

A Guide For New Real Estate Investors

Or

How To NOT Be Like the Other 90% of Unsuccessful People Who Get Bamboozled

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Most people approach Real Estate investing for one of three principle reasons, as follows:

- 1) To Make Lots Of Money
- 2) To leave a job they hate
- 3) To have the security of finances to do what they want, when they want, whatever they want, and/or leave enough money to their children or charitable organizations to make a significant, life changing impact.

Which if these categories do you fit into?

Now, Listening to Carlton Sheets and other late night, Hollywood style programs, one would think that these things are achievable with the purchase of a home study program and little, if any, luck. But for every success story there are 100 or more failures. Failures that could have been avoided but due to a lack of education, knowledge, resources, or relationships, they became models of what not to do; of how not to succeed.

Success is defined in many ways, that is true. Yet, to define your success is first to define your individual goals. Goal setting is a principal part of any endeavor, especially, real estate investing. One cannot simply approach purchasing a piece of property with the motto of “I am going to be a Real Estate Investor!” This is a surefire way to fall down, and possibly, never get up again. Rather, the following items are needed as prerequisites to becoming a successful real estate investor:

- **An Open Mind**
- **A Willingness to Learn**
- **A Desire for Success**
- **The Discipline to Structure Your Goals**
- **The Discipline to Listen to Others More Experienced and Successful Than You, No Matter How Painful**
- **The Ability to Network and Form Key Relationships, and in Doing So Build a Success Team**
- **Financial Discipline**
- **Tolerance for Risk**
- **Patience**

Do you have these key factors? If not, are you willing to do what is necessary to acquire them? Lets discuss why these items are needed in some depth.

An Open Mind

People who have never owned Real Estate have all kinds of advice for you, especially related to how their uncle once bought a property and went bankrupt, or how they knew so and so who had a terrible tenant that tore a house up and set it on fire. Such stories are extremely detrimental for the beginning real estate investor, especially because they can introduce the element of self doubt. “Can I be successful?” “Will I fail” These are questions that can really shake a new investor’s confidence, and they have no place in the acquisition of Real Estate at any time, ever.

A Willingness To Learn

Real Estate success is defined in similar ways to success in any artistic discipline, be it martial arts, classical guitar, painting, dance, or origami paper folding. All of these disciplines require the student to find a skilled(read: experienced both in technique and dissemination of knowledge) teacher. One must find a teacher who is not only skilled in the techniques the student desires to master, but also a teacher who is willing to pass on the knowledge free of egotistical influence, controlling behavior, berating, or trying to sell the student on a particular deal, technique, or home. Nothing is more devastating to an eager student than putting one’s faith in a teacher and then having the teacher make destructive comments about a student’s progress. This is very prevalent in finding a teacher of any discipline – we cannot remember the countless number of poor quality teachers we faced throughout our schooling, yet the number of teachers that made a significant contribution to our lives we can count on one hand. Be careful who you choose!!! And, find the best teacher available – they are out there!

A Desire For Success

This must burn inside you, enough that it keeps you awake at night and permeates your thoughts throughout the waking hours. You must want to succeed, enough to implement action. *Desire alone is rarely enough!* Yet it is the spark that ignites the flame of motion, the impetus for motion in a forward direction. And it is inseparable from those who truly succeed in any endeavor. Rare is the person who succeeds by accident, without the presence of numerous failures which preceded that success.

The Discipline For Setting Your Goals

This is where you have to establish what you are setting out to do. Yet, you must establish realistic, achievable milestones of success. For a beginning student, lets look at some examples of goals:

Realistic: I would like to buy a house every two months, or 6 houses this year.

Unrealistic: I will be a millionaire in the next 2.5 months, and live in Panama.

As we examine how to establish goals, your personal desire for success will fit in with a custom Real Estate Acquisition Plan tailored for you.

The Discipline to Listen to Others More Experienced and Successful Than You, No Matter How Painful

This particular aspect of being a real estate investor is really important, and one which cannot be overlooked. You need to learn from successful people. You need to share your mistakes with successful people. You need to learn how they would have avoided pitfalls that may have bamboozled you along the way. And this will not be easy.

Constructive criticism usually feels exactly the opposite; the recipient of the criticism often feels like it is not constructive, is negative, may take it personally, and may not learn from the experience. Remember, someday, if you have discipline to stay on the path of real estate success, you may be the person who a new investor seeks out for advice and to learn from your mistakes. You will make these mistakes, that is certain. Yet, will you learn from them?

Consider the following:

Fact: Most people who work actively in multi – level marketing (regardless of specific company) for more than 10 years are multimillionaires.

Fact: Most people who try multi- level marketing rarely make it to the end of their first year.

So, if you can become a millionaire by doing multi – level marketing for 10 years, and you knew you could, would you? People see the value on the front end, but when faced with rejection that is so inherent in a sales business, they fail. Yet, what normal job promises you can be a millionaire if you stay with the company for 10 years??? The sole factor that separates successful people from unsuccessful rests on one word: **Discipline.**

The Ability to Network and Form Key Relationships, and in Doing So Build a Success Team

Real Estate Investing is not a solo sport. It is a team sport, a team based approach, a team endeavor where every one wins ONLY when you win. You must focus on building key relationships. This is in banking, mortgage lending, with mortgage brokers – essentially, people who can provide you with financing when you need it. Also, you need to know a plethora of other people: Real Estate agents who will find you deals, Insect Control people who can furnish you with a host of essential services, insurance agents,

contractors, and so forth. You must know the key personnel to call in any situation, on demand, and have healthy relationships where they take an interest in your properties. This is one of the most important elements of being a Real Estate Investor. You need to build these relationships, and they cannot be built rapidly. They can only be built slowly, over time, through you showing that YOU are the type of person some one wants to do business with, repeatedly. And that can only be built by you, as an individual, showing that you have ethics, character, and integrity.

