

A Revolutionary Land-Trust Investment Opportunity Show Date 01/23/08

Dean: This is Dean Essa and welcome to another segment of Real Estate Investment Talk, where we go from one coast to the other bringing you week after week the powerhouses of commercial and residential real estate and this week's guest is no exception. Sheri Petrowitz is a national recognized presenter of real estate seminars, and I call her the ambassador of goodwill to homeowners, especially the ones who can't sell their properties. Today Sheri will announce a new cutting edge program developed with her real estate attorney and title company allowing an investor or an owner occupant to purchase a home using a legal wrap with the use of a land trust and a refinance. Sheri, welcome to the show.

Sheri: Hi Dean, how are you?

Dean: Fantastic. We're so excited to have you on Income Property Investment Talk. We've had you on before. I know on our previous shows you've come on the air as the ambassador teaching our guests how to take of their homes that weren't selling and convert them to vacation rentals, getting positive cash flow and then freeing them up, loosening the shackles so that they could then go build their dream home with very, very little money out of pocket and so that was cutting edge, that was incredible, matter of fact we got one of the best responses out of all the guests we've had from your subject matter and now you've done it again. You've come up with another innovative way to get clients into million dollar homes with as little as five percent down, even less and I know the listeners are saying "Yeah right!" and then there are the lenders, especially the lenders who specialize in jumbo loans, are going "Yeah I want to hear this."

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Sheri: Exactly. Well we gotta keep, and this is actually a very good real estate market, it's a horrible mortgage market and there is a difference so we gotta keep focus on that and basically just look at the real estate market and try to find a way around the mortgage market legally until they can fix their problems.

Dean: Homeowners, I want you to listen up, I'm begging you, especially if you're behind on your payments, it doesn't look like you're going to get caught up, you don't want a foreclosure on your record, you really, really want to listen to what Sheri has to say today. I promise you that what she has to say could, and I don't want to use a cliché, but could change your life and so first of all continue. You already started on the problem on the credit markets. Tell us what's wrong with our market at this time and then of course you're going to tell us, well the good news.

Sheri: Well, it's a catch twenty-two. It's the best market to buy in 'cause the prices are lower than they've ever been but at the same time you can't get a loan. Whether it's a jumbo loan or even a regular loan, they're touting the low interest rates which is great, but the low interest rates are really only effecting the refis. That kind of puts the buyer out in the cold and those are the people that are wanting to be getting into these homes at the lower prices that they can get them at, especially the investors. It's really kind of sad because what they did is they took the small percentage of people, even though it seems like in the news it's a large percentage, they took a small percentage of people that got into these bad sub-prime and they just basically hurt all of the other people that can buy; like the investors. The investors right now are probably the people that could save this mortgage market, and they're the ones that can't get the loans. So it's really, I don't think they're doing themselves any justice by punishing the whole for what happened with a few.

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Dean: I totally understand. So here we are we're an investor out there, you're saying that there is still a huge market of people who want to buy and the prices are absolutely incredible. I mean we know the selection and the prices what people get is phenomenal. So you're saying the main issue right now is the ability to get the financing on these properties is what's keeping the market from having the explosion that it needs to have right now.

Sheri: Correct. It's the new loan market, the refi market is phenomenal. I have great lenders that I work with and they can get refis done no problem including jumbos. We're not having a problem with the refi section of it, it's just the new loans. Whether it's a **n-user** buyer or whether it's an investor, an investor can't even really get a loan right now, regardless of whether or not it's in conforming or jumbo. They're just not doing second home loans and investor loans right now, which is again, those are the people that are going to be able to bail us out, the Federal government's not going to bail us out. I mean they need to do a few things like bring the conforming up to six hundred and some other items that they could take care of in helping us but then lowering the rate, which is great for the refi people, we need to be able to get the buyers into the house and then basically they would qualify for a refi.

Dean: Let me ask you a couple questions. You threw out some numbers and just for some of the segment of our listening audience that may not be familiar with some of these terms, maybe they've never bought before or maybe it's been a long time, explain what a jumbo loan is and then you also said up to six hundred conforming. They may not know what that means either, so could you back up and elaborate a little bit on those.

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Sheri: Sure. Any house that's more than, that your borrowing more than 417, which is the conforming rate which is insured, they consider that a jumbo loan and therefore it's a higher risk and they go to a different set of investors to get that money for your loan. So the criteria is a lot harder with regards to higher credit score, more money in the bank, they're looking for more reserves on your, you know six months, sometimes nine months of reserves for your mortgage payment when you're doing anything at 417 and above. So if they would actually change the conforming rate from 417 to 600, you have a huge population of people whose houses are in that four, five to six hundred thousand dollar range, look at the people in California, I don't even know how they get loans out there 'cause you can't really buy anything for 417. They really need to be adjusting that because the new loan criteria is less for when you're staying in that conforming rate than it is if you go above that.

