REMOTE CONTROL RETIREMENT RICHES

SEPTEMBER 2019

FIXED RATE LOANS

30-YEAR VS. 15-YEAR

FED LOWERS INTEREST RATES

0.25%

TENANT RETENTION:

#1 Key To Making Money

September 7 Event Recap

1-DAY EXPO

Our most recent ICG 1-Day Expo took place on Saturday, September 7th. It was a well-attended event.

The attendees comprised various levels of experience. There were people in the room who already own multiple rental homes, as well as many beginners.

We also had many guests who had received tickets to the Expo because they had selected the Remote Control Retirement Master Package by Adiel Gorel as their gift when donating to KQED.

The amount of Q&A throughout the day was large. The questions (and hopefully the answers) were informative and educational.

Our main market teams were present, as well as some of the property managers. Scott Webster from All Western Mortgage described regular FNMA 30-year fixed loans (some at 4.7% or even better, which, for investors, is a very low rate). Scott also described loans available to people who can't get the FNMA loans, by virtue of owning more than the FNMA limit. He also outlined loans available to foreign investors. The loan terms seem to keep improving, and were better than what Scott had presented at our May event.

Many new investors joined our QUICK LIST, to whom we send property sheets when we get them from the various markets, as well as event invitations and updates.

People also joined the NEW Membership area on our website. The Membership area is constantly populated with podcasts, FAQ's (Frequently Asked Questions), and other useful information. There are also webinars on specific subjects, as well as special one-on-one "Connect For Success" meetings with me. For more details, please email us at info@icgre.com. You can also see information on our website www.icgre.com/MEMBERS.

The attendees enjoyed our guest expert speakers: Josh Cooper, Justin Farian, and Joe Merante. CPA Joshua Cooper , as always, was very informative in his tax presentation. Justin Farian explained how to go about buying rental homes from a self-directed IRA. Joe Merante from National Credit Care went into the details of credit scores, their effect on people, and ways to optimize them.

Many of the attendees have registered to our next 1-Day Expo, on Saturday, December 7th. I will host the most relevant markets, three new expert speakers, and of course lots of updates and Q&As.

To register for our next 1-Day Expo, please go to our website www.icgre.com and click on the Events tab. We look forward to seeing you there.

FIXED RATE LOANS
30-YEAR VS. 15-YEAR

I get this question all the time, and thought it a good time to address this issue again. (This information has been previously published in the TV special Remote Control Retirement Master Package.)

Many investors think that if a 30-year fixed rate loan is good, then a 15-year loan must be better. I actually beg to differ. You can always pay a 30-year loan in 15 years (or 14 or 20 or 10 or 8) if you wish – just add some extra to the principal payment. However you cannot pay a 15-year loan off in 30-years. Thus the 15-year loan FORCES you to make the higher payment while the 30-year loan gives you the important flexibility of keeping your payments low OR making them high based on your financial situation and other considerations. Some would say that the 15-year loan is also better since it has a better rate. True, the 15-year rate may be 0.25% or even 0.5% better than the 30-year rate.

However, in my opinion this is not enough to justify the enormous loss in flexibility. In addition, having the loan for a longer time allows inflation to "erode" the loan even further. This last consideration greatly minimizes the argument some investors make that "with a 30-year loan they pay hundreds of thousands of dollars more over the life of the loan". One factor missing here is that they neglect the TIME VALUE OF MONEY! These extra dollars paid in year 20, 22, 28 etc., are in fact extremely "cheap" dollars in the sense that their buying power is greatly lowered over time. If the value of these future dollars were to be calculated based on the PRESENT buying power of the dollar, some of the later payments may be worth mere pennies on the dollar.

In summary I recommend getting a 30-year loan and then choose how long to take to pay it (anywhere between zero and thirty years – you choose!).

AUGUST: STRONGEST HOME SALES IN US IN PAST 17 MONTHS

Some interesting data is given in a September 20th, 2019, Wall Street Journal article on September 20th, 2019, by Will Parker and David Harrison.

