relevant speaker. He will take us on a general ride of financial planning and important considerations. Always fascinating.

I will cover many of the current unprecedented realities such as scarcity of homes, building costs skyrocketing and the effect it has on builders and buyers, how the life-changing power of these investments is not diminished by current event, the likely upcoming inflation, and other topics.

I will also summarize the day at the end, and take a lot of your questions live.

The market teams will present, and describe the unique situation each market is going through, as well as what properties are currently available, and what will be available shortly.

The usefulness of the Expos has been shown time and again. Please feel free to invite friends and associates, at no cost. You and your associates can register to the event on our website: icgre.com, under EVENTS.

Looking forward to seeing you.

INVESTOR EFFECTS:

LUMBER AND OTHER BUILDING COSTS SKYROCKET, INFLATE BUILDERS' COSTS

The cost of lumber has been exploding in the past year. In some areas we hear reports that lumber costs are up over 200%. A variety of reasons contribute to this. There is a beetle that has been decimating millions of acres of growth in Canada. This "Bark Beetle" does not thrive in very cold weather, but as temperatures have climbed, the beetle has been creating more damage.

There is still a tariff on Canadian lumber which elevates its costs as well. The fires which raged in Oregon and California last year, have also decimated large growth acreages.

It is not only the cost of lumber which has been contributing to the cost of building homes. Drywall costs has been increasing as well, and OSB board (plywood), has seen a very high spike in costs.

Roofing, concrete, PVC, bricks, fixtures, and appliances are all in a shortage at this time.

In addition, municipalities have been slower to issue permits, to inspect properties, and give city approvals. Partly, this is due to COVID. The costs for permits and approvals has also been climbing.

The result has been that builders are struggling with delays, as well as facing financial ruin if they adhere to existing contracts signed months ago.

One other thing the builders have been doing, is refusing to work with investors altogether. Homeowners are considered more stable and less fickle as buyers. When builders get demand which far outstrips their capacity, their knee-jerk reaction is to reject working with investors and only selling to homeowners. Of course, our brokers use our buying power to talk the builders into accepting our investors, most of whom are great buyers.

However builders, being pressured from all sides on costs, have been lowering the commissions they pay to the brokers. That has happened during the boom of 2005-2006 as well. In order to function properly, both the brokers and ICG need a certain minimum amount. If builders drive commissions below a bare minimum (needless to say the brokers and ICG have already reduced what they will accept in several markets), then the broker will ask the buyer to make up the shortage. These are usually expressed in sums of 1-1.5% of the purchase price, and they help sustain a functional operation on the brokers side as well as ICG, to maintain investor support and create the smoothest experience. We have seen this in the Raleigh market, recently in Tulsa, and possibly to come in Oklahoma City as well. Other markets may follow.

This has happened before, both during booms and during recessions. A small buyer's commission has had to be charged in the past. That usually exists for a certain period and then it goes away.

Overall these are unprecedented times, with the lumber and other building material costs booming, interest rates being very low, and buyer demand enormously high.

I thought I had seen everything, but apparently I have not.

We are starting to see builders nationwide, who simply cannot finish the homes they are building, at the prices in the buyers' contracts. Many may go bankrupt if they do. Thus a new phenomenon, which we have never seen before, is the builders, seeing that their building costs went up by, say $30,000, turn to the buyer and ask for the contract price to be upped by, say $10,000 or $15,000. Brokers are cutting their commissions. It is such a different time, that it seems to be best for all parties to work together and reach a result which works for all.

Luckily, the prices and the values of the homes have also skyrocketed. Thus the buyers these days get homes which went up in value way over what was expected (a great win for the buyer), but the builder (after frantic meeting with the brokers and other parties), has to increase the sales price – but not by much, if the local brokers negotiate properly.

It is quite possible that for the total of the $10,000 increase, the buyer is likely getting a home value that is perhaps closer to being perhaps $20,000+ more valuable.

I believe the idea is to negotiate with a builder for a price increase that will be as minimal as possible, yet allow the builders not to lose so much that it would put them in jeopardy, while letting the buyers still reap unexpected profits, despite the increases. Every side of the equation has been giving a little, so everyone can close on houses successfully. Especially in light of how difficult it is these days to even get houses to buy.

From what I understand, rents have also been going up.

Nevertheless, despite this being a highly unusual time, it still is a great idea to buy a new single family home (or a duplex in a good area), in the suburbs of a large metro area, put a down payment, get the 30-year fixed rate loan, let the local property manager rent the property for you, then just let time pass. These investments will likely be life-changers over the long term. Today's ultra-low rates, coupled with a high probability of inflation in the future (due to the trillions of new dollars being printed), could accelerate the time needed to see great results.

I will discuss these issues at our upcoming 1-Day Online Expo on Saturday May 15th.

