

Build Your Power Team Pros

A team with the right experts can save you time, work and money. With the right real estate investment team, you have a valuable resource in each professional's area of expertise. An "A-Team" consists of the following:

- **Real estate attorney**
- **Mortgage broker**
- **Realtor**
- **Title company**
- **Accountant**
- **An established credit repair company**
- **Escrow company**
- **Construction contractors**
- **Contacts at the county courthouse**
(to assist in gathering and recording information)

CHAPTER 18

Building Your Real Estate Investment Team

We talked about building a team briefly in Angie's chapter because it was such an important part of her success. A good team can allow you to leverage resources and be able to accomplish more in less time. There are many professionals who are available, ready, willing and able to assist you with your investing efforts. Though you may be able to do it all these things yourself, it's just not going to allow you enough time to leverage your knowledge and create profits through multiple deals.

So, let's go through the selection of your real estate investment team members, whether you're investing in your town or another city or state. You won't use all of them on every deal, and some of them will be used only now and then. But, waiting until you need a team player is too late. Interviewing and selection of the right people will not only make your job easier, it will make your deals more profitable. It's a little extra work up front but worth its weight in gold. Think of your real estate team in all facets of what a great team should be all about. You want team members that are professional and can get the job done. A team is sometimes only as good as their bench strength, so always try to have a deep bench of professionals that can step up quickly as their name is called!

In Chad Merrihew's section, he mentioned a potential financial partner's belief that more money could be made if all repairs and other functions were done on their own, without hiring others. This investor and Chad didn't end up doing business because Chad realized that he could do more profitable deals if he stuck to his plan, leaving things better done by others to the experts. Paying a contractor to replace the heating unit was far more efficient than doing it himself. The time saved allowed him to do another deal, making far more money than the small amount spent on the heating contractor. That's not even taking into account the fact that he didn't finish the day with sheet metal cuts and fiberglass in his jeans.

So let's look at our selection of team members starting with real estate agents, and moving through all of the others who will be helping you to build and operate your successful real estate investment business.

Selecting and Working With a Real Estate Professional

- A real estate agent can be a valuable addition to your real estate investment team. Because your agent will be an important and frequently used team member, working with the right one is critical. Not only do you need to be able to get along personally, but a common understanding of your needs and goals is quite important. Just in case you haven't been exposed to the structure of real estate representation and who's an agent, broker or Realtor®, let's go over it quickly now.
- A broker, sponsoring broker, or qualifying broker is one who operates a real estate brokerage office and has agents or other brokers working in that office.
- An associate broker is one who has a broker's license, but doesn't choose to operate her own office, instead working under the umbrella of another broker.
- An agent is licensed only to work under a sponsoring broker, and that broker is generally responsible for the activities of the agent.
- A Realtor is one who is a member of the National Association of Realtors, and subscribes to their code of ethics and rules structure.

In general, someone with a broker's license has had to pass a more extensive examination, and may have been required to operate as an agent for a period of time to gain experience. So if you are trying to make a decision from among several good candidates, you could give more weight to those who are brokers instead of agents. But that shouldn't be high on your list of criteria. Many agents have years of experience and simply never wanted to move to broker level. They could be much better qualified than a "broker" from an experience perspective.

Here are some questions for you to ask a candidate and get a feel for whether they'll be a good real estate professional for your team:

- Time in the business
- Willing to work with new investors
- Worked with investors in the past
- An example of the best deal they ever made, how they took their expertise and allowed a client to have a smoother/easier deal
- Worked with banks on foreclosure/short sales
- Ever successfully handled an assignment of contract
- Invest themselves? (not always a conflict of interest)
- Willing to make low offers
- Willing to send property info regularly that matches your criteria

Those are the main considerations but, going a little deeper, you may ask:

- What days of the week are they normally available to meet or view properties?
- What business hours are they normally available?
- What is their technology comfort level? Do they feel comfortable e-mailing comps or new listings? Can they e-mail information to you?
- Does the real estate agent feel comfortable scanning and using e-mail or faxing documents to you for your signature? Some real estate agents do not want to utilize automation and always want to meet in person to complete paperwork. Due to time constraints this may not be the best fit for you, especially if you make offers on multiple properties. Now there are even special online software solutions for digital signatures. An entire signing can happen with mouse clicks, and a high quality legally signed copy sent over the Web. A high tech agent can also be high touch, but the high tech adds efficiency.
- On the high tech topic again, are they able to use their MLS system to set you up with automated e-mails of new listings that match your search criteria? Almost every MLS now has this capability, but not all agents know how to use it. You'll get all new listings that meet your search requirements, as well as alerts when prices change on those listings. No real estate professional can catch them all, so this automated alert system is really important.
- What are the best contact numbers to reach them? Always request their cell phone to reach them quickly as needed.

