

BALTIMORE REIA



BALTIMORE REAL ESTATE INVESTORS ASSOCIATION

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THE R.E.I.A. NEWS

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FEBRUARY, 2004

Many thanks to **Daniel Billig** of **A.J. Billig Auctioneers** for his informative presentation on buying at auction.

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Our next meeting will be on Tuesday, February 17th. at the Parkville VFW Hall, 8123 Harford Road — doors open at 6:30 P.M. with the official meeting starting at 7:00 P.M.

SPECIAL EVENT!

TUESDAY FEBRUARY 17

**From Tucker, Georgia —
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**SECRETS OF BUYING,
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A master for over 28 years, Louis will reveal his System of Secrets to Riches in Real Estate...and how you can create **MASSIVE CASH FLOW!**

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- How to structure the deals to make the most profit
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- Buying and selling using lease options and agreement for deed techniques

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- Creating your mindset for real estate wealth
- Using trusts to protect your wealth machine
- And much more!

Louis will also hold a follow-up full day seminar on Saturday, March 27, 2004. here in Baltimore
(Location to be announced)

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VENDOR TABLES

Vendor tables are available for \$60.00 at each meeting. Display your wares and advertise your services to a great target market!

Call Joe Newberger for space reservations.
410-866-5737.

BALTIMORE REAL ESTATE INVESTORS ASSOCIATION OFFICERS FOR 2004

President	Kenneth Sanner, Sr.
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If you are looking to buy, sell or have real estate related services to offer, come prepared to pitch your wares and do some business, or share some tips and swap some stories in the "For the Good of the Club" session.

Meetings are only \$20.00 per person which includes the complimentary buffet. Come early to the VFW Memorial Hall, 8123 Harford Road, for networking and friendly ambiance.



HOW TO GET COMPS

By: **Tim Randle**

There are primarily four ways to get information on comparable sales (comps) when trying to determine the value of a target property. Those four are:

1. Doing Your Own Research
2. Internet Searches
3. Service Companies
4. Access to MLS

DOING YOUR OWN RESEARCH

Within this category, there are four subcategories. Those are:

- " Courthouse Searches
- " Newspaper Listings
- " Tax Appraisal Districts
- " Master the Neighborhood

Courthouse Searches

If you live in a state that is discloses property sales information, you will have a much easier time than those of us who live in a non-disclo-

sure state, like Texas. My understanding for disclosure states is that information on sales can be found at the courthouse if you're willing to spend the necessary time. From that information you could devise your own methodology for determining comps. Certainly, it would be beneficial to know the history of a target property which you can look up while you're there, but I think this would be very slow and probably not worth your efforts if the only goal is to get comparable sales data.

Newspaper Listings

In some states the sales information is listed in the local newspapers so you could get a feel that way or create your own database and update it periodically. Again, I think this is a slow way to get things done, but it may prove useful to you in some circumstances.

Tax Appraisal Districts

In my area, the tax assessed values provided by the tax appraisal districts are frequently useless. You'll have to get a feel for this in your area as you may find that the assessed values are close in many neighborhoods.

Master the Neighborhood

Probably the most accurate way is to spend the necessary time to master your farm areas. By this I mean learning the values for certain neighborhoods that you target. You can speak with Realtors, attend open houses, view as many floor plans as possible, etc. until you can drive by a house at 30 mph and know within a reasonable range what the property will be worth in good condition. This information comes in extremely handy when talking to sell-

Shawn C.A. Beatty
President/Owner

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ers on the phone. If a seller calls you and tells you the house is in ABC subdivision, it's a three bedroom, two bath, two car garage house and it's 1,500 square feet, it's nice to immediately know the market value in your head.