Dean: So you're saying that for the most part when you hear an amazing mortgage ad on the radio about a certain interest rate and a certain percent down or certain APR, most likely they're doing that to entice you, but they're referring to the refi, most of the loans that they're referring to, to get them call, to get the listener to call them are not referring to new purchases.

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Sheri: Right, if you listen to the ads they're saying this is the best time to refi your loans, lower your mortgage payments, that means lower your current mortgage payment not come get a low mortgage payment. None of them are saying this is a great new purchase, they're trying to get people to refi, lower their mortgage rate or mortgage payments, which of course then if you lower your mortgage payment what's that going to do. It's going to give you extra money every month which will then you will hopefully put into the economy which will do exactly what it's supposed to do with the trickle down. So they're really appealing to with this interest rate, they're appealing to the refis.

Dean: Sheri, before we get on any further in the program, could you give out your contact information. First of all, if any of you out there have a question for Sheri, now what we're going to start teaching our listeners anywhere across the country this can be done, and if you want to be able to jump in and get a question into Sheri, please call Income Property Investment Talk 866-472-5790 or after the show if you'd like to speak to Sheri, Sheri, how can they reach you?

Sheri: They can reach me at my phone of 602-448-1211.

Dean: Excellent. Okay, so continue. This is exciting.

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Sheri: Well, you know I'm finding through, because I deal with nothing but investors, I'm finding that there's a lot of my investors would like to get into the game or back into the game now that the prices are so low and I'm having a really hard time getting them into their purchases because this is a great rental market with all the people that are losing their homes, a lot of those people don't want to move out. They want to be able to stay in their home even if it means somebody else coming in, buying it from them and then they have to rent it for a period of time and then maybe they have the opportunity to buy it back. There's all different kinds of ways to keep these people in their homes and it's not going to come from the lenders, it's going to come from the private investors. But if these private investors can't get their loans or we can't figure out how to put them into these homes which I have done with this trust, we're kind of just going to be spiraling down, so we need to start working the avenues that we have and if people don't know that they have those avenues, obviously they won't use them which I'm hoping we're going to get across today.

Dean: Well you mentioned the trust. Let's get right into that. Tell us about this trust. I understand the land trust has been around, has been used, but your attorney, your real estate attorney and title company have modified this trust to work, so that it will work in the purchase of a home. Tell us a little bit about this trust.

Sheri: Yeah, basically in this day and age with everything that's going on the initial reaction was to go with a wrap and wraps are scary.

Dean: And their illegal, wraps are illegal in some states.

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Sheri: Correct. And the thing is with the wrap is it's not protecting the seller and these people are making knee-jerk reaction decisions 'cause they just want to get out of their house and a wrap is basically someone comes in, they offer you money down, you sign your deed over and they say that their going to go ahead and to take over your payments. In a lot of cases and not all of them, I've had people that have had and done wraps and they've worked out fine, but I've also had people that have done wraps and the person comes in, gives them "X" number of dollars down, they get the deed, they stop making the payments, next thing you know, they know that that house is going to go to the bank and they can buy it from the bank lower than what they would have had to buy it from the seller.

Dean: And here you have this person in your house for six months or more that you can't get out.

Sheri: Right, and nine times out of ten the seller has no idea that they've defaulted on the loan.

Dean: It just happened to somebody that we knew. Luckily, I mean they called, remember yesterday we talked with them and they were like "Oh my gosh I wish I would have known this." Luckily, we got them in time to get out because they were just about to sign something that was very similar to what we're doing but the key, that's why you need to be able to do this with a professional; someone who knows what their doing. Because the way they were gonna do it, they were gonna lose their home.

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Sheri: Well, yeah, I mean basically what happened is that buyer came into your seller and he guised a wrap as a trust and the thing is that this trust that we use it works very similar to a wrap with the exception of the fact that the deed goes into a trust which is handled by the title company and both the buyer and seller stay on as beneficiaries. That way the buyer knows that the seller can't turn around and take his money and take the house, and the seller knows that the buyer can't turn around and sell the house or go defunct on the payments without getting him paid. Its just coverage. If the people are really truly honestly wanting to purchase, and they're not out there to scam you, they're not going to have any problems having both of you on as the beneficiary in that trust.

