

There is a Raccoon on My Leg

*A Journey to Discover
the 30 Rules of Real Estate*

by John W. Baker

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Dedication

To Garland H. Read (1913-1998), a real estate broker in 1977
who freely shared the wealth of his experience with me.

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Foreword

“A drop of ink may make a million think.”

—Lord Byron

This book fulfills an unmet answer to a question I had as a brand new real estate agent walking into my office on Monday, June 6, 1977: “What do I do now?” My hope is that this book will help others be successful by offering some simple rules to adopt as a standard of practice in their own careers.

For example, I would tell my 1977-self with the 1967 Chevrolet Belair that had two hubcaps missing: “You did not need to move both hubcaps to the passenger side to make a better first impression. Clients will work with you because they know you, and as long as your pursuit of knowledge is a priority. It would be best if you also had excellent mentors.”

Fortunately, my mentor was my father. In 1977, he had ten years of real estate experience and fifteen more with Portland General Electric, selling builders on the idea of an all-electric home. For the better part of a decade, being asked, “Are you Ned’s son?” was the norm. I saw my dad looking a little down one day, so I asked him what was wrong. I knew I had made it when he responded, “I ran into someone who asked me if I was your dad.”

The path to success takes time.

Years later, when teaching the Realtor Code of Ethics class to a room full of new agents, one of them exclaimed, “I am going to sell so much real estate, I will be able to retire in five years!” I burst out laughing because it was apparent his focus was on himself and wealth. He did not last six months. Clients can tell by your actions where you focus your loyalty. How long an agent lasts in the business is directly proportional to how soon the agent begins conforming to the clients’ best interests.

The rules came out of a list of actions I learned over my career to train a new agent in my office. Now she is a managing principal broker of her own firm and uses my list of rules to train her agents. She said I should write a book... so, Ashleigh, here it is!

I am an ordinary agent with 45 years of listing, selling, and investing experience before qualifying for Medicare. The text is embellished with my favorite stories to reinforce the lessons to serve the client better and to honor my fellow agents, transaction partners, and family. You will also discover when you place your clients first, the reward is your financial needs are met as well.

Who is this book for?

- A new agent or someone considering real estate as their profession – There is always room in the marketplace for a good agent. Set your initial course with good habits and a proper attitude as outlined herein.
- An experienced agent – Consider adopting some of the ideas mentioned to improve your standard of practice.
- A principal broker – The “30 Rules of Real Estate” in Chapter 15 can be a training aid and measure the non-technology proficiency of your agents.
- The Public – Learn the level of service you deserve, utilize any of the rules that apply in your profession, and set a course to invest in real estate.

Introduction

A History

In 1966, my father Ned Baker and his older brother Ben were studying in the evenings and on weekends in our travel trailer parked in the driveway, preparing to take the real estate exam to start their new careers. After passing the test, dad joined Ted Morrison Real Estate in Salem, Oregon, the number one producing company in town at the time. My father's favorite book was "Listing Magic" by Gael Himmah, and he took its instruction to heart. Ned was a top lister in his day with a typical inventory of 20 to 30 listings at a time. The commission split with Ted Morrison, the broker owner, was 80% to the office and 20% to the agent. If you carried more than 20 listings, the split was 75%-25%, so Ned worked hard to stay above that threshold.

Ted Morrison strongly believed in encouraging his agents to go out independently and many of them did, becoming very successful. Ted owned a home at 2339 State Street and sold it to my parents in 1972. My father opened the Ned Baker Real Estate, Inc. office there on January 1, 1973. It is now the oldest real estate firm in Salem, Oregon.

Norman Webb, an attorney in town, established a well-attended real estate school to prepare people to take the state test to become a real estate agent. It was the summer of 1976, and the first thing he wrote on the chalkboard was RTDQ. He turned to the class and said: "Read The Damn Question!" It was quickly apparent that our goal was to pass the test and not overthink the query of our soon-to-be-acquired knowledge. After three years taking tests at Oregon State University, the 75% threshold for passing the two sections—the state and the national portions—did not seem intimidating. If successful, I would receive my salesman's license, as it was called then. My license would be placed "on ice" until I graduated in June 1977 to join my 10-year real estate veteran father/owner, my mother Margaret, and 15 other agents at the firm. After 12 weeks and plenty of practice tests, hundreds of us at the Oregon State Fairgrounds Jackman-Long Building sat on a warm August afternoon with three hours to complete the 150 multiple-choice questions. After receiving a letter notifying me I passed, I began to relieve my brain from some useless information I would never use again. In four-plus decades, I never needed to know how many hectares are in an acre or how many links are on a surveyor's chain.

The 1977 economy boomed, with new homes going up in many subdivisions around the city. The standard Phair-Nolan plan, named after builders Ron Phair and Ken Nolan, with its 1200 square feet, three bedrooms, two full baths and a double garage, was just over \$35,000. It might include the plastic rake to straighten out the fibers in the avocado green or flaming orange shag carpet, the style of the day. It was an active market for over 1,000 agents trying to make a go of it in Salem when I made my debut at the office on State Street—my home for the next 35 years.

My first task was to go to Leepers Office Supply downtown to purchase my tin box with a hinged lid and snap-lock clasp. Then off to Salem Multiple listing service, which was founded in 1949 and is now known as Willamette Valley MLS. It is the oldest MLS west of the Mississippi. I met Alan Jones, the Managing Broker, who served there after being nominated by his peers because of his reputation for honesty. As the newest agent in the marketplace, the first task came with a stack of about five hundred or more 3 x 5 cards representing every property actively for sale and the requirement of several hours of filing to set up my multiple listing box. One side of the card was a black and white exterior picture. The other provided necessary information about price, bedrooms, baths, room sizes, garage types, personal property inclusions, and schools. Indeed, a fraction of the information provided on listings today.

Each agent chose the price categories to separate the cards and each category's cards were filed in ascending MLS number order for an accessible location to make any changes. Twice a week, the MLS would deliver a new set of cards wrapped in the green sheet, denoting the sold properties, pending sales, and a list of changes for the active listings. For example, from the green sheet, you would note the MLS number and price of a sold listing, go to the appropriate price category, thumb through the cards until you reach the MLS number, and toss it. The new listing cards found their home doing the reverse. Then the annoying changes took the most time. It could be a phone number correction, price change, a silly note to "keep the cat outside," or a worthless reminder that the "price is firm." The mandatory process would take about four hours each week to keep your box up to date, or you were out of business. Some agents would hire students to do the filing for them, but I felt it essential to do it myself. The changes today are in real-time, and an agent is not aware of them. We kept ourselves better informed through the changes made by hand, inserting the new cards, and pulling sold cards from all the price ranges. I remember seeing a careless agent lift her tin box without locking its lid and the cards flying out all over the floor. It was a hilarious sight but no one dared laugh because it meant several hours of tedious filing to get her box back into order.

The MLS would adjust the delivery routes to vary the time of the green sheet delivery so no office could have an advantage over the others. When the packets came in, there was a rush to quickly review them for any new offering in the price range when a client's search had already exhausted the existing choices. After a quick call to the seller's agent to confirm availability, a rush of agents running out the door often ensued to preview the new properties on behalf of their buyer clients. Previewing was essential because the MLS card's limited space and an exterior photo did not provide enough information to confirm or eliminate the property for our client's consideration.

In 1978, we were relieved of the tin box in favor of the weekly MLS catalog. The benefit was the time saved in filing and the drawback was slower awareness of the new listings coming on the market. Reading the daily newspaper classified ads was standard practice with a follow-up call to obtain the property information from the agent.

The process of creating a market analysis was a multistep chore. From the catalog:

- 1) Select the property, copy the page on the copy machine.
- 2) Use the paper cutter to trim the sheet down to the subject, repeat for the other homes.
- 3) Arrange the cutouts on the copy machine and make as many copies of the page as the desired number of reports you wished to make.
- 4) Copy the title company's hand-delivered listing package for each.
- 5) Type on company letterhead to make a cover sheet and copy as needed.
- 6) Type up your report and pricing recommendations and make copies.
- 7) Staple the market analysis together. Whew!

Every 90 days, the quarterly catalog would be issued and used to look up a property sales history or a market analysis. Over the years, the shelf of volumes rivaled a law office library.

Our deliverance for a short time in the 1990s was the Texas Instruments heat-sensitive printer. The MLS provided access to a searchable database where the printer, with its "heat pads", turned the listing text on the particular paper brown. The selections all printed on a long sheet ripped off the cutter feature on the machine. Thankfully, this generation of technology did not last long. We quickly learned that if you placed the paper on the dash of a car in the sunlight or near a heat source, the sheet would turn entirely brown, making the information unreadable.

The gold Supra key box had a lid for the key with its hollow circular shaft to insert, twist, then open to retrieve the house key. The original lock box's main flaw was that all the keys were the same. If one agent lost their key, a massive key replacement and key box cover exchange would impact every

agent and listing. I recall three separate occasions where I lost a day driving around changing covers. The next model was the mechanical box that required inserting the long shaft key, and your unique combination entered. The key, when turned, imprinted your unique agent number on a spool of tinfoil within the box and released the pouch with the house key for access. If a house key was missing, the seller's agent brought the box to the MLS for an opening to read the last code on the tinfoil to recover the key. It was not uncommon when showing several homes to forget to return the key to the box when leaving. The next step was the electronic box very close to what is in use today, recording the agent's name and entry time.

In the performance of their duties, real estate agents can, on occasion, claim their part in solving crimes. In 1991, listing paperwork of a Salem commercial building housing a gun store arrived at the MLS. The MLS photographer shot a photograph of the front of the building. During this time, the gun store had an armed robbery and the Salem Police detectives learned of the listing and asked for the photograph. In an incredible stroke of luck, the photo showed the robber's vehicle and after blowing up the picture the license plate was read and helped make the arrest.

For many years, a title company downtown displayed a framed paper sack used to close a sale. On the brown paper was the price, earnest money amount, terms, address, closing date and signatures. In 1977, we needed something more formal. As we called it, the earnest money agreement was one legal page in length with all the blanks on the front and the boilerplate language on the back. The carbonless paper would record what was printed on page one through to the sixth page, provided you pressed hard enough with a pen. The form was perfect to utilize in the environment of the hot market such as a table in a restaurant, hoods of cars, a briefcase, or at the listing itself. The sixth page would go to the purchaser, the fifth to the seller, the fourth to the buyer showing seller acceptance, the third to escrow, the second to the buyer's agent's office, and the first page to the seller's agent office. The buyer's agent would take the time to present the proposal to the seller's agent and answer any questions.

Often, time was crucial to winning the race for the seller's acceptance. Knowing your way around town was critical. When the seller responded, the race to meet with the purchaser became brutal if the seller countered to more than one party. A crafty buyer's agent would anticipate when the response was ready for pick-up and meet the clients at the seller's agent's office to win the signature race.

The "acceptance" was on an honor system. For example, when an offer was acceptable to an out of area seller, the seller's agent would consider the sale pending, place the paperwork in the mail, and await its return. The same

was true for the remote buyer. Some agents would utilize Western Union to obtain a written acceptance confirmation by telegram.

Over the years, the number of pages to the purchase agreement grew because of newly required disclosures, industry practice, legal decisions, and legislation.

The typical due diligence in the 1970's was merely a pest inspection consisting of a walk around the home, hammer pounding the bathroom and kitchen floors for dry rot, and a crawl space inspection.

The duty of a buyer's agent was to the seller because of sub-agency. It meant even when working with a buyer the agent had a fiduciary duty to the seller. It was the rule then but hardly the practice. Imagine working for a best friend looking for a home, but your allegiance was to an unknown seller. In 1992, an Oregon Realtors committee chaired by Realtor David Koch, crafted both the agency disclosure and the seller's property disclosure laws introduced and passed in the 1993 legislative session. These laws greatly improved how agents worked within the transaction and reduced any undisclosed issues that could cause problems after the transaction closed.

The internet brought many time-saving methods. The quarterly sold catalogs disappeared to the recycle bin in favor of online market analysis programs. The title companies ceased their twice-a-day visits to our office delivering listing packages and documents from other offices. E-mail soared in use. The result of the technology speeding up the ability to accomplish tasks, was the corresponding client's expectation of the delivery speed of our service. The agents gained nothing in the exchange but a career more frantic.

Over time, the benefits of attending face-to-face Realtor luncheons, social events, and service projects diminished due to Realtors' growing reliance on electronic communication and social media. We withdrew from one another, effective communication waned, and the service to our clients suffered.

Technology can never go as far as a handshake. It does not need to be that way.

What if we remind ourselves of certain successful habits utilized when it required us to obtain an actual signature on a contract? Is there a happy medium incorporating our humanness into the mix of texts and algorithms?

I think so.



The famous tin box with the flip lock hasp. It held the cards of all the active listings in the MLS.

The agent would set up the different price ranges and organize the cards in ascending price order within each range.



The "Green Sheet" contained the list of all the sold and expired listings to be removed from the box. Changes to existing listings were also included so it required finding the card and hand writing the change.

The entire process would take about 2.5 hours twice a week.



Chapter 1

Interview to Get a Clear View

***“Remember, every time you open your mouth to talk,
your mind walks out and parades up and down the words.”***

—Edwin H. Stuart

The initial interview is by far the most important action of all. Without a client's information, you are a ship without a rudder headed for troubled seas. The direction it will take is as varied as the folks you aim to serve, so preparation is critical to building a custom service plan gleaned from the answers to questions or your observations. Essential is the skill of listening and building a good working relationship with clients. Clients will enjoy working with you if they know their desires are being heard.

Assume you are meeting with a seller; what would be valuable data for an analysis and marketing plan? Carry a pen and paper to write down the reason for selling, a time frame for the move, any loan balances, prior experience selling a home, negative or positive experiences with past agents and any home improvements during their ownership. Extra credit if you have a pre-printed comprehensive list of questions so you provide consistently excellent service. There are great training programs that have codified methods, procedures, forms, and scripts to help. I personally attended the Ninja Selling week-long training course and highly recommend it or similar training.

The one stop gather-all-you can-beforehand market analysis is fraught with danger because of the lack of knowledge regarding the overall condition of the property. Imagine your arrival with a price recommendation based on the home in good condition, only to find an outdated and rundown interior.

The two step method is always preferable because you can gather accurate data on the property and ask clarifying questions. Then a virtual market analysis program can assist sellers in properly pricing their home. I preferred the sellers to arrive at their own conclusion as to asking price after reviewing similar properties and then adjusting for condition, remodeling upgrades, features, and location. If I thought their pricing was unrealistic, I then decided if I wanted to represent them or not.

One objective of the interview is to educate the client on the transaction process and to identify their desired outcome. Your service then should be designed to anticipate challenges in the marketing and the sale of their home as you strive to meet those needs. My wife's former co-worker engaged an agent to help her family sell their existing home and find a new home better suited for their needs. In the active market, the house sold quickly; however, their new home would not close before the date they agreed to vacate. The agent neglected to have a conversation about the possibility of the family needing to find temporary shelter. Therefore, the agent lost any goodwill due to a lack of attention to their needs.

I received a call out of the blue one day from a gentleman asking me to interview for listing his late father's home. I was sitting in front of him in the front yard of one of the most sought-after houses near Bush Park thirty minutes later as he shared the story. His doctor father had passed, and he drove up from Southern California to interview three agents, do the paperwork, and go back. The other two agents had been there, and he disclosed their names to me. This home was in the high-altitude nosebleed price range where my clientele rarely dwelt, so I relaxed and enjoyed a conversation knowing one of the other agents would win the business. With three levels of 1200 square feet each, the brick house was perched on a half-acre lot with a rose garden and unobstructed view of the Cascade Mountain Range. Each of the three full baths contained a urinal, a feature I had never encountered before in Salem.

The casually dressed man was about 60 years old. He spoke of his career as a teacher in San Diego when, in the 1960s, he began buying rentals for almost nothing down. His fellow teachers chided him repeatedly as his inventory grew to over 60 homes. When the real estate market exploded in the 70s, he became a multi-millionaire. He chuckled as he shared how many of his teacher critics bought rentals from him over the years. He wished to know how soon I could hold an open house. It was Thursday and too late for ads in the newspaper for the weekend. I confidently said, "I can place some signs for this Sunday and do all the normal advertising for next Sunday."

He then asked an odd question. "Do you have anyone that would buy this house?" I replied, "No, I do not." Then I added, "Even if I did, I would not say they would because they have not seen the home yet." With my response, I earned his business.

He had asked the other two agents the same thing, and both replied they had many clients who would. They did not take the time to find out how experienced he was in real estate and his extensive dealings with agents. With their answer he knew it was just an attempt to get a signature on a listing contract.

The two Sundays attracted swarms of lookers to explore this rare gem. I was exhausted from the workout of continually running up and down the stairs for four hours each weekend. The home sold quickly, and the son was delighted with the outcome. What I thought was unobtainable became achievable on the strength of a straight answer.

Sometimes just being honest will be the client's basis for deciding to work with you. Being flexible at times to abandon a formal interview process is vital.

Here are some additional ideas for the initial meeting with a client:

- Performing MLS searches with the clients using their criteria may result in them making minor adjustments to increase the number of their choices and therefore increase their chance of success.
- What is their timeline for a move? Work back from that date to set up an action plan to meet it.
- Create a mock purchase agreement, filling in the forms' blanks and sending it to the client using your digital signing program. The client becomes familiar with the documents and ensures there are no technical problems between you. The last thing you need is a last-minute glitch in the paperwork or electronic signature platform.
- Emailing the listing to seller clients as soon as it is published in the MLS, asking them to review for errors. This is good documentation for your file of the seller's review and approval.
- Discuss the advantage of not using round numbers and never saying no in negotiations. This will be covered later.
- Warn buyers of the possibility of them being videoed or recorded during a property viewing. Advise them not to converse on any topic that may compromise negotiations until they are off the property.
- Advise that children and pets remain at home. Concentrating on the house and all its attributes is critical. Distractions may cause buyers to miss essential elements as well as being late for appointments.
- Review the steps in the buying or selling process.
- Cover any relevant company policies.
- Illustrate how you are compensated and show them the estimated brokerage fee and share it with the clients.
- Share whether it is a buyer's or seller's market, the possibility of competing offers and how to prepare for negotiations.
- Agency – how you can act and work for both buyer and seller in a transaction. This will be covered in more detail later.

- Describe how the agent, lender, appraiser, inspector, insurance, title and escrow work together. For example, why documentation for the loan file needs prompt delivery, what inspectors examine in the home, why begin the process to obtain insurance early in the transaction, or information you as the agent can provide to an appraiser to justify a sales price.
- Talk to buyers about buyer's remorse. Upon completion of a contract to purchase, I would prepare them for a possible fitful night's sleep or an attack of worry over whether it was a good decision. I would say, "Recognize buyer's remorse for what it is." and reinforce the property's features in conformance with their desires expressed in the initial interview and throughout the process. Interviews can go both ways. Scan the internet for websites providing lists of questions recommended for asking agents. Be prepared to respond. Consider an electronic handout or add a web page that answers most of those questions.
- Asking the clients to share their expectations from you will help customize the service delivered.

Personality Types

A valuable talent is the ability to determine which of the four personality types your clients are: Power, Party, Peace, or Perfection from the DISC personality profile assessment. Learning the characteristics of each helps in tailoring your presentation to meet their needs.

The incoming Superintendent of the local school district was a Power-on-steroids, no-nonsense go-getter. Her time was precious, and its maximum efficient utilization was an expectation. I asked if she or her husband had any dietary issues to make lunch for the day we were together to remove the possibility of slow service at a restaurant, thereby taking us off our schedule. The lunch break would be in a park and allow time to discuss the homes we had seen and share exciting aspects of the community. The lunch was my hand-made sandwiches, cut veggies, chips, choice of water or soft drink, cookies, granola bars, etc., packed in a cooler. The day went like clockwork, culminating in finding a home to purchase.

A few months later, she was the guest speaker at the Chamber of Commerce luncheon and I desired to learn about her expertise and vision for the school system. Spotting me in the audience, she began talking about how she felt welcomed into the community, even mentioning the homemade picnic lunch. Her greatest compliment was her realization that it was designed to respect her time. I employed the mobile picnic several times, never failing to leave a lasting impression on the clients.

On the other end of the spectrum, the engineer and his wife personified the Perfection personality. He constructed a scoring grid with aspects of the homes along two axes with positive and negative numbers entered in the intersecting boxes. He would not show me the weighted values he assigned each characteristic, so I had no idea which property they liked the best. Their top three homes scored 3, -1, and zero. They purchased the zero, which does not sound very fulfilling to me as their agent.

The point here is recognizing the clients' frame of reference and adjusting the focus to serve them best. For example, one could reduce showing periods for each home with a Power client and longer for a Perfection client. Asking escrow to send lending/closing docs for review before the signing day to a Perfection client may save you hours at the table watching them read every word.

Like Power, the Party is a risk-taker but may not decide as quickly or stick with it. Like Perfection, Peace avoids risk but may decide faster after careful consideration.

Buyers

When working with couples as buyers, hand each a blank sheet of paper and ask them to write their most desired features in a home. Then have them reconcile any differences that may unnecessarily limit the inventory meeting their criteria. On one occasion, even this exercise would not have assisted me from making a grave error.

Seven homes were in the queue to show my clients on a delightful summer day. After two duds, the third house on Stanley Lane was checking all the boxes. Then we walked into the gigantic family room addition located in the back of the home, squarely in the middle of the room was a rectangular patch of dirt. The carpet ended, and the soil began. No lip, border, or frame separated the structure from the earth. The speculation of overwatering a plant resulting in mildew in the adjoining carpet was hilarious. So I panned the feature mercilessly for the remainder of the tour. As we completed viewing the last home on the list, while I kept chuckling about the family room with a partial dirt floor, they asked to go back and see the Stanley Lane home again. They bought the house. We used a shovel to dig down to see if there was a base of some sort during the inspection, but we gave up after a few feet leaving the reason for its existence a mystery.

I learned a valuable lesson in the process over the subsequent years, which is to set aside personal preferences when the buyers asked what I thought of the home they were considering. Instead of offering an opinion, I would refer them back to their desired list of features developed in our initial interview and how closely the home met that list. My duty was to point out

potential issues of condition or repairs that may be points for negotiation in the transaction.

Robert “Bob” LaDue was a history teacher in Portland for many years before changing careers to real estate. He was a delightful gentleman who perfected the business of buyer brokering. He would only work with buyer clients who executed an exclusive contract to work with him. His initial interview would cover the advantages to the buyers of working this way. Prior to executing an exclusive contract, he would schedule an appointment to view properties. The purpose was for the clients and Bob to determine if they worked well together, and if so, he required a signed contract.

There are three possible outcomes for a prospective agent. The clients choose to work with you, the clients decide not to work with you, or the agent resolves not to work for the clients. Bob recognized we do not get along with everybody, and to be in the position of an agent, it is essential the clients like and trust you. Newer agents have the most challenging time in deciding to walk away. The initial interview can be the framework to justify doing so.

Actions to take:

1. Develop a comprehensive standard interview process to obtain the client’s desired direction.
2. Be nimble to make adjustments to the particular preferences of personality and communication styles.
3. Check with your office or research various selling systems for purchase that may save you “re-inventing the wheel” with regard to the initial interview.
4. Incorporate innovative practices such as the mobile picnic to dazzle your clients.



Chapter 2

Walk-Through Treasure Hunt

“Disclosure: (n.) when they finally tell us everything and nothing changes.”