INTERNET SEARCHES

I know some investors use online searches to determine value. I tried this when I first started and found the information to be outdated and not even close to what I consider a comp. For example, at the time the Austin, Texas market was appreciating almost one percent per month. Retrieving sales numbers that were almost a year old and five miles away from my target property was useless. If you're in a disclosure state, this methodology may prove more helpful. I haven't used or even looked at any of these sites for this purpose in years, but here's an initial list you could view, although keep in mind that some of these may be regional-specific.

- www.Realtor.com
- www.Homeradar.com
- www.Homegain.com
- www.Yahoo.com
- www.Domania.com

I'm sure you can find many more sites like these if you'll spend the time to do so.

SERVICE COMPANIES

Some investors subscribe to services that provide sales information. This can be in the form of software in the form of CD's that are sent out periodically or it could be an online service where you login to retrieve information. I've never used any of these services and typi-

cally, the reviews are mixed as to their usefulness. Again, that may come down to whether or not your state discloses sales information. Here's a list for you to check out:

- First American Real Estate Solutions (www.firstamres.com)
- Dataquick (www.dataquick.com)
- Netronline (www.netronline.com)
- CD-Data (California only - www.cd-data.com)

ACCESS TO MLS

Having access to Realtor's proprietary information that is available in the Multiple Listing Service (MLS) is invaluable. In my opinion you should begin working toward this goal regardless of which comp methodology you plan to use or currently use. Again, there are several ways to accomplish this goal:

- " Ask or Hire Someone to Help
- " Become a Realtor
- " Obtain an Associate Membership
- " Relationship Access

Ask or Hire Someone to Help

One way to obtain information on sales is to contact those who have access to it. For example, you could get in touch with a Realtor, Appraiser, or Title Company and establish a relationship. At some point fairly early on you'll have to make it worthwhile for these folks to continue helping you, so it's important to either pay them for their assistance or to get some deals done where they get paid.

If you're going to go this route, I think it's extremely important to have the actual data sheets sent to you so that you can begin to

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learn how to evaluate values. You'll soon discover that no one runs comps like you do. After all, a comp is merely someone's opinion of what a property is worth. I've had Realtors provide alleged comps on properties that were in different subdivisions miles away, fifty years older than my target property, with a different number of bedrooms and baths, different foundation structures, sold years prior, etc. Do you really want to trust six figure decisions to someone else's judgment?

Become a Realtor

Although I frequently see disparaging comments about Realtors and the liability associated with becoming one, I think this line of thinking is way overblown. I can promise you that if you're in real estate long enough; you're going to end up a target for someone. Whether or not you happen to have a real estate license is probably irrelevant.

Then there's the theory that you're held to a higher standard if you're licensed. Again, who cares? You're not going to operate your business to at least the standards that Realtors are held to?

No, I'm not licensed and I go back and forth on whether or not I should be, but my decision, or lack of one, is based on costs versus benefits and being lazy. I've never met a successful investor who also happened to be licensed who told me not to get my license. It seems to be only the folks who aren't licensed who warn me of the "risks". So, my suggestion is to not rule out this possibility simply because someone else told you to or you read something on a newsgroup.

Obtain an Associate Membership

In some areas, the Board of Realtors will sell associate or affiliate memberships to non-licensed individuals. For example, appraisers may qualify and I've heard of investors being able to obtain a membership as well. In my area anyone who wants access to MLS must have a real estate license or someone in their office who is licensed. If you don't know if this is available in your area, it's certainly worth a phone call.

Relationship Access

Building relationships with Realtors and other professionals who have access to MLS is another great way to gain access. Granted, this methodology takes longer and requires ongoing efforts, but it is an effective way to get comps. You may start out initially with receiving faxes and then progress to limited and supervised access to the MLS during non-work hours. From there you might achieve non-supervised access, which then gives way to a full-fledged copy on your home computer. Anyway, you get the picture. As the relationship grows and the Realtor is fairly compensated for time spent, you'll find it easier to ask for favors.