Dean: That's the neat part about this trust, because that's how you separate the wheat from the tears. Because if they're not willing to sign the trust as we have it written up, that shows, in most cases, probably 99% of the cases, shows that their motive is not to make any payments once they've gotten into your home. But if they're willing to sign this trust, they know that they HAVE to make the payments, or else they get foreclosed on immediately, and so that's one of the beauties of this trust. It not only protects the buyer, but it protects the seller; it's a win, win.

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Sheri: It's a win, win for everybody and it keeps the real estate going, because I get calls everyday from people who are in a smaller home now, lets just take the investor part out of it 'cause that's just a no-brainer that the investors want to get in and they can't because they can't get their loan. But, you've got the regular Joe that wants to go from their 1500 square foot house to a 2500 square foot house and they know that this is the best time to buy, they know they can't sell their house and they can't get the loan for the new one so, or without selling their house so you have to be able to either teach them how to rent out their house and then maybe they can qualify for their new loan and more than likely they won't but then if they use the trust they can get into the new house and take the lender immediately out of it.

Dean: Well, after this break I want to continue on that route. In fact, I want to tell you about that exact same scenario that I have with one of my clients right now who just barely moved into their house six months ago, a \$580,000 house, and now they want into a million dollar house. I just sent them an email this morning saying "How would you like to get into it" and I explained and like oh my gosh, I know when he gets that email he's gonna, my emails gonna be blowing up. So we're getting ready to take a short commercial break and afterwards, let's continue on with Sheri Petrowitz and how this trust and this legal wrap works.

BREAK

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Thanks for tuning in today to Income Property Investment Talk. If you have a question for Peter or Dean, call now. Listener lines are open; the toll free number is 1-866-472-5790.

That number again is 1-866-472-5790. Now back to Peter and Dean.

Dean: You're on the air with Dean Essa and my guest Sheri Petrowitz and I wanted to let you know that my co-host who's normally on here every week with me, Peter Mosca is actually been asked to speak at a seminar right now and he is right now at the pulpit speaking and so he can't be here so he wanted to tell everybody hello and that he'll be back next week and Sheri before the break we started talking about the land trust and how it works. Why don't we do this, let's set up a scenario. We have a buyer, I mean a seller that has a million dollar home and he is, he just missed his payment and he's just getting ready to miss maybe his second payment and it's looking like he is not or she is not gonna be able to get caught up and they're looking at foreclosure. Okay?

Sheri: Okay.

Dean: We have a buyer over here that would love to be able to get in to a million dollar house. They went ahead and applied for a jumbo loan, got turned down cold because they wanted too much down, they wanted a higher FICA score than they had because you need to be around a 700 or greater, 20, 30, 40 percent down. Whatever was the scenario it's almost impossible, whether they're an owner occupant or especially if they're an investor, almost impossible for them to get a jumbo loan right now basically, especially in their circumstance. So, now let's go ahead and put these two people together.

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Sheri: Okay. Basically the buyer would come in and they're gonna, just like they would any other type of sale, they're gonna negotiate what the purchase price is gonna be 'cause you are actually writing a purchase contract, you have to decide what the dollar amount that the buyer is gonna buy that house for. It's just that the terms are different, so for example that buyer would come in and say okay, I can put, since it's a million dollar home, if they had to come in you know with 30 percent down; which more than likely they're gonna have to, they'd have to be coming in with like \$300,000 down if they were to be getting a loan. Okay, where as they can come in to a trust situation, as long as the seller is in agreement with doing it this way, they can come in with 10 percent down give him a \$100,000 and then the deed transfers from that seller, we'll call him Smith and we'll call the buyer Jones. So the deed transfers from Smith into the Smith/Jones trust. Now Jones the buyer only has 10 percent beneficiary of that trust because that's what they put down on the house.

Dean: And 90 percent to Smith.

Sheri: And 90 percent to Smith the seller.

Dean: Okay.

Sheri: Okay. So now they're both on the trust for the dollar amounts that they own of that property. But now because Jones came in and put that money down and they're on the deed, they will at a later date be able to qualify for a refi of that house as opposed to a new purchase.

Dean: Now will they be on that trust in that 90 percent/10 percent ratio based upon appraised value or based upon the amount they decided to purchase the price, the house for?

Sheri: It's the amount that they purchased the price, the amount that they purchased the house for.

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Dean: So say they were able to this particular buyer was able to get that million-dollar house for \$800,000. They walked into that \$200,000 worth of equity right there and but on the as far as the land trust is concerned, of that 800,000, 10 percent of it, or 100,000 would be the buyer and then the 700,000 of that would be, oh well I'm doing the figures wrong, but you get the point.