Over time, a real estate professional's actions will speak louder than words. As you work with them, it will quickly become apparent how they're serving your needs and how fast they respond to requests. Does the agent do everything they say they will do and in the time frame they commit to do it? When submitting offers on real estate, time is of the essence, so you want an agent that will get your offer in as soon as possible, and not dally when counter offers come back your way.

You don't have to come to a single selection right off the bat. If you can narrow it down to 2 to 5 agents, just start working with them to see how it goes. Let them compete for your business. Here's where you may trade off a little experience for an aggressive attitude and a "jump when you call" approach. Also, some agents specialize, just like attorneys and doctors. More than ever before, there are a lot of agents out there who practice "buyer representation" only. They do not list property. You may want one of them, and another agent who lists only, giving you the best

of both worlds. For the listing agent side of your team, you may want to drive around and count signs. Another tactic: look at the MLS listings online and sort them by zip code of interest by, for example, single-family homes. Then do a quick count to see the real estate agents in your area that have the most listings. The most aggressive agents and the best marketers will have more signs out there with their name on them. If you also see a cell number, they are showing that they're responsive, no matter where they may be.

This business is one of timeliness. Not just in contract requirements, but also in acting on opportunities. You really need a real estate professional that's responsive and not just 9 to 5 Monday through Friday. Another tip in dealing with real estate agents to see how quickly they get back to you on a property or how quickly they find the answers to your questions. In some areas of the country, a more seasoned real estate agent may even have other associates that assist them with calls and inquires. Sometimes this team approach can work to your advantage and can help distinguish the real players in the current market.

Don't wait on this selection to do deals. If you're driving through a neighborhood and see an agent placing a sign in a yard, stop and ask about the property. Even if it's not for you, the conversation can lead to other properties, or even a referral to a FSBO that just will not work with the agent. You never know, and only networking with agents will yield these surprise opportunities. Sometimes the early bird can get the worm. If you spot a great deal before it gets listed in the MLS, you might have a deal locked up before others have a chance to even know it is on the market.

The right real estate agent, broker or Realtor can be one of your biggest assets, so finding the right one to fit your goals is a must. But if it doesn't happen immediately, don't panic. Many of my successful students went through several before finding the perfect fit. They still made money prior to that perfect fit, but it was better once they found the right person.

FREE BONUS

If you would like to see a clip from an Empowering Conversations interview I had with a gentleman that I consider the "perfect" real estate agent in today's market, go to www.deangraziosi.com/yourtown/moneymaker.

Repair and Remodel Contractors

Though low prices should be a consideration in the mix, this shouldn't be your primary criterion for this selection. There are other things that you should consider when working with a contractor such as quality of work, timeframe from completing a project and the clean up and care of your property after the contractor is complete with the project. In some cases, the terms of payment may be even more critical than the final price you negotiate. The more time the contractor allows you for payment could be a very important factor to measure when making a decision. Because many real estate investment strategies involve multiple offers without resulting deals, you'll need the input of your contractors and repair people on a regular basis, and many times a job and payment won't happen. So building a relationship of trust and passing profitable work to them when you can is important. You'll need estimates at times on short notice and you'll need to be able to rely on them to be reasonably accurate. Cost overruns do not make for profitable real estate deals.

Check out all contractor references, ask to see some of their work, and visit a project or two. In this industry, you want to ensure that contractors will not over promise and under deliver. One of the best referrals for a contractor is networking and speaking to other investors in the area. As you discuss certain needs, names of contractors may come up regularly. Word of mouth can be the best form of advertisement and some of the best contractors may do limited advertising. If they're primarily repair people, ask to see customer comments they've received. Even if you can't be sure that what they're saying is the absolute truth, ask how many of their jobs come in at the original bid, and how many end up going over for any reason. Tell them your intent is to make offers that will not always result in work, but may require repair estimates. You want them to be conservative and accurate, but speed will be usually be needed as well. In exchange, you'll be giving them all of your work.