Integrity: An outward, overt reflection of inner moral values:

Example of Real Estate Behavior Showcasing Integrity: You sell a property to an investor and quote them a certain amount of rent a month, let's say \$750/month. When it gets rented, you only have it rented for \$650/month, a \$100 discrepancy. So rectify this, you sent them \$1200 to make up for their faith in you where you dropped the ball but they sent you their money anyway

Example of Real Estate Behavior Clearly NOT Showcasing Integrity: You persuade an investor to invest with you by prequalifying them for mortgages, and persuading them to buy overpriced properties in the worst area of town(read: war zones) while promising them a \$6k rebate when they buy. Lured by the promise of 6k and no money down loans, they buy the property. You tell them that you will handle renting the property and all related property management to cover the debt service. Then, when they own the property, you leave them holding the bag and make excuses for how they need to find a management company and are on their own.

Character: Qualities of honesty, morality, or the like.

Examples of Real Estate Positive Character: You sign a contract to buy a home from another investor. The initial repair bid was 10k, but some hidden secrets have made it 12k. You buy the house anyway because you signed your name to the contract and such things do, in fact, occur.

Examples of Real Estate Negative Character: You are a contractor who gets paid in advance for a job. You take the money, leave the jobsite and never return, disappear from the earth, never accept calls, and cash the check.

Ethics: (usually used with a singular verb) that branch of philosophy dealing with values relating to human conduct, with respect to the rightness and wrongness of certain actions and to the goodness and badness of the motives and ends of such actions

Examples of Good, Ethical Behavior: You work for the office of Housing and Urban Development. You go to the local police precinct and inform them of the Officer Next Door Program, allowing them to purchase properties at 50% of market value. They then buy some homes you have offered, even though you could have netted HUD more money by having investors buy said properties.

Examples of Classically Poor, Ethical Behavior: You are the Secretary of Housing and Urban Development. The Undersecretary of HUD is committed to revitalizing the HUD program and rooting out any corruption in the system, allowing all of the citizens of the country to have equal access to federally subsidized government loans, HUD properties, and services. She has determined that there is a huge volume of HUD endorsed transactions that are recorded and subsidized by government monies, but these transactions are on properties that don't actually exist. She actually traveled to California where she looked at multi – million dollar transactions on multi – unit apartments, which were nowhere to be found – there was only vacant land worth a fraction of the transaction's actual value in addition to being fraudulent and illegal. You fire the Undersecretary because you are involved in these fraudulent scams.

Financial Discipline

You, as an investor, need to establish good credit. You need to have cash in the bank. If you don't have these things, you must build them to be successful. The following items will not allow you to be successful and will hinder your ability to secure financing. Deals come along when you are in the most inopportune financial situation, remember that! So be prepared, and don't do these things:

DON'T

- Carry high unsecured credit card or Home Equity Line Balances
- Purchase new cars that you cannot afford to pay cash for, or have a high monthly note which is a struggle to pay.
- Overfinance your primary residence on an adjustable rate loan.
- Use a company to refinance all of your debt on a blanket loan which scares lenders.
- Tell your boss to shove it(initially)
- Pay late on your bills, especially mortgages, credit cards, car notes etc.
- Have cars repossessed, homes foreclosed on, etc.

DO

- Pay your bills on time
- Keep cash on hand
- Pay off your credit cards each month; if you cannot, make a goal to pay them off in a time frame
- Use your Home Equity Line sparingly, ideally, for the acquisition of cash – producing assets.
- Purchase cash producing properties.
- Pay off any liens and judgements against you.

Tolerance for Risk

Real estate investing carries risk. While there are an interminable number of possible items that could go wrong, here is a short list of things you need to understand not only can, but will, happen, and you need to be prepared for them:

- Tenants don't pay
- Tenants need to be evicted
- Acts of God damage your house
- Tenants damage the house
- Systems in the home fail and need repair(i.e. Air Conditioning, etc.)
- Insurance companies give you hassle
- Insects invade your home
- House could burn down
- Tenants could sue
- Tenants cause a variety of other issues, not worth wasting paper on here.

The following can ALSO happen with tenants:

- Tenants pay off your mortgage
- Tenants make you wealthy
- Tenants pay for your children's college education
- Tenants pay for your dream home
- Tenants make your spouse happy
- Tenants allow you to tell your Boss to shove it

Without risk, there is no reward. And the reward is well worth it.

Patience

Real Estate Riches are not really something that exists. Rather there is Real Estate Investing with Hard work which yields significant money over time, through discipline and hard work. **Whoever is telling you can get rich overnight in Real Estate is LYING.** But you CAN get rich in Real estate Investing. Can you be patient? Do you have what it takes to seek the knowledge, build the relationships, get the education, and implement and action plan which allows **YOU** to be successful?

Don't get bamboozled by the fallacies which have duped other investors, like the songs of sirens in tales of old. Get the education, skills, and foundation you need to set yourself apart and distinguish yourself as a success story. Your family and friends keep telling you it will never happen.

Why listen?????