Sheri: I get the point. Yeah, it's based on what they buy it for, not what the appraised value is.

Dean: Okay, go ahead.

Sheri: So at that point then, because they're now on deed, some of your lenders require a particular seasoning for them to be on ownership. And it can be done a couple different ways, and it just depends on the lender. You can say on the 10 percent beneficiary that I'm looking to buy out; I need to refinance to buy out my other beneficiary.

Dean: Okay.

Sheri: And you now are qualifying for a refi which means you're getting those great interest rates that they're offering and in an example like that, let's just say they bought it at full appraisal value.

Dean: Okay.

Sheri: That and they only put 10 percent down.

Dean: Okay.

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Sheri: Right now most of your lenders can still do a jumbo loan at an 80/20, so that means they'd only need to be able to come up with another 10 percent equity. So let's just say they need to hang on to it for a year, so they're gonna make payments through the trust of the mortgage payment for the seller. So now the seller is completely, he's got his 100 grand and his payments are being made, he's just waiting for that buyer to qualify for their refi, which is usually determined before you get into the trust. You're gonna want to make sure that your buyer gets with a lender to know what their actual financial situation is to know how long you're going to have to carry them in the trust.

Dean: Okay. So what you do is that they go ahead and before they actually sign a land trust and open up the land trust with escrow, then what they, I'm sorry is that what you want to call it, a land trust.

Sheri: Well, it's a variation of a land trust.

Dean: a variation of a land trusts

Sheri: Which everybody is familiar with, that's why I said, it's not something that's new, it's something that's out there but people aren't using or are really unaware of it.

Dean: Okay. So we call it the modified land trust. So we've got the modified land trust and right before we open up the modified land trust and execute it, we will send the buyer to the lender so that the owner of the home will have an idea of how long this lender feels it's gonna take for this person to qualify for the refi. So, if they feel they can qualify easily in 24 months, then you maybe, because you can't do it one of these modified land trusts into perpetuity, you have to put a date on it.

Sheri: Correct.

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Dean: So then it would be a 24-month land trust. So if they say they think they need 36 months or 48 months, whatever that time frame is, that's about how long, maybe a little bit more you leave for safety barrier, is how long you put for the land trust. Correct?

Sheri: Correct.

Dean: Go ahead, I'm with you so far.

Sheri: You determine the length of the time that the seller is gonna have to keep the mortgage in their name via what the lender is gonna tell them that they're qualifying for. But the nice thing is that they're going to the lender to qualify for a refi not for a new purchase 'cause they're aren't any new purchase programs out there. That's all we're doing is trying to take the person from buyer mode, as far as the lender is concerned, into refi mode.

Dean: Excellent.

Sheri: Because you get a much better interest rate and for the investors this is fabulous, because they're gonna get a much better interest rate if they're to buy through the trust and be able to use somebody else's mortgage payments.

Dean: This helps the owner because he's about or he or she is about to lose their property.

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Sheri: Exactly, and in a lot of cases you know what, people out there they don't want to lose their home. So this trust if people understood it or hear about it or know it, here's the thing, you have to know and catch it early before you go into, before your closer to your 90 days of forbearance. So, for example, you can't come and try to get a buyer to bail you out of your home when you're two weeks away from the bank taking it, because here's how it works on the foreclosure, most of the time, boilerplate, because each house is different. But, the bank will give you 90 days of being delinquent and at that time, in that 90 days, if you can catch up with your mortgage payments, you can continue with the current loan that you're in. Once you reach that 90 days of delinquency, anything that you do with your house, sell it whatever, you have, the bank has to agree to it. Even if it means catching up with your payments and continuing, they have to agree to that.

Dean: So, listeners out there who are sitting in the home, maybe you've missed your first payment, maybe you're getting ready to miss your first payment, maybe you've missed your second payment, you need to call Sheri. Either Sheri give them out your number or your email, either way.

Sheri: It's 602-448-1211.

Dean: And we will hold your hand, we'll walk you through the whole process, and we will tell you exactly what you need to do in order to get this accomplished. Go ahead and continue.

Sheri: But you have to catch it within a reasonable period of time because once you've gone past that 90 days of being delinquent, you don't have any control anymore and I can't use, we can't use the land trust in that respect.

Dean: Excellent, okay.

