



NOVEMBER MEETING

Tuesday, Nov. 18, 2014

Meeting Location → **RAAR**

6776 East State Street
Rockford, IL 61108

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- ✓ Spring Banquet
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A one-year membership is \$99.

To join or e-mail RAA, go to
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December Meeting
Christmas Dinner
at Burpee Museum

Evictions

by Attorney Alberto Altamore

Tues - Nov. 18 at 7pm

Cost: FREE for members, \$15. non-members

Networking 6:30 P.M.

General Meeting 7:00 P.M.

If you were not able to join us last month we had a very informative night meeting with our candidates for Sheriff. I would like to congratulate Gary Caruana on his election to the office. During our meeting Mr. Caruana did commit to maintain the policy of Sheriff Myers to enforce orders of possession within three days of the date the court determines possession should be restored to the owner. He also expressed agreement that Crime-Free Housing laws are unreasonable and that landlords should not be penalized for the criminal behavior they have no control over. I believe Gary Caruana will work with RAA members to establish reasonable policies that will help us respond to crime in rented property.

For our November meeting we welcome back Attorney Alberto Altamore to speak about evictions. Alberto is a landlord himself and has years of experience representing landlords in eviction courts. He always delivers an energetic, entertaining and informative presentation on the eviction process. I hope you can all join us and learn about this unfortunate but sometimes necessary function of property management.

This will be our last regular meeting of 2014. RAA will be hosting our holiday party on December 16th from 6:00 to 8:00pm. Food will be provided and cash bar available. The event is free for RAA members. The location is being confirmed and announced shortly.

—Paul Arena, RAA President



Meet Ricky Davis - The Big Kahuna by Jerri Cole

I have been amazed so many times by the people I have interviewed. I have problems keeping track of my small parcels and when I see what someone like Ricky has done, it is hard for me to comprehend the management skills he has to have to make it all work. As I read through his interview, I realized how many mistakes I have made. I hope that all the young people and the ones who are just starting out in real estate that read this will learn from this and have an easier time because of it. Thanks, Ricky, for sharing with us.

I have been married to my high school sweetheart, Jean, for 33 years. We have 3 kids. Two are married. My baby is 22 years old. She lives with us and works with us in our business, STATELINE RENTAL PROPERTIES. One of the reasons I got into real estate is my daughters played club volleyball. It cost me about \$15,000 plus a year with all the travel costs. I did not want to say no to my kids. Most parents cannot afford that extra money out of their budget. My wife and I got to flipping houses to get the extra money. It payed off in scholarships.

I worked 20 plus years as a Hostess Cake driver. I owned my own route which gave me the time to work on real estate. I worked from 3 a.m. to noon, then worked on flips until the kids got out of school and my wife got out of work at 5:00. I have worked two jobs myself.

I am a very competitive person. I hate to lose at anything!!! I have two passions, golf and European sports cars. I currently own a 2010 Jaguar XF, 470 horse power. I would buy a car in the fall or winter, drive it in spring with a for sale sign on it, and sell it when I made a profit. I have owned some nice cars for free!!! On my day off, I will be golfing or looking for properties to flip. I like to think I am the life of the party. My Dad always said, "SPEAK LOUD AND DRAW A CROWD!!!!"

Helping people out is my new passion. I am in a position to help financially and I am giving back to those who need help.

I became a landlord over 20 years ago. I did not want to be one!!!! I bought a lot of houses to flip. The next thing I knew, I could not sell them and had to become a landlord. I now am managing broker for my own real estate company called STATELINE REALTY. We run a property management company called STATELINE RENTAL PROPERTY. We are the biggest company that manages for individual landlords. We cover all of Rockford and the surrounding areas from the Wisconsin line to Freeport west, Byron South, and east up to Barrington. We never planned on being this big. We hit it at the right time. I started this when no

one wanted to do property management and now a lot of people are trying to copy me or steal my business. These people came in late and thought it was easy. You have to have a lot of people to make it work. It will take anybody at least 5 plus years to get to the size I am at, maybe!

I will never quit buying as long as the prices are this low. You can do this the rest of your life if you have systems in place. We can manage this many units because we have great people and software that helps a great deal. If you want to grow you have to let go. Most landlords will never get that big. They try to do all their own work, which is o.k., but there comes a day and time when you run out of hours in a day and need others to help. They feel no one else can do it besides them. It is time to stop at that point or hire and let go.

One thing people do not understand is once you get past the cost of everyday living, you can make big money. People spend too much time on the now and do not focus enough on the future.