According to the WSJ article, August 2019 was the strongest month for sales of US homes since 17 months ago. This has sparked hope that the overall nationwide housing market is strengthening. Of course I maintain there is no "housing market", but rather many different markets. Indeed nationally , previously-owned home sales rose by 1.3%. However in the Sunbelt states, where we invest, sales rose by 3.6%. Thus we can see behavior is regional. I believe selling behavior varies per city.

One reason for the selling momentum is no doubt the lowered interest rates. Mortgages can be had now for some of the lowest rates in the past fifty years. Of course, rising home prices have been exerting a dampening effect on sales.

We invest in markets where prices, while possibly on the upswing, are not moving rapidly. The blocks to sale manifest in markets where prices have zoomed up. The very fact a market has gone through strong appreciation keeps us as investors from buying there. The uninitiated may be attracted to markets that have gone through a strong appreciation phase, thinking they are "hot", but we know that when price appreciation has been strong, rents usually lag behind. Thus markets that have exhibited strong price increases become "ineligible" for the savvy investor, because the ratio of rents to values has gotten unacceptable. However, it is still encouraging to see stronger activity in the region in which we are interested. Fears of recession in the housing sector (again, the media thinks "nationwide"), seem to be abating.

I have written before that even a downturn does not mean stopping to invest (in fact quite the opposite). However the strengthening sales activity calms down jittery new investors, which is beneficial for their future if they don't get "stuck on the sidelines'

TENANT RETENTION:
#1 Key To Making Money

Expert Article by Oklahoma City Property Manager Josh Farmer

One of the most common mistakes we see with investor property owners is underestimating the importance of tenant retention. As someone who has been managing investment properties for over 12 years and a fellow investor, turnover is the biggest expense an investor can incur. Contrary to popular belief, turnover outpaces routine repairs or maintenance, fees paid to your property manager or even property taxes in terms of cost. Every time a home is vacant it is real money lost that you can never recoup. Lost rent, utilities, make ready costs, leasing/marketing fees and the often-overlooked risks that come with having a vacant home.

3 Ways To Minimize Turnover:

Placing the right tenant for your property

Seems simple but it's truly an art form. While prospective tenants with 800 credit scores are traditionally safe and look great, there are some negatives. Tenants with great credit soon become home buyers. We prefer to look at the whole picture. For example, Tenant A has great credit, stable income, excellent mortgage history and is coming in with a job transfer. Tenant B has a much lower credit score due to say…unpaid medical bills but does possess good income and long term rental history. Tenant A looks like an easy choice, right? Not necessarily…we would most likely recommend Tenant B (with an additional deposit). The reasons are Tenant B will struggle to buy a home soon. Also, they have excellent income with a long history of renting. Through tracking our tenant compliance and longevity, we have learned that prospects like Tenant B not only stay years longer on average, they actually have a lower lease default rate.

Every time a home is vacant it is real money lost that you can never recoup.

Attentive, Concerned, Communication and Responsive

Long term, good tenants expect this. Might seem obvious but it takes an excellent process, well trained, motivated staff and vendors to meet the expectations of today's tenants. At Camber (our Oklahoma City management company), we have a great recipe for tenant success while still working for our investors to keep total cost of ownership to a minimum.

Tailored Renewal Strategy

I often see property managers or investors approaching renewals two ways: They either fail to send them out, allowing tenants to auto-roll month to month at the same rent rate, or they fail to consider all factors before offering a lease extension. At Camber, we look at each home focusing on retaining your tenant and

evaluating rental rates. Through preparation and analysis of market conditions, we systematically send fair and reasonable lease renewal offers to your tenants.

We also consider the following during our review:

- What would we realistically get in rent on re-lease?
- How long would it take to secure a new qualified tenant?
- Turnover costs?
- We also review the current tenant's payment history and how they have cared for your property.

Our experience has shown that a combination of all these factors contributes to successfully renewing your tenants.

At Camber, our core strengths always include matching the proper tenant to your property, ensuring your tenants have an excellent rental experience and working tirelessly towards meeting your goals for the property and keeping your total cost of ownership to a minimum.

why it's time to buy ATLANTA

With a total population of 5,884,736 consists of 90,000 new residents in the past two years, and 1500 new residents a week, Atlanta is the third fastest growing metro area in the nation, and the number one moving destination in the nation. It is also the ninth-largest metropolitan area in the entire United States.