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Sheri: But if you're wanting to stay in your house there's a lot of investors out there, this is not a get out of jail free card. Okay, what this is, is that let's say that you are a person that's going to, your ARM is gonna go up, your payment's gonna go up 200 a month, you can't afford it, you know that you're gonna lose your house because of that, there are investors out there via this trust that will come in and put down the money down that you're behind, and put a little extra in the trust to cover that difference in your mortgage payment, so that you can stay in your house, rebuild your situation until you can get to a better refi point. They're gonna expect to be getting paid there in another 12 to 24 months. But at least it saves your house and that's, the investors can turn around and put, 5 to \$7,000 into catching up people's late payments and excess monthly mortgage payments that they're gonna go up and in turn in a year they'll end up doubling their money, and if you do that over a period of over ten houses, 5 grand a house, there's people out there, 50 grand, you can have ownership in ten houses and get a return.

Dean: And you have, you've already touched that the buyers like this, already. Right?

Sheri: Right.

Dean: Okay. So if we...

Sheri: So we could actually save these people, and I'll give you a better example 'cause I know that's a little bit confusing if you're not following. If you have somebody that's in a house and they owe 300,000 on it, it appraises at 350 right now. Okay, 'cause that's probably pretty realistic that there's not, there's a lot of people that don't have a lot of equity.

Dean: A Whole lot of equity correct.

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Sheri: For whatever reason, whether their value went down or they borrowed against it. But let's just say you have somebody that's in a house with \$300,000 they owe on it. It's appraised at 350, they're two months behind on their mortgage payment of \$1600 a month and their ARM is gonna adjust and their payment's gonna go up to let's say 1900 a month.

Dean: Okay.

Sheri: Okay. So you've got somebody, an investor that will come in, catch you up on your payments, which is what \$1600 a month, that's \$3200 a month. So \$3200, your payment's gonna go up, you can afford your monthly payment but you can't afford the increase 'cause you have to understand a lot of these people stop making their mortgage payments because they know they're eventually gonna lose their house because the payment's going up, not because they can't afford it right now.

Dean: Sheri, we're gonna go to a commercial break and I want you to hold that thought. You're on the air with Sheri Petrowitz and when we come back, we're gonna finish up this thought and then we're gonna start talking about the actual auction and how people can buy the properties and actually walk into equity and anyways really excited to get into this next segment. It starts to get, it's gonna be, build into a crescendo.

BREAK

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Dean: You're on the air with Dean Essa and my guest Sheri Petrowitz. Sheri, so excited about this subject matter. I know that our phone is going to be ringing off the hook after this show, which it always does. You started to talk about another angle that I never even thought of. So you have the traditional situation where you have somebody who is going to be purchasing the house through the land trust and then moving into the house. Then you have another scenario, where if the owner who is behind on their payments wants to stay in their home, then an investor can put up the money, get their payments current, enter into the land trust with them and give the owner the chance to refi, get caught up, get their life together and then when they do the refi, when they qualify for the refi, then they can take some of the money that they pull out of that refi and then pay that investor and then that investor moves on to the next property. Is that what you're trying to say?

Sheri: Absolutely.

Dean: So you're saying that they could take like, say that they had 50 grand, they could go ahead and take ten grand and buy, invest in five of these home land trusts getting a potential cash out, so what they've done, they've saved five home owners from entering into their home, having to leave their home, they've made a great return on their investment, and they've taken five homes off the market, increasing the demand, of course by reducing the supply of the market, and this is how the economy gets stimulated again.

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Sheri: There you go. And the thing is the government is not going to come in and bail us out. We have to do it ourselves. But if you don't know how to do it or you don't know it's available, it won't happen; everybody's just going to continue to stay in panic mode because nobody in the news is helping people do this. They're just continuing to say the sky is falling instead of going okay here's your safety blanket.

Dean: That's not what all the presidential nominees are saying. They're saying they're all going to bail us out. I'm just kidding.

Sheri: Yeah, whatever. I got some swampland in Texas to sell you so. You know, I'll tell yah. But it's a great vehicle to use to be able to help ourselves bail the mortgage people out of the situation they put us in.

Dean: Alright now, I can't wait any longer, because our last segment is cut short because of things we have to do near the end of the show and we may have our mortgage minute guy calling in so we have to start getting into the auction because this is equally as exciting as the land trust. In fact, you figured out a way to dovetail the modified land trust into the auction. So can you explain to us about the auction, how that works and how that can help our buyers and sellers.

Sheri: Yeah, actually I know that there's a lot of people out there that have never been to real estate auctions and they think they have to be Donald Trump to go to an auction, they've gotta pay cash at the end of the day and that's simply not the truth and I've got a great auction house that I use, which is AuctionAZ.com.