***—Sol Luckman,
The Angel’s Dictionary***

Crossing the bridge before coming to it was my way of expressing the need to anticipate future problems. Problems will arise and by addressing issues before they become critical within a real estate transaction will save time and possibly the sale. There is no better time to do this than your initial walk-through of the house with the sellers. Discovering any pitfalls when there are no buyers to press for a specific solution removes unwarranted pressure and allows for a diligent investigation to foster good decisions. It is also the time to demonstrate your knowledge and competence, especially if you are competing for the listing. In a five-agent competition, I earned a listing when I was the only one to point out the fill and vent pipes for the inground abandoned oil tank and the need for decommissioning. On another occasion, bringing attention to the lack of necessary clearance for a woodstove won another listing. We are not inspectors; however, if we educate ourselves to become familiar with what inspectors look for, we can reduce problems ahead of time and smooth out the sale. Being observant will bring you listings. So, let’s start crossing the bridge.

As agents, one obligation is to advise sellers to de-personalize their homes, not distract, offend, or alienate potential purchasers. Tactfully suggesting removing family pictures, religious symbols, obscene posters in the

teenager's bedroom, political memorabilia, etc., will result in more money in the seller's pocket. It will also allow the buyers to visualize themselves in the house more quickly.

While showing homes to an elderly couple my father led them into a bedroom. He quickly spotted an offensive poster on the wall and stood in front of it while pointing out a feature in another direction to distract their attention. He allowed the clients to leave the room first so they never saw it.

I remember suggesting to a Navy veteran to remove his Shellback Certificate from the hallway wall. *Note: A Shellback Certificate is an award given to a sailor or marine aboard a ship when the servicemember crosses the equator for the first time. Their status goes from Pollywog to Shellback. The "ceremony" for Pollywogs is an extreme hazing ordeal.*

He retorted, "My Shellback Certificate?!" "Sir," I replied. "You know what it is, and I know what you went through to earn it. However, most buyers do not, and they might be offended by the two bare-breasted mermaids featured on the certificate's border." He said, calming down "Oh, I never thought of it that way, I will take it down." I told him he could imagine where he could proudly display it in his new home.

Here are some treasures to look for on a walk through:

Lead Paint

Lead paint was an additive to oil paint outlawed by President Nixon in 1975, but he allowed the paint companies to sell any inventory until December 31, 1977. Lead paint chips or dust, once ingested, enter a child's or fetus's bloodstream and, if it accumulates to a certain level it can cause permanent brain damage. Very few homes built after 1960 have lead paint, as most painters were using latex paint. Some inspectors test the entire house using an XRF Gun (X-Ray Fluorescence) and the test only needs to be done once for all time.

If you plan to work with any client who intends to get pregnant or has a household with children under six years old, knowing the EPA Lead Paint Rule of 2010 is necessary. The rule impacts any residence with at least one bedroom, a childcare facility, any private or public school built before 1978. Affected properties are referred to as target housing. Contractors must attend an eight-hour class to receive a "renovator" license to allow them to work on any target housing. Penalties for rule violation are severe! The best short but comprehensive explanation is the EPA "Renovate Right" Pamphlet available online, and I highly recommend you read it. The rule requires giving the pamphlet to any occupant before beginning any work that will disturb more than two square feet of painted surface in any one room or more than 20 square feet on the exterior.

Points:

- Look for chipping or worn surfaces on walls, doors, or windows while showing target housing.
- A liability danger is when an agent arranges for repairs on behalf of a client on target housing using an unlicensed contractor.
- An agent should express concern when an older home has the original painted wood sash windows notorious for generating lead paint dust.
- Recommend a lead paint inspector to your clients. The state should have a list of approved inspectors.
- Extra Credit: If you deal with target housing regularly, consider purchasing the inspection. Since it only needs to be performed once, the report becomes part of the title chain from the seller to the buyer. Your name would be on the report and should qualify as a deductible advertising expense. Confirm with your CPA and real estate licensing authority.

Oil Tanks

Using oil to heat homes began sporadically in the 1920s as a more convenient alternative to wood, sawdust or coal. Oil tanks do not last indefinitely in the ground and they became an environmental concern in the early 1990s. A gas-heated house dating back before the 1970s should prompt an inquiry into what the heat source was before.

Points:

- Look for a tell-tale fill pipe and/or vent pipe in the yard or flower bed. Search online for examples to aid your recognition.
- Check for copper tubes; it can be one or two protruding out of the ground, basement floor, or running along the basement ceiling floor joists. They look similar to an air conditioning unit's copper tube.
- Locate a trustworthy oil tank decommissioning firm. Many will probe the yard of a home at little or no cost.
- Look at the furnace or in the furnace room for any oil company service stickers.
- Sometimes you can detect a slight diesel fuel odor.
- Search the home address in the state DEQ database.
- An oil tank that has not been decommissioned will eventually leak and the contamination continues to descend in the ground, making cleanup more expensive. If the plume of oil encounters the water table the cost can skyrocket.

LP Siding (Louisiana Pacific Strandboard)

This siding took the market by storm in the mid-1980s. It looks good, paints nicely, is lightweight and is easy to install. The siding began to absorb

moisture through its bottom edge, leading to cracking and expansion before deteriorating altogether. A class-action lawsuit in 1996 led to almost \$500 million paid out in damages. LP came out with a newer version with a beveled bottom edge to allow water to run off more easily. No funds are remaining for reimbursement to replace LP siding. Identifying the siding before listing will prepare the seller for the inspector's findings that may cause buyers to ask for a replacement.

Points:

- Go online and learn to recognize the LP "signature knot."
- Check the LP siding on any home built between 1985 and 1995 for a flat bottom edge.
- If the siding is the defective version, recommend an inspection by a qualified contractor.

Asbestos Siding

Learn how to identify this thin, brittle siding. It tends to crack when nailed and poses a health risk if it is fraying or crumbling. It can be covered by a different siding or removed expensively by licensed contractors in moon suits. For that reason, I recommend a purchaser client avoid it or factor in the cost of new siding going over the top of the asbestos siding.

Paint Condition

A home in need of paint will be discounted by the purchaser, so the condition needs to be considered in the pricing discussion.

Circuit Breaker Panels

There is the chance to enjoy a piece of nostalgia by spotting an electrical panel with a history of failure in vintage homes. Check to make sure the house does not have a Federal Pacific or a Zinsco breaker panel. The inspector will likely flag these two brands and any glass fuse system, so why not obtain a bid for the panel replacement before marketing the home? It will speed up any repair negotiations.

Dry Rot/Chip Board

- Know the appearance of dry rot.
- Check the exterior siding.
- Look for expanding chipboard in bathroom floors around the toilet, under and in front of the tub/shower.
- Look for expanding chipboard in kitchen floors under and in front of the sink and in front of the dishwasher.

Sloping Soil

If the yard grade slopes toward the house, there is a possibility of moisture accumulating in the crawlspace in the rainy season.

Unlevel A/C Unit

A unit that is not level shortens its life.

Unstrapped Water Heater

Strapping prevents the water heater from falling over in an earthquake. This requirement is usually in earthquake rated zones.

Broken Moisture Seal Windows

Recommend to the sellers the replacement of broken panes or broken window seals. The buyers want them replaced the vast majority of the time.

Carbon Monoxide and Smoke Detectors

Check the dates to ensure the CO detectors are less than five years old and ten years old for the smoke detectors. Know the code to assure sufficient coverage exists in the house.

Popcorn Ceiling

From Mesothelioma.com: “Asbestos popcorn ceilings were popular between 1945 and the 1990s. Banning asbestos from ceiling coverings occurred in 1973. If undisturbed, it is of little risk. Clients should hire professionals to remove it.

Trip Hazards

Walkways, porches, steps, decks, and patios should be level and free of protrusions and cracks that may trip someone.

Garage Door Extension Cord and Sensor Height

The garage door opener needs to plug into its dedicated outlet without an extension cord. The garage door sensor should be no more than six inches above the floor.

Roof/Chimney

Carry a pair of binoculars to look at the roof from the ground for cupping or missing granules. Utilize dormer or second-story windows for a close-up view. Examine the mortar in any brick or block chimneys for deterioration and chimney cap and screen for condition. The binoculars are part of the “kit” featured in Chapter 7.

Wood Stoves

Know the code for clearance distance to a flammable surface. Be able to identify the EPA plate indicating the stove is certified. Invest in a mirror on a telescoping handle to enable viewing behind the stove. The mirror is also part of the “kit.”

Baseboard Electric Heaters

Suggest that the seller create clearance between the heater and any furniture. The vintage heaters lack safety for a small child’s probing fingers, furniture and window coverings against the housing. Their inefficiency often exceeds the cost of other heating types. Ask the sellers for their electric bills to use in the listing information to dispel any wild imaginations of prospective buyers.

I asked an elderly woman, who was the original owner of a 50-year-old home, for the last 12 months of electricity bills as the home was an all-electric house. She went to the area where she kept her records and came back with a tall stack. It was every bill since she moved in a half-century before. The oldest was hand-typed from an era long gone. I enjoyed a good laugh and complimented her on her record keeping.

Trees

Make sure the roof is clear of moss and debris and the gutters are clear. Tree roots too close to the house can cause foundation damage.

Foundation

Check the foundation for severe cracking.

Oh, Christmas Tree!

The treasure hunt does not stop with the physical aspects of the property. It also includes the additional information beyond the listing form. This will create an online resume you can show to future clients illustrating the attention to detail in your practice.

With the onset of online multiple listing services, adding additional documentation in this public realm became possible. The real estate agent may not realize the benefit of this feature to the sellers by eliminating potential purchasers. Why would that be? Many sales occur only to fail during the due diligence period because the listing agent neglected to include what turned out to be critical information. Sellers going back on the market after a sale fails may not obtain the same price as before. An agent needs to adorn the listing with copious documents coupled with a pre-inspection (more on this later) like a Christmas tree. In doing so, they distinguish themselves from the competition.

Pet Peeve Commentary: My career niche was selling houses to investors. Often, a home came on the market with a tenant and no further information. The listing agent would be wise to include the scheduled rent, whether the agreement is month to month or a fixed-term lease, how long have the present tenants lived in the house, have the tenants been given notice to move, what is the amount of any deposits, who the property management company is if using one, and upload a tenant (name-redacted) copy of the rental agreement. Listing agents would save time by not answering inquiries for information if they provide this as a standard of practice in the MLS.

What follows is a list of possible additional documents. Note: Any documents with the sellers' signature can be uploaded, retrieved by the buyer's agent before writing an offer and submitted with the buyer's purchase agreement. This practice saves time and assures the sellers that the buyers have read the disclosures.

- Seller's Property Disclosure.
- Lead Paint Disclosure- If built before 1978.
- Well Addendum-Signed by Sellers.
- Well Log.
- Well Flow Test-From the past.
- Onsite Sewage System Addendum-Signed by Sellers.
- Covenants, Conditions, Restrictions (CCR's) – Many Homeowner associations have websites where this information is available.
- HOA Rules, Fees, Minutes.
- Home Inspection – Especially when less than three years old.
- Repairs Performed, invoices as a result of a pre-inspection.
- Survey.
- Floor Plan – Ask the seller for a copy of a prior appraisal and use the floorplan sketch included.
- Video.
- 3D Floor Plan.
- Extra Photos – If the MLS picture limit prevents showing it all!
- List of Improvements – Great to ask sellers for improvements made during their ownership. The appraiser could use this too!
- Personal Property Inventory List Included. Essential for resort property and short-term rentals.
- Roof Warranty.
- Home Warranty – An insurance policy the seller can pay for that covers certain defects if the seller has no prior knowledge. It covers the buyer for a year after closing. A dynamic roll-out must. We'll discuss this later.
- Electric, Gas, Water, Cable, Security System Bills, Etc. – Bring the hidden costs of ownership to light.

- Appraisal – Is there a recent appraisal?
- Landscape Plan – New Construction.
- New Construction Disclosure Forms.
- Historical Information on The Home – PBS’s Antique Roadshow appraisers always add value when there is some history behind it. Unless it’s haunted, maybe.
- Newspaper Articles About The Property– Always share if available.
- Home and Outbuilding Descriptions, Room/Building Dimensions – Invest in a laser measuring tool. Include house room measurements, garage width and depth, all rollup doors height and width, shop/outbuilding door dimensions and interior ceiling height, RV pad dimensions with any height limitations. You will impress the sellers, and they’ll tell others you went the extra mile!
- Deposit Report – Investment property.
- Rent Roll (Redacted) – Tenant identities are not shared with buyers until the transaction is closed.
- Annual Property Operating Data (APOD) – Multifamily property. It burns me up when an agent quotes a Capitalization Rate (Cap Rate) and does not provide the data to back it up.
- Three-Year Income/Expense Report – Obtain this from the property management company. This report provides a more accurate picture of the property’s performance over time.
- Washer/Dryer Rental Agreement – Didn’t think of this one?
- Access or Shared Driveway Agreement.
- Seller Letter of Why They Loved Living There. I began this practice years ago because it does two things: 1) It brings out the features, qualities, and neighborhood aspects likely crucial to the ideal buyers. 2) It provides the theme focus for any advertising! An example is featured in Chapter 13.

Can you think of more items to decorate your “Christmas Tree?”

The cost of transferring a defect on to the buyer

Over the years when sellers chose to not invest funds to place their property in move-in condition, I would deduct 1.5 times the cost to do so from the fixed up price. The buyers will demand a reward for their time and effort in taking on the task.

Actions to take:

1. Attend classes to learn all elements of construction.
2. Preview new construction to learn the latest techniques and materials used.

An outdated breaker panel likely to be flagged by the purchaser for replacement. Your initial walk through should identify this and other issues to discuss with the seller before placing the home on the market.



Be sure to walk the grounds to look for oil tank fill pipes or vent pipes as seen here. An unused oil tank is a liability and should be decommissioned properly.

This old water heater lacked a pressure relief valve.





Chapter 3

Elect to Pre-Inspect

***“What we hope ever to do with ease,
we must learn first to do with diligence.”***

—Samuel Johnson

As I became more knowledgeable over the years about potential listings, very few houses would only need one professional to inspect some aspect of the house. Instead of someone only examining an individual item, how about a full pre-inspection as a standard of practice? In speaking with the First American Home Warranty representative one day, I learned the warranty would pay for covered defects in a pre-inspection as long as the owner had no prior knowledge of the faulty item. It is the pre-inspection double play. How could I successfully get the sellers to go for the inspection cost upfront? What if I offered to pay for the inspection after highly encouraging the sellers to commit to the warranty?

The major obstacle to a smooth real estate transaction is the unknown findings popping up after the home inspection and most failed sales were because of variables beyond one's control. What if a home inspection report already existed when the house hit the MLS? I launched the “I will pay for a pre-inspection” program, rendering more value to my clients than the competition. In addition, the seller's warranty coupled with the pre-inspection provided more value to prospective buyers. It was a hit from the start. The Real Estate Agency informed me it would not be commission sharing as long as I offered to pay for the inspection to every potential seller to qualify it as

my marketing program. The cost would also be fully deductible as a marketing expense.

For the last six years of my listing and selling career, I offered to pay for a home inspection before the home was for sale. My listing presentations were about eliminating the inspection landmine in the middle of the transaction and increasing the seller's bargaining position. I chose a comprehensive and often-used inspector named Jim Allhiser of Perfection Inspection in Salem. I liked the ability to book appointments into his schedule online, his liberal use of an infrared camera in his reports and his willingness to update me on the latest issues facing inspectors. At the time, he offered "Seller Inspections" for \$50 off the normal inspection fee so the cost to me was a bargain.

The seller would execute a home warranty application committing to paying the fee at closing and the listing paperwork, which included the exclusion of any marketing of the property during this "due diligence phase." The inspection took place shortly after that. We would review the findings and determine the items to be repaired or mitigated, and I offered to arrange the contractors to do the work. When the property became active in the MLS, the full report was attached with copies of invoices for work performed entered as additional documents, a list of any repairs scheduled but not completed, and if all the work was completed, Jim's final re-inspection report.

The results were beyond my expectations.

- Over the six years, I never lost a listing competition or had a sale fail due to an inspection.
- On two occasions, the client received a new gas furnace when the report discovered a cracked heat exchanger.
- About 60% of the time, the buyer did not conduct an inspection. I attribute this to Jim's reputation. Most of the time the buyers would have the work the seller performed checked to make sure it was done properly. The result was the inspection period was shortened or eliminated in many instances; thus, transactions closed more quickly and on time.
- The report allowed me to counsel the seller on addressing the deficiencies without involvement of a buyer. I recall a shake roof with deteriorated ridge shingles; however, the remainder was fine. The seller replaced the ridge and obtained the contractor's three-year-life certification for the entire roof. If the seller had waited for a buyer's inspection, they might have asked for a total replacement.
- The report provided a defense to a buyer's inspector's spurious claim. If a seller waits for the buyer to inspect, it is too late.
- A buyer can review the report before writing an offer. If they do not like what they see, they can go elsewhere.
- Addressing issues and ordering work before marketing preserved an average escrow period. Because of the shortage of available contrac-

tors, waiting until two-three weeks into the transaction to order work would often cause hardship delays.

- The knowledge from the report allowed the seller to pause. For example, if the main beam under the home needed replacing, costing tens of thousands of dollars, it may cause the seller to decide not to sell. I considered the pre-inspection an insurance policy, saving my time, marketing expenses, and client inconvenience, by discovering the deal-killing problem early. If the report determined the roof needed replacing, it provided the opportunity to increase the initial asking price. There is value in marketing a home with a new roof. It is more challenging to raise the price in the middle of a transaction. Thousands of additional dollars went to the seller to help offset repair expenses.
- Recently, my daughter and her husband sold their home in Spokane. They chose to perform a pre-inspection before listing. Snow was covering the roof when the house hit the MLS. However, all the prospective purchasers were comfortable because the roof condition in the report was in the MLS and available for review.
- When a buyer did perform their inspection, items from the investigation were minor. I attribute this to inspector preference. One might say to monitor a joist and another might recommend a replacement. I prepared the seller for the possibility. Often, we would be in the process of repairing items from the initial inspection, and the contractors were on-site to take care of the additional items desired by the purchasers.
- It allows the buyers to feel more comfortable waiving their inspection in markets with high demand and low inventory. However, the waiving of the inspection never happened and I counseled the sellers to encourage the buyers to perform their own inspection as a risk reduction measure.
- With the pre-inspection items completed prior to the arrival of the appraiser, it reduces the likelihood of a lender requiring repairs thus saving the buyer a costly re-inspection fee for the appraiser to confirm items such as the water heater strapping or the smoke and CO detectors are current, etc.
- I would now recommend adding a sewer scope to the pre-inspection regimen because I consider it a standard of practice.

The Pre-Inspection Made The Difference

In the posh Illahe neighborhood in South Salem, the sellers learned of my dynamic roll-out program (which will be covered later) from a satisfied client and engaged my services. During multiple visits to the home, I got to know

them while they picked through their belongings to determine what to keep or discard. They were moving to smaller quarters because the husband was ill with prostate cancer. He was a cyclist but now relied on an electric-assist bike due to his lack of energy. Lamenting the decline of his abilities as his terminal condition progressed became a common theme of my interactions with him. He shared that he had invented a squirrel-proof bird feeder, showing me an example in his garage. The feeder was a cube cage with a hinged top lid. with a smaller squarewire-hinged holder for the cake of bird food. The spacing on the cube allowed small birds entry and prevented squirrels from reaching the cake. He said it was for sale, so I immediately purchased it.

When we rolled out onto the market on a Wednesday, we were unaware of a catastrophic fire four days prior, not far away. A family in the neighborhood lost everything and needed temporary quarters while they rebuilt. Their offer to purchase the home arrived on Thursday and it was accepted on Friday, closing the following Friday. The buyer's agent said the pre-inspection with repairs completed was essential to the comfort of the buyers. They would not have bought the home otherwise.

The seller's raw feelings came forth when I was presenting the acceptable offer to him and his wife. With pen in hand to sign, he hesitated and began to weep. He said he did not want to die as his wife's eyes showed regret for a condition she could not remedy. It was all I could do to keep my composure while he signed away the dream home he was no longer able to retain. He died shortly after closing with the knowledge that at least his wife was settled and well. My wife and I faithfully keep his birdfeeder filled to the delight of many feathered species, and I think of him each time I insert a new cake.

Actions to Take:

1. Are you going to implement this pre-inspection strategy or lose out to other agents who do?
2. Attend inspections to learn what the inspector is looking for.



The pre-inspection after the sellers committed to a home warranty on this Sunriver home led to a new gas furnace when the inspector found a cracked heat exchanger.



A dying client's birdfeeder he designed that we still use today.



Chapter 4

Learn Lenderspeak

“If you have knowledge, let others light their candles at it.”

—Thomas Fuller

Educate yourself on all financial loan programs, terms, lending requirements and loan limits while developing business relationships with knowledgeable loan officers so you can be a productive part of the team in the transaction. Support the efforts of loan processors, loan officers, appraisers, and insurance agents, by promptly supplying any property information and transaction paperwork they require. In this way you are serving the best interests of your clients.

Lending guidelines can seem silly, consider some examples here:

- Three of my unmarried client couples married so the non-veteran spouse’s income could be used to qualify for a VA loan since an unmarried partner’s income cannot be considered.
- The farm home loan program disqualifies properties with barns.
- An investor receives no credit for rental property’s income on the first purchase.
- Payments from properties sold using seller financing are not counted as income until “seasoned” for six months.

Learning each lending program’s ever-changing requirements will save embarrassment from helping clients secure property only to have the transaction fail at the first meeting with the loan officer.

Lending is more complex than in the past, demanding the investment of time to master the main requirements of all the financing options available to clients. The guidelines for the loan programs are constantly changing so agents need to regularly touch base with their favorite loan officer to get updated. Buyers need to be pre-approved before spending their or an agent's energy looking at properties. If the property qualifies and the buyer's employment, credit, and ratios meet the loan criteria, you are good to go.

Points:

- Keep the clients within the limits of the lender's pre-approval. If you are not sure, check with the loan officer to re-calculate the ratios and confirm the clients are qualified. Involving the loan officer is vital when in a competing offer scenario and needs the maximum purchase price limit the clients can enter on an escalation clause addendum.
- When you are close to writing a purchase agreement, ready the loan officer to send the pre-approval letter quickly.
- Read news feeds for loan program changes from Freddie Mac, Fannie Mae, VA, Federal, and the state legislature.
- If the buyer is self-employed, be sure to refer them to a knowledgeable CPA to issue the buyer's financial picture in a format the lender requires.
- I made myself an employee of my S Corporation receiving W-2 income making it much easier to qualify for loans. Check with your CPA to analyze your situation.
- At every opportunity, recommend your lender to future potential buyers to obtain loan approval. Many folks are under the impression they are not able to purchase. By conversing with a lender, the potential buyers might be surprised to find they are qualified or receive a list of steps to get themselves headed toward approval.

I worked with pre-approved clients who needed a three-bedroom home to meet the family's needs. Their ratios were tight, eliminating them from all but a few neighborhoods. Wagon Road Village, a subdivision of western named streets, became the main focus because it was outside the city thus having lower property taxes. The drawback was the adjoining mushroom plant that generated large waves of cow manure odor that hung heavy over the neighborhood, especially during hot summer days. I disclosed my analysis estimating the smell impacted the value of the houses directly proportional to the distance within the odor plume. The buyers bought a home there since both grew up on a farm and the scent of cows was a happy memory. Know neighborhoods or towns with the lowest property taxes as a way to help first-time homebuyers qualify to buy.