Atlanta has seen tremendous job growth with 66,500 new jobs in 2018, making it the third city in America with the most Fortune 500 companies. Delta Airlines, United Parcel Service (UPS), The Coca-Cola Company, CNN and Home Depot are just to name a few that call Atlanta home.

With the cost of living being 2% lower than the national average as well as Atlanta being the South new foodie capital, there are over 10,000 new construction homes spread over 1,041 communities. This makes Atlanta a great city for young professionals and families alike.

To give an idea of what one can expect for cost of living in Atlanta, here are some numbers -

■ Rent for 900 sf apt in an average priced area: $1200

■ Utilities for one person: $130

■ Basic dinner out for 2 in a neighborhood bar: $45

Atlanta has experienced a stellar expansion in the cultural and entertainment world. Known as "Hollywood of the South", Atlanta has become a mecca for the television and film industry. The entire state of Georgia has become the number one filming location in the world thanks to Atlanta.

Together with the new Mercedes-Benz Stadium, Emory University, University of Georgia, Six Flags, Zoo Atlanta, museums and other family growing attractions, Atlanta has become the most desirable destination in the country.

ON INVESTOR PREFERENCES OF WHERE TO BUY

I recently talked to a new investor. He said he is "only interested in buying in states which are not landlocked". This means he would have completely missed out on the amazing 20 years in Phoenix, during which the lives of many changed in a powerful way thanks to the rental homes they bought in Phoenix. He would have missed on great profits in Las Vegas. Also, we have done very well in Austin and Dallas before they went up to levels making them unattractive investments in 2019. He would have missed on those great opportunities as well.

I think the point is, don't limit yourself setting arbitrary parameters that may exclude some of the best markets to invest in. The main point is to buy new homes in good areas in large metropolitan areas in the Sun Belt states where the numbers work, get the 30-year fixed rate loan (which, as we know, amazingly never changes with inflation), let the property manager rent the home for you, then just sit back and do nothing. It will change you future. As to whether a state is "land locked" or "pretty" or whether it possesses any attributes the investor likes for him or herself, that is immaterial, in my opinion.

It is already not that easy to find large Sun Belt Metro areas where the numbers work in 2019 (meaning a good ratio between rent and price). By limiting the selection based on secondary criteria and preconceived notions, the remaining appropriate investment markets become a very small set.

Real Estate Investments and
Adiel Gorel Presents

Saturday, December 7, 2019

ICG REAL ESTATE 1-DAY EXPO WITH ADIEL GOREL

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ATTORNEY, ESQ. OF MCDOWALL COTTER ATTORNEYS AT LAW

WEIMING PENG

1031 TAX DEFERRED EXCHANGE SPECIALIST

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FOR MORE INFO OR TO REGISTER, GO TO WWW.ICGRE.COM/EVENTS

FED LOWERS INTEREST RATES 0.25%

As you probably already know, the Fed dropped the key interest rate by 0.25%. It takes a little time for these interest rate drops translate into mortgage rates, but it is likely to happen. Mortgage interest rates are already at some of the lowest points in the past fifty years. It's an investor's dream right now. With the rates for homeowners now at 3.7% or so, and investor rates around 4.7% or even better, fixing these low rates forever with a 30-year fixed rate loan is already a great gift. It is likely to get a little better. Is it worth waiting to buy based on this? Not in my opinion. In the markets we are looking at, there is steady, but not spectacular price appreciation. Waiting may mean buying a home for more. The combination of super low interest rates, the 30-year fixed rate loan (remember, the 30 year fixed rate loan does not have to be paid in 30 years. It can be in 11 years, 19 years, or any other time of choice). In the relevant markets, the current combination of prices and loan rates, given available market rents, create an excellent environment to affect a serious change in our future.

Retirement Riches Testimonials

Reva

"Adiel, your TV special plus the incredible 9.7 event really opened my wife and my eyes to a clear path to strengthen our future. Thank you for pointing out the clear, logical way, and guiding us"

Amir

"My father, who lives in another country, is a long term investor of yours and followed your guidelines. I am impressed by what he achieved and would like to start investing as well."

Lisa

"Adiel, thanks so much for being our mentor and being available to talk to us when we have questions. Its been invaluable for our family"

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