Dean: So it's out here in Arizona?

Sheri: It's out here in Arizona. They are expanding to California and I believe New Mexico.

Dean: But for now the one in Arizona, anyone in the country could come to this auction?

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Sheri: They can come to the auction, you don't have to be an investor, I mean that's something that everybody thinks they have to be. But that particular auction house is understanding that there is a need for change, that people aren't just coming in because the banks are not selling these houses for pennies on the dollar anymore.

Dean: Why?

Sheri: They're so many foreclosures that they know now that they're in the real estate business. So if they're gonna be in the real estate business and the people that are holding the paper on these loans, they're not just going to be giving them away anymore, and the investors that are buying are now finding that because the lack of financing, they can't flip these things as quick as they used to. They're holding on to them for 60/90 days and they've borrowed hard money to purchase them at these auctions. So they're not able to turn their investment as quickly as they used to. So with that being said, Auction AZ allows me to sell, and we're inviting the regular Joe buyer/seller to list their houses. The buyers come to these auctions and you can buy through them, they allow me to sell my listings using this trust.

Dean: So you're saying the reason why the traditional auction is not working these days, that we're used to, that on the short sales, on the pre-foreclosures someone goes in and they figure they can flip the house so they take out a hard money loan and then they go ahead and submit the offer to the bank and where the bank used to just accept it, now the banks are saying "Hey we're in the real estate business now. We're ending up owning these houses. We're not gonna let them go." All these lowball offers come in and the bank just simply turns them down and these people get stuck with their hard money loans so they're saying we need to find a better way and that's where you come in?

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Sheri: Exactly, and they know, I've talked to a lot of these investors, they know that the tide is changing and that they're going to have to go into the longer term investment like using this land trust. Most of your investors are very familiar with the land trust. The problem is that the sellers aren't so they don't know that they can offer their house to somebody in that venue. So now hopefully we'll get the word out and we can put more buyers and sellers together. But the investors are definitely learning that they're not going to be able to buy these houses as cheap as they are. I was talking to some people that went to an auction Saturday and 160 something houses were offered and not one sold because the reserves are too high and these are bank owned properties. The banks are not giving the houses away anymore and that's why with using this trust we've got to get these houses before they go to the bank. So we can get these things done. There's investors out there that know and understand how this works and every investor, every person that has money, they have money because they know that in order to make money you've got to keep it moving. When they're talking recession and everything else that's not when you close your wallet. That's how the economy keeps moving, that's why they're talking about putting money into the economy through the new tax rebates, although I think \$500 is a joke, but the bottom line is that you've gotta spend money to make money. That's why they say that. And the people that have money understand that, but if our only option in real estate is to get a loan we're in big trouble, so that's why we have to use this option.

Dean: We're gonna take a short break and we're gonna talk about this when we get back because we have on the air with us Matt Knieting who calls in to do our Mortgage Minute. So before we introduce Matt to the show, let's listen to one of my favorite songs.

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BREAK

Dean: Fantastic, I want you to introduce you to Sheri Petrowitz. Matt does our Mortgage Minute from time to time. He calls in because anything new, cutting edge, he specializes in commercial loans, not residential loans. He has the pulse on the credit market on the commercial side and Matt welcome to the show.

Matt: Thank you Dean. I appreciate that.

Dean: What do you have for us this week? Every week you come up with something new. I don't even know where you get this stuff. What have you got for us this week?

Matt: Well, I think the, and it's really everywhere, but I think the big change this week is just that $\frac{3}{4}$ point rate reduction. The feds met and did that emergency meeting so the rates could come down and everybody's worried about recessions and you might have seen earlier in the week the global market's update where stock markets around the globe took kind of a hit.

Dean: Could you explain the difference between the different types of rate cuts? How one expands liquidity of the market, one actually affects the interest rate and how that all dovetails.

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Matt: Yeah I think I could. Really when it comes to a question like this I have people ask me “how does that affect my rates on borrowing against real estate?” Maybe that’s a good question. Realistically, your initial interest rates that see relief are your prime rates typically. So your consumer credit cards, things of that nature, some of your local banks who base rates on prime. It’s cheaper for them to get money so you do see generally a correlating interest rate drop, which doesn’t necessarily translate into rate drops as far as your mortgages go, and some of those kinds of things. Those are based on different criteria and I like to think to some degree each bank has it’s own rhyme and reason and how they construct that formula that dictates what the rate will be. So I would anticipate here in the next couple of weeks that you potentially could see some of those rates drop depending on what happens in the market place. Seems like there’s a lot of downward pressure right now, which might translate into some nice mortgage savings here in the near future.