The thing I like best about being a landlord besides cash flow is the challenge of finding the right tenant for the property. I hate to put people out in the street due to evictions. I do all I can to help them find temporary money or work with them if they are upfront with me.

I have a lot of funny stories I could tell. It is hard to pick just one. I had a tenant who lived in my two family who did not pay their electric bill. They plugged into the hallway electric and ran a power strip to all the stuff they needed. I knocked on the door, handed them the electric cord, then cut it off. I handed them the long end and said, "Next time you are going to jail for stealing!!!" I am currently getting the cord end framed.

My pet peeve is people managing other peoples property without a Brokers license. If I have to have a license and be held to higher standards, then they should be as well. My 2nd biggest pet peeve is keys and mastering all to make sure I have the right key for the right property.

I belong to the Pine Tree Pistol Club in Rockford. We also belong to the Chamber of Commerce and the

Better Business Bureau. I am starting a new office in the Elgin Area and have been asked to join the Elgin Downtown Association. I belong to the McHenry Real Estate Association. It is a club, like ours here.

Rockford needs to realize how many people are renting right now and work with the people who provide that service. They need to help keep taxes down and help us make tenants more accountable. Rockford is a good place to live. We all have to keep fighting like we are doing. We may not change it today, but hopefully in the future.

My best advice to new landlords is to have cash reserve before you start so that if your rental does not pay you can still live without that money. Also, get a mentor or split properties with someone who already does this and they can help you learn. Our economy is tough right now and you have to have a strong stomach to make it in this business.

Smoke Detectors

It's that time of year. If you have detectors that require battery changes a good rule of thumb is to do this every 6 months. (Time Changes on the Clock works well)

Approximately 2,500 people die in structure fires annually. Of the 2,500, more than 1,500 die in buildings where there were no smoke detectors or no *working* smoke detectors.

There are only 2 types of landlords when a fatal fire happens in a Rental Property.

1. The landlord who is not mentioned. (Because smoke detectors were present and working)
2. The landlord who is described as a monster because there were "no working smoke detectors in the building".

I personally suggest the 10 year tamper proof detectors which have batteries that cannot be removed. Weigh the increased cost of these detectors against the cost and labor of replacing the batteries every six months for 10 years. With these detectors all you have to do

is confirm they are operable every six months! The warranty on the Tamper Proof units is ten years also, so you have a great value and an easy solution for the safety of your residents and property.



—Jeff Sturtecky

Owner Financing—What You Don't Know May Cost You

Nails on a chalkboard, Snakes, Being stranded on a deserted country road with car troubles, Ebola and Dodd Frank. Which one sends chills down your spine? Which one keeps you up at night worrying? Have you even heard of Dodd Frank?

If you have not heard of Dodd Frank, you are not alone, but ignorance of the law is not an excuse and as the title says, what you don't know may cost you, and cost you plenty.

Dodd Frank, officially called the Dodd Frank Wall Street Reform and Consumer Protection Act is a law that applies to most people who deal with consumer lending as it relates to real property, ie Real Estate. Just so we are clear, Rent-to-Own, Lease Option, Owner Financing, Agreement for Deed, Contract-to-Sell and any other way you call it, likely qualifies as consumer lending on real property. This law was passed and signed into law in 2010, then picked up by the Consumer Finance Protection Bureau and the rules finalized in 2013 and it finally went into effect on January 10, 2014.

What is Dodd Frank? Why is it important to real estate investors and members of the RAA? Dodd Frank is a strict consumer protection law that lays out exact requirements for lenders (owner finance included) and penalties that will make your toes curl. It was put in place to "correct" many of the problems that occurred during the real estate crash in 2008.

Dodd Frank requires lenders to "qualify" the borrowers. A lender is not just a bank but a landlord who sells their property to an end user (owner occupant) using owner financing. To *qualify* a borrower you **MUST** do these 8 things, and remember ignorance or omission is not an excuse:

1. Verify and document their Income
2. Verify and document their employment
3. Specify the loan payment for the loan being considered
4. Verify and document ALL consumer loans (cars, student, credit cards, etc)
5. Verify and document any other mortgage/lease obligations (are they a co-signer?)
6. Verify and document any alimony and child support payments/wage garnishments
7. Run a credit report/credit history and verify the findings
8. Total Debt to Income ratio has to be LESS than 43%

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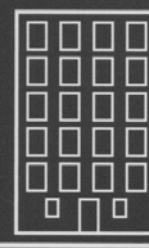


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If you have a Qualified Loan you do not need to do the above but you still need to abide by the Safe Act (the Secure And Safe Enforcement for Mortgage Licensing, another Federal law that applies mainly to loan originators and not necessarily the seller). To be considered a "Qualified" loan it must meet all these criteria:

1. Verify and document their income
2. NO negative amortization (interest can not be more than the payment, even for a short period)
3. NO Balloon payments (fully amortized)
4. Nothing longer than 30 years
5. NO prepayment penalties
6. NO Variable interest rate (actually it is allowed but payment must be calculated at highest possible rate and additional rules will apply)

Even if your loan is a qualified loan, your buyer may think that this new law protects them so I would suggest you include in your documentation in bold print that the loan does not fall under the jurisdiction of Dodd Frank and have the buyer initial it. This may prevent a major issue in the future.

