



Walter Sanford Systems and Strategies

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From the desk of Walter Sanford –

Spring has sprung all across the country! The trees are budding, the birds are singing, the days are getting longer, the market is coming to a slow simmer.... I put that in there to make sure that you are still awake. But let's face it – things are not what they were this time last year.

Some areas are experiencing a decline while others are reaching a more "realistic" market. No matter what the market, no one knows transitional market strategies like Walter Sanford. With his thirty plus years of real estate experience, Walter has worked through the simmering to the boiling markets!

Sanford Systems offers the most profitable systems to work in transitional markets. Call our event coordinators at 800.792.5837 and see how we can help change your income in a changing market.

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The Best of "Ask Wally"

Q. I hate listing dog-and-pony-shows. I am discouraged with my listing presentation. Carrie

A. Great comment, Carrie. That is why all the top killer agents learn as much about the seller's needs, prior to the presentation so that we can laser beam on needs rather than prepared dog and pony shows. Counseling starts at the first phone call, and it is followed up with seller "homework." The homework is gone over all before the appointment. The appointment is used to turn them into raving fans, showing them how you solve their needs, obtain their goals, and solve all of their concerns thus exceeding all of their expectations.

Want to read more of Walter's "Ask Wally" column. [Click here for endless questions and answers](#) that Walter posts to his website monthly.

Featured Article of the Month

Be Your Own Best Client



ourselves!

As real estate agents, we work as purveyors of the most profitable, long-term investment opportunities in North America. Every day, we talk with our clients and prospects about the wonders of owning real estate, but we don't buy enough investment real estate

Be Your Own Best Client (cont.)

For most of us, no matter how rewarding and fun it is to work with homebuyers and sellers, we really are not planning on working in the real estate business until the day we die. At some point in time, we all want to retire comfortably; living off our real estate investments is a wonderful way to be able to retire comfortably. If you're looking to effectively retire in ten or fifteen years from now, it's time to make a

decision for financial freedom today by making a commitment to build your own real estate investment portfolio.

The no-hassle, no-time-involvement way to build your portfolio

There are several innovative ways to build a real estate portfolio. Remember, we're the professional selling this commodity every day. In fact, one of the easiest, most secure ways to acquire properties for your own portfolio is something you do everyday, despite the fact that its methods are rarely used! This system is based upon finding listed, free-and-clear properties.

Here's how to do it:

1. Research all currently listed properties that are or close to being free and clear or properties that have assumable loans. This can be done on a daily basis by looking at each day's new listings or by surfing the current MLS database for the above parameters. Some MLS systems are easier than others to find the current free and clear listings. If it is hard for you, then ask your title rep to help you match current listings with old mortgages nearing payoff!

Once you've found one such property:

- A. Determine what gross income can be produced from the property.
- B. Subtract 40% from that gross income; this will allow enough to pay taxes, insurance, vacancy and maintenance factors, utilities, management and all other operating expenses.
- C. Take the remaining 60%, by using your calculator of choice or a common amortization chart, determine how much of a loan this 60% income will service, based on a fully amortized loan of 30 years at let's say 7 percent.
- D. Once you determine the amount of debt, this 60% income covers, divide that by .90 (or 90%); this will give you the sale price or your offering price (it's divided by .90 because you will be putting up to 10% down). It will really be less because you will probably get a credit for one or both sides of a commission.

2. Make an offer on these listings. This is where your computer comes in handy, by keeping a template of your state's offer form on your computer, you need only fill in a few numbers, addresses, and boxes on each offer. In the offer, ask the seller to carry back 90% financing at 7%, fully amortized over a 30 year-period. Do not put in a "due on sale" clause. Fixed financing from a lender would be my second choice not to be explored until we are sure the seller will not carry the financing. If a template for your offer or a product such as Zip Form is not available, just make copies of a 90% filled out contract!

3. Fax or email your offer to the cooperative agent so that agent can present the offer directly to the seller. Don't call. If it is not accepted or countered within the time limit – that is your answer!

4. If the offer is accepted, do the walk-through and make a final determination as to whether or not you want this property in your portfolio.

5. Keep the property and let the tenant pay it off! I always applied all positive cash flow to the underlying loan to accelerate the amortization schedule.

Yes, sometimes it takes twenty offers to obtain the perfect match for your portfolio and meet the seller's needs. With a fill-in-the-blanks form or email template, you're not investing a lot of time or effort into these offers. It's very easy to acquire five or six new properties a year by using these simple methods. Just make offers on properties that you have the down payment money for. Your down payment should be 10% or more. My clients who use the systems in this book don't have a problem finding the money! Make sure the investment is a break-even or cash flow property with a 40% expense factor. Get good tenants. Apply the cash flow to the loan and forget you own them!