WHERE ARE THE HOMES FOR SALE?

MARY JO LAFAYE

Reverse Mortgage Agent & Licensed Home Equity Conversion Mortgage (HECM) Specialist with Retirement Funding Solutions

It is a common question. Why are there suddenly so few listings and what can we do about it? The reasons are many —starting with everyone wanting to take advantage of low interest rates as an opportunity to enter the market as a homeowner. In addition to a surprisingly strong economy considering the pandemic of 2020.

So, why is it so hard for families and investors to find listings?

One reason is that we have an aging population, many of whom just don't want to move. Or is that the case?

Being a reverse mortgage loan originator for nearly two decades, I am in a unique position to talk to Boomers and Seniors on a daily basis, and to hear their concerns about retirement; upkeep of an aging home (and body), and where they might go if they ever decide to sell their home.

We all know a retired, or semi-retired couple or individual, who spends much of their time and money maintaining a large home and yard, when they would really rather simplify their lives, and lower their expenses. I always hear the same question, "Where would I go? And how could I afford to find a nice home with good walkability so I can spend more time meeting up with friends, driving less, and walking to fun social events?"

The average older Californian may hold around a million to three million dollars in home equity but the idea of selling that home of 30 years carries with it a lot of emotional angst.

Of course, much of that angst is due to not knowing one's options.

Enter the FHA's Home Equity Conversion Mortgage (HECM) for Purchase Program, a unique financing tool designed specifically to help older Americans capitalize on their hard-earned equity to buy a newer, one-level, lower maintenance home… all without having to take on a new mortgage payment.

Not only can this eliminate any mortgage debt that may be draining their savings it can also enable them to beef up their nest egg. Combining these two factors result in a dramatically improved lifestyle, i.e. more fun in the sun.

Retirees today are often retiring with a monthly mortgage payment that is cramping their style and dwindling their savings. Ending that drain on their investment accounts — sooner than later — will help them enjoy their best life now.

A WIN WIN WIN:

One way to free up more single-family homes for the next generation is to educate America's ever-growing segment of our population, Boomers and Seniors, on how to sell their too-large-home, and find one that's just right.

A HECM for Purchase loan makes it possible for home buyers over the age of 62 to sell their existing home and bank some cash to create more income for the rest of their golden years.

What these homebuyers find most surprising is that even though no monthly loan payments are required, all future home appreciation belongs to the homeowner and their estate, subject to the mortgage debt.

The HECM for Purchase program typically only requires a down payment of 50% and the HECM loan proceeds paying the balance of the purchase price (WITHOUT EVER REQUIRING THE BORROWER TO MAKE A MONTHLY LOAN PAYMENT). Some advisors say this is a no-brainer for retiring American's who hit their golden years feeling House Rich and Cash Poor and looking for way to turn their Housing Wealth into tax-free income (consult a tax advisor).

What these homebuyers find most surprising is that even though no monthly loan payments are required, all future home appreciation belongs to the homeowner and their estate, subject to the mortgage debt.

For every older American that takes advantage of the FHA-insured HECM for Purchase Program to right-size and revamp their retirement cash flow, one growing family will find a home to purchase.

Perhaps that retiree can even use some of their newfound funds to purchase an investment property.

IS THERE GOING TO BE A RECESSION FOLLOWING THE CURRENT HOUSING BOOM?

The question of whether the current housing boom will be followed by a recession and a "2008-style" housing bust is being asked by many.

There is an article in the Wall Street Journal from March 15t 2021, by Nicole Friedman. I will use some excerpts from that article, as well as my own comments.

From the WSJ:

"In 2020, sales of previously owned U.S. homes surged to their highest level in 14 years, and many economists forecast sales to rise again this year.

In the mid-2000s, loose mortgage-lending standards enabled borrowers with poor credit histories to purchase homes beyond their means, sometimes with mortgages that required low payments in the early years of the loan. Too much new construction led to an oversupply of houses. Financial firms packaged these risky mortgages as securities and sold them to investors. When more homeowners started defaulting on their mortgages, lenders suffered large losses and the entire financial system froze up.

Many homeowners paid a big price. Between 2006 and 2014, about 9.3 million households went through foreclosure, gave up their home to a lender or sold in a distressed sale, according to a 2015 estimate from the National Association of Realtors.

The current housing boom is far more stable than the last one and poses fewer systemic risks, economists say. A downside: There are more barriers to entry, and it's more difficult for buyers who aren't already homeowners to make that first purchase."

I concur. As interest rates went down in the past year, lenders were inundated with refinance and purchase loan demand. Lenders have tightened their lending criteria, making loans even harder to get than before, It's the opposite situation of what has happened during the 2005-2006 boom, where almost everyone could get several loans, some on "no doc" qualifying. They called the recession of 2008 "The Sub Prime Crisis" since it was exactly those sub-prime mortgages, which should not have been made, that created the downward spiral.