Dean: Now in the commercial, I know you specialize in commercial lending, in particular multi-family, on that side of it would you say the interest rates are about as low as they’ve been in a long time and they’re probably going to continue to even lower further?

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Matt: You know absolutely. They are at a low based, well here five years ago we talked about historic lows in our interest rates and realistically we're still through this period, we've always been at historic lows, but we're now back at historic lows again when we compare that microcosmic market there. Yeah, rates are at a low. We've got some fantastic lending products that allow multi-family borrowers to buy property with exceptionally good rates, which certainly affects your return and the money that you make on the deal. On the traditional commercial side when we talk about retail, office, industrial, etc. you're seeing some hesitancy with a lot of the lenders in the marketplace to get involved very aggressively in that segment, particularly because of all the talk of the recession.

Dean: Okay. Well let me ask you this before we have to cut you loose so we can continue on explaining how this auction works. If right now someone wants to buy a million dollar multi-family project, what can they expect to put down if they have a good credit score, or say if the property works and if debt service coverages are nice, maybe 1.1, 1.2, 1.25. Let's say they want to buy a multi-family project at a million dollars, what can they expect to put down and what type of interest rates should they be looking at? In addition, how can they reach you if they have an interest?

Matt: Sure, happy to Dean. Really I'm going to suggest two ways, one multi-family apartments. You're looking at interest rates in the low to mid 5% as kind of a low. Rates go up there based upon the flexibility that you want and the kind of financing vehicle you're using. But you're looking at putting at least 20% down, as long as you said it meets the lenders debt coverage ratio. If you're looking at traditional commercial, the other varieties of

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Commercial, retail, office, industrial, etc. then you're looking at pretty much typically a 25% down minimum. Your rates are gonna start out, depending on the lender, potentially in the low, or the high fives, excuse me. More lenders are going to be in the mid sixes though and up.

Dean: Hey Matt could you stay on with us till after this break just for a wrap up to your thought?

Matt: You know what, it's a great time to put loans together, if someone would like to reach me, I can be reached at Matt@realsource.net.

Dean: Excellent. Thank you so much Matt.

Matt: Thanks Dean.

Dean: Really appreciate it, talk to you next week.

BREAK

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Dean: Welcome to another segment of Income Property Investment Talk. This is our last segment. You're on the air with Sheri Petrowitz, who has given our audience as always something new, and cutting edge, a way to purchase properties with very little down. Now we're gonna be talking about the auction and how that all works. I know when that funky music was playing Sheri you were bouncing over there.

Sheri: What have you got a camera in here? I thought we were on the radio.

Dean: There's ways believe me. Let's talk a little more about the auction in the few minutes that we have left.

Sheri: Yeah, actually the auction is really, this auction house that I use that allows me to use my listings like this is really unusually. George Cunningham, who runs these auctions at AuctionAZ.com, he really understand the change that's happening in the market and that this is going to be, at least for a while, how we need to be bidding on houses by using this trust. People can't get their loans, things aren't selling at the auctions, because the people know they can't get their loans, or they can't flip it, so what's really nice is that they don't have any buyer premiums. So as a buyer, you can come in, they take your credit card, if you're a winning bidder you get charged \$1000, if you don't have a winning bid, you don't pay anything.

Dean: So why would someone NOT want to come to the auction?

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Sheri: I don't, well you know what honestly, because they don't know. There's a lot of regular Joe buyers out there I ran into them when I was doing my pre-auction open houses that really would love be able to come to auctions but their concept is in their head that they have to pay money to come, they have to pay cash, they've gotta be rich and famous to be able to come and buy real estate at the auctions and by selling them this way through the trust, they don't have to. They are gonna have to have money down. They won't have to immediately qualify for their loan. They can move into these houses, the investors can start buying good rental properties and hold onto them without having to qualify and tie up their credit. It's just a great way to do that. We are going to be, or I am, I'm going to do auction workshops for buyers and sellers. How to come to the auction, buy using this trust, how to bid using the trust, how we're gonna be changing the face of auctioning. 'Cause there's auction houses popping up all over the place with all of the banks having all of the bank owned homes and short sales and stuff like that that people are throwing through but they're just not selling at the auctions.

Dean: Please tell our listeners where the next workshop is to get ready for the auction and where and when is the next auction.