Long-range benefits of these portfolio investments:

When you start acquiring property with seller carry-back financing, some wonderful things happen. First, the sellers or mortgage beneficiaries may try to re-negotiate the loan to obtain more cash. This is to your

benefit, since you will be asking for discounts for early payoffs and interest rate re-negotiations for agreeing to make larger payments. Since these are private loans, there are no restrictions on the re-negotiations. Moving loans to other properties, re-negotiating payment terms, and paying off early for discounts are all accomplished if it is a win-win situation for you and the previous seller! You don't have to apply to a bank, go through horrendous credit applications, pay points, or explain your intentions to sometimes-stringent bankers. Best of all, you obtained terms that were unavailable in the current marketplace through institutional lenders. The seller has received a much higher than currently available rate of return, which is magnified because it may be an installment sale. The seller could be earning interest on money that may have been owed to the IRS. A safe rate of return, tax benefits, and the annuity nature of the loan are part of the seller's motivation to be the lender rather than be cashed out.

So what's next?

Now that you've acquired the property, what do you do with it? Manage it! In fact, since you are managing for the long term, you should be making improvements to the property, constantly increasing its cash flow, and moving it to higher, positive cash flows.

Why not just sell the property and take the profits? It's possible, and done regularly by investors. Remember, whenever you sell, you subject yourself to the market and its current price level, taxes, anxious tenants, costs of sale, and it takes your investment "off line."

If you choose instead to hold, to manage, to consistently increase the value of the property through intelligent improvements, and to obtain positive cash flow, you can build the surety of an annuity. Use this positive cash flow to reduce the underlying loans. This quickly moves amortization from thirty years to as low as seven to twelve years. Your cash flow may increase every year, allowing you to make further principal reductions and allowing the loan to be paid off much faster. While you're still in the middle of your real estate career, you'll have your first building paid off free and clear.

Because you're still earning commissions, why not tackle this philosophy even more aggressively? Take all of the positive cash flow from your now paid off building number one that you own and apply to building number two that you own. You may already be making principal reductions on building number two from your positive cash flow, therefore moving an already reduced amortization down to an amortization of five to seven years.

Very soon, you'll have that building paid off, allowing the positive cash flow of two free and clear buildings to pay off building number three even more quickly. With all three paid off, you can now start paying off number four and so on! It works like a great, big snowball! In the last years of this formula, you'll be able to pay off many buildings quickly and effectively.

Start today by making smart cash flow offers. Once you know how many units you want, you'll know how many units you have to acquire within certain time frames, then you will know how much to carve from your commissions for your 10% down payments. Buy them correctly . . . no balloon payments, no financing problems, and at positive or break-even cash flow. Use the positive cash flow to pay off your underlying loans, and you, too, can easily join the membership of just 3% of American citizens who retire with financial independence. Keep the following six rules and follow them religiously!

1. Buy to hold forever. Buying for the short-term means that you have to be able to predict markets. I promise that you can't! The rich buy and never sell. If you need cash, work the systems found in our library of books!
2. No negative cash flow. It costs about 40% of market rents to run a building effectively. If you own an alligator
3. No adjustable or variable rate mortgages. They go up and cause negative cash flow. See rule #2.
4. No balloon payments. They cause you to have to re-finance in an unknown mortgage market, and you will be stuck with a variable loan. See rule #3.
5. Buy in areas where you don't have to collect rents with a gun. Who needs the pain?
6. I like to tire kick. Buy local. When you buy out of state, you are going to pay \$45 to change a light bulb!


Featured Product of the Month
Buyer Net Profit (Book and Data CD)

This includes every form and letter to attract, present, manage, monitor, and serve the buyer. This is the complete training manual that Walter used to train the best buyer's assistants. These systems will make the buyer end of your business as fun and profitable as your seller end! **\$375**
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WALTER SANFORD
Your personal real estate coach and counselor!
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Run a search in Google or Yahoo for "real estate coach." Who is at the very top? The very first option – set apart from the rest of the pack? You guessed it – Walter Sanford.

What sets our coaching program apart from all the others?

- ✓ You get Walter Sanford as your personal coach. Not someone trained by him, but the guy who has thirty plus years of high producing real estate experience.
- ✓ You get a personalized coaching plan designed for your specific needs, your experience level, and your market needs. There are no cookie cutter coaching programs with Sanford Systems.
- ✓ You get all of Sanford Systems' supplemental material so you don't have to re-invent the wheel. Why waste a week trying to come up with the perfect letter when we have a book of over 400?
- ✓ You get a company that has web and technology savvy. Remember, we were at the top of your web search!
- ✓ You get your money's worth! 40 – one hour phone appointments with Walter for an entire year!

You work hard for your money. Isn't it time that your money start working for you?

We currently have a few availabilities in our coaching program. Call Cyndi at 800.792.5837 or email her at cyndi@waltersanford.com for more details about the Sanford Systems' Experience in Action one on one coaching program.

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For more information about the many real estate services Sanford Systems provides, please visit my website at www.waltersanford.com.

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