The Point Spread Play

My seller clients entertained an offer from a competent agent named Amy. The negotiations progressed until the parties were just \$5,000 apart, the sellers would not budge and the buyers' payment to household income ratio was at their limit.

I called Amy to ask if it would be ok to inquire from the buyer's lender the point spread of the day to see if there was a way to meet both party's needs. She said it was fine. A lender's interest rate quote has an associated discount point quote as well. A discount point is 1% of the loan amount. A borrower can elect to pay additional discount points in order to obtain a lower interest rate. I asked the lender how many dollars in discount points they would need to purchase the rate down to keep the buyer's payment the same. The answer was \$1,700. I called my clients and informed them the buyers could not go higher unless they agreed to pay \$1,700 in points so they could come up with \$5,000 more in price. Would you agree to spend \$1,700 to obtain \$5,000? The sellers agreed. I called Amy and made the verbal counteroffer. The buyers happily memorialized it in an addendum that the sellers signed.

Attend At The End

Properly finish your job by reviewing the closing statement for errors and completing all the purchase agreement conditions. Your presence at closing can calm the clients' fears and answer their questions. Why would you want to miss a chance to ask for future referrals personally?

In 1979, a young couple desired my services to help them find their first home. The market was booming, which required no hesitation when an acceptable choice was found. We secured a newer ranch-style home in East Salem and began the FHA loan application. Gary Ware from First National Bank was a capable loan officer. It is easy to assume a client's level of knowledge about home loans when viewed from a loan officer or agent's perspective. With the loan approved, the buyers went into escrow to sign. I gave no thought to attending the closing, finding other tasks to accomplish instead. Before 5 PM, Gary called to inform me that the escrow officer told him the husband showed up with a woman that was not his wife, who both signed the closing documents. Gary proceeded to disclose the seriousness of committing fraud on a government-backed loan. We made an appointment for the next day for all of us to meet for an explanation.

The distraught husband told Gary his wife could not get off work to come and execute the documents. He believed if they did not sign that very day, the entire transaction would terminate. From Gary's and my perspective, how could he think that? From a first-time homebuyer's perspective, if no one has said otherwise, why would they not? After a stern lecture, Gary rescheduled the signing with re-drawn documents, and the clients moved into their home.

All the grief was because I had not attended the closing to inform the husband of his erroneous belief.

Building relationships with escrow staff is critical for a smooth finish of a transaction. By attending closings whenever possible, you will increase your knowledge about lending and escrow practices. Keep in mind, attending closings allow you to build relationships with escrow employees and they buy and sell homes too!

Points:

- If the sellers are paying some of the closing costs, make sure the agreed amount is on the statement. Sometimes the agreed amount exceeds the lending program allowance. Inform your clients about it. Eliminate the possibility of this error by confirming with the loan officer the maximum amount allowed.
- Confirm the correct proration of property taxes.
- Include the charge for the home warranty if it was part of the sale agreement.
- Account for any rent if the sellers are retaining possession after closing for a fee to the buyers. Often, it is better to handle rent and personal property purchases outside of escrow.

Working With The Appraiser

I made the mistake of challenging an appraisal performed by an appraiser who was a previous client. I acted in good faith for the sellers but had the unenviable task of proving my appraiser friend did not do his job well. The challenge was successful; however, my relationship with the appraiser was understandably never the same.

This event led to a decision to be proactive with appraisers going forward. I provide the buyer's lender my contact information for the appraiser. I remove the MLS key box, so the appraiser has to go through me. As agents, we must respect the judgment of the appraisers and their expertise. Therefore, meeting with appraisers is merely to hand them the information below, not to discuss or debate value.

When meeting the appraiser I provide the following:

- A full copy of the purchase agreement and relevant addenda. Quite often, the appraisal management company was derelict in sending all the documentation to the appraiser.
- Copies of all appropriate comparable sales justifying the sales price and active listings justifying the sales price.
- Copies of all redacted purchase agreements if there were multiple offers.

- The list of improvements made on the house during the time of the seller's ownership. Another benefit of asking the seller to provide this information during the listing process.
- Copy of the pre-inspection, any invoices for work performed and any repairs scheduled or in progress.
- Any neighborhood information that may be useful in supporting value.
- Answers to any questions the appraiser has.

As part of the initial interview, the sellers understood this procedure. If, after providing all the best evidence to the appraiser and the home failed to appraise, we would not waste time and effort to challenge it. We would open negotiations to reach an agreement with the buyers if possible. I do not recall having a low appraisal after establishing this practice and I never contested an appraiser's work again.

Actions to take:

1. Regularly attend classes to learn the latest news about lending programs and practices.
2. Always attend closings with your clients if possible.
3. Inquire of an appraiser as to any additional information not mentioned in this chapter, they would like to have provided to them.



Chapter 5

No Phone Booth for Superman

***“Good communication is as stimulating as black coffee,
and just as hard to sleep after.”***

—Ann Morrow Lindbergh

Author’s Note: A “phone booth” is an enclosure with a bifold door allowing entry to a phone mounted above a small triangular shelf to enable one to take notes. Back in the day, agents made sure to carry around a roll of dimes wherever they went so that they could call in to the office to get messages and return calls. In 1982, the cost of a call began to rise to a quarter in the United States. The introduction of the Motorola “brick” phone in 1983 was the death knell of the phone booth. The “brick” weighed almost 2 lbs. and would take 10 hours to charge for 30 minutes of phone time. If you ever locked yourself out of the house, you could throw the “brick” through a window to get in. Just be sure to unscrew the antenna first (joking!). Whenever you walked by an empty booth, there was a magnetic attraction to check the coin return. For more information, consult a Baby Boomer or listen to the song “Operator” by Jim Croce, recorded in 1972.

Clark Kent, amazingly changing into Superman in a phone booth, first appeared in the comics in 1942. The metaphor, however, for this rule is communication. We become super agents when we always strive to converse at the highest level. Non-verbal communication makes up 70%-93% of all communication. If the objective is excellent service, being face to face as much as possible is a must, especially when in negotiations. The phone is next best as we can listen for tone and emotion. Email and texting are fraught with the

peril of misunderstanding. Mix in the differences of preferred ways to communicate between generations, and it's "cruising for a bruising." If real estate is your career, you must take the time to get to know the clients. Each one has a fascinating story when you inquire and listen.

The Photograph

A referring agent placed me in touch with a single older woman whose time had come to move out of the area to be closer to the family. Her home appeared to be a single level; however, it contained a full knotty pine-paneled basement, including a game room and office. The bedroom area was served by an uncommonly narrow hallway with blank walls save for one 8 x 11 framed photograph on the main level. As we proceeded down the hall, I half-glanced at the photo as I passed by. I stopped and returned for a closer inspection. I asked her who was in the picture and she came back and stood close before answering. In her feeble voice, tinged with emotion, she said; "That is my husband receiving his bronze star from the colonel in the Philippines." I asked her to come sit down and to please tell me about her husband. For the next hour, I thoroughly enjoyed the World War II romance, the children, the job at the State Farm Regional office culminating his career and the almost half-century history of the neighborhood since they moved there.

The home hit the challenging market at \$170,000, giving credit for the basement. Over the next few months of buyer feedback, it became clear that prospective buyers disagreed with the additional value we placed on the basement. We began a string of price adjustments to find where the market was. I would stop by when in the area and had at least an extra half-hour to visit. The next-door neighbor's kid while smoking in the backyard started the shared arborvitae hedge on fire. After the Fire Department put the fire out, she called and asked me to make sure the fire was out. I think she just wanted to chat.

The six-month contract was expiring and her children were lobbying to have her engage another agent. I thought at least the time spent learning of her past from our many enjoyable conversations was an excellent consolation. She made my day after calling to inform me she had told her kids she would not hear of it, I was her agent. We renewed the listing with another price adjustment to \$150,000, and the home sold right away.

The transaction progressed smoothly, with me overseeing the repairs she agreed to perform for the buyer. Her children arrived just before closing to take her away to her final home overlooking the Gorge's Columbia River. She fretted about a pile of garbage in the garage, the only task left undone from her checklist. As this would be the last time I would see her, I silently looked at her as she knew me well enough to know I would take care of it. As I said

goodbye, the look of gratitude in her eyes was more valuable than any fee I ever earned.

By conforming my service to the preferred communication method of the client, the listing was retained. Face to Face and phone calling will always be superior to relying solely on email or texting.

Negotiation

The seminar speaker from California shared his story of a property recently listed at \$640,000, thinking the likely sales price to be about \$620,000. An agent alerted him of an offer coming his way. The speaker was frustrated to review the purchase contract proposing a \$300,000 sale price. Knowing he had an obligation to present it to the sellers and it likely would make them angry, he decided to build trust with the clients while teaching a lesson to the other agent. He phoned the sellers all excited and let them know we had an offer.

The sellers asked for the amount, and he said, "It is for \$300,000, and do you know what we are going to do? We are going to counter the offer at 25 million dollars!" The sellers were now laughing as they realized their agent aligned his action with their needs. The seller's response prompted a phone call from the buyer's agent, suggesting there must be some mistake.

The speaker excitedly told him that the sellers were going to counter at \$26 million, but he talked them down to \$25 million! Maybe a little wiser, the other agent now had an obligation to waste his time presenting to his buyer clients. The seminar attendees had a great laugh.

His story brings up the concept of "never saying no."

During the initial interview, I counseled my clients on this idea. We would never say no to any offer or counter offer, even if it meant responding at the same terms as before. I explained how important it was to do everything possible to agree and if the other party walked away, my client's conscience would be clear. There would be no regrets or wondering about it. "Never say no" resulted in more transactions coming together over the years.

A high school classmate called upon me to sell her and her husband's home. After research, we hit the market at \$78,500. In a few weeks, a purchase agreement arrived at my office. The buyer was offering \$65,000 and I knew it was a non-starter, but it provided for an opportunity to practice negotiations. I called the sellers and suggested we respond as if the parties were much closer to become familiar with the forms and the process. We countered at \$77,500, informing my clients I thought we would not hear from them again. The next day, the buyer countered at \$73,000. I called my clients and said, "It's game time." The parties reached an agreement. Because we did not initially say no, it led to a sale.

A couple of ideas with sellers:

- When sellers think of countering a buyer's offer, I share the reality of what they are doing. The buyer's offer is taking the property out of the hands of the sellers, which is the desired objective. When sellers counter, in effect, they are taking the property out of the hands of the buyer and "buying it back" from them at the price they are countering. This example helps to move the sellers out of an emotional mindset to a rational one, appreciating the risk of losing the buyer.
- If the parties are a small sum apart and I sense the sellers are becoming firmer on their position, I ask, "Do you need every last dollar out of this transaction to go on living at the level you are accustomed to?" Usually, the sellers are well-positioned financially and the question focuses them on the cost versus the benefit of reaching an agreement so they can move on.

Stop Using Round Numbers

It is common to use an escalation clause addendum to increase the buyer's offering price above competing offers. It seems agents and their clients believe you must only use numbers ending with 000 or 500. Our daughter and son-in-law recently sold their Spokane, Washington home. There were 11 offers to purchase, with the two highest tied at \$50,000 over the list price. They offered \$35,000 over the list on a home in Salem, which tied them with another bidder for the highest and best proposal. It would be best if you addressed this topic in the initial interview by recommending offering odd numbers. When an offering price is a round number, a loud and clear message to the seller is: "This is an offer not based on anything!" An odd number makes the seller and their agent ask what issues are they evaluating? For example, a home is on the market for \$399,500. If you are not competing, the proposal is written for \$392,650 with a note from the buyer's agent the price reflects the cost of modifications they estimate are needed to make it their home. Likewise, I recommend using odd numbers in the escalation clause. From the above example, the offer is \$399,500, and the buyer agrees to pay \$1,150 over any other bona fide offer up to a maximum price of \$426,375. This practice will eliminate the chance for a tie. Don't take a percentage of the listing price to come up with the offering price because the seller's agent will get out the calculator to see if the difference is a nice round percentage number.

Use this strategy against the "round number" practitioners. Estimate where you think the competition will make their top price. Often, it will be in the above example, a multiple of \$5,000. Very likely \$425,000 or \$450,000. Always have your top price at least above the \$5,000 multiple. That is why I used \$426,375. If your guess is \$450,000, use a number like \$453,700. With a little thought, your clients will win more often.

If there is one offer, two offers, three offers, or more

When one offer is in, the offering price will unlikely be above the asking price. If a buyer knows one offer is in, the second offer will likely be the asking price or above. If I had a client coming in with the second offer and they are unwilling to write at least for the asking price, I would tell them the home is not the right one. I suggest they keep looking because they will likely be beaten when the seller's agent asks for the highest best offers. If the buyers remain true to their desired home's amenities, the one home fulfilling the most wanted features in their price range will always be worth at least the asking price. If a buyer knows two or more offers are in, they should be prepared to offer their highest best bid.

A superior buyer's agent will call the seller's agent to find out information such as:

- The seller's ideal closing date.
- Is there an earnest money sum that could send a message of financial strength to the seller?
- Does the seller need possession after closing and for how long?
- The object is to tailor the purchase agreement to meet any non-financial needs of the seller.
- Other buyer strategies:
 - Agree to buy the property if the appraisal is less than the sales price up to a certain amount. Example: The sales price is \$503,450. Agree to buy the property if the appraisal is for at least \$475,000. This is known as an appraisal cap guarantee.
 - Forgive any rent for seller possession after closing.
 - Insert a limit on the cost to the seller for any repairs from the home inspection.
 - I learned of a sale where the buyer agreed to keep and take care of the horses on the property to comfort the elderly seller. Are there any sentimental attributes that preserving would mean a lot to a seller, such as a house color or retaining certain trees?
 - Shorten the inspection period. I do not advocate waiving inspections; however, if a pre-inspection report is available, it could facilitate waiving the inspection contingency.
 - Extremely Rare: Pay for some or all of the seller's closing costs.
 - Allow sellers to leave personal property, otherwise known as junk.

Being Mindful Of Who Has The Advantage

In the early 1980s, my father worked with a buyer interested in a vacant bank-owned office building on the market for a long time. The client made an offer well below the asking price. The bank countered, and the buyer countered back at a lower price than his original offer. The bank eventually accepted the lower offer! The bank failed to consider the extreme buyer's market and the value of a buyer at the time. It is incumbent on the agent to inform their client of the present market situation and to pay attention when the market shifts.

Sometimes it is not about the money.

I received a gentleman's call to make an appointment to view his home he was preparing for a sale, and I met him there later that day. The house was vacant and appeared well maintained from the exterior as we met and shook hands out front. He said he had called me because our office was deeply involved in sending troop-support boxes over to the Middle East, and as a retired Colonel, he was very appreciative. He was a newlywed after his first wife's passing, and this home contained many memories of his first love now gone. As he guided me through the house, I pointed out potential issues that might come up. He agreed to my pre-inspection marketing plan with my oversight of any repairs he decided to address. When we entered the master bedroom, I noticed the only item in the otherwise vacant home. I asked him what it was, and he said it was an AK 47. He spent some time going over the gun's capabilities, function, and how impressed he was with its ability to continue firing when dirty or poorly maintained. Upon inquiry, I learned of his many years in Panama and other locations worldwide where most Americans are unaware that we station troops. I could tell from his crusty demeanor he was not an officer a subordinate would want to disappoint. I, therefore, made a habit out of respect to call him "sir" as I knew its use would be very familiar.

The roll-out day arrived with the home showing its very best at an attractive price he authorized to encourage an expeditious sale. Levi Wilson, a colleague in my office, was working with one of the tenants occupying a property our office managed, and learning of this property's attributes, he brought the couple over the next day. The purchase agreement was in my hands shortly after that. I called the Colonel, and we agreed to meet at the listing as it was just a few blocks from where he now lived. The price offered was \$5,000 below our asking price and near the limit of what the buyers could pay. Levi let me know the husband was an active-duty Army soldier, and the family is otherwise well-qualified. After reviewing all the paperwork, I informed the Colonel the home was well priced, worth every penny, and I believed we could net more if we waited. I could sense the wheels turning in his head when he asked if the buyer was on active duty. "Yes, sir," I said. He

remained silent as he stared at the purchase agreement for 20 seconds or so when he ordered me to give him the pen and signed the paperwork as written. He then explained the numerous occasions during his career that fellow officers had opened doors for his advancement up the ranks. He appreciated the opportunity to accept a little less to help a fellow veteran's family since he understood the pressure placed on military households. It was a touching gift from one soldier to another.

Authors Note: An experienced agent reading this might wonder why Levi informed me the buyer was on active duty. The assumption might be the buyer would likely be using a VA (Veterans Affairs) loan and the information would be obvious to me. In this case, the buyer was not qualified for the VA loan because he had not yet served 180 active duty days—a requirement for that program. This example illustrates why agents should get to know one another and be free to communicate information relevant to their clients.

Buyers Letters

The use of buyer's letters has exploded. I remember reading years before through a Realtor news feed of the practice gaining steam on the East coast and I decided to employ the approach. Up until then, the seller's agent would have a conversation about information the buyers authorized the buyer's agent to share. Occasionally, there would be a connection of the parties knowing each other or a similar profession. Aware of the law, we never discussed any protected class information prohibited in the Fair Housing Legislation.

I was an early adopter of advising buyers to write what they enjoyed about the home they desired to own in a signed letter and included it with the purchase agreement. The first time, the result was profound. After presenting all the offers made on the property, the listing agent called me and said, "John, that was dirty pool." She told me the sellers loved the letter and decided to accept their offer and it was not the best one on the table. Sellers want to know the buyers will love the home as much as they have, and now I would be derelict if I did not advise subsequent purchasers to do the same.

In 2019, my wife and I decided to sell one of our rentals. A purchase agreement from another firm was presented to us by Levi, acting as our agent. Enclosed was the buyer's letter featuring the text and the beautiful picture of the family. The family appeared to be a protected class under the Fair Housing Law and illustrated the buyer's love letter's potential danger. In our case, we happily accepted, and they are now the proud owners. Agents should exercise extreme caution in using buyer's letters and be adequately educated not to run afoul of the Fair Housing law. What cannot be banned are verbal communications between the buyer's agent and the seller's agent, conveying information directed by their clients to share with the other party.

Know Your Competitors

Get involved in association committees, attend Realtor social events and luncheons to meet other agents. If you know the other agent in a transaction, it improves the chance of success. The by-product will be increased professionalism due to your involvement.

Ideas to help you build friendly relationships with other agents:

- Sit next to an agent you do not know at monthly meetings and education sessions.
- After closing a transaction, take the other agent out to lunch and ask what you could have done better. Learn their background and what led them to their career.
- Take an agent with a particular expertise you desire to master out for coffee.
- Participate in the charitable events of the local Realtor board.
- Attend regional or state meetings to build a referral list for any of your clients moving to their community.
- If you have a unique talent or knowledge, volunteer to teach a class to fellow agents.

TV Antenna

It was a typical ranch-style home on Ward Drive, catching the eye of my client. The purchase was uneventful and I cannot recall a single issue until after the sale closed. The listing office was Welcome Realty with two brokers, Dick Raifsnider and Garland Read. I am sure they could tell I was a new agent, but they never said a critical word. Instead, due to their kindness, I looked forward to every opportunity to speak with them. My client called as he was moving in to let me know the TV antenna was missing. At that time, the antenna was real property in the purchase agreement and for a seller to retain it, they would need to exclude the item in the paperwork, which did not happen.

I called Dick to let him know the buyer's concern. He responded with disbelief and told me he would call and resolve the issue immediately. A short time later, a call from him let me know the antenna would reappear on the roof in a few hours. Welcome Realty went out of business in the early 1980s during the recession, ending Dick and Garland's real estate careers.

Some years later I was the seller's agent in a transaction and the buyer's agent let me know this was her first sale. After closing, I brought a card, balloon and a bottle of sparkling cider to her office. I complimented her for the beautiful job. She became a successful agent and for years, reminded me of my courtesy. Treating other agents kindly is a lesson learned years before from agents Dick and Garland. At every opportunity, compliment your fellow agents for exemplary conduct.

Actions to take:

1. Discuss with your clients their preferred method of communication.
2. Face-to-face conversations or by phone are always superior in negotiations. It allows for complex subject discussions and building relationships with fellow agents.



Chapter 6

Do Not Bury Landmines

***"Accuracy is the twin brother of honesty,
inaccuracy of dishonesty."***

—Charles Simmons

The Too Easy On Repair Inspectors

A popular repair contractor was always the low bidder when it came to dry rot repair. Many agents used him because the low cost helped keep their transactions together. It later became known that he overlooked or covered up damage rather than removing and replacing it. Some agents were aware of this practice yet continued to engage his services. This practice is not ethical, and sooner or later, it catches up to you. Eventually, the inspector was sued and one of the conditions he agreed to was to leave the inspection business. The best interests of the client means referring to them the most competent and thorough contractors and service providers.

Agents must also protect non-licensees from accusations of wrongful conduct. A Landmine can be buried just as easily by doing something dishonest as well as failing to do something to protect others.

I used inspections as a time to catch up on paperwork, maintaining a policy of never leaving an inspector alone in a seller's house. While the inspector was setting up, I would assist by turning on the lights, opening blinds, clearing personal property left covering an inner crawl space cover, locating the attic access and clearing a path to the breaker panel if necessary. These actions saved the inspector's time and they appreciated it. Inspectors buy and sell homes too. Consider yourself in a continuous employment interview with

everyone you meet. In every interaction, the other party is forming a judgment of you. This point was made earlier in the book.

The Two “C” Notes

The inspector arrived at a newer home in South Salem to commence his three-hour task. The master bedroom had a double-door entry and what appeared to be an out-of-place tiny bath rug positioned to prevent the doors from closing. I picked the rug up to allow the inspector to check them for proper function. On the floor were two 100-dollar bills. I remember becoming angry as the situation presenting itself was possibly due to one of the following: 1) The seller had hidden money about the home as a matter of practice, 2) It was a test to see if the inspector would take the money or 3) It was an opportunity for the seller to make a false accusation. The rug was an obvious trip hazard in the middle of the foot traffic pattern, leading me to discount number one, fueling my angst toward the situation.

I showed the inspector the currency still on the floor and instructed him to note its presence and to be prepared to find more hidden money. I used my phone to take a picture and sent a text to the listing agent denoting where and how much money was discovered. I followed up with a phone call to the agent and documented it in my transaction file. If I had not done this or left the premises, the seller could have claimed there was \$1,000 dollars, or any amount missing!

When an agent facilitates entry to a non-licensee and then leaves, I believe it is negligent of the agent's duty to protect the party from harm or protect the property from damage. Therefore, never leave a property when you have allowed entry to a non-licensee.

Using The Inspection Time Well

I always looked forward to attending home inspections as I learned something new every time. My favorite was when the inspector removed the breaker panel and gave me the chance to find any issues. Such as checking to see if wires were double lugged on a circuit, a missing punch out that could allow rodent entry, a wrong colored wire or the cover screws pointed on their ends. New codes evolved over the years to require ground-fault interrupters, hurricane clips, increased insulation, garage baluster posts and more. Each inspection became an education session with a combined feel of an Easter egg hunt. The knowledge gained assisted when competing for a listing.

One process seemed to work best for both the inspector and the clients. The typical inspection lasted approximately three hours, suggesting that the buyers arrive at the beginning of the third hour. After opening up the house and assisting in any way possible, I left the inspector to move through the home, not distracted to reduce the chance of missing something. Then I

concentrated on the aspects of the house the buyers may need to gather information for planning their move into the residence. When the buyers arrived, we would tour the home with a notepad and a laser measuring tool to record the measurements the buyers needed. Examples are room sizes, window sill height for dresser or headboard locations, window dimensions, bathroom/kitchen countertop height, refrigerator space dimensions, washer/dryer space, garage dimensions and more. I recommended the buyers take a complete set of pictures to remember the colors, materials and the included appliances. On more than one occasion, the sellers tried the appliance “switcheroo” on my clients but the pictures led to the return of the originals.