More good material from the WSJ article by Ms. Friedman:

"Most real-estate analysts agree that the pandemic helped ignite the current boom as some urbanites looked to leave crowded cities like New York and San Francisco for cheaper cities or for more space in the suburbs while working from home. When lockdowns began lifting last year, home sales took off: June sales surged nearly 21% over the prior month, the biggest monthly increase on record going back to 1968. That milestone lasted only a month, when July sales rose almost 25% from June.

"Covid has catalyzed a rethinking of where we live, and why we live there, and where we work, and how we work," said Rich Barton, chief executive of online real-estate company Zillow Group Inc.

Market watchers also say that a number of longer-term trends are at play that should keep the housing market hot, or at least steady, even after Covid-19-related demand fades.

Millennials, the largest living adult generation, continue to age into their prime homebuying years and plunk down savings for homes. At the same time, the market is critically undersupplied. New-home construction hasn't kept up with household demand, and homeowners are holding on to their houses longer. Buyers are competing fiercely for a limited number of homes.

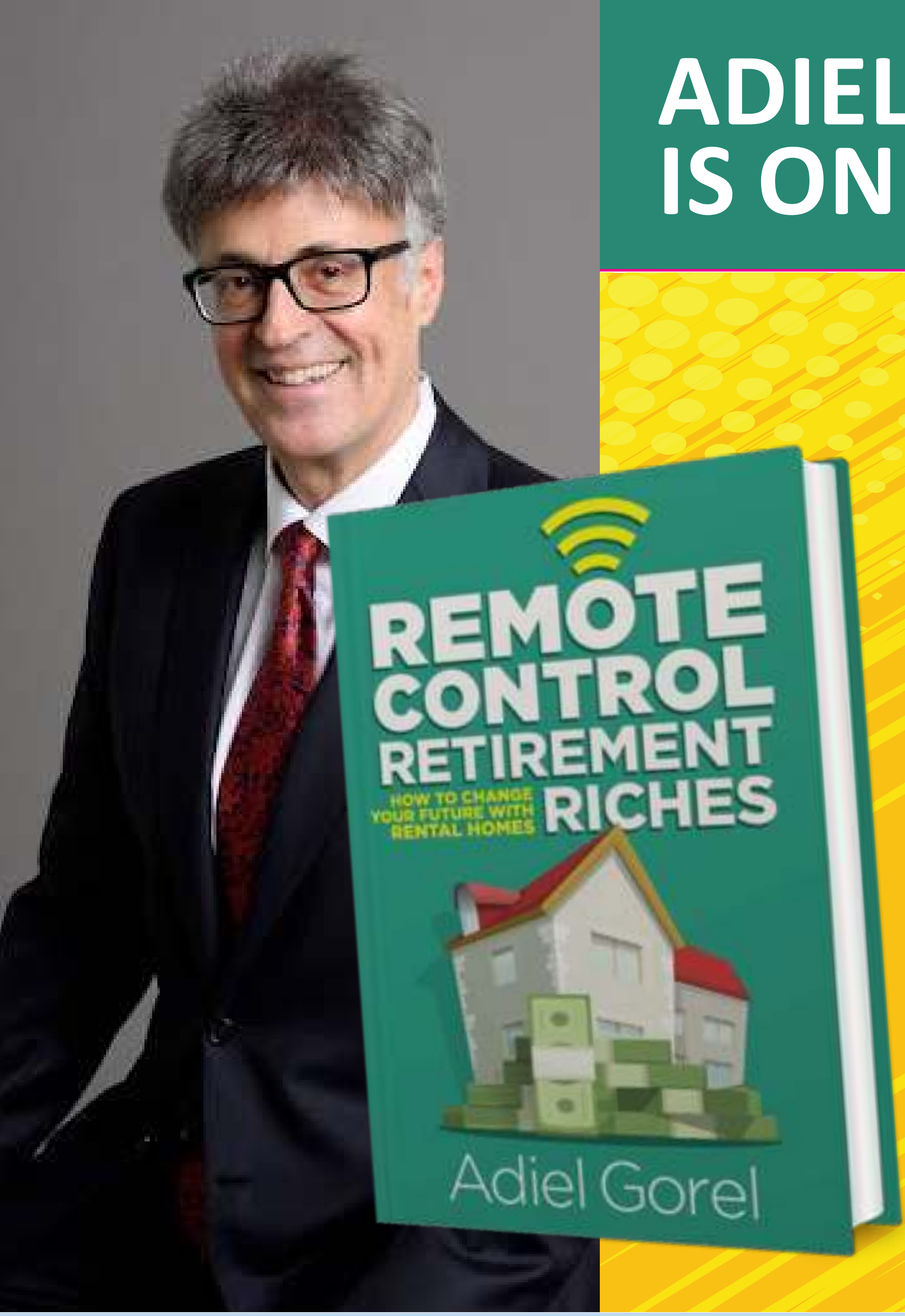
Mortgage lenders, meanwhile, are maintaining tight standards—buyers are drawn to the market by historically low interest rates, not by easy access to credit. Rising home values also mean that even if homeowners can't afford their mortgage payments, they can likely sell their homes for a profit rather than face foreclosure. Financial firms are still packaging mortgages as securities, but the vast majority of those mortgages today have government backing."