Sheri: The next auction is February 19th, and we hold them at Celebrity Theatres. That's where AuctionAZ holds their auctions and you could always go to their website AuctionAZ.com. It'll give you a showing of the upcoming properties that are available and where it's located. We're going to be having our first workshop on January 29th. I'm still honestly working on the timeframes. I have one starting at 1:00 but if they can email me at Spetro68@yahoo.com, you can email me and let me know if you're interested in coming to one of those workshops and I can get that information to you.

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Dean: Excellent. And so, I can't remember, did you give out the date of the next workshop or did you just want them to email you Sheri?

Sheri: It's gonna be January 29th but we just haven't picked both the times. I have one scheduled for 1:00 but I'm still working on the venue because I don't know my total number of people coming.

Dean: Okay. Now I know our listeners are dying to know, the ones who want to put their homes on the auction, in the few minutes we have left, can you give them an idea of what they need to do if they're ready to put their, if they want to get their home into this auction and into this land trust situation.

Sheri: Well, what they need to do is they need to get in touch with me either by phone, 602-448-1211 or by email like I just said, Spetro68@yahoo.com. We need to evaluate where they're at as far as how much they owe, if they're gonna be a candidate for the auction 'cause you still, you have to understand that from an auction standpoint, there needs to be some equity that they can give up, it still has to be a good purchase value from an auction standpoint. If you are maxed out in your house that doesn't leave you out in the cold, it just means that you need to be able to market your house through the MLS, through an agent, and offer the house through the trust.

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Dean: Okay. So basically through the auction and the thousands of dollars the auction house is spending on marketing to get the people into the Celebrity Theatre, if somebody is looking at their property and it's not moving, they need to call us, they need to get that property listed with us so that we can then get the property marketed heavily and get it ready for the auction and they will have more energy in marketing spent and money spent than anybody could possibly do for them on their own. Would you say that was a correct statement?

Sheri: Correct. You have to remember too that if you're one of the people out there that wants to get in on the lower priced housing so that you can move up from your 1500 square foot to your 2500 square foot or larger, it doesn't mean that you have to sell your house to get into the new one. It might be a situation where you just need to rent your house out and you can purchase the new one through the trust.

Dean: So what you're saying is that they can even as low as getting into one of these homes would be as much as getting the person caught up on whatever they, as little as getting them caught up on their mortgage, enough to pay the commission, and enough to pay the closing costs, you're saying there is many scenarios where that is all they would have to do in order to get this accomplished?

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Sheri: Yes. There's people out there that want to be able to, that aren't in a bad bank situation, they want to be able to buy, they're in a good financial situation, they feel that either they can't get into the new house without selling their old one, which isn't always the case because they don't understand that they can rent it out or they can pull out their equity on the new one, take advantage of the low interest rates right now, refi, lower their monthly payment, pull out the cash that they need to put down on the new house that they can purchase through the trust so they don't even have to qualify for the new loan.

Dean: You know this is funny. Just two weeks ago one of my closest friends who I helped him get into a house for like 575,000, he calls up, they moved into the house and I think they were only in there for four months and he calls up and says "I know you're gonna think I'm crazy but we wanna go buy a million-dollar custom home." And then I told him what it would take him to get into it and he said "Alright, thank you for your time." I am so excited, because I sent him an email right before the show. I haven't even checked my inbox yet to see if he responded. I sent him an email before the show and I said "Hey remember that million-dollar house you want to get into for little down? I got your answer."

Sheri: As long as the seller can understand the trust and that the mortgage is still gonna be in their name for a period of time, but they still have ownership through the trust, the risk is very low. People don't have to wait. Go in there and get the price that you want now and get into the house and we can worry about what we're gonna do with the current home that you're in; there's multiple things we can do, whether it's turn it into a vacation rental, refi and pull out your equity, let's lower your mortgage payment so that you can get a good renter in there. There's just a million things that you can do. They could even sell their house on the trust.

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Dean: We want to thank our sponsors on the show today. Our sponsors are the School of Life Foundation and Real Source out of Salt Lake City, who has transacted over ½ billion dollars in brokerage and also in investment properties last year. Absolutely phenomenal. And we want to thank Sheri Petrowitz for being our guest always bringing cutting edge things to our listening audience. We have maybe thirty seconds left, is there any last thought that you want to leave with our listeners?

Sheri: Just remember this is a great real estate market; it's a bad mortgage market. They're two totally different things. Do not be afraid to go out there and move your money. We can do this.

Dean: And just to let you know I'm starting an online dating service where I'm gonna be the only man available. I've been trying to get my producers to let me do that but they won't let me do that. I think it's a good idea.

Sheri: I don't think you have enough time for all those women.

Dean: Thank you so much Sheri.

Sheri: Thank you.