For major equipment replacement, like furnaces, water heaters and air conditioning systems, a good contractor can give you advanced estimates by size of system or unit. Factoring in a little for possible error, his estimates by BTU size or A/C tonnage can be in your file, ready for you to add into your estimates before you decide on whether to offer on a property or not. Having as much information at your fingertips on the front end will make your offers more realistic.

Your Town Tips:

- Once you acquire the property, try to get at least 3 estimates for any type of major work that you are going to complete. You may be surprised at how much the estimates can vary for the same job.
- Always get every estimate for work in writing and make sure the contractor includes all costs for materials, labor, permits, etc.
- Include payment and terms when you sign a contract.
- Never pre-pay 100% of the price to any contractor. Try to negotiate a payment as completion progresses. For most jobs, I may offer a small payment at the time of contract signing, another payment at the start and the final payment upon completion of the project.
- Try to get as specific as possible with work to be completed. You want to avoid cost overruns by the contractor.
- If time is of the essence and you have a larger project for the contractor, make sure you put in the deadline requirements and possible penalty for not completing within the allotted timeframe.

In today's market, contractors can be just as motivated as sellers and may be flexible on price or terms if you just ask. There is nothing worse for a company to have employees on a payroll and have no pending jobs to complete. Therefore, some companies may work with you to be able to get the job and keep their staff working.

Accountant

Just as there was a difference in a real estate agent, Realtor and a broker, there is just as much difference in an accountant and a certified public accountant. It is important to note that all accountants are not certified public accountants. CPAs have more requirements required for their certification and are held to a higher level of ethics, integrity and a broader base of accounting knowledge. Your accounting professional will be helping with your taxes, but they're also a valuable resource in making deal decisions. Tax consequences of real estate purchases, sales and rentals can make a big difference in your ultimate profitability. You should also have an exit plan, or multiple plans, in place before you get into a deal. How long do you plan on holding a property? What's your planned method of getting it sold when you're ready? When are rental property rehab projects a good idea tax-wise? Can you offer financing in a sale that will postpone capital gains? Or if you take cash out, is it a better way to go than leaving it in and realizing interest income? How does the 1031 exchange work, and how can you use it?

There is more, but the idea is that you need a good tax professional on

your team. Sit down and talk to a few of them. Develop not only a good feeling for their knowledge and expertise, but also how you think you'll get along in the future. Similar to your relationship with an attorney, your accountant is going to be involved in a large part of your life through your business finances. Choose well at first, as changes can be expensive later.

Attorney

Some of the same considerations apply to your attorney selection as they do in accountant choice. Law is a broad field, and no attorney can be proficient in all areas. You wouldn't want to be an innocent defendant in a murder trial with a tax attorney at your side. It's the same with real estate. Check on attorneys who specialize in real estate. It's not just about getting a contract drafted to your advantage. There are also situations that can develop related to environmental issues, zoning and building codes. Having the right attorney help you navigate these issues is a necessity.

Many attorneys will do a 30-minute free consultation. Find a few from referrals, friends or the Internet and set an appointment. Tell them exactly what you are planning on doing, get prices, and see if there is a set fee for a closing or only by the hour. Also, if you are going to use no money down "assignment" deals, it's good to have an attorney with experience in this area or at least is comfortable with helping you through a deal like this.

Property Management

Every bit as important as your attorney and accountant, your property manager or company is a major player on your team. If you're planning on growing your net worth and cash flow with rental properties, the person or company you choose to manage them will be with you for the long haul. And if you are planning on investing remotely like many of my students do, finding a rock star in this field is a must. One or two properties may justify the do-it-yourself approach, but any more and you should probably hire someone. The cost is minimal in comparison to the time you could be letting them do what they do best while you are out finding and closing on new deals. Remember; opportunity cost can be expensive.

If your plan is to grow your rental property holdings, make sure that part of your selection process involves a careful look at the current staffing of your candidates, as well as their plans to expand or shrink in the future. They may not have a plan for growth, but you can usually tell if they're motivated to build their business, and have the ability to expand, both

in terms of personnel and finances. It isn't fun to outgrow your management team and be forced to start over with a new one, or split your properties between two.

In chapter 20 we will go more in depth on questions you need to ask and how to know you have the perfect property manager.