As far as how you do this, I would suggest scheduling lunches with the appropriate people. If you take ten Realtors out to lunch over a month, you'll find someone willing to work with you. I would suggest contacting agents who specialize in commercial properties. The reason is simple. Agents who work the residential listings and buyers need to use MLS on a daily basis.

Commercial agents typically don't. In fact, in my area commercial real estate deals are handled almost exclusively through networking. In other words, it's done by word of mouth, phone and faxes and MLS isn't even used. However, being a member of the Board of Realtors still requires paying the same dues regardless of the fact that commercial agents may not really use MLS. Is it possible that one might agree to let someone else pay for that service that they're being charged for, but not using? Hmmmm...

If you're going to take this approach, tread lightly. In many areas allowing non-licensed individuals access to the MLS is viewed as a violation, thereby putting the agent's license and livelihood at risk. Again, it's a relationship thing. However, perhaps that agent opened a "branch office"? Anyway, it's something to consider and I wanted to let you know that not only is it possible to do this, it's not even that difficult.

Summary

In summary, let me state that no method for getting comps will surpass the importance of learning your market and more particularly, your farm areas. However, that takes time and I wanted to let you know there are other ways to get it done while you're gaining the knowledge and experience. In my opinion the combination of MLS access and firsthand knowledge is critical in determining comparable values, but that's not always possible, especially when just starting out.

So, it's time to get busy chasing MLS access and learning your farm areas. Good investing...



SOME OVERLOOKED DEDUCTIONS FOR LANDLORDS AND OTHER SELF-EMPLOYED ENTREPRENEURS
By Albert Aiello, CPA, RE Broker

First year expensing of business assets. With Section 179 first-year expensing, you can receive an upfront write-off of up to \$25,000 all in one tax year to fully write-off business personal property such as computers, printers, scanners copiers, faxes, office furniture, fixtures, etc. In a 40% bracket, \$10,000 immediately saves you \$4,000 in taxes. .

First year expensing cannot be used for personal property (appliances, carpets, furniture, etc.) in residential rental properties. However, it can be used for personal property in commercial property and personal property associated with any type of investment real estate (residential or commercial). Examples are: computers, faxes, furniture, etc. used in a home office to manage properties. Also included here would be equipment such as trucks, tractors, trailers, lawn mowers, snowmobiles, tools, and laundry machines.

Family members on payroll. Convert a non-deductible allowance into a deductible expense by hiring family members. What can your child, grandchild, niece do? Distribute flyers, mail runs, answer the phone, cleaning, work the computer, recordkeeping, etc. The tax benefits

are excellent as demonstrated by this example.

Example: If your total tax bracket is 40%, paying your young child \$4,000 in salary you reap tax savings of \$1,600, while the child does not owe any income taxes. (PLUS: The child can still set up a Roth IRA).

You can pay baby family members for pictures in ads and set up a Roth IRA. Start funding the IRA when the child is a baby, and start a college fund. Start from age 1, invest \$2,000 a year for 17 years in a Roth IRA until the child is 18 years old at 10%. By the time the child is only age 18, the Roth IRA would accumulate to over \$ 81,000, which is a good start for a college education. At this time, early IRA withdrawals used to pay for college expenses are not subject to the 10% penalty. Also, the contribution portion of Roth IRA withdrawals is tax-free.

Family "Fringes". Once family members are on salary they can be provided with certain deductible fringe benefits (that pay for a lot of living expenses that you would still have to expend cash for). Examples are auto, entertainment, travel, insurance plans, retirement plans, "cafeteria" plans, Medical Reimbursement Plans, etc. There are three tax advantages to fringes: (1) You can fully deduct them as a business expense. (2) Family employees do not include them as income and (3) Many are not subject to other withholding taxes.

Some of the above are excerpts from The Real Estate Investor's Goldmine of Brilliant Tax Strategies, A Tax Reduction System And Special Forms Software Package, by Albert Aiello.