Does all that make your head swim? Are you thinking there must be some exceptions? Well there are a few exceptions. To be exempt from the above rules you must meet ONE of the following:

1. All Cash Sale (Duh, it is not financing if it is an all cash sale - right)
2. Investor Buyer - You can sell to another investor using anything you both agree to, but beware, If the buyer ever moves into the property he is now an owner occupant and the rules may apply.
3. You only have 3 or 5 under contract in any 12 month period. There is some confusion since Dodd Frank says 5 or less and the Safe Homes Act (which also applies per Dodd Frank) says 3 or less. That is 3 or 5 in a 12 month period, NOT necessarily a calendar year.

If that exemption for 3 or 5 has you letting out a sigh of relief, read on. A lease with option to buy MAY be considered a sale and considered a consumer debt on real property if any of the following are present.

1. The term is more than 3 years
2. There is ANY credit of the rent payment toward the purchase price

3. The tenant is responsible for any maintenance that is normally the responsibility of an owner
4. The tenant has an equitable interest
5. The IRS could consider the transaction an installment sale (could happen after the fact...)

Maybe you are thinking you are a small fish and the likelihood of you getting caught is so small you will take the chance and do lease options like nothing has changed. Read on.

Penalties for violating the law are the requirement that you REPAY ALL MONEY received from the buyer in the past 36 months. That includes any down payment, all monthly payments, court costs, attorney fees, and "other expenses incurred by the borrower".

If you try to foreclose on someone because they have not made their payments as required, the Dodd Frank calls for an ADDITIONAL four months be added to any state foreclosure process to give the borrower time to work things out.

I can see it now, attorneys putting adds on TV saying they can get you back all the money you paid over the past three years because the guy you bought your home from didn't follow the law. (You forgot to figure in his child support or don't have the documentation when an attorney asks for proof you verified all consumer debt and you missed that furniture loan that was signed two days before you actually signed the home contract.) Are you willing to take that risk? Do you have \$20,000 to give back (\$2k down and \$500/mo for 3 years) Do you think buyers who are behind in their payments and facing foreclosure may use the Dodd Frank law as a defense and require you to prove you verified and documented all aspects as required by the law?

I hope this sheds some light on (and scared you a little) about the Dodd Frank consumer protection law that went into effect on January 10, 2014. Please speak with your accountant and/or attorney regarding any questions you have and remember that famous quote, "We are from the Government and we are here to help".

—Tim Hoffman, VP
Rockford Apartment Association

Dean Impey

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Rockford Apartment Association Code of Ethics

We, the members of the RAA, recognizing our duty to the public and the intimate nature of the relationship between the apartment resident and the owner, or manager, and being aware of the vastly increasing role of the apartment industry in providing the home of the future, and in order to provide the apartment-residing public with the maximum in quality and service upon the highest standards of honest and integrity, do hereby bind ourselves, with each and every member, together and alone, agreeing that, so long as we remain members of the RAA and so long as nothing contained herein shall be unlawful, we shall:

- Promote, employ and maintain a high standard of integrity in the performance of all rental obligations and services in the operation of our apartment communities.
- Maintain and operate our apartment communities in accordance with fair and honorable standards of competition, ever mindful of the purposes of the Rockford Apartment Association and in compliance with the bylaws thereof.
- Strive continually to promote the education and fraternity of the membership and to promote the progress and dignity of the apartment industry in creating a better image of itself in order that the public may be better served.
- Seek to provide better values, so that an even greater share of the public may enjoy the many benefits of apartment living.
- Establish high ethical standards of conduct within the apartment industry in the business relationship between the owner, managers and suppliers of products and services to the apartment industry.
- Maintain property standards of the appropriate governmental authority.
- Ensure that every qualified individual, regardless of that individual's race, color, religion, gender, disability, familial status or national origin is afforded the same opportunity to rent an apartment and enjoy the benefits of apartment living.

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Evictions by Attorney Alberto Altamore

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