The Field Trip Training

As a training broker, my favorite “Landmine Prevention” activity for newer agents was the field trip using the MLS to identify vacant properties for the group to view. I previewed them first to find the defects the group would later attempt to find. These outings became popular with the experienced agents as well. Field trips to a wood stove dealer learning about their features and visiting other home product retailers increased their knowledge to share with their clients. It would help them keep an eye out for potential disruptors to a smooth transaction.

One particular home in Bend on the market we viewed was a flip. The group scattered to find any flaws. Using my tester to check out a kitchen outlet next to the sink indicated the outlet was not GFCI protected, but all the outlets in the home were brand new. The bedroom outlets were tested and were not grounded as well. We all set out to find the breaker panel to discover its location by looking outside where the service drop was, then going to the corresponding interior wall in the kitchen. No breaker panel, but discovered a cheap framed picture. We removed the image to behold in all its glory a Zinsco breaker panel known for its reputation of overheating. The house flipper concealed a known defective product destined to blow up in the middle of a transaction that would cost \$3,000-\$5,000 to replace once the buyer’s inspector made a note of it. A perfect example on the field trip of the rule not to bury a landmine.

One area of investigation the industry needs to elevate to a standard of practice is sewer scoping. An agent should recommend a sewer scope, especially for homes built before the 1980s. The cost of the inspection is a bargain versus a sewer line replacement costing thousands. There are issues with any line that dips more than half the pipe’s diameter. Therefore even a new home could have draining issues. Roots can intrude through the junctions of clay or in cement pipes. The worst type is the Orangeburg Pipe. It is a bituminized fiber pipe made from layers of wood pulp and pitch pressed together. The name comes from Orangeburg, New York, the town in which most of the

Orangeburg Pipe originated. It was a product from the Fiber Conduit Company, which changed its name to the now defunct Orangeburg Manufacturing Company in 1948.

Imagine taking a tar paper roll used in roofing and using it for a sewer pipe. The pipe deteriorates over time, allowing root intrusion and is subject to collapse from the weight of the soil. Using a plumber's snake can damage the pipe walls or imbed itself when encountering turns or junctions. Agents should recommend replacement whenever discovering this foul product.

Landmines Can Be Created With The Words We Use

What jeopardizes transactions most often is not the forms we use as much as the verbiage agents insert in the forms' blanks. Stick to simple, concise, factual sentences when writing purchase agreements and any related documents. Be sure to track conditions through each evolution of documents in the transaction to prevent misinterpretation. Utilize written procedures and checklists to provide consistently excellent service to your clients.

The repair addendum offers a great example of this rule. In 2018, my siblings and I decided to sell a duplex our father left us after his passing. The pre-inspection repairs were in progress, and the buyer had seen both the report and the items included in the contractor's bid when we agreed to terms. The format below will be the buyer request in italics, an explanation and our corresponding response:

#1 Repair the dry rot areas on Unit 1780 balcony and siding.

Explanation: The lack of specific locations of the dry rot leaves room for confusion. The response must remove any doubt between the parties. By tying the location back to the bid and the affirmative action of the buyers to confirm with the contractor, it would prevent a buyer's claim that the dry rot was not addressed.

Response: Repair dry rot areas on Unit 1780 balcony and siding is already in the approved contractor's bid. Buyer to confirm with the contractor. The seller does not authorize any additional expense related to this repair item.

#2 Posts on balcony railings to be properly secured and at the proper height for current code requirements, if not at current code height.

Explanation: The duplex was built in 1980. If we agreed to conform to the "current code" on the railing height, the entire railings would need rebuilding due to code changes over time. Be very careful with the term "code" as it may require an expense far beyond the parties' intention. Instead, focus on the repair.

Response: Posts on balcony railings to be secured.

#3 Replace the water heater in Unit 1760. The buyer will provide a water heater to be installed. Seller, at seller's expense, to have a contractor complete the installation before the close of escrow.

Explanation: This item complicated the repair progress. A buyer's choice of water heater may require a complete redo of the existing plumbing because of the different heights or sizes of the buyer's preferred model.

Response: Seller will pay for the installation of a new water heater provided by the buyer for Unit 1760 so long as no modification costs occur with the water heater chosen by the buyer.

#4 Buyer, at buyer's expense, will remove all trees in the back of the property before closing.

Explanation: Imagine if a tree fell on the property while we still owned it. The trees were just 10 feet from the rear of the structure. I have laughed at too many videos of trees cut then going the wrong way. The wording does not specify a professional tree faller and the buyers would be allowed to do it themselves. This one ranks in my top ten most ridiculous repair items requested I have seen in my career. The buyers can wait to expose themselves to an errant tree intersecting with the roof of their newly owned duplex.

Response: The buyer will not remove trees in the back of the property before closing.

Points:

- Refer to a bid or inspection instead of rewriting the wording yourself on the repair addendum because you may change its meaning.
- Remember to concentrate on the specific language you use to eliminate any confusion or misinterpretation.

Do Not Drop The Ball

In the November 9, 2014 football game between the University of Oregon and the University of Utah. A pass play appeared to result in a Ute touch-down, putting the team up by two scores. The line judge did not signal a TD as the ball sat on the turf. An Oregon defender picked up the ball and ran the entire length of the field to tie the score for Oregon. The Ute player arrogantly dropped the ball before crossing the goal line, preparing for his celebration. He and two teammates continued to celebrate as the ball went the other way.

This event is an excellent metaphor for agents dropping the ball before the goal line. So far we have learned about the initial interview, preparing our clients for the marketplace, executing a purchase agreement then electronically sending it off into cyberspace. If your effort ended there without making

sure the other agent receives the paperwork, you could risk an embarrassing fumble for your clients.

Points:

- When scanning, make sure all the pages of documents are there and squarely oriented before forwarding.
- Contact the other agent and confirm all the documents have arrived.
- Go over the paperwork in person or over the phone and answer any questions.
- Share buyer authorized communication as to their qualification to purchase the property.
- Provide all your contact information.
- Consider drawing up a “How I work with another agent” sheet, outlining a commitment to prompt return of calls, emails, texts, and attention to timely paperwork execution.

Why do this? The better you get to know your fellow agents and develop a reputation for pulling your weight in all transactions, the more success will come your way.

How You Work With Others Can Pay Dividends

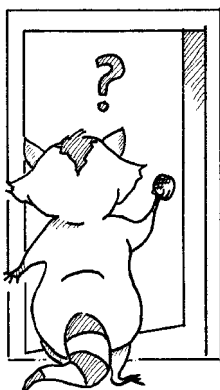
Years ago, the listing agent called to give the good news that the sellers accepted my client’s offer. He said it was a close call with a competing purchase agreement. The decision, he said, turned on my reputation of only working with thoroughly qualified clients and transactions with me were commonly known to be trouble-free. Building your reputation over the years is a win for you and your clients.

Visiting competing offices when dealing with one of their agents also builds your reputation as you get to know the support staff or team. Many tasks are more manageable when they realize you are friendly and courteous.

Actions to take:

1. Never leave the premises if you let a non-licensee into a property unless granted permission to do so.
2. Respond promptly to fellow agents and clients even if it is to let them know you received the communication and will get back to them when you are free to do so.
3. Reference back to inspections or other documents rather than risk misinterpretation by rewriting the text in an addendum.
4. Carefully construct your text on documents eliminating misinterpretation.

5. Carry your end of every transaction.
6. Refrain from Being a Filter – Supply the contact information for the client to communicate directly with the expert when possible.
7. Be the Source of the Source, Not the Source.
8. Protect others with your presence to prevent accusations of wrongful conduct.



Chapter 7

Preview on Purpose

***“Seeing much, suffering much, and studying much,
are the three pillars of learning.”***

—Benjamin Disraeli

There are benefits to investing your time to preview properties for your buyer clients. First, you become more aware of the market and values at any particular time. Second, the main objective is to eliminate choices based on the clients’ criteria in the initial interview or subsequent appointments. The result is to save your clients time or to be prepared to ensure their safety. It may also avoid your embarrassment from opening a door as you tell the buyers it is to the garage when it is a closet. I know this from experience! Lastly, viewing the property improves your knowledge as new products, features, and building practices are adopted.

When I was a college student, home for a visit sitting on the couch in our living room, agent Landon Daniel came by to preview our family home. A deck was off the second-story living room, and the open curtains covered the doorknob. Without previewing, he might have missed it. Landon would become one of the most respected managing brokers in town and the lesson of the need to preview stayed with me.

The Hardcore Omnivore

It was summertime in the late 70s. I was in my three-piece double-knit suit enduring an owner-led tour of his daylight basement home on Boice

Street. I knew the owner would triple the time I usually would take, pointing out features like: “Here is the basement.” or “Here is the garage.” As we passed through his lower level, I perceived a needle poking-like sensation moving up my leg. I looked down and froze, trying to comprehend what I was seeing with the sharp teeth exposed with it’s grin and the claws climbing ever higher to a portion of my anatomy I consider quite valuable. The owner, sensing I had stopped, turned around and said, “Don’t worry, that is just a pet.” I blurted out my frustration with my inability to remedy my predicament, “That doesn’t change the fact there is a raccoon on my leg!” He came over and removed the creature with the pointy claws that managed to leave my pants snagged and ruined. When I returned with my informed clients a few days later, dressed in jeans and prepared to shield the buyers from the “wildlife adventure of the extremities” with a broom, there was no masked bandit. Unfortunately, the folks were so focused on an appearance from the pet that the home received very little of their attention. At least I performed my duty by warning my clients ahead of time.

The experience taught the need for counseling sellers to remove or secure their pets and reconsider my wardrobe choices.

Follow The Client’s Direction

The wife of one couple told me of her adherence to Fung Shui. Her only requirement was that the head of her bed could not orient to the North. So, I downloaded the Compass App on my phone and proceeded to tour all the potential choices, eliminating the homes with master bedrooms with a “head-board” heading between 315 degrees NW and 45 degrees NE. I felt like I was back in the boy scouts. Previewing was a huge timesaver for clients and fun for me.

The Horrifying Find

Long before cell phones, the MLS data looked promising for a vacant home on Market Street. I entered the two-bedroom home with a basement. The power was off and without a flashlight, there was sufficient daylight on the main level. The basement windows obscured all but the faintest of light. I could see what I took for a canning/pantry in the far corner. As I slowly opened the door of the pantry, a body of ashy tone was lying prone on the ground. It instantly made my hair stand on end and I fled the home racing back to the office. My father was there and after informing me of my duty to report my find, we headed back to the left-unlocked home with flashlights.

I allowed my father to go first as one hair-raising experience was enough for me. As he peered through the open pantry, he turned with a look of disgust at me as the flashlight beam revealed a dummy lying on the floor. Someone

must have left it as a gag for an unsuspecting agent in an otherwise vacant home. John's "dead body" resulted in much ribbing from the other agents in the office.

Always carry a flashlight when previewing a home. Consult the "kit" in this chapter for tools that agents should carry with them in their vehicles.

Measure Up The Situation

My buyer client had a vintage car unable to fit within a standard 20-foot deep garage. At the time, the MLS did not have a space for garage measurements, thus requiring my visit to dozens of homes solely to measure the garage's depth. I was successful in advocating for the additional data feature in MLS.

A good seller's agent will measure all rooms, garage, garage door height/width, outbuilding depth/width, door height/width, RV pad width/depth/overhang height. A stellar agent will measure the refrigerator space height/width/depth if no refrigerator is present. Supply the list on an additional document in the MLS.

Dismissed From The Buyer's List

Investing your time viewing property builds your knowledge to protect clients from making a purchasing error. For example, when previewing new construction, I toured a home with a host of problems such as black hand railing secured with silver galvanized screws, kitchen cabinets that were not plumb to the wall and roofing shingles installed with too much reveal. It was the worst I had ever seen as this new home would require thousands of dollars to remedy the errors. The buyers wisely decided they did not need to view the home. Previewing helps clients to avoid faulty properties.

Drive About A Different Route

When you have some spare time, go for a drive down unfamiliar roads, tour neighborhoods, then stop and preview if you encounter any vacant listed home. Make a regular habit of driving through unfamiliar areas and neighborhoods. You may come across brand new listings, stop and chat with neighbors or a for sale by owner, discover a new way to travel, and appear more confident showing property when you know the community.

Clockwise

If at all possible, plan showing and errand driving routes in a clockwise direction. One of the more dangerous maneuvers in driving is the left turn. Right turns at intersections can be made against a red light. Going clockwise reduces left turns and increases right turns, thus increasing your safety and

saving time. Time is money in your pocket. In 2017, keeping left-hand turns to a minimum, UPS saved 10 million gallons of fuel while avoiding the emission of 20,000 tons of carbon dioxide and delivered 350,000 more packages that year.

Spot On

I paid particular attention when setting up the showing tour route using the clockwise rule. Considering the client's personality type, I would estimate the time we would spend inside the home plus the commute in between. Usually, if we remained in the same part of town, 15 to 20 minutes per home would suffice. On one memorable occasion, I called each seller, leaving a message on their answering machine of my name and our anticipated arrival time. With the clients and myself walking up to the final of the several homes we saw that day and fumbling with the key box, the phone rang inside. I heard my voice and quickly perceived the owner was calling to check the answering machine and was listening to the message I left some hours before. Without my clients noticing, I quickly checked my watch and thought this was perfect. I pretended to have difficulty with the lock until just before the recording would broadcast our arrival's estimated time. Then, with a flourish, I swung the front door open while bringing my arm, sweeping up to check my watch. As the machine broadcast my voice conveying the time estimate, I said: "Darn, 22 seconds off." The clients erupted in laughter.

You can have fun with your clients. Respect their time by carefully planning the showing route. Be sure to call the homeowner if you are running late or unable to make the showing appointment.

Neglecting this advice will occasionally earn an angry call from a seller or agent and reflect poorly on you and our profession.

The "Kit"

With all the varied experiences in the field, my real estate career prompted an accumulation of tools and gadgets to meet an unknown emergency. What follows is the "kit" I carry to meet any unanticipated situation.

- **Five Gallon Bucket:** Upended, it makes a chair or seat if you need to mount tire chains. It holds most of the kit items.
- **Water Key:** One of my most utilized tools. It turns the water on for an inspection when the listing agent neglects to call the utility company on a vacant or winterized home (do you sense a pet peeve?). You should be able to shut off water quickly when encountering a leak. Of course, it's best to have someone else inside and turn on the water slightly so any open faucets can be closed before thoroughly energizing.

- **Laser Measuring Tool:** Set yourself apart by measuring the dimensions of all rooms, garages, and outbuildings.
- **A Small Level:** It is excellent to check countertops, floors, and door-frames to see how true they are. Especially useful in new construction.
- **Garbage Bags:** For garbage. Also great for placing on the ground to keep pants from getting dirty or wet.
- **Outlet or Circuit Tester:** This tool checks outlets for proper grounding and wiring and tests GFCI outlets for quick shut-off.
- **Small Pair of Binoculars:** Examining the roof condition and the mortar on brick or block chimneys or identifying bird species to clients' delight.
- **Small Tool Kit:** Be able to tighten door knobs, outlet and switch plate covers (line up the screw heads either horizontal or vertical and see the difference it makes in the presentation!), and toilet seats. Measure refrigerator openings, window sill height, countertop height, and more.
- **Spray Lubricant (WD40 or Silicone):** Eliminate squeaking door hinges, garage doors, lubricate locks for better operation. Lubricate the lock-box hasp, and it works to open a frozen lockbox, to name a few.
- **New Roll of Toilet Paper:** Obvious.
- **Roll of Paper Towels And Clean Rags:** Be able to clean up small messes, muddy footprints, etc.
- **Quality Flashlight, Extra Batteries:** You will be able to distinguish between a dummy and a dead body, among other uses. Better than relying on a cell phone.
- **Leather or Rubberized Gloves:** Putting on chains, picking up disgusting items, and more.
- **Whisk Broom, Dust Pan:** Clean small messes.
- **Small Sponge, Spray Cleaner:** Clean counters and mirrors for an open house, etc.
- **Gorilla Tape/Duct Tape:** When you need to keep something together. Too bad it does not work on transactions.
- **First Aid Kit:** Obvious.
- **Combination Key Boxes:** I used them hundreds of times for convenient contractor entry during the repair phase, especially vacant houses.
- **Mirror on Telescoping Handle:** Be able to view EPA plate in hard to see places on the wood stove, check how clean the surface is above cabinet boxes (they rarely are), inspect the bottom of the lower courses of siding for proper paint coverage, view the tops of pillars to make sure there are no openings for birds or insects. Confirm no lunch salad caught in your teeth.

- **Emergency Items:** Hand Warmers, Bottled Water, Snacks, Reflective Vest, Road Flares, hand sanitizer, blanket.

What else would you add?

Action to take:

1. Previewing will increase your knowledge and competence on many levels.



Chapter 8

Show But Not Sell

***“In about the same degree as you are helpful,
you will be happy.”***

—Karl Reiland

An agent shared how she worked with her buyers. After the initial interview, she previewed all the available houses meeting the buyer’s criteria to narrow the list to the top three to five choices. When showing the list to her clients, she made it clear of the expectation that they would buy one on the list. An expert at pressuring her clients, she had impressive sales numbers illustrating her success, for a while anyway. We must remind ourselves of our role as a servant and not a master. If we perform our proper agency role, the home should sell itself.

One of the methods I adopted to remember the details of previewed or shown homes was to name the structure after a unique feature or quality. This memory clue helped me remind the clients of its details and prevent confusion by attributing an element to the wrong home. The best idea was to keep track of the top three choices and discard all others. Then, by reminding them of how each of the three compared to their ideal home, they could decide which home best fit their needs.

Close ‘Em

A very aggressive agent in town placed his home on the market for sale as he decided to change careers and go into the ministry (heaven help us).

Rumor was he was about to lose his license. The house possessed the features my clients desired, so I made an appointment to preview. Of course, the seller was awaiting my arrival to provide the dreaded “owner-led tour” lasting over 30 minutes. He schooled me on the exact route to show the home weaving from the living room, den, etc. while pointing out all the special features, including the custom pet door! But the topper was the finish of the tour route. They had added a master bedroom suite on the second level of the former ranch house with a wide stairway opening up to the room. As we slowly climbed the stairs, his excitement was elevating as we entered the expansive love nest. Then he turned to me and said, “Here is where you close them!” “Come again?” I responded. He told me to close the buyers in the master bedroom and I let him know I understood. Unfortunately, the home met the criteria my clients were seeking, so I booked the showing appointment. The seller violated the rule of showing courtesy and was there to witness my conformance to his scripted path around the residence. I followed it to the letter and glanced over to see him with a wide grin, but he wisely left us alone as we climbed up the stairs. I could tell by this time that my clients were not interested in the home. Standing in the large master bedroom, I leaned over to them and whispered, this is where I am supposed to “close you.” The clients started chuckling as I continued, let’s get out of here.

Sometimes, embarrassment comes with the territory.

It was a cold rainy fall day, as my buyers and I met the seller’s agent, who was required to be present at the property and let us in. The sellers had a dog and the agent informed us to be careful of our footing in the backyard. The home was not what the buyers were looking for, so we headed back to the car. As I drove away and turned the heater on, the car warmed up. A strong dog poop odor became apparent. I asked the folks to check their shoes and they responded they were clear. I looked down at the brake and accelerator pedals to see them covered with excrement. I pulled over to retrieve paper towels from the trunk. In the cold rain with my knees on the wet pavement, I bent under the dash to clean the pedals so we could proceed to the next home in a palatable atmosphere. After closing the house, the seller’s agent came driving by, and I could see her laughing at the sight of me on my knees in the rain with my car door open. The word got around that I would go to any length, including praying on my knees with my clients in the car to make a sale. This event led me to add the garbage bags to the items in my “kit.”

Stick to Them Like Glue

When your seller’s home goes pending, be sure to fill up their time finding their next home. When your out of town buyers are in town, keep them close by, looking at all available property that fits their criteria.

In July 1977, I was previewing possible rental investments for a client. A listing on Summer Street with two homes on one lot came on the market and I drove out to inspect the property. The yard was not fenced and as I walked behind the rear house to check out the exterior condition, I heard a voice asking what I was doing. I turned and saw a woman standing on her back porch and realized I had unknowingly walked into the backyard of her home facing the opposite street.

I immediately apologized and identified myself, then let her know I was previewing for a client. She told me they were thinking about selling their home. She asked me to come over and talk to her and her husband about it. I wondered if walking unannounced into backyards would become my standard prospecting tool. I made an appointment to come to their home later the same evening. The following day, I returned to the office with the executed listing contract for the three-bedroom home with a basement for \$26,950.

A few weeks later, I received a call from another agent saying she had written an offer on the home. I told her that was great and asked her to bring it to my office. She let me know she was calling from a phone booth around the corner with her buyers and that my sellers were home. I immediately drove to the seller's home and the agent with her buyers were standing in the front yard. As I walked into the home to meet the sellers, she handed me the purchase agreement.

It was a meager offer of \$26,500 and I did not know if we would be able to bridge the vast chasm of \$450. After considerable discussion, we countered at \$26,750 by crossing out the original offering price, writing in the new price, then having the sellers initial it on the one-page form. The screen door was missing the hydraulic arm, so it slammed when I went outside to hand the document to the buyer's agent and again when I returned. A few minutes later, the slamming screen gave notice the agent was returning. She let us know the buyers accepted the price if the portable wet bar in the basement was included.

The wife threw her hands up to her face and exclaimed, "it was an anniversary gift to her husband! We crossed it off, and two-screen slams later, I was back at the table awaiting another bang as I developed a headache in this spectacle. TEN times, we would go back and forth before coming to terms, a career record. The purchase agreement covered in cross-outs and initials needed my translation to the escrow officer.

I had a date to go clam digging at the Oregon coast the next day, but let the sellers know I could cancel if they wanted to look for their new home. They said they were OK with waiting until the following week, so I went off to the tidal flats. It turned out to be an expensive date. The other agent called my sellers, took them out and sold them a home that weekend.

I remember taking the issue to “court.” The judge was my broker father listening to me complaining about how unfair it was. His unchanging expression told me I was about to learn a valuable lesson, “When your clients have money in their jeans, you better stick to them like glue.”

I recall putting this bit of wisdom into practice in many forms. A prospective buyer from California called one day. He said he and his wife would be coming to Salem in a few weeks to view homes in preparation for a move there. He disclosed he would use me and another agent to show them properties, one on Saturday and the other agent on Sunday. I immediately asked for Saturday and we made an appointment first thing in the morning. The appointed day included a full schedule of a city tour, 15 homes viewed, lunch in the car on the go, information on schools, civic organizations and more. It was early evening when I dropped the exhausted buyers off at their hotel. It was mid-day Sunday when they contacted me to let me know they would like to continue to work with me. When they met with the other agent, they said I had already shown them all the homes on his list and covered all the aspects of our community he planned to cover. Going first with a comprehensive plan of service to the client helped them develop loyalty to me..