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Next Board of Directors meeting will be held at Stonegate Title Company, 1919 York Road, Timonium at 7:00 P.M., Tuesday, March 2, 2004

BALTIMORE REAL ESTATE INVESTORS ASSOCIATION, INC.

—— ABOUT THE ASSOCIATION ——

The Baltimore Real Estate Investors Association (BREIA) is an incorporated non-profit organization dedicated to furthering the knowledge of investors in all aspects of Real Estate investing as well as providing a forum for the exchange of information and ideas.

The BREIA is more like a “continuing education course” for the serious Real Estate investor rather than a “Get Rich Quick” seminar. The BREIA does not sell books, tapes, videos, run schools or promise huge returns for a few hours per week in your spare time. What the BREIA does offer is sound information on a number of topics related to Real Estate investing.

Each month the BREIA has a speaker on a specific topic relevant to the needs of Real Estate investors. It is not the intent of the BREIA to dispense legal, tax or accounting advice. Such advice is given by guest speakers as practicing members of those professions. Since each situation varies, appropriate individual legal, tax or accounting advice or other expert assistance should be sought from a competent professional who understands the specific situation.

The BREIA is a member of the National Real Estate Investors Association, but is not affiliated with any other club or organization, nor does it endorse any seminar, program or school promoting any aspect of Real Estate education.

A portion of each meeting is dedicated as the “For the Good of the Club” segment where attendees can promote the exchange of information, offer goods and services to others, and announce properties they have to sell or are looking to buy. Because time is limited, we ask that goods and services offered be related to Real Estate only.

While the BREIA is a great place to network and do business, the primary function of the BREIA is to provide information. If you wish to discuss business we ask you to be considerate of the speaker and those in attendance. Please limit your discussions to times other than during the speakers presentation, or discuss your business outside the main meeting room.

The BREIA provides a table at the entrance door for the distribution and display of promotional brochures, flyers, business cards, etc. Please leave all advertising materials on this table for others to pick up. ***Distribution of materials in the main meeting room by those other than the BREIA, or the featured monthly speaker is prohibited*** (business card exchange excepted). If you have promotional materials to distribute, leave them on the entrance table, advertise your service or goods during the “Good of the Club” session and let people know your materials are available “out front.”

The intent of the BREIA is to provide an enjoyable environment without excessive commercial distractions which will allow for a better learning experience and be to the benefit to everyone.

We hope to see you at the next meeting and.....*Happy Investing!*

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SINGLE SPACE — \$12.00/MO.

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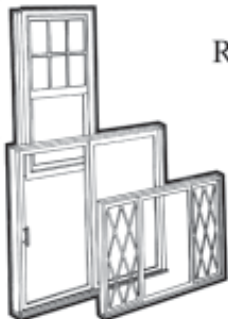
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The Baltimore Real Estate Investors Association, Inc. is a non-profit organization of friendly people who meet monthly to share ideas and learn about the various forms of real estate investing. The association is geared to accommodate the beginner as well as the advanced investor. **Dues are \$179.00 per year. Guests are welcome at \$20.00 per meeting and cost includes complimentary buffet and beverage. Meetings are always held on the third Tuesday of each month, at 7:00 P.M. (registration at 6:30 P.M.) at the Parkville VFW Memorial Post 9083, 8123 Harford Road, Baltimore, MD 21234. For more information call 410-296-1871.** It is not the intent of the association or its officers to dispense legal, tax or accounting advice. Such advice is given by guest speakers as practicing members of those professions. Since each situation varies, appropriate individual legal, tax or accounting advice or other expert assistance should be sought from a competent professional who understands the specific situation. Consequently, although published material is intended to be accurate, neither the Baltimore Real Estate Investors Association, Inc. nor any other party will assume liability for loss or damage as a result of reliance on this material. Opinions expressed by speakers and in signed articles of this publication are not necessarily those of the Baltimore Real Estate Investors Association, Inc. or its officers. The Baltimore Real Estate Investors Association, Inc. is a member of the National Real Estate Investors Association.