Mortgage Brokers and Lenders

Don't assume that the selection of mortgage companies and lenders is all about you getting funding for your deals. Many a deal has resulted in a higher profit in a retail resale because the investor was able to help the buyer with financing. This is especially true if you're working with buyers who have credit problems. A creative and aggressive mortgage broker can make the difference in the deal. And the buyer, appreciative in getting a loan they didn't expect, will pay top dollar for the home.

Remember Greg Murphy's use of mortgage brokers to help his tenant buyers improve their credit scores and buy the property through a lease purchase agreement. All along they paid market rent, taking good care of the home that some day would be theirs. Your profits in selling properties can be improved just by having the right team members on the mortgage side.

Just like real estate agents, many lenders and mortgage are specialized by type of loan. This could be just their preference, or it could be about success, or lack of it, in getting certain loans approved and through the process. Another reason a broker may not want to do a certain type of loan, or work with certain lenders, has to do with their income. If you aren't getting the financing you need for yourself or your buyers then make sure that it's only after the mortgage broker has tried several lenders and underwriters. If they only try one or two and tell you it can't be done, you may have a broker who isn't taking you to the best sources because they don't pay high enough fees.

When choosing a mortgage broker, be transparent with everything when it comes to loans you want to obtain. Make sure you let them know that you could be potentially bringing them the buyers of the homes you will be selling, assigning or finally closing on a lease option. Ask them if they assist future clients with credit repair **(If you need credit repair help, go to www.deangraziosi.com/yourtown/creditrepair.)**

Other things to consider when working with a mortgage broker:

- Make sure they have banks that are friendly to investors and that they have banks that do not require seasoning on homes before a refinance or new loan.
- Make sure you understand their fee structure.
- Make sure the broker can quickly get you information on approvals or options that are available.
- The broker is aware of all special incentives and programs that buyers may qualify for.

Escrow Companies

Another member of your team could be an escrow agent or escrow officer. If you are considering doing lease purchase options like Greg Murphy does, an escrow company will be a very important member of your team. The independent third party escrow agent collects and processes rental payments, mortgage payments and provide you with a monthly payment, net of a small fee. This independent third party also becomes a credible resource when a mortgage broker needs to verify timeliness and consistency of payments made by a tenant buyer to a landlord.

Title Company Selection

Depending on the state where you live and the way contracts are negotiated, you may not have a choice as to which title company to use. However, if you're doing a lot of creative and owner financing, you will probably be in control of the title company. There's a lot of similarity in services offered by title companies, but that doesn't mean that there's little difference in how they deliver those services. Selection is important.

Similar to your consideration of real estate agents and mortgage brokers, you want a responsive title company. They may do a great job of processing documents and researching title, but if you can't keep track of the process, how do you know they're on track? You want a title company that takes your phone calls, returns your messages, and lets you know early about any problems in the process.

If the company will be insuring titles for properties you plan on owning for a while, ask them which underwriters they use and how many. Underwriters are rated like other insurers on their financial stability. If you think this is incidental, know that a major title insurer was declared insolvent because they had too much invested in real estate securities during the mortgage crisis. Hundreds of thousands of paid-for policies became worthless instantly.

Various Miscellaneous Role Players on your Team

There are other miscellaneous individuals that may become part of your team. These other members could be Jim from the local Home Depot that really knows a lot about the store and materials. Another member could be your team of bird-dogs that find potential deals and inform you about them. You could have other members such as the person at the local newspaper that you contact and they take that extra time with you to craft the maximum size classified ad you can run for the price.

Your Team is Part of Your Success

Building your real estate investment team is a win-win approach. As you are more successful in real estate your team will be able to profit and become more successful as well as they assist you with your deals. I'll help you with other investors as funding members of your team in the "Funding Your Real Estate Deals" chapter. The other members here all have an important contribution to make to your success. Develop long term relationships of mutual respect and the attitude that all of the team members need to win in your deals. You may use some of them some of the time, or all of them a little of the time, but every one will come into play at some point. You want them there when you need them. Building the right team can be a continuous work in process. So as you move forward treat people better than you want to be treated and people will be there when you may need them the most.

It all comes down to your network of professionals and the "sphere of influence" around them. The more we can come out of our comfort zone and meet new people and expand our sphere of influence the more opportunities that can come your way. I have found that every new person that I meet has at least one person they may know that can assist me with my goals in real estate. Some people know great bankers, realtors, handyman, attorneys, contractors or even buyers or sellers. Thus, each day work on expanding that sphere of influence and who knows how large it may grow!