Safely Show But Not Sell

One of the benefits of the initial interview is to build a trusting relationship from a safe location such as your office or other public space. However, there will be times when you will be asked to show a property or perform a task with an unfamiliar potential client. An agent must be vigilant to maintain an awareness mindset to avoid placing oneself in a dangerous situation. Here is a list of strategies to review and adopt when dealing with strangers:

- Somebody knows where you are and the time of your expected return.
- Provide a list of the properties being shown and who you are meeting. Maybe your office staff will perform the function of monitoring your appointment.
- If possible, meet a new prospect at your office to obtain their identification, vehicle description and license number.
- A legitimate prospect should not object to you sharing your office’s “required safety procedures.” If the potential client refuses, you may have saved yourself from a dangerous situation.
- Have a pre-planned word or phrase to share with the office alerting them to call the police but not alert the client. Let’s say the word is “Roberts.” If in trouble, a call to the office could be “I forgot to tell Sally to open escrow on the Roberts file.”
- Pay attention to the hair on the back of your neck. Nature has provided us with built-in danger warning mechanisms. Do not ignore

these signals that something is not right and be willing to back away immediately.

- Avoid glamour photos in marketing material.
- Most assaults begin with the perpetrator selecting a victim based on the agent's looks or lack of awareness. These types of photos increase the chance of being a target.
- Take someone with you when meeting an unknown client.
- If the location is remote or vacant, or there is no cell service, a colleague or a partner can better assure a safe interaction.
- Arrive at the location ahead of time.
- Make sure you park in a way no one can block you. Open the home, know where all the exits are and have them unlocked. Pre-plan and visualize how you will show the house. Never have the client between you and the escape routes.
- Always have your head about you. Perpetrators look for opportunities when the potential victim is not paying attention.
- Take the National Association of Realtors safety class.

If things go wrong and you are attacked here are some strategies:

- Fight, scream and run for the exit you previously identified. Wear your running shoes.
- Attack vulnerable body parts such as the groin or push your fingers into the eye sockets..
- If you are proficient and practice regularly, carry a weapon or pepper spray where allowed. However, often weapons are turned and used against you.
- Carry a whistle.
- Do not allow yourself to be forced into their vehicle, it will not end well.

Actions to take:

1. Stick to them like glue.
2. Always go first.
3. Be self-aware at all times.



Chapter 9

When We Love to Love

“Love makes one fit for any work.”

—Unknown

There are excellent resources regarding your relationship with your partner. Why is this important? If there is no unified home team, it will negatively impact your attitude and the service you provide.

In the spring of 1986, I was on a date with a new acquaintance driving in downtown Salem. The rain had just lifted with a promise of more of the same. My 1977 Chevy Camaro was famous with my insurance agent because it was hit four times in the prior year while parked, and every perpetrator neglected to leave a note. After the last gift from a stranger severely damaged the passenger rear quarter panel, I decided not to repair it as I had done the three times prior. The cost of repair was equal to the deductible. My frustration was the subject of many conversations with my girlfriend as we got to know each other. Driving in the left lane on a one-way street with the car on my right a car length ahead. For an unknown reason, the driver made a left turn across my front, forcing me to crank my wheel hard left. Our two cars came sliding to a stop with the screeching sound of grinding metal. I turned to my girlfriend and asked if she was OK. Her response was so profound, “You are feeling pretty good about yourself, aren’t you?” As I got out and surveyed the damage to the entire length of the passenger side, I realized that I saved the cost of the previous damage repair because the other driver’s insurance would now pay for it.

In the few times we had been together, her intuition figured out what I was thinking.

Now, 35 years later, sometimes I feel she knows me better than I know myself. Every relationship takes work with a commitment to each other and the recognition that it is an ever-evolving collaboration.

Your Family

Success in doing our job well begins at home. Always place your family first by scheduling anniversaries, birthdays, kids' events and games as appointments. Then schedule business appointments around your family. Real estate is a profession but for too many agents, it is their life. My father told me clients do not understand personal events or obligations when it comes to their housing needs. Clients do appreciate you working with multiple parties at the same time. Consider family as a client for scheduling purposes to balance a successful career and happy homelife.

My wife's career required our workdays to adjust every three months when her shift changed. I obtained our kids' sports schedules, recitals, concerts, birthdays, promotion ceremonies, anniversaries and blocked them out on my calendar. Sometimes I returned to the office after a game, but felt that attending demonstrated my support. Technology has advanced to allow more flexibility to accomplish business tasks while with family.

After learning of the terminal cancer diagnosis in 1991 that would claim my mother before her 61st birthday, she was asked if she wanted to go to Europe or some special trip in the few weeks she had left. She said that she was satisfied because all her children were well. I read in a Dear Abby column, a parent holds the kite string of their child and slowly lets out the line as the kite goes higher into the heavens until the parent lets go of the line for the child to fly on their own. Now thirty years later, I know the meaning of what my mom was saying. Her children were launched and what remained was her unconditional love for the four of us.

It is no longer our pursuit of things but the act of giving our love away and letting our successors go to live their own lives. My parents are still alive in my memory and their example is guiding me to love my children and their families unconditionally who now are all successfully launched themselves.

Time With More Meaning

What if, after your last breath, you must watch your life's video for eternity over and over again?

What would be your favorite parts or the worst scenes? Looking back, would you spend your precious time differently to improve the show? I do not recall depositing a paycheck very often, though it happened hundreds of

times. Instead, most of my memories are of family or the lives of the many clients that I encountered.

It is never too late to blaze a new path toward meaningful memories.

Here are some fantastic books to keep love alive:

“Man’s Guide to Women” by Dr. John Gottman Ph.D. and Dr. Julia Gottman. When you order the book, it comes with “Woman’s Guide to Men,” a three-page pamphlet (I am joking here, but sorry, guys, it’s the truth.) The “Love Lab” research is fascinating and enlightening. Some of the findings of interest:

- The indicator for a longer life for men is being married, happily or not.
- For women, it is the strength and support of their female friendships.
- Of particular interest to me and hard for me to do is to listen and “hear” what my wife is saying and not go into a solving mode.
- There is a treasure trove of insights, research and findings leading you to look at your partner in a whole new way.

“The 5 Love Languages” by Gary Chapman was an eye-opener for me. We fall into the trap of assuming our partner has the same “language” as ourselves, leading to a challenging relationship when they are not the same. The premise is, we respond most favorably to one or a combination of the following:

- Words of Affirmation
- Quality Time
- Gifts
- Acts of Service
- Physical Touch

When you discover your partner’s love language and speak to them that way, the results are endearing! For example, my language is words of affirmation and to a lesser extent, physical touch. Thus, if my wife gives me a gift, while appreciated, it will not be as welcome as if she walked up and took my hand or praised me for a home project. Conversely, if I compliment her on how she looks because I assume her language is also words of affirmation, it misses the mark because I learned hers is quality time.

“Rock Solid Relationship: Seven Keys to Restore Your Connection & Make Your Love Last.” by Norene Gonsiewski, and Timothy Higdon. A great book to learn how to mirror, listen and respect your partner. Understanding

that most relationships are between partners who have more differences than commonalities, it suggests a dialog to use in dispute resolution. The dialog of mirroring and empathy would work well with clients as well. There is a list of other resources to read concerning each of the seven keys in the back.

In 2017, Admiral William McRaven followed up with his viral commencement speech by writing, “Make Your Bed.” He advocates starting the day with accomplishing the task of making the bed once you rise. I made a habit of doing so and one day, my wife mentioned how she appreciated it. I know she is thinking of me every time she brings home bananas. They are on the green side, just the way I like them. We can express affection by serving the needs of our partners without the expectation of anything in return. It is up to you to find the ways.

A great book to read as motivation is “Top Five Regrets of Dying” by Bronnie Ware. The top five regrets are:

1. I wish I had the courage to live a life true to myself, not the life others expected of me.
2. I wish I hadn’t worked so hard.
3. I wish I had the courage to express my feelings.
4. I wish I had stayed in touch with my friends.
5. I wish I had let myself be happier.

The author saw a typical pattern in the dying patients in her care. She would get to know each one over the remaining weeks of their lives, leading her to appreciate life differently.

A Few Ideas:

- Download the Gottman Card APP, and instead of looking at your phones during dinner, ask each other the questions from the deck. It will prompt some great conversations and intimacy. (In-To-Me-See).
- Schedule a romantic date night or resort stay.
- Give a foot rub or back rub.
- Share a nice walk.
- Give a 60-second hug.

Maybe you have been noticing a theme in the stories in this book. Could it be that meaning is living in the journey?

The Impact Of Mentors In Our Lives

I received a thank-you card in the mail from a satisfied client. Inside the card was a check made out to me for \$100. It was a tip for my service, the only

one I ever received. I took it to my father as I was all tied up with what I had been told about only being compensated from your firm. As he watched my dithering about ripping up the check or returning it, his pursed lips and stare was ready to pounce as soon as I stopped chasing my tail around the issue. Exasperated, I asked him what I should do and his forceful response, "SPEND IT!" caught me off guard. From the 25 years I worked with him, I learned to graciously accept the thanks of others to allow them their satisfaction in giving.

Your Health

Your body is a magnificent machine. If fueled properly and exercised, dividends will pay off handsomely. Less time sick, feeling better, and hanging out with like-minded athletes is suitable for growing your sphere. Walks listening to podcasts accomplish increased knowledge and fitness. You think better, which is critical to resolving difficult situations and negotiations.

Exercise is an 8-in-1 Activity:

1. Increases your energy.
2. Helps to fight illness.
3. Improves your mood.
4. Studies show it helps prevent arthritis, anxiety, some forms of cancer, depression, Type 2 diabetes, falls, high blood pressure, metabolic syndrome and stroke.
5. Improves cognitive function.
6. Better sleep.
7. Weight control.
8. It can be fun and a way to socially interact.

The Department of Health and Human Services recommends 150 minutes per week of moderate aerobic exercise. This exercise includes walking, running, swimming and spinning. Add a little strength training to the mix as well. Get to know others with similar interests in running or walking clubs, hiking meetups, spinning class, water aerobics, to name a few.

I trained to run a trail half-marathon on a winding dirt path through the woods. It was uphill going out and downhill back, guaranteeing punishment for my quads. In the last half of the race, you usually have runners maintaining a similar pace and this race was no different. A woman half my age would pass, then I would pass her back. This exchange went on for the last five miles until the end, when she pulled ahead. All that remained was an incline taking us out of the ravine and to the finish line above. I saw her step off the path to walk, so I committed to continue running up the hill and finished just ahead of her. After recovering a bit, I went over to congratulate her, and she returned the compliment. As we continued to converse, I noted her shoes, recognizing

them as typical to ultra-runners. After my query, she shared that the race was a training run for a much longer race in a few weeks. While my legs were tightening and promising two days of limping on sore muscles after expending all my energy, she could have gone out and jogged the course again! Did I beat her? No, I did not. Running is competing with yourself. How you prepare, how you fuel your body, how you feel on race day. You cannot control elements, such as the weather, temperature, and course conditions.

It is a lot like selling real estate.

Some agents can claim they finish ahead of others by dollar volume or the number of sales they close. Clients do not care about that. They care about the service they received from you. Each of us has our race to run in real estate, and how you train your mind, fuel and exercise your body, the attitude you have each day, and your ability to overcome issues beyond your control is up to you.

Run your race and run it well. Exercise will help you accomplish it.

Think Of Others

If you are sick or life events prevent you from smiling at the world around you, stay home. Chances are, you will do more harm to others and yourself.

The CDC recommends staying home for 24 hours after a temperature of over 100 degrees is gone. Not everyone with the flu will have a fever. Individuals with suspected or confirmed flu, who do not have a fever, should stay home from work for at least four to five days after the onset of symptoms. Persons with the flu are most contagious during the first three days of their illness.

COVID-19 has placed an exclamation point on this practice with a quarantine to prevent further transmission.

Identify an agent in your office who you both agree to cover for each other when sick, have a scheduling conflict, or are on vacation.

Actions to take:

1. Love for others makes the world go round. Practice frequently.



Your legacy is the dividends from the investment of time with the ones you love



Chapter 10

Never Stop Learning

"I never let my schooling interfere with my education."

—Mark Twain

Education helps to improve your craft. Learning what interests your clients enables you to become a more rounded citizen. Take advantage of education opportunities by obtaining Realtor designations. Not only does it improve your service, but it also provides notice to potential clients that you will serve them well.

What Does It Take?

There is no research study or personality trait that will guarantee success as a real estate agent. While interviewing a new agent for our firm, I thought he was a natural but he failed, while another lacking much personality thrived. The following list will increase your chances of success.

- Develop a habit of starting early with your day planned, following a system to use time wisely.
- Learn to use all forms by practicing and understanding the rationale behind their development.
- Learn and conform your conduct to company policies and the Realtor Code of Ethics.
- There are excellent designations to work on earning. With technology, many classes are online to complete at a time convenient to your schedule. I believe the following are the best for a residential agent:

Certified Residential Agent (CRS), Graduate Realtor Institute (GRI), Accredited Buyer Representative (ABR).

- Set up a system to regularly contact all persons who know you, who like you and trust you. Studies show two-thirds of your business will come from those you know or the folks they know. Your office may provide tools for this.
- Shadow experienced agents and learn tips of wisdom.
- Keep informed on market activity in your area such as interest rates, school data, etc., and readily share the information with those you meet. Track your city and county government agendas on how issues may affect your clients.
- Keep current on your market activity. Sign up for automatic reports from appraisal firms, the state economic forecasts and national economists.
- Know your company history, policies and how much discretion your office provides you.
- Assemble a team of competent lenders, inspectors, appraisers, title companies, contractors, property management companies, attorneys, CPAs and builders.
- The National Association of Realtors has an ample amount of auto-send reports you can sign up to receive.
- Learn to read people. Michelle was a brand-new agent who recently moved from the East Coast with few local contacts. She asked for my presence at an appointment with one of her first buyer prospects. The man turned out to have an arrogant and objectionable demeanor. I was not sure if Michelle could handle the client. After he left, I asked, "What do you think of this man?" She retorted, "He's a d**k!" I laughed so hard and instantly knew she would do just fine. She has become an excellent agent with her care and empathy for her clients. I gave her a gift of some socks that had the phrase she exclaimed on them. She said she wears them whenever she is in no mood to put up with nonsense.
- Adopt all the great ideas in this book and avoid the failures endured by the author!

Which office should you affiliate your license with?

The decision of which office to join is probably the most critical choice for your professional survival. In the olden days, the saying was: "Here's your desk, here's your phone, here's your chair, you are on your own."

Do not settle for an office with a lack of support. Consider these points:

- The principal broker and owner must be honest and exhibit an interest in your success. Speak with other agents in the office, search the

internet for reviews or articles, ask what service groups and charity organizations they support.

- The office core values must match your values.
- Do they have training? Is any other support provided?
- Is there a mentor assigned or available to help in your learning?

There are advantages of a firm also providing property management. They work with institutional owners like banks and foreclosures and they oversee repairs. Gain an edge by learning the everyday tasks they perform, adding to your knowledge:

- Study the Landlord-Tenant Law. Knowing the responsibilities and the requirements will keep you and your clients out of hot water.
- Know the EPA Lead Paint Rule to prevent ordering repairs or renovations from unlicensed contractors.
- Become familiar with the order of repairs. For example, finish interior painting before installing new carpet.
- Use their list of reliable contractors the firm is vigilantly maintaining.

Respecting Client's Concerns

I am very fortunate, as so many of life's real estate lessons occurred early in my career including the negotiations. The buyer had narrowed his choice to a three-bedroom rancher in South Salem at an offer of just under \$50,000. The seller countered the proposal at \$1,000 more than the buyer offered. I got my amortization book with tables with an array of the loan balances, interest rates and term length to determine the total payment of the principal and interest. I thought it would be a cinch as my client's payment difference would be just five dollars per month. I have never forgotten his response, "John, but I am already paying \$500 worth of fives." A very insightful observation that made me pause to realize as each additional five dollars becomes on the margin, more challenging to afford. In my mind, it was just five bucks, but to my client, it was on top of \$500 more. From then on, I came to respect a client's hesitancy to an uncomfortable commitment level.

In Robert Kiyosaki's book, *Why the Rich Get Richer*, my client's retort became more profound when reading the quote: "The Poor buy stuff, the Middle-Class buys debt and the Rich buy assets." Our industry has been guilty of the practice of encouraging our clients to buy as much home as they can, leaving them with an enormous burden from their principal residence on their budget. Instead, we should counsel being more conservative on the principal home purchase to allow for investments bringing in passive income. This will be covered in Chapter 11.

Respecting Others' Time

One of my first clients was a couple from overseas who moved to Salem to teach at Willamette University. I committed to performing an outstanding job for them. Before their arrival, I previewed close to 50 homes because of their lack of specifics required in a home. Over several days, we toured dozens more before they settled on a house on Park Avenue. On the warm July afternoon, I asked if they wished to write an offer. They said they wanted to think about it and agreed to take my follow-up call later that evening. I called about 7 PM to inquire if they wished to proceed. I have never forgotten his response. John, we have been looking with another agent and we bought a home tonight. The next day when I entered the office and saw my mother, I broke down and cried. How could someone be so insensitive to waste so much of my time when I had invested 100% effort?

This bitter lesson led me to vow to be cognizant of other people's time. I rarely obtain two or more contractor bids for work in practice because I do not desire to waste their time. Instead, I developed strong relationships with honest, high-quality contractors who in turn give my jobs priority status. I trusted them to provide a fair price and I do not expect a discount. When a client asked me to arrange work needing to be performed within the timelines of a transaction, the quality of my contractors worked well. Additionally, I have worked with many contractors who did their real estate business with me and they never ask me to discount my services.

This Park Avenue experience was one of several stories I would share with the new agents in the ethics class. I pointed out the need to not spend so much time working that you neglect your significant others because they will help overcome your disappointments and share your successes.

Ironically, about 25 years later, after sharing this story with the class, a woman I failed to recognize came up to speak with me afterward. It was the woman from that story and she now had a license. She said that she and her husband did not forget how bad they felt after the phone call with me. Like many others over the years, she did not last long in the profession. Occasionally, when in Salem, I drive by the Park Avenue home to remind myself of the disappointment that turned into a valuable lesson and to say after more than 45 years, "I'm still here."

Kill Them With Kindness

I recall my mother speaking with a client she had spent many hours showing homes to who just purchased through another agent. She offered her sincere congratulations. Most agents would express displeasure and let the client off the hook of their guilty feelings. Instead, the clients referred business to her for years afterward. In being happy for others, we remain in an abundant mindset. Always Treat Others with Kindness.

In April 2021, my wife and I applied to refinance one of our loans on a rental home. The interest rate for investment home loans had shot up to 4.625% the month before when the U.S. Treasury issued an order to Fannie Mae and Freddie Mac to limit such loans to 7% of all the loans they would guarantee.

I spent the better part of two full days sending in the required information and asking our CPA, insurance agents, and property managers for reports to provide a loan underwriter the ability to approve the new loan. After a month of waiting, the lending company owner called to apologize that our file was too big and time consuming for the staff to process and she had not caught our file earlier to let us know. I am sure she was expecting a very angry response but she did not get one. I remember my mother always responding to disappointments with kindness. Besides, as an experienced agent I would be a hypocrite to treat a lender badly after one of the rules in this book is to treat our transaction partners with respect and to never burn bridges in relationships.

We inquired in September to see if the lender had time to work on our file again and perform two refinances. They were willing. At about the same time the U.S. Treasury rescinded their limitation order of March 2021 so the two loans were now locked at 3.625%, a full point less than what we would be paying now if they did follow through last May!

Imagine you are an octopus with as many tentacles as relationships. Every time you burn bridges in a relationship, it is like chopping off a tentacle not only from that individual but also from other people they know. In this particular case, a 1% lower rate means a savings of \$66,294 on the loans over 30 years. The 3.625% rate is less than the 5% inflation rate at the time of this writing, making the loaned money a 1.375% income stream. The dollars we will pay back the loans will be depreciating at a higher rate than the interest being charged. When you maintain a positive mindset, amazing things happen!

Respect Clients' Decisions

The rural residence situated in an exclusive small acreage subdivision was the top choice for my client. He worked in a radiology lab in Salem and learning about his profession was very interesting. He told me of how he worked with a large, powerful donut-shaped magnet that was part of the MRI machine. On one occasion, despite a warning of an incomplete installation, a janitor using a floor polisher entered the room where the polisher and man became horizontal and sucked into the magnet.

The property he was interested in was in the federal government employee transfer program allowing the government employee to move and buy elsewhere so it was under management of the program. The home was

vacant and disclosed a radon test as part of their listing. The result was ten picocuries per liter or 2.5 times the EPA “safe limit” of 4 pc/l. My client said he would go home and convert the ten pc/l to “Rads” in order to compare the radiation he can absorb in the lab to the level in the home. The next day I called him, assuming we would be continuing our home search when he surprised me with his desire to write up a purchase proposal. I asked him about the radon. He said the ten pc/l was 1/10,000 of the radiation he was allowed to absorb, and he bought the home. Even though he proved how incredibly low the EPA’s safe limit was, I informed him that subsequent future buyers might be concerned with the radon level and impact a future sale.

On the EPA website a table claims that if a non-smoker lived their entire life in a home with four pc/l, seven persons out of 1,000 could develop lung cancer in their lifetime or have the same chance of dying in a car crash. Who would live every minute of their entire life inside their home? The simple fact is 1,000 out of 1,000 persons will die in their lifetime. I am suspicious about the actual risk of radon but it is only my opinion. As agents we must respect the beliefs of our clients and act accordingly.

Respect The Clients Timing

The buyer was a former real estate agent with our firm and desired to purchase a rental property using \$5,000 he saved for a down payment with a seller willing to carry back the balance on a land sales contract. He told me he left his real estate career because he felt pressure to be less than honest in order to be successful in the profession; therefore, compromising his closely held Christian faith. After many years of experience, I came to understand how he came to that conclusion. However, I learned when an agent’s conduct and service always corresponded with the client’s best interests, success and faith were mutually obtainable.

He settled on an old home converted to an up and down duplex on Chemeketa Street for \$31,000. With the down payment, he enjoyed a \$90 positive cash flow per month with a balloon payment of the entire remaining balance in 18 months and no ability to extend. I earned a commission of about \$400. I made it a point to check in with him after six months to remind him of the pending balloon payment. He appreciated the call and said he was fine. I called when there were nine months to go, six months, four months, and three months. When it was down to 60 days, he called and said we had better get the property marketed. I was frantic when we placed the duplex in the MLS, asking \$39,000 with the nightmare of my very first buyer losing everything because 60 days was not enough time.

I handed the paperwork over to my broker father for review and initial as I told him of my worry. He looked at the address for a moment and said, “I think I remember reading about the City of Salem acquiring property in that

area to create a park.” So, I called the city’s parks department. The gentleman confirmed they were looking to purchase homes on a particular block, and incredibly, the duplex was a corner piece of the future park’s footprint. He asked me for the asking price; they sent their appraiser to evaluate the property, and subsequently we received a full-price cash offer. It closed two weeks before the balloon payment due date. I went from zero to hero as the client enjoyed \$90 per month income over the 18 months, plus about \$5,500 profit before taxes. All because my father had read the newspaper.

Agents must keep themselves fully informed on governmental and community projects where they practice.

Actions to take:

1. Continuously expand your knowledge.
2. Learn from and emulate the service successful agents provide their clients.



Chapter 11

Invest to Be the Best

***“The Poor buy stuff, the Middle class buys debt,
the Rich buy assets.”***

—Robert Kiyosaki

What message is sent to clients if a real estate agent does not own their own home or investment property? Maybe a lack of belief in the product they are selling?”

I believe the best asset to invest in for the common person is residential real estate.

- It is the easiest to get started on a path to financial freedom.
- Technology will never make it obsolete, as humans will need to live somewhere.
- Agents who invest become more knowledgeable and financially successful.

A great saying about life is, “The first third you learn, the second third you earn, and the last third you return.” The reason to invest in real estate is because it is the best asset class to build a passive income stream to replace your ordinary income from your job as soon as possible.

I picture it in this way:

Learn
Earn/Return

We learn during our entire lives, with a portion of it spent earning and the rest of the time returning. The goal is to reduce the “earn time” relative to the “return time.”

The first fact needing to rest in your brain is that taxes are the most significant expense during your lifetime. The quickest way to wealth is to learn the tax code and adjust your behavior to legally pay less taxes.

From Tragedy Often There Is Opportunity

The strength of the wind in my face was a new experience as I walked home from school. I would stop every so often to see how far over I could lean with the wind gusts’ support. It was a week before my seventh birthday and I was in no hurry to get home as the approaching storm was allowing me to play “kite” with my body. I stopped at the next door neighbors house to view the winds beginning to pick up debris and observe roofing peeling off the new homes under construction on the street behind us. It was about this time my frantic mom learned of my location and ordered me home immediately.

The date was October 12, 1962 and our family hunkered down in our daylight basement to watch nature’s show of force that would become known as the Columbus Day Storm. The basement windows faced East and were perfect to observe the southerly storm passing our view from right to left. Our backyard had three prune trees, a leftover of the prune orchard our 1950s home was built on. Two of the trees were dancing in the 100 mile per hour wind and in short order, seemed to pop up out of the ground to be carried upright across the yard into our rock retaining wall. For the next few hours until the storm passed us, a menagerie of papers, roofing, branches, bushes, and more were carried hundreds of feet through the air. The damage to the power lines was extensive and my dad was employed with Portland General Electric at the time. He knew to report to the office once the force of nature show was over. Even though he was in the company’s sales department, he was assigned to a repair crew and we did not see him for three weeks. The overtime pay he earned became a downpayment on their first rental property.

My parent’s foray into real estate investing began with a one-bedroom home on Hickory Street. I was about eight years old. Mom asked my younger brother and me to empty the many beer bottles left by the prior occupant. We made many trips out of the home with a bottle in each hand, watering the lawn with the contents. When I was 16 years old and a witness to my parents building their rental portfolio over the intervening years, the memory of Hickory Street came to mind and I wondered about the task my brother and I had dutifully performed. I asked my mom why the occupant had opened all those beer bottles and not drunk the beer. She laughed, telling me it was not

beer, but urine. It was an inkling of what the future would be with my own investing in real estate.

My First Rental

My Grandma Baker had a boarding house in Portland in my oldest memory of her. Having married three times and widowed from the sudden passing of husband #3, my grandfather, in 1947, she would be on her own for the remaining three decades of her life. The product of the Great Depression, she would tell you, if your big toe wore through your sock, wear it on the other foot. It was the early 1960s, and I was staying with her for the upcoming birth of my little sister. I developed an earache and told grandma, which sent her to the kitchen to prepare one of her home remedies handed down from the 19th century. Lying on my side as instructed, she emerged from the kitchen with a pan. How odd, I thought, treating my ear by being struck by a pot. Instead, a smelly brew of whatever was poured down my ear instantly dissolving the discomfort. I think money is to be made by marketing “Grandma’s Ear Elixir,” but I am sure the FDA would disallow its distribution.

She drove a cream-colored Ford Fairlane with chips and dents. She used the “bumper car” method to parallel park. She angled in a space until “bumping” the car in front, then reversing into the rear car, and finally centering the vehicle between the two. The splotches of touch-up paint she applied could be seen all around her car.

Stubborn and strong-willed, she made income off roommates and tenants. During her final days in July 1978, I went to see her. She was boldly sitting up in the hospital bed and demanded my assistance in helping her escape from the facility. She was tough until the end. After her passing, her four sons received four different income streams from properties she had sold, having taken back the balance for the buyers. She was an early example of an investor with a clear focus on obtaining financial freedom.

Surprisingly, she bequeathed a small sum of money to me. I used the new-found wealth as a down payment on a 900-square-foot two-bedroom home offering seller carry back terms, paying \$29,500 in December 1978, thus adding the title of a landlord to my resume. I would regularly drive by to check the home for any activity that was not conducive to properly maintaining the property. One particular tenant began to allow the grass to grow and failed to pay rent at the first of the following month. The home appeared abandoned-looking from the street. An exterior check of the electric meter with a red tag indicated the power was off.

I posted a notice of entry for the next day. Upon entering, the furniture and belongings gave an impression all was normal, save the lack of power. Unfortunately, I made the mistake of opening the refrigerator after being without electricity for three weeks. The ooze gushed out onto the floor, engulfing

my shoes and emitting a stench bringing me to the verge of losing my lunch. The tenant was eerily nowhere to be found, so I spent some days packing up her belongings, and a dozen trailer trips later, had her household goods stored in my basement. An attorney advised posting the property and following through with the FED (Forced Entry Detainer) process.

The court day arrived, and the missing person tenant showed up in court! She asked for a delay in preparing her defense, not answering my query as to why she disappeared. The judge knew my family and called me forward after the tenant left the courtroom. He pointed out my incorrect use of a 72-Hour Notice form while suggesting settling with the tenant as I would lose the case in court. The tenant agreed to pay me \$600 in six \$100 monthly installments and I assisted her in loading up her belongings. She made two payments then discontinued them. Sally, if you are reading this book, you still owe me \$400. The affair of removing the tenant taught me the value of delegating the job to professional property management.

In 2019, I sold the home for \$185,000 and paid \$5,000 of the buyer's closing costs, realizing roughly six times the purchase price over 40 years. A simple interest return of 15% per year. My question to you, dear reader, did the value of that property go up that much? No, it did not. However, using the measure of dollars, it did. In 1971, President Nixon removed the dollar from the "Gold Standard," thus allowing the Federal Reserve to print money without having gold to back it up. Since then the Federal Government has been printing money adding to its supply thus diluting its value compared to assets such as real estate. Investors in assets like real estate will increase their wealth over time over those who do not, as the value of the dollar decreases.

You Must Invest In Real Estate

I have never forgotten my father's admonition: "You must invest in real estate." When he died in 2010, he was financially free just like his late mother. He was living off his social security and about \$80,000 annual income after expenses from his three multi-family properties, totaling 19 doors. He loved taking his boat, the "Uncle Ben" named after his late brother, to the San Juan Islands.

As I said before, taxes are the most significant expense you pay in your lifetime. When you study the Federal Tax Code, about 1% covers the tax rates and 99% of the code explains tax incentives. Most real estate agents are self-employed and pay the highest marginal tax rates of any employment class. However, real estate investors can shelter their income by owning investment properties.

One advantage is that positive cash flow and leveraged rentals produce five income streams, not just one:

- Appreciation Over Time
- Cash Flow After Expenses
- Loan Paydown By the Tenant
- Depreciation – A Paper Loss That Shelters Income
- Paying the Loan Back With Depreciating Dollars

By enjoying the passive income in retirement, you avoid capital gains taxes because you retain and do not sell the properties. Your investment portfolio over time increases in value as you live off the passive income the real estate generates. Stock and bond investors must sell their stock to generate income and worry in retirement if their remaining investments will last for the rest of their life.

There are numerous avenues to get started in investing in real estate, and with a real estate license any brokerage earned is a bonus. However, it is not a get-rich-quick path. It typically takes the dedication of many years to obtain financial freedom.

The Three Classifications of Investors according to the IRS:

1. “Passive Investor.” The least beneficial category and only allows a taxpayer to deduct passive losses against passive gains. Everyone qualifies for this level. However, it does not allow for any sheltering of income.
2. “Active Investor.” This allows a taxpayer to deduct an additional \$25,000 of losses against ordinary income. This deduction phases out entirely at the Adjusted Gross Income of \$150,000 for a married couple filing jointly and \$100,000 for a single individual. A taxpayer must be involved in decision-making for the real estate investment.
3. “Real Estate Professional.” This classification allows taxpayers to deduct 100% of all real estate losses against ordinary income. To qualify, a taxpayer or their spouse must meet a two-part test:
 - The taxpayer must spend the majority of their time in real property businesses.
 - The taxpayer must spend 750 hours or more in the real property business and rentals in which they materially participate.

Investors should work toward qualifying as a “Real Estate Professional” after acquiring a few properties. One advantage is when utilizing a 1031 exchange. You cannot recover the resources to prepare a house for sale, the costs of the exchange, and the cost to purchase and refurbish the new acquisition without a tax consequence. Typically, it will produce a sizable passive loss in the year this transfer occurs, so you will want to enjoy taking the entire loss against other income.

How Does Depreciation Work?

The tax code allows the deduction of the “improved value” of the property over 27.5 years. Assume a \$300,000 purchase price, and the tax assessor’s ratio of improvement value to the entire assessed value is 75%, $\$300,000 \times .75 = \$225,000$. The annual depreciation allowed would be $\$225,000 / 27.5$ is \$8,182 per year. Depreciation in this example would offset over \$8,000 in the income generated from the investment. If your household is in a 35% marginal tax bracket, you will pay \$2,864 less in taxes ($\$8,182 \times .35$)!

Bonus Depreciation

A provision in the tax reform act of 2017 allows investors to depreciate 100% of the value of short-lived assets even for existing construction. In a single-family home rental, the structure’s depreciation is over 27.5 years. However, components within the house have life spans of 20 years or less. A professional segregates the component’s value away from the main structure and claims deduction in the first year of acquisition. Some examples of short-lived assets are floor coverings, cabinets, light fixtures, appliances, furnace, water heater, and plumbing fixtures. The result is a more significant passive loss the first year that shelters income from taxation. This provision begins to phase out in 2023 but may be extended.

Real estate is the best asset class for the capability of ordinary investors to obtain financial freedom. Considerations as you begin this effort:

Single-Family Homes

Pros:

- The easiest to acquire.
- Tenant pays all utilities.
- More diverse locations reduce the risk of value loss occurring in a particular neighborhood.
- Preferred housing by tenants.
- Larger buyer pool of owner-occupants as well as investors when/if you sell.

Cons:

- It takes longer to build wealth.
- Fewer doors per loan.

Multi-Family

Pros:

- Builds wealth more quickly
- If you stay in the 2-4-unit realm, up to 40 doors can be financed with 30-year fixed-rate financing.

Cons:

- Landlord pays utilities and tenants have no incentive to conserve expenses.
- Subject to paying for tenant-caused infestations such as bedbugs.
- Buyers are mostly limited to other investors.

Buy Home, Buy Another, Make First a Rental

Pros:

- It is probably the best strategy to get started, especially if the property's price and features make it an excellent future rental candidate. It's a bonus if you can improve the cosmetics and add value while you live there. Use the "what makes a good rental" information to help guide your decision.
- Investors also avoid the underwriting penalty of not counting the rent for the first rental in the ratio qualification since you purchased it to live in first.
- The ability to obtain a lower interest rate and lower down payment is a plus. Estimate the future rent and expenses to assure the property will have a positive cash flow when you move to the next purchase.

Cons:

- Suppose the property value has increased substantially while living there, and you sell the house in the future after converting it to a rental without performing a 1031 exchange. In this case, you will pay capital gains taxes on the equity created when it was your principal residence. If that is the case, selling the principal residence tax-free and then purchasing a rental may be more advantageous. A strategy to avoid this is buying a home in need of cosmetics to live in every few years and converting them to rentals as you move out.

Form an Investment Club/Partnership

Pros:

- Gather a group together to pool resources using the strength of the team. The partners need to be aligned in the scope, investment period and financial capability.
- Easier to overcome the more significant down payment requirements for investors.
- A larger sphere to approach private sources for financing.
- By far, my best decision was when a builder and I agreed to form an investment club in 1990. The four couples in the partnership lasting 30 years pooled resources to ultimately own eight homes and we averaged an 89% return per year over the three decades on our

original investment. The knowledge gained of construction practices and finance was invaluable.

Cons:

- Requires a long-term hold as partnership dissolution is more difficult with multi-owner property.
- Often some partners contribute more effort than others causing potential conflicts.

Refinance/Line of Credit on Your Home and Buy a Rental

Pros:

- Refinance is a tax-free event.
- An easy method to obtain funds to buy rentals.
- The interest may be deductible if used to purchase investment real estate.
- You begin to realize a rate of return on the former equity in your home that had a zero return.

Cons:

- If done prudently, none noted.

Refinance a Rental and Buy a Rental

Pros:

- Refinance is a tax-free event.
- An easy method to obtain funds to buy rentals.
- The interest is deductible if used to purchase investment real estate.
- Expands the value of rental value owned and increases the amount of depreciation to deduct from rental income.

Cons:

- If done prudently, none noted.

Approach Family (Seller Finance or Cash to Purchase)

Pros:

- Your family may have relatives with funds earning very little interest at the bank and may be interested in taking a secured first position in a rental you own for a higher rate of return.
- Approach relatives to purchase any surplus properties with seller financing.

Cons:

- May ask for the return of funds at an inconvenient time.
- May be difficult to mix family with business.

Approach Free and Clear Owners/Your Sphere

Pros:

- Possible non-market purchase opportunity.
- Good chance of seller financing.

Cons:

- If done prudently, none noted.

Buy Rental with a Self-Directed 401(k) or QRP-Qualified Retirement Program

Pros:

- Easier to overcome the more significant down payment requirements for investors.
- Safer than the volatile stock market.
- Better to borrow from your retirement account and buy property in your name to enjoy the depreciation benefits.

Cons:

- There are limitations on the amount you can “borrow” from a retirement account.
- It is questionable to have a tax shelter within a tax shelter if bought within your retirement account.
- You will need to sell in the future and the timing may be in a poor market when you are required to take distributions at 72.5 years of age.

Repurpose Existing Space/Partition Parcel

Pros:

- A fantastic method to increase value
- Can create an income stream from within the personal residence.
- Can make a VRBO or long-term tenancy possibility.
- A partition establishes a building lot and substantial additional value.

Cons:

- Loss of some privacy.

Syndication

Pros:

- Invest with little effort or oversight needed.
- Some funds have no minimum funding required.
- Some funds qualify for Bonus Depreciation and can reduce tax liability.

Cons:

- You have no control of the outcome.

- It may be illiquid and hard to recover funds in an emergency.
- You may need to be a qualified investor – Net worth of over \$1 million, not counting principal residence equity, or \$200K annual income single, \$300K couple.

But where?

In 1978, the concept of investing outside your community was rare because of the lack of resources to locate trusted services to support a remote rental. The drawback of local investing was being stuck with the political and legislative landscape in the localities where they reside.

The internet frees the investor to consider the entire country and even beyond to place their resources. Turn-Key providers have emerged in many investor-friendly states such as Indiana, Tennessee, and Florida. These and others do not favor rent control and the Landlord-Tenant Laws are more balanced. I always viewed myself as a good neighbor. We removed tenants if they were damaging the home, not maintaining the yard, belligerent to the neighbors or conducting criminal activity. Rent control eliminates the owner's ability to give a no-cause notice to remove the problem tenant. Therefore, you should research the Landlord-Tenant Laws where you wish to invest, making sure you or the property management company still have the right to give a no-cause notice. If not, you should consider investing elsewhere. A Turn-Key provider either builds new homes to rent or refurbishes existing houses to move-in-ready condition. The places are tenant-occupied, under professional property management, all you need to do is arrange to finance and purchase the property, thus leaving the headaches to others.

It's Not Where Your Property Is, It's Where You Reside

The following states have either an estate tax or an inheritance tax: Oregon, Washington, Minnesota, Iowa, Nebraska, Illinois, Kentucky, Pennsylvania, New York, Vermont, Maine, Massachusetts, Rhode Island, Connecticut, New Jersey, Maryland, Hawaii and Washington D.C.

Oregon has one of the most confiscatory estate taxes of the lot, a one million dollar exclusion not indexed for inflation. Estates over just one million are taxed at the rate of 10% progressively rising to 16%. Keep in mind that since the exclusion stays at one million, many Oregonians will eventually "inflation" their way into this tax. It is not your net worth now, it is what you are worth when you die and the estate value includes any life insurance received as well. An Oregon estate of \$6 million will result in \$5 million being taxed \$425,000! You pay taxes all your life, wouldn't you rather have that amount go to your heirs?

When you place your properties in a Limited Liability Company (LLC), they become personal to you and will be taxed based on where you reside, not

where the property is located. Many financially educated clients have their principal residence in a tax-friendly state and a second home in another state, traveling back and forth. If you establish your principal residence in Arizona, Nevada, Idaho or the thirty other states with no estate/inheritance tax and live there more than 6 months each year, the estate tax is avoided. An estate taxation expert needs to be part of your team of experts. Refer your clients with substantial net worth so they can design their own estate plan. One of my former investor clients was living outside Oregon but had remained an Oregon resident. I encouraged him to seek counsel. By changing his residence, he and his wife's estate will save over \$2 million.

An excellent resource to sign up for free articles is the nonpartisan Tax Foundation. They analyze the latest tax proposals and calculate their impacts, providing state by state comparison of tax loads and policies. Their periodic articles will spice up many sales meetings as well as company newsletters to your client base.

Protecting Your Investments

There are numerous articles about placing your individual properties in their own Limited Liability Company, or in groups. Consult your legal counsel for what is best for you. Consider these points:

- A highly leveraged rental property is not an attractive target for an attorney.
- It is a very rare event where a liability exceeds the insurance coverage.
- It is tough to buy a property in the name of an LLC if you are obtaining a loan.
- Properties in LLC's are a hassle to deal with when refinancing, or a 1031 exchange where financing is needed.
- There are additional costs of paperwork and filing fees.
- Using an umbrella insurance policy on top of your landlord policy is an alternative as you build your investment property portfolio and move in and out of properties. Place property in an LLC once you are in a long-term hold position.

It's All in the Name

An opportunity arose for our investment club when a building lot came on the market just down the street from our first acquisition. It was a neighborhood pool years before, with the hole filled with its collapsed sides and covered over with dirt. Because of this, the Building Department at the City of Salem required a soil engineer to test the compaction of the site to make sure a home's foundation would not settle. How does anyone determine how dense the soil is? I found out when I met the engineer. Out from his vehicle,

he pulled the device called a Nuclear Densometer. It rests on the ground and emits radioactive particles for about a minute, then compares the readings to undisturbed soil of a similar type. I made the error of asking him how much the “DENSE-o-meter” cost. With an eye roll, he informed me it is a “dens-AHM-eh-tur.” Oh, pardon me, do you have any Grey Poupon? The result came back at 104%. How can soil be compressed any more than 100%? It makes me think of the student claiming a 4.2 GPA on a four-point scale because of extra credit. Ultimately, the partnership built a home on the “over-soiled, jam-packed” parcel. Investing provides the chance to improve your knowledge. Including pronunciation!

An Investment Property First?

With the tax reform act of 2017, the standard deduction currently is \$24,800 in 2021 for couples and \$12,400 for individuals, growing annually with the Consumer Price Index, (CPI). The standard deduction will exceed deductions for property taxes and insurance for most home owning taxpayers; however, all expenses are deductible on an investment property. In the long term, buying a positive cash-flowing investment property while renting yourself may grow your wealth more quickly. Choosing this direction will avoid mortgage payments and maintenance of a principal residence which is a liability because it is not bringing in income. You can still claim the standard deduction while deducting expenses of the investment property.

The real estate industry needs to improve its game in this area. Agents, myself included, have recommended clients buy as much home as qualified for, resulting in a heavy burden limiting their ability to invest in other assets to build passive income streams. We should counsel our buyer clients about the option to purchase a lower-priced principal residence to leave room in their budget to buy other assets. In the long term, the clients would be better positioned to weather economic downturns.

What Makes a Good Rental?

When considering a purchase of an investment property, one must be mindful of its various attributes and their potential impact on the bottom line. These are not requirements but can help to decide between multiple choices. It also provides a list of items you may wish to install or modify if the home is deficient in that area.

Single Level

- Will not eliminate tenants that cannot negotiate stairs.
- Easier and safer to paint, get on the roof, clean gutters.

Garage with Opener

- Tenants need additional space to store belongings. I believe it results in longer tenancies.
- Garage door opener allows remaining in the car in bad weather and is more secure when arriving at night.
- Spend the few extra dollars to get an insulated garage door. It will keep the garage marginally warmer, especially if the washer and dryer hookups are in the garage and the door is more dent-resistant.

Low Cost to Replace Surfaces

- Countertops: Formica over granite, quartz, etc., because it is much cheaper to replace if damaged. Cement and other hard surface choices should be considered.
- Flooring: Carpet keeps the feet warmer, provides a homogeneous appearance, but retains odors. Hard surface becomes a better value if it's lifetime exceeds replacing carpet twice. Hard surface products may be expensive to repair if damaged in the middle of the room. I have been switching to vinyl plank in the living area and installing carpet in the bedrooms.

Appliances

- Any appliances supplied must be maintained by the landlord.
- I like to provide a range and refrigerator to prevent damage from a tenant moving their appliances over the kitchen floor.
- Tenants prefer dishwashers and disposals.

Breaker Panel

- Avoid/replace Zinsco, Federal Pacific, and glass fuse systems.
- Avoid/replace any active knob and tube wiring because insurance companies may deny coverage.

Heating

- Replace old Baseboard Electric heaters with Cadet Style units. The newer models have updated thermostats that allow for time or pre-set operation and are fabulous!
- Forced Air Gas or Electric systems are preferable.
- Heat Pumps and Air Conditioning are excellent.
- Gas-fired hot water systems are excellent but rare.
- Avoid Oil heat, In-Ground Oil tanks, and Radiant Ceiling Electric heating.

Vinyl Windows

- Easier to open
- Provides some weatherization
- A must if the home has Lead Paint to eliminate any lead dust friction hazard.

Fireplace

- I prefer no fireplace to prevent tenants from chopping wood and damaging a surface in the process. Creosote can coat interior walls, requiring expensive priming and painting to eliminate. If a fireplace is present, install a Gas Fireplace insert. It also functions as a backup to the heating system should it fail or if there is a power outage.

Bathtub

- A must so tenants can bathe infants or pamper themselves with bubbles!

Foundation

- I prefer a continuous cement foundation with a crawl space with no significant cracks—relatively easy access to all plumbing versus being buried in a slab foundation.
- Avoid a no perimeter pier foundation.

Roof

- I prefer a composition roof.
- Tile OK but more challenging to walk on.
- Built-up or tar roofs have a shorter life and are usually on lower pitched or flat roofs prone to pooling of water and leaking.
- Nix on wood or shake roofs.

Siding

- Like cement, T1-11, cedar, and cedar shake.
- OK with newer versions LP, metal, and vinyl.
- Avoid asbestos siding.

Water

- Municipal system because tenants pay for the service.
- Avoid wells because of maintenance costs and the risk of going dry.

Yard

- Avoid an overly large yard or a complex high-maintenance yard with multiple bushes, flower beds and hedges because tenants typically

will not take care of them.

- Consider providing yard service with complex yards to maintain its appearance if the property is otherwise desirable.
- A sloping or difficult yard to access may have an additional maintenance cost.

Overhanging Trees

- Drops debris on the roof, shortening its life. Also causes roof moss to form.
- Can fill the gutters with leaves or needles.
- Tenants do not like raking leaves.
- Overflowing gutters can rot fascia boards and shorten the life of the paint.
- Roots can damage the foundation and interfere with the sewer line.
- Remove trees if doing any of the above.

Fans: Kitchen, Bathroom, Utility Room

- To prevent mildew formation and moisture accumulation.

No Yellow Line in the street

- I prefer not to be on a busy road when the tenant may be a family with small children.

Neighbor homes are well maintained

- Prospective tenants will not want to rent a home in an area that is run down or appears unsafe.

Roof life remaining

- It is better to pay a little more for a home with a new or newer roof than buying a house and using your liquid cash to replace the roof. The rate of return will be higher.

Sewer Line

- Municipal because the tenant pays for the service.
- Scope the sewer line as part of your due diligence. Negotiate the replacement of the Orangeburg pipe if present. Confirm the absence of any root intrusion.
- Avoid Septic due to maintenance costs and drain fields that wear out eventually.

Park Proximity

- Parks in the area add value to the tenants.

School Reputation

- Tenants with children desire good schools.

Access to stores, freeways, etc.

- Convenience is a plus.

Fences

- Love chain link because of its long life and is not easy to tag.
- Dislike wood fences because of the cost to maintain, and they deteriorate and can be spray-painted by hooligans.

Weatherization

- Attic, wall, and floor insulation is a plus, or prepare to upgrade yourself. Tenants will move if utility bills are too high.

HomeOwners Association

- Avoid—no need to have someone else tell you how to maintain your property.

Floorplan

- Look for inefficiency or wasted space to add a bedroom.
- If the home has a usable basement, will the installation of an egress window add to your bedroom count? If so, you hit added value paydirt! Egress windows have added 10 additional bedrooms to my existing inventory raising the rents an estimated \$2,000 per month with less than a 2 year payback for the additional cost.

Policies:

- Pets: Most households have pets (dogs or cats). I allow them because a tenant can use the assistance/comfort animal provisions in Fair Housing to get one in anyway. As to the argument that they can cause damage... so do humans; should you not rent to them too? Consider deciding the number of pets, size limits and dog breed limitations if imposed by the insurance company.
- Smoking: No smoking of any kind inside the home. No ifs, ands or butts.
- Painting: Not allowed since few tenants have a license required under the EPA Lead Paint Rule of 2010.
- Pools, Trampolines, etc.: Consider requiring renter's insurance in all instances or when tenants have items susceptible to causing injury.
- Occupancy: Should adopt the HUD "2 persons per bedroom + 1" limit. For example, the limit would be seven for a three-bedroom property.

Investor Rules for you to ponder:**1. Don't Accelerate The Turn (Vacancy)**

A tenant with two dogs rented one of our properties after we painted, carpeted, and upgraded it inside and out. Over the ensuing years, the tenant's untidiness and her dogs using the home as their bathroom presented inspectors with an overpowering olfactory stench. The property manager called to recommend notice be given to the tenant, which I denied since we provided an immaculate home when she moved in. She was tolerating the environment she created. The house would need about \$10,000 in labor and materials to return it to a rentable condition. She was a section 8 tenant, so I waited until the housing authority required new carpeting a few years later. My refusal to install a new carpet—because I knew she would ruin it in short order—forced her to move. In this case the tenant was paying rent on time, a good neighbor, but a poor housekeeper. It made no sense to bring forward the known expense by ending the tenancy.

Many tenant advocates have voiced that a landlord regularly terminates otherwise good tenants to raise the rent. When you analyze it, that belief is incorrect. Let's use the example above.

Assume the rent is \$1,000 per month and if the tenant moves, I can rent the house for \$1,250 per month. Repairs are \$10,000, lost rent \$1,000 if it takes a month to repair. The breakeven is $\$11,000 / \$250 = 44$ months to recover the cost of repair from the higher rent. Most tenancies do not last that long, so costs likely will never be recovered. Therefore, it is usually better to stick with existing tenants and thus defer the turn costs for as long as possible.

2. Remove Tenant Promptly for Non-payment

We all want to be the nice guy, but providing housing is a business arrangement. You cannot go to the store and say you will pay them for your groceries next week. So, why do landlords allow a tenant to get several months in arrears?

Fact: It is rare for a tenant to get themselves current after being a month or more behind.

Assume a tenant is paying 30% of their household income in rent and after food, utilities, entertainment, gas, taxes, clothing, etc., they have 5% of their income left. It would take $30\% / 5\%$, or six months to make up just one month of back rent assuming the tenant has no other unanticipated expenses. In more than 40 years as a landlord, the number of tenants who made up one month's or more rent can be counted on less than one hand. That is why you must give notice for non-payment and proceed with the FED process immediately.

3. Buy the Lowest Priced Quality Home Available

There is a trove of books advocating running the numbers on a potential investment to determine the CapRate, Internal Rate of Return, Cash on Cash and more. The simple truth is, the rent does not stay proportional to purchase price. The more expensive rental home does not translate into proportionately more rent income. Relying solely on the numbers does not account for the investment property's quality. When the prospective property was the least expensive option that complied with my "what makes a good rental" list, invariably, it would command the best numbers. "Quality" means a well-built, solid structure that will hold its value when improved. Using the "numbers" is helpful when comparing a hold position on an existing property versus selling and exchanging into other options.

My wife and I made a goal to "retire" by our 25th anniversary. I dislike the word "retire, as it implies you do nothing afterward, so I call it "time re-assigned." The method I chose was to buy a property annually that would rent for at least the 15-year amortization payment plus property taxes and insurance. Buying one per year would stack the loans to pay off, beginning 15 years later, then a significant bump each year after as the next loan retired. It did not work out that way. Instead of 15 free and clear properties, we had an interest in 34. It was the confirmation of the adage "what you focus on multiplies."

The points:

- When everyone knew of our interest in acquiring properties, sellers approached us with investment opportunities.
- The terms of your purchases can tailor the passive income stream to reach financial freedom on a date of your choosing.

4. Do Not Buy a Property when a Builder Can Compete with your Value

A good example is purchasing a condominium in a brand-new complex or a home in an unfinished subdivision. Your investment will not increase in value as long as other properties remain unsold. Existing properties are valued by comparison to other similar property sales and sometimes offered below market price. Some may also present a value-add possibility due to deferred maintenance.

A new home is sold by the retail cost of all its parts, plus labor, plus fees, plus builder profit.

5. Avoid Balloon Payments

Do not subject yourself to a required refinance in the future. Often, the date will arrive at an inconvenient time.

In 1979, I bought a single-level 5-plex for \$78,500 with \$10,000 down, assuming an underlying land sales contract with 2.5 years remaining until the

balance was due in full. The market was hot with no end in sight..... until the Federal Reserve took it upon itself to throttle inflation by hiking interest rates. The policy killed the real estate industry as the mortgage rates peaked at 18%. It also killed the jobs of my tenants. In the 30 months between 1979 and 1982, I had 34 different tenants. It was a common sight to drive up to the building to see the fresh tire marks on the front lawn from a tenant moving out in the middle of the night. However, I learned how to coat a built-up roof, make simple repairs, paint, pull carpet and more. I also empathized with my tenants who lost everything as Washington D.C. bureaucrats who were financially insulated, imposed their policy to a drastic effect. I too lost the 5-plex in 1982 and it taught me a valuable lesson of never submitting to a balloon payment again. Of the 1,100 real estate agents in Salem in 1979, there were just 400 of us left by 1984.

Property Management

An owner of a few rentals may wish to manage their properties. When calculating the value of your time, the inconvenient timing of tenant repair requests, the knowledge and time required to remain up to date on the Landlord-Tenant Law, the forms and arranging for repairs or service you may find the property management fee is a bargain.

What to look for in a Property Management Company:

Website:

- The site should be easy to navigate with portals for owners and tenants.
- The ability for tenants to send in repair requests.
- Feature all property that is available for rent, including descriptions and pictures.
- Application forms and qualification requirements for prospective tenants.
- Photos, bios, contact information of the staff.

Software:

- The ability to electronically transfer proceeds, send monthly statements, issue 1099s to the clients.
- Clients can electronically deposit funds to cover repair costs and view inspection reports.
- Store all documents, records, move-out photos, etc.
- Be able to generate reports for client's tax filing.

Reviews:

- Complaints from tenants about a deposit refund usually mean the management is doing its job.
- Complaints from owners citing lack of communication, not providing accounting or inadequate care of the property cause concern.

Services:

- Interior inspections should be at least annually, plus when issues dictate. The reports can be used to make repairs on any deficiencies noted.
- Has relationships with quality contractors available to service the property.
- Keep clients updated on any changes in the laws.
- Contact you for approval of significant repairs.
- Qualify tenants and rent to tenants in conformance with the Fair Housing Law.
- Oversee repairs.

Inducted Into The Landlord Hall Of Fame

In November 2013, the dreaded day of possession finally arrived. The long term tenant was moving out after the FED process and I was informed by property management of the high likelihood of inheriting a considerable amount of the tenants "property." The living room stank and featured the tenant's dead tarantula adorning the top of it's cage. There was debris strewn about the floor and creative fist modifications to the plaster walls. The kitchen featured a stack of used pizza boxes on the counter, a multiple empty whiskey bottle collection, the oven with it's detached door (I assumed the tenant desired the open oven concept for his pizza), a mildewed refrigerator and the sink with overflowing dirty dishes. The bedrooms held disgusting mattresses, a pornography collection and a well-used clothing ensemble left about the hallway leading to a rather trash free bath. The panache of the tour culminated in the floor to ceiling debris pile occupying half the basement with the other half a hand-built stage with lights for a band the tenant belonged to. My son-in-law, Cory helped with the "personal property" relocation phase of restoring the property to rentable condition. Author's note: I know what you are thinking and yes, he still is my son-in-law after the detesting experience.

As we were in the process of removing the property out of the basement into a utility trailer for delivery to its new home, namely the dump, I reached around a dark corner of the basement wall with my bare hand (this is why the leather gloves are now part of the "Kit") and grabbed what I thought to be a model car covered in lint as it was near the dryer space. As I pulled it out into the light, I jumped in my shock and dropped the object to the ground. It was the body of a petrified possum partially covered in its fur that must

have crawled into the basement through the open back door months ago to die. I never considered myself a candidate for the National Landlord Hall of Fame but the fact I had just been awarded “The Petrified Possum Award” by the tenant for leaving the home full of garbage, it put me within reach of qualifying. I already had several times earned the “Dog-Urine-Infused Carpet Removal Citation”, the second of the three requirements for induction. As luck would have it, in the Spring of 2019 all the planets were lining up with other tenants in a different rental, who would keep turning on their water after it was shut off for non-payment. Once the meter was locked, my place of fame was insured after the tenants were escorted out at the FED “lock-out” by a Marion County deputy. With a smile on my face, I checked off the third and final task to earn the Landlord Trifecta; “Cleaning Out A Full Toilet Bowl Continuously Used After The Water Was Shut Off Trophy.”

I suppose it will be long after I am gone when or if they get around to finally building the Landlord Hall of Fame or even recognizing my qualification so I will have to settle with the following knowledge on the home with the dead tarantula. I paid \$26,950 for it in 1978, lived there for 8 years before marrying and for the last 35 years it has brought in over one-third of a million dollars in rent plus the home is worth at least ten times what I paid for it. I think I can put up with the occasional “Petrified Possum Award”. Sometimes tenants will damage the house and leave personal belongings, aka garbage, but an investor considers the long game.

An Expensive Lesson

Our daughter Natalie took to the piano and over some years completed her training through the Oregon Music Teachers Association syllabus level 10. With her talent, she will often lead the music worship at her church. The training required us to invest in the regular services of a piano tuner. When the piano tuner showed up I recognized him from years before as a former real estate agent. In subsequent conversations, he learned about our desire to acquire rentals and he proposed we meet at his vacant rental on 16th Street in 2006. The two bedroom, one bath home built in 1949 had 918 square feet, a single attached garage and was of quality construction, but in need of cosmetic overhaul. While there, he offered the property to me for \$90,000 which I thought to be low and I told him that. He reiterated he would take \$90K, so after walking the property, looking in the attic, and poking my head underneath, I bought it on the spot. In 2010, an opportunity to partner in the construction of a new duplex presented itself and I decided to sell the now totally fixed up home for \$125,000 calculating a net gain of \$10,000 over the purchase price after the cosmetic upgrades I had made. Jim, from Perfection Inspection, performed the pre-inspection. He emerged from the crawlspace hatch and let me know there were copper tubes present indicative of an

in-ground oil tank. I had never encountered a tank on a home built prior to the 1950's and my lack of a thorough inspection of the home in 2006 was providing the awful sinking feeling in my stomach. The environmental company probed and found an active tank with its fill pipe and vent pipe sawed off to conceal its presence. Expecting the cost to decommission the tank at the customary \$2,000, I was aghast to learn that due to a slight dip in the road and the lot, the water table was especially high in the tank's location. The subterranean water was rising into the oil contamination plume each year requiring the contractor to sink monitoring wells per the DEQ protocol. The total cost of the work?

You guessed it, \$10,000! All my work over the 4 years for nothing. However, it could have been worse.

Never, ever, ever, ever, ever, ever,.....buy a property without a thorough inspection.

Add Value To your Investor Clients when you know The Tax Code

I worked with a couple who was selling two out of the area bare ground investment properties utilizing an IRS code 1031 exchange. When done properly, the clients defer any capital gain and depreciation recapture taxes from the property they sell into the property they purchase. The first property sold and I helped them find a replacement rental home to buy with cash. The second parcel was more difficult to sell. In the meantime, the clients decided to sell their own home, which sold quickly, and they acquired their new home with a view but it was dated cosmetically and needed about \$100,000 in desired upgrades. The second parcel finally sold using the 1031 exchange and the clients thought they would use some of the proceeds to perform the upgrades, pulling the cash out of the exchange. The term for this is "boot" and is taxed heavily. I suggested instead of pulling boot out of the exchange, to refinance the free and clear rental they just bought to provide the remodel funds since that is a tax-free event. Then they could invest the entire second parcel exchange funds into another rental property. I also recommended they confirm this plan with their CPA. Even after the cost to refinance, the clients were in position to save about \$30,000 in taxes. Gaining financial knowledge benefits yourself and your clients.

Income Streams for Safety

When asked: "What was the most dangerous thing you could do?" A Harvard MBA class answered: "To be self-employed." When asked the same question, the self-employed said: "To rely on a single income stream."

Invest to be the best means working to acquire multiple passive income streams to spread the risk from relying on just one. Real estate agents are in the precarious position of losing their one stream due to health, injury or

the market. Planning for your future is essential for your peace of mind. That said, most Americans have saved very little for future years. Every unit you acquire is a separate independent income stream. In addition, one income stream you cannot overlook is the plan to hand over your book of business. Accomplish this by partnering with a younger agent with a transition or sale arrangement over some time.

Refinance And Buy Rentals

For example, assume you own a home worth \$400,000 and owe \$200,000 at an interest rate of 4.25% on a mortgage with 20 years remaining and payment of \$1125 principal and interest (PI) per month. Refinance the principal residence with a 75% Loan to value (LTV) loan of \$300,000 at 3%, 30-year amortization, \$1,265 PI per month with \$5,000 closing costs. Then buy three homes fixed up, rented and under management in Memphis, Tennessee for \$92,000 each. Using the **Rental Property Calculator**, which is free on the internet, we will plug in the data from this example:

75% Loan To Value of \$69,000 each.

\$5,000 closing costs for each rental and principal residence..

4.5% interest for 30 years.

Property taxes are \$250 each in Tennessee- Yes this is accurate..

Insurance \$500 each.

Annual repairs \$1,000 each.

Rent \$805 each.

3% inflation.

Property management 10% of rent.

Vacancy rate 5%.

20-year investment period.

Assume the depreciation improvement value basis is \$69,000 on each rental.

Assume the client is in a 35% marginal tax bracket.

The refinance proceeds on the principal residence total: \$100,000

Less Costs:

Closing costs on the four loans:	\$20,000
Three 25% down payments of \$23,000 on the rentals:	\$69,000
Misc. Costs:	<u>\$3,000</u>
Total Costs	\$92,000

Balance Remaining for reserves: \$8,000

The additional cost of the home loan over 20 years-not adjusted for time:

$$\$1,265 - \$1,125 = \$140 \times 240 = \$33,600$$

Using the Rental Property Calculator:

If you do nothing in 20 years, your home is worth \$722,444 with no outstanding loan.

If you refinance and buy three rentals, your home is worth \$722,444 with an outstanding loan balance of \$131,006 in 20 years.

Additional home loan payment: \$33,600

Cash Flow of the three rentals: \$273,007

Equity in the three rentals: \$397,285

Depreciation:

$3 \times \$69,000 = \$207,000 / 27.5 \text{ years} = \$7527 / \text{year} \times 20 \text{ years} = \$150,545$

$150,545 \times 35\% = \$52,691$ tax savings from the depreciation.

Do nothing: Do Something:

\$722,444	\$722,444	Principal Residence Value
	(\$131,006)	Outstanding Loan
	(\$33,600)	Additional Loan Payment Over 20 Years
	\$273,007	Rental Cash Flow
	\$397,285	Rental Equity
	\$52,691	Depreciation Tax Savings
Total: \$722,444	\$1,280,821	

Difference: \$558,377

This example had no money out of pocket, and the cash flow from the rentals more than offset the increase in the payment.

How does investing make you wealthy?

- The tenant is buying the property for you through their rent.
- Depreciation is a paper loss that offsets actual income. Therefore, you get the income but declare the income less the depreciation amount, resulting in less tax paid.
- Historically, the property increases in value over time. The more rentals one owns, the more value appreciates over time, building net worth.
- Utilizing a 1031 exchange defers capital gains and depreciation recapture taxes, allowing equity to continue building value within the investment property.
- Refinancing a rental is a tax-free event because it creates a debt that needs to be paid back. When the equity position becomes large, a

cash-out refinance provides down payment funds to invest in more properties. The additional property accelerates your tax benefits and equity growth. It becomes almost a perpetual motion machine to riches!

- Stocks, bonds, commodities, precious metals are sold using a standard price. A share of Apple stock is the same price whether you live in Idaho or New Jersey. Real estate is an imperfect market. Using expertise, property can be purchased below its value. You then can add value through your own sweat equity and your financial intelligence. This intelligence is built by anticipating where people are moving to and purchasing ahead of the influx and by identifying undervalued sub-markets.

How to Buy your First Rental?

Convert Your Principal Residence

In 2010, my wife and I helped our daughter purchase her first home using an FHA loan. Her ratios were slightly light, so we co-borrowed with her paying \$100,000 for the foreclosed home. The house needed a complete interior paint, a new breaker panel, new vinyl windows, carpeting and more totaling about \$17,000.

In 2020, and now with a husband and an adorable grandson (my bias showing here) a desire for a better location became apparent. She had made all the payments over the years and we considered it her home. The market made it easy to sell a house but impossible to find a replacement and coordinate a simultaneous closing on a new home. We proposed providing gift funds for a new home to be paid back after selling the original house. Now our daughter's family could take their time to find the right home for their needs.

A beautiful two-story home on almost half-acre near a neighborhood park entered the market and became their new abode after some excellent negotiations. During this time, we paid for an inspection on the original home, replaced the roof, eliminated the knob and tube wiring, converted an old storage room to a fifth bedroom, installed two egress windows, removed the vinyl siding, painted the exterior, repaired some mortar on the chimney and serviced all the systems. The repairs totaled about \$45,000. The home was now worth about \$340,000, and our gift was \$170,000. Should we sell the house or keep it?

Option #1: Selling the Home

The advantage of this option is it is a tax-free event. We will receive our gift funds back and our daughter pays the loan off, putting some money in the bank. The estimated numbers are:

Sales Price:	\$340,000
Less:	
Loan Balance:	\$75,000
Gift funds:	\$170,000
Brokerage: (5%)	\$17,000
Repairs:	\$45,000
Title, Escrow, Misc.:	<u>\$3,000</u>
	\$310,000
 Proceeds:	 \$30,000

If the proceeds are invested at an average 6% yield in the stock market after 20 years, the pre-tax amount would grow to: \$96,214

Option #2: Keeping the Home

The positive outcome for this option is the theory of multiplication as a tenant will be contributing. The downside is converting this property to a rental and selling it after it becomes an investment property for tax reasons. Then we would owe capital gains on the sale amount less the 2010 acquisition price plus depreciation recapture. So, this choice needs to be long-term and utilize a 1031 exchange if sold. A significant advantage is that the repairs of \$17,000 in 2010 and \$45,000 in 2020 are capitalized and added to the original depreciation balance. The initial balance in this example is 75% of the actual purchase price or \$75,000.

Using the Online Rental Calculator for a 20-year hold period when the loan pays off I entered the following data:

Price: \$340,000
 Loan: \$75,000
 Interest Rate: 4.25%
 Property Taxes: \$3,036
 Insurance: \$800
 Annual Repairs: \$2,000
 Yard Care: \$1,500
 Property Management: 10%
 Vacancy Rate: 3%
 Inflation: 3%
 Rent: \$2,095

Separately I calculate the depreciation benefit assuming a marginal tax bracket of 35%:

Depreciation Initial Balance: \$137,000

For ease of calculation, I will use a straight line 27.5-year schedule even though the repair items qualify for a shorter depreciation life. $137,000 / 27.5 = \$4,982 \times 20 \text{ years} = \$99,640$

$\$99,640 \times .35 \text{ tax bracket} = \$34,874$

Projected Pre-Tax Results over the 20 years:

Cash Flow:	\$392,609
Value of the house:	\$614,078
Depreciation benefit:	<u>\$34,874</u>
Total:	\$1,041,561

Since we are now 50-50 partners, our daughter's half is: \$520,781

The Choice:

Hold:	\$520,871
Sell:	\$96,214
Difference:	\$424,567

But that is not all!

Additional benefits:

- We can refinance the home in the future and buy more property.
- We can refinance the home and pay for her son's education. While we are partners and earn half the income and pay taxes on it, it does not limit where any proceeds go.
- My wife and I will eventually pass away, so our daughter will inherit our half as well!
- When a stubborn grandma began investing in real estate in 1947, she set an example for her son, who set the standard for his son. My wife and I are now passing the strategy on to our children.

Grandma poured more than just an earache elixir into my head. She set me on the path to freedom.

But I Don't want to Clean Toilets

If you qualify as an accredited investor, there is a whole array of investing opportunities to yield a good return.

The requirements:

- 1) Earned income in excess of \$200,000 per year single or \$300,000 as couple, OR
- 2) A net worth of over \$1 Million excluding the value of your primary residence. Ask your CPA to certify in a letter that you qualify.

Investment options:

- Invest in an ATM fund that qualifies for bonus depreciation in the first year thus sheltering some of your tax liability, plus a 7 year monthly income stream yielding about a 15% return at the time of this writing.
- Invest in notes. Join a fund offering a 9% yield at the time of this writing. For example you could refinance \$100,000 out of your home equity at 3% today, invest in notes with a 9% yield and generate a \$6,000 per year income using interest arbitrage.
- Invest in a storage unit fund, single family or multi-family funds.
- Search for other syndication choices. Some are listed in the resource page in the back of this book.
- Be sure to do your due diligence.

Not An Accredited Investor?

There are many crowdfunding platforms to research such as these popular choices: CrowdStreet, DiversyFund, EquityMultiple, Fundrise, PeerStreet, and RealtyMogul.

The advantage of this type of investing is increasing the return on assets already in your possession.