In addition, as we mention elsewhere in this newsletter, building materials have been exploding in costs, making the intrinsic price to build a home higher. The lumber shortage could last a while.

All these elements put together indicate that when the heat lets up on the housing market, the following wave is much less likely to be as recessionary as the one from 2008.

Of course, by saying "the housing market" I commit the same error I usually chastise: there is no "housing market". There are a few hundred "housing markets", and they don't all behave in the same manner. These days there are markets that are over-heated to the extent that it will be folly for an investor to try and buy homes there. There are markets, on the other hand, where prices are going up and there are shortages, but prices have not exploded as much. Those are still very viable and attractive for the savvy investor. We will get into this analysis during our upcoming May 15th online Expo.

ADIEL'S NEW BOOK IS ON AMAZON



My new Book, the 2021 version of Remote Control Retirement Riches, just went on Amazon.

It has been updated from the 2018 edition to include discussions of COVID, and other timely issues. The book interior has been made more accessible and attractive.

Many of you have said that the 2001 version was a life-changer for them. Well we hope this one exceeds this effect.

To get the book on Amazon, find it by following this link:

https://amzn.to/2S3cqvG

Retirement Riches Testimonials

I am 67 years old. My wife and I bought six homes with you about 15 years ago. We are selling one in Dallas now for a large profit (the loan balance is very small). We may sell another one in Phoenix, also for a large profit. We intend to keep the other four. We are very thankful, as this changed our life, and gave us security.

— Amir B

Thank you so much for what you do! You've helped our family immensely with your information and expertise!

We are delighted and excited to be closing 2 homes in the next couple of months. We're lucky to have gotten in there, thanks to your team! Thanks Adiel for your time!

— Mark and Ivy D.

Hello. I really enjoyed the expo on 3/6. I would like to request some information from you if possible. I bought 2 properties in OKC at the end of last year and am really interested in getting at least 2-3 more this year. My father unexpectedly passed away from Covid at the end of Nov. One of the last conversations we had was him telling me how proud he was of me for what I was trying to do with ICG, he was still alive when I closed on the first one but not the second. I am hoping to be at 10 rentals in the next couple of years

— Jeff P

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ADIEL'S *corner*

Q: The market team said there are no homes to currently buy, and that I should go on a waiting list, and likely wait a couple of months. Should I not buy in that market?

A: No reason not to buy just because of temporary scarcity. Waiting lists are common in almost all markets these days. The rental homes we buy are a long term investment. They change our future in over 10 years. A couple of months make no difference, especially since the Fed has said they don't intend to raise interest rates till the end of 2023, at least.

Changing the target market is not merited just for something so small as temporary scarcity.

There is a sense of great rush many investors feel. It's as if they woke up and MUST buy exactly now (after 50 years of not doing it). In my opinion, there is no reason to feel rushed.

Q: I am having a hard time deciding on which market I should buy in. Is there one clear favorite?

A; While some markets have better ratios between rent and price, property taxes have to also be taken into account. Nevertheless, as long as you buy good new homes in a large metro area in the Sun Belt, which market you go to is almost secondary. The PRIMARY point is getting the 30-year fixed rate loan, especially at today's ultra-low interest rates. The 30-year loan, which does not keep up with the cost of living (wile everything else does), is the most important factor in single family home investing. The presence of the 30-year fixed rate loan is what changes your future powerfully. The exact market choice becomes somewhat secondary.

Q: Do you think inflation is coming?

A: I do. In 2020, several trillion dollars were printed by the US government for pandemic stimulii, as well as injecting funds into the financial markets. The current administration has already declared its intentions to print at least several trillions more, just in its first 100 days. With all these trillions of dollars of new money chasing the same amount of goods (actually less goods, as some companies went out of business during the pandemic), inflation seems quite certain. Warren Buffet has just said he thinks so as well.

For us, getting a 30-year fixed-rate loan at some of the lowest interest rates in history, and then heading into a stronger inflation, where all goods inflate in value EXCEPT your fixed mortgage payment and balance, is a formula made in heaven to change your financial future for the better.