Actions to take:

1. You have got to invest in real estate.
2. Ask yourself: Do you work because you must, or do you work because you desire?
3. We only have one life on Earth; when you achieve financial freedom, you have more control over spending your time and resources. Imagine giving more to others, volunteering, seeing more of the grandkids or traveling anywhere. The list is endless. Such as writing this book. If I did not write it, the impact would be zero. But, if writing it makes a difference to one person, the effect is $1/0 = \text{INFINITE!}$



This three bedroom, three bath home had two rooms in the basement suitable for bedrooms. We installed two egress windows making it a five-bedroom home. The cost of the windows was paid back in just over a year with the increase in rent we obtained.

An egress window is one way to add value to an investment property by increasing the legal bedroom count and the market rent.

Always look for any under utilized potential in your property search.



This home had a very deep lot which allowed for a minor partition creating two building lots behind.

The cost to construct the two homes were greatly reduced because of creating the two lots in the partition.



This Springfield home has a dedicated entrance to a separate bedroom ensuite (always wanted to use “ensuite” in a sentence) creating an excellent passive income opportunity in a principal residence.

November 3, 2013. The author is awarded the “Petrified Possum” award of a home filled with a tenant’s garbage.





Chapter 12

Bank Future Business

“One thing I know: the only ones among you who will be really happy are those who will have sought and found how to serve.”

—Albert Schweitzer

Always be willing to perform tasks, provide services and do favors in instances where compensation may not be forthcoming. The business will flow back to you.

At every opportunity, hand out your business card and ask for leads or referrals. For example, provide your card when checking out at the grocery store, filling up with gas, at the dentist’s office, etc. Your business card serves no purpose on your desk. Regularly communicate information of value to your sphere of influence. Take them to lunch, get to know them, and help them. National Association of Realtors research found that over two-thirds of your business comes from people who know you or are your past clients. The majority of your effort should be to keep in touch with them. Decide what activities you are comfortable with and commit to sticking with them. Check with your company for any tools available.

Ways to Build Rapport with Your Sphere:

- Use a Customer Relationship Management System (CRM)
- Automated Newsletters-Market Updates
- Social Media Networking
- Phone Calling
- Take Clients to Lunch or Dinner

- Host a Document Shredding Event
- Postcards
- After Closing Survey
- Send Birthday/Anniversary Cards
- Send Tickets to Local Events
- Housewarming Basket of Essentials
- Hire Cleaning Crew
- Give Your Clients Your Business Whenever Possible
- Send Thank-You Notes, Especially for Referrals
- Provide a List of Reputable Contractors They Can Trust
- Blogging
- Put on Client Appreciation Events
- Utility Company Contact List for Client's Move-In
- Set yourself apart with a buyer's closing gift of paying for a Lead Paint Inspection, if the property was built before 1978 or a Radon Test.

Close the Door

One day, I received a call from a lady asking about my services. She explained that her home was a three-bedroom ranch in a neighborhood she considered ideal for her needs and the decor was just the way she liked it. She was advanced in years but said she was not ready to move to a care facility. Her only objection was that she no longer needed three bedrooms as two would suffice and she wanted to find a two-bedroom replacement located in the same neighborhood. I could sense the distress in her voice and a vulnerability to being nudged in an unsatisfactory direction. So, I summarized her situation, "You love your neighborhood, your home is just the way you want it and the only problem is there are one too many bedrooms, correct?" She replied that was the case. I suggested she just close the door. The line was silent for a moment, and then I told her it made no sense to pay me a fee to sell her home and then sell her a similar two-bedroom if one could be found in the same area. All that would be accomplished is expending considerable equity and still having a house not as perfect. I suggested she close the door to the third bedroom and pretend it is not there until it is time for her to move.

Sometimes an agent's job is to confirm for a client what they know is the right decision. The relief in her voice was proof my advice was what she sought as she thanked me for my time. I never found out her name. I wondered if another agent might have rushed out in pursuit of listing her home.

Sometimes, the best option for the client is to talk yourself out of a job.

New Year's Eve

An offer arrived at the office on New Year's Eve. The listing agent was out of town and all the other agents had plans with the family, leaving the task to

the new single agent, me. What was worse, the unfamiliar-to-me owner was working a swing shift, resulting in the appointment at his home at 11:00 PM.

Snow was lightly falling as I knocked on the door. The seller was brash and objectionable and not too pleased with the proposal. I endured his lengthy dissertation on the meaning of life and many subjects not applicable to the object of me being there. His signature on the counter offer that likely would go nowhere was inked at 1:00 AM. I stood outside in the snow next to my car for a moment, taking in the silence. The clouds were gone and stars were out as the only thing celebrating the ringing in the New Year. Cover for your fellow agents when they need assistance.

Respect The Transaction Partners

Always treat the escrow officer and title staff with the utmost respect. They are not agents and they are not there to do your job. Draw up your extension or modification addenda, provide all paperwork promptly and be kind. This also applies to loan officers, processors, underwriters, appraisers, inspectors, attorneys and insurance agents. Remember, they buy and sell homes as well as make referrals.

There must be a strict non-disclosure rule for the team members listed above. Unconfirmed rumors about agents screaming, acting demeaning, being demanding are well-kept secrets. Such behavior is more likely a result of the agent not performing their job. Sometimes a loan cannot be approved. Can you blame a lender for following the rules? I recall a buyer client being denied because the only shortcoming was that he held a minor second job for only 16 months, not the required 18.

It's frustrating, but time to move on. Maybe it is incumbent on the agent to be proactive in overseeing the progression of the transaction. Consider developing a checklist of your possible functions in the transaction, such as:

- Promptly Send Purchase Agreement Copies to agents, Escrow and the lender
- Update MLS status as pending
- Log Dates: Earnest Money Redemption, Inspection Period
- Have Escrow Include CCRs, HOA Information with Preliminary Title Report
- Prepare Seller for Inspection
- Regular Contact with Lender for Updates
- Confirm Pre-Approval/Qualification with Lender

Note key dates

- Closing Date & Possession
- Timely Earnest Money Deposit
- Open File Paperless System

Finish Strong

- Confirm Repairs
- Review Estimated Closing Statement
- Perfection Personality Needs Docs to Review ahead of time
- Home Warranty & All Bills Turned In?
- Your Final Walk-Through
- Utilities
- Insurance
- Keys
- Sign
- MLS Status/ Report Sale

Impressions We Leave on Others

The Oregon Real Estate Agency asked if I would show properties to some of their staff. They desired to learn the process, the observations an agent may make, and the level of expertise the public should expect from an agent to get a sense of what the standard of practice was. Playing a buyer's role could explain what issues were beyond the scope of an agent when handling a complaint. We agreed to spend an entire day viewing vacant homes I pre-viewed ahead of time.

In the first few homes we toured, I pointed out many issues likely to be identified by an inspector such as the fill and vent pipes of an abandoned oil tank in the yard, substandard breaker panel, failing roof, furnace types and more. Then we switched roles. I gave them flashlights and clipboards and let them loose to find all the flaws they could in the next home, then I critiqued their findings. They all missed an oil company sticker as the only clue to prompt a sharp agent to recommend further research to find a hidden tank. The group came to appreciate all the knowledge an agent can impart within the simple act of showing a home. When asked if that level of expertise should be the standard of practice, I responded, "No. It is a quality of an agent learning and increasing competence to anticipate issues in a real estate transaction." I was delighted the agency took an interest in the service performed from an agent's perspective. The experience was so much fun; I continued the "field trip" as a training tool for agents after moving to Central Oregon.

Many years later the Oregon Real Estate Agency published their June 2020 News Journal. One of the articles featured the retirements of two long-time employees whose names I recognized. This is the farewell message of Ms. Danette Rozell:

"One of Rozell's favorite Agency memories was a field trip with John Baker, then of Ned Baker Real Estate in Salem. The goal was to see

what licensees were experiencing daily. Baker had made a delicious lunch for the group to eat while visiting some properties.” There wasn’t time in our schedule to go out to any fancy restaurant,” said Rozell. Baker was so generous with his time and expertise and so involved with the community, it left an impression on Rozell. “It was truly a day filled with work, training, and fun.”

We will never truly appreciate how we can leave lasting memories on others.

Build A Top-Notch Team

One way to help your clients and friends is to build relationships with the most knowledgeable transaction partners in their various fields. Extra credit if you have a good recommendation for each discipline below. Applicable for both your owner-occupied clients and investors. They all need a good specialist or contractor occasionally, so stay in touch with them.

Attorneys

- A real estate specialist
- An estate planning expert

CPA

- Expert on segregated/bonus depreciation
- Liberal on classifying expenses over capital improvements
- They know about LLCs and Corporations
- They should be an investor as well

Surveyor

- Able to determine elevation to ensure the property is out of the flood plain and save the cost of flood insurance premiums
- Willing to find property corners per transaction requirement

Lender

- Identify a VA and FHA 203B and 203K specialists
- Conventional loan expert
- Know of Hard Money and Private lenders
- Works well with investors

Appraiser

- They are needed to evaluate estates and help value assets for marriage or partnership dissolution

Title/Escrow Company

- Accurate
- Helpful
- Timely
- Friendly

Insurance Agent

- Knowledgeable
- Residential and Commercial products
- Umbrella policies

Inspector

- Needs to be picky.
- Does not overblow minor issues.
- Able to perform radon testing
- Nice bonus if they use an infrared camera

Lead Paint Inspector

- Must have an XRF (X-Ray Fluorescence) Gun
- The State usually has an approved list of inspectors

Plumber

- Good with repairs
- Sinks, toilets, shower/tubs
- They perform sewer scoping
- Water heaters

Electrician

- Good with repairs
- They can identify active knob and tube wiring
- They can change panels and install GFCI outlets at the head of circuits on older homes to comply with Section 8 housing requirements

Blinds/Window Coverings Contractor

- A go-to expert to jazz up an interior

Appliance Business and delivery

- Deliver new and pick up old

Used Appliance/Repair Company

- Keeps appliance operational

Carpet/Vinyl Outlet

- They can supply installers as well
- Many can do countertops

Granite/Quartz outlet

- Including installers

Painters

- Must have Lead Paint RRP license

Window Business and Installation

- Must follow lead safe practice in pre- 1978 housing

Furnace/Heating/Air Conditioning

- Quality installation
- Has a service department

Deck Install Company

- Staining
- Install no-paint or no-stain products

Landscaping Company

- Installs/maintains/winterizes sprinkler systems
- Yard clean-up and maintenance

Septic Tank

- Install/Pump/Inspect
- Install a Drain Field

Well Drilling Company

- Drill/Pump Install/Maintain
- They take water samples for testing

Others:

Lighting Fixture Store

Roofers

Brick Mason

Woodstove Outlet

Gutter Company

Fencing Company

Arborist

Helpful Lists To Maintain For Clients

- Utility providers, cable, satellite, etc.
- Excellent restaurants
- Coffee houses
- Parks
- Things to do, etc.

Actions to take:

- Be generous with your professional services even when compensation is not forthcoming.
- Surround yourself with a top-notch team of professional service providers.



Chapter 13

Clients Before Commission

***"Be more concerned with your character than your reputation.
Your character is what you really are while your reputation
is merely what others think you are."***

—John Wooden

This rule is not an action but an attitude. The interests of the client are superior to your self-interest. A commission dollar is a poor substitute for a delighted client. It is a good business practice to develop innovative techniques and to take responsibility for your errors.

Make It Right

A friend's mother engaged my services to represent her in the sale of her home. The South Salem two-story was in reasonable condition with some deferred maintenance. A call from my buyers looking to relocate into the specific neighborhood and after touring the home, asked me to write up a proposal to purchase which the seller accepted. The buyer's inspection noted several concerns and they submitted a repair addendum to the seller, which she approved. The seller arranged for a contractor to complete the work and I periodically called or stopped by the home to check on the progress. My mistake was to take the seller's word that the work was completed. Shortly after closing, the buyers called, claiming some of the non-visible issues remained. I called the seller to inquire. She immediately broke down crying, saying she did not have the heart to tell me the contractor did not finish the job.

My closer relationship with my friend's mother had overshadowed my equal obligation to verify on the buyers' behalf. The buyers obtained a \$3,000 bid from their contractor to complete the remaining repairs. The seller and I split the cost \$2,000/\$1,000. I volunteered to participate because I had not adequately served the parties involved.

Make It Right Even When Wronged

The 1970s brought about a smattering of new home designs, presenting potential problems for owners in future years. The "Solar Envelope" featured the south side of the house almost entirely of windows in order to accept the winter sun's warmth into an interior walled-off patio separate from the living area. The north wall was extra thick, with air flowing between the exterior wall and the living area's interior wall. The belief was that by using the convection caused by the sun-heated patio, the warmed air would flow around the internal living area through the gap between the two walls thus enveloping the living space with the heated air. It was a great idea but often did not work in practice. The design also created a convenient interior wall path for a fire to grow, making it challenging to fight. The remedy is installing blocking in the gap for safety, which also defeats the envelope plan from functioning.

The Plenum home existed for a few years. The crawlspace has a plastic ground cover over several inches of pea gravel with no floor insulation. There is a styrofoam type insulation on the foundation's interior walls, with no foundation vents or heat ducts and the heat registers open to the subarea. The furnace blows the heated air into the subarea, warming the gravel to create some residual radiant effect as the air passes through the vents into the home. The drawback is that the subarea has no ventilation for moisture intrusion, which can impact the interior air quality.

I obtained a Plenum home listing in a South Salem neighborhood called Laurel Springs. In this case, the name meant something such as the soil generated water from the ground in the rainy months. The seller loved plants, so I did not think twice about the home's musty odor. During the home inspection, the moist smell was overpowering when the inspector lifted the inside crawl space cover.

The spring-fed moist air had no place to go other than into the home each time the furnace came on. The solution required a roto-hammer to create foundation vents, installing heat ducts, floor insulation, interior painting, and surface cleaning. I was on both sides of this transaction and the agreement was for the seller to complete the modifications. I obtained the contractors and set them up to begin once the seller moved out and authorized them to start. Checking the home a few days before the closing date, I was alarmed that the work was not underway. I called the seller, who was now living in California, to ask what was going on. She said she had changed her mind and

was not going to pay for the repairs. I told her she had agreed to pay for the repairs, she told me she did not care. "I guess this is the last time I will be speaking with you," I said, realizing she would leave me holding the bag when I hung up.

If I had been only representing the buyer, I could advise my client to halt the sale until the seller complied. But I was on both sides and doing so would be against the best interests of the dishonest seller. I immediately called the buyers and explained the situation. I apologized for the seller's action and promised to cover the entire cost of the modifications. The husband said when they viewed the home, they realized the interior of the house needed paint. The modification bid included interior painting and considered it a betterment. He suggested we split the cost of painting the interior. His gracious offer, born of his honest character is one of the most memorable "make my day" conversations in my career.

Real Estate Heresy

I began to consider the pitfalls of representing both parties in a transaction. The truth is whenever a licensee is an agent on both sides it denies the clients the loyalty and the fiduciary duty they deserve. I vowed never to place myself in that position again. So I developed a powerful script to use when interviewing potential sellers of the advantage of an agent committed to only working for them. This practice dove-tailed perfectly with the dynamic rollout program. If the situation arose when acting as a listing agent, I would refer an interested buyer to another agent in our office. If they objected, I referred them to a trusted agent in another office. Henceforth, I achieved Real Estate Agent nirvana as all my actions now aligned with my clients' best interests, freed from the fear of underrepresenting one client over the other.

The elimination of the agent's ability to represent both parties in the same transaction would significantly reduce the potential liability whenever a dual agency occurs. For example:

- The tightrope of balancing yourself between two opposing interests would disappear.
- There would be less chance of compromising confidential information between the parties.
- The agent would utilize all their knowledge and experience for their principal's benefit.
- The clients receive better service because their agent's actions are not limited as they are in dual agency transactions.

This does not mean you cannot be the only agent involved in a transaction. A service our property management division provided to our clients was

to offer their tenant occupied property, after proper valuation, to our other owners in the management pool. I would represent the sellers only and the buyers would be unrepresented. In other words, anything they said would be passed on to the sellers. The advantage was the good tenants would not be displaced, the management would not be interrupted, and our other owners had a chance to expand their holdings. We charged half our normal fee so the sellers saved versus paying a full fee going out to the open market.

Always Be Willing To Pay For Services Rendered

The proper management of a transaction is like a symphony's harmonization of all the instruments. Elevate your oversight to an art form.

One of my first inspections was a residence in Keizer. I called a no-cost inspection firm and got what I paid for when emerging from underneath; the man disclosed a considerable amount of damage. Note to self: The incentive to "find" damage when no fee is charged is elevated since it is the only way to get compensated. Knowing the results would end the transaction, I paid \$35 for Bill Leupitz from Silverton Pest control for a second opinion. As he crawled out covered in cobwebs, he said that the spiders were abundant in his thick German accent, but all else was OK, thus preserving the sale.

I would use Bill Leupitz and his son, Mike, for years as the firm became widely known in the Willamette Valley as Leupitz Pest Control.

A side note, Bill was "impressed" into the German Navy during World War II and captured by the French toward the end of the war. After his release, he wisely hiked across the soon-to-be-closed frontier of East Germany to freedom and immigrated to the U.S. He was honest to a fault.

An Odd Work Requirement

A seller listed his lovely Keizer home with me, located next door to his principal residence. The seller had housed his mother there until her condition required that she be relocated. During the walkthrough, I pointed out a soft bathroom floor indicating dry rot damage, a few punky lap siding pieces and the crawlspace entrance missing a cover.

The property sold quickly to a buyer I represented, (this occurred long before I no longer represented both sides) I was present for the pest and dry rot inspection by Mike Leupitz. He confirmed the items I already identified with one additional issue present underneath the home. As Mike exited the crawlspace, he looked up at me and said that possums were gaining access to the subarea, leaving a considerable amount of possum poop. He exclaimed, "Don't even ask," foreclosing the possibility his company would perform the detestable deed.

The buyer asked for the three items to be addressed and then added, he wanted him to pick up the possum poop as well. The repair addendum was

in hand as I proceeded to meet with the seller, thinking I would be on my belly under the home to keep the transaction together. Going over the first three repairs went well as the seller acknowledged that we discussed them previously. Looking into his face, I read the last line and prepared to see him blow-up, followed by my agreeing to collect the possum's handiwork. Instead, without a flinch he said the most profound statement I ever heard from a seller. He said, "The buyer will be a neighbor of mine, and I will not consider selling my home to the buyer with any known flaw whatsoever. I will pick up the possum poop."

The seller valued the future next-door neighbor to the extent that he did not want it tarnished by transferring the home in less than exceptional condition. The seller's act displayed a wise lesson that one should consider their reputation as a seller when selling to a buyer. I have since adopted this sage advice whenever I have sold one of my vacant properties. The home will be pre-inspected, any repairs completed, freshly painted, carpeted, cleaned, and ready to move in.

The Seller's Letter

Not many agents utilize a seller's letter. I would ask the sellers to write a letter to then-unknown buyers about what they liked about living there. I included it in the attached documents of the online listing format, surmising the aspects the sellers enjoyed likely were the elements the perfect buyers were seeking. Over time, I found my theory to be correct the vast majority of the time. The letter also provided the basis for all the ads I would write for media distribution.

Here is the letter my daughter wrote for the sale of her Spokane home:

January 2021

Dear Prospective Buyer,

We are excited that you are considering purchasing our home. We have loved this home dearly and envisioned ourselves being here much longer, but we recently decided to move to Oregon so that our kids can grow up near their cousins.

One of our favorite things about living in this house has been drinking coffee and reading in the curved alcove with the bright morning sun coming through the east windows. We love the charm and character of the architectural details and the spacious dining and living room for seamless entertaining. The efficient radiator heat system keeps the house comfortable regardless of the season, and we especially love how the radiators warm our towels in the winter.

We have grown to be good friends with our neighbors, gardening together, enjoying outdoor concerts and block parties in the neighborhood, and exchanging produce for fresh eggs! We have ample outdoor space and love hosting BBQs on the back patio, playing lawn games on the side yard on beautiful summer evenings, and swinging on the front porch swing while waving to the neighbors.

This location is perfect for so many of our favorite activities, and because the street does not go through, the driving traffic is minimal. It is a 3-minute walk to Polly Judd park or the High Drive trail system, where we've spent many hours walking, running, and biking. It is a 10-minute walk to Huckleberrys or the Rocket Bakery on 14th. The house is minutes from downtown, freeway access is quick, and it only takes 10 minutes to get to the airport!

We feel honored that we got to be a small part of this home's long history and have strived to leave the house better than when we found it. We hope you find it as lovely to live here as we have.

Gratefully,

The Sellers

Putting It All Together

With the success of the home warranty/pre-inspection program, the last piece was aligning my actions with the client's best interests in introducing the property to the market. I no longer represented both parties in the same transaction. I can't entirely agree with the "Coming Soon" strategy because it is designed to increase the chance of capturing the selling and buying side of the brokerage fee. A "Coming Soon" sign in front of a home tempts the listing agent to make a list of non-represented clients queued up to call first. A seller does not obtain the highest and best price by placing a sign before the home is in showing condition. Instead, it starts the marketing clock toward staleness. Being willing to abandon the buyer's agent side of the brokerage fee opened my imagination to develop the Dynamic Rollout.

The reputation of our industry is diminished each time an agent brags verbally or in print about how fast they got a home sold, if in doing so, the number of purchasers able to view it was limited. Is the client best served if a sale occurs in-house before being exposed to the general market? An agent's peak conduct is to achieve behavior congruent with the client's best interests while generating potential future business for themselves. That is the

objective of the dynamic rollout. This process maximizes the possibility of competing offers when coupled with the seller's commitment to the home warranty and the pre-inspection program. This program becomes part of the listing presentation to gain seller approval and illustrate the value and loyalty you bring to the table.

The set-up: The sellers signed listing documents a few weeks before the roll-out, including the directive not to disclose or market the home. This allows time to execute the Home Warranty, conduct the pre-inspection and schedule any seller-approved repairs. All this documentation will be part of the MLS listing. Also included when the property goes live are professional photos, videos, staging and other custom services that are done beforehand.

Step One: Schedule your office to tour the home during the rollout week so the agents can communicate with any clients that may be interested. Inform them the house will be available for showing on Friday, and the seller will respond to offers on Monday evening.

Step Two: Schedule a mailer on Wednesday to arrive on Friday, announcing the home is for sale and inviting the neighbors to attend an open house on Saturday. The mailer usually was sent to 100-300 homes.

Step Three: Schedule social media blasts Friday through Sunday.

Step Four: Schedule public open house ads for Sunday.

Step Five: On Friday, knock, talk, leave flyers on the homes on the immediate street inviting them to a neighbor open house on Saturday.

Step Six: Once the listing is live in the MLS, e-mail it to the seller and ask for a review of all the information to find any inaccuracies.

Step Seven: On Friday, perform a reverse market search in the MLS and notify all the agents working with clients searching for a similar residence.

Step Eight: On Saturday, have fun getting to know the neighbors. Describe your marketing process, ask if they know anyone looking to buy or sell.

Step Nine: On Sunday, have more fun repeating the process with the general public.

Step Ten: Follow-up on all showings and any possible leads.

Step Eleven: On Monday, present all offers to the seller.

When I used the rollout, the seller was extremely pleased with the activity and effort, even when no offer was forthcoming. It usually generates multiple leads for future business as well.

What if the home does not sell?

It enters into the maintenance phase, which includes the following:

- Weekly Call
- Hit Counter Report – The MLS should have the ability to track internet hits
- Showing Feedback – Call to obtain showing feedback and provide it to the sellers
- Monthly Market Analysis Update
- Just Stop By
- Reverse Marketing – contact all agents looking for a home with similar features.

Can you think of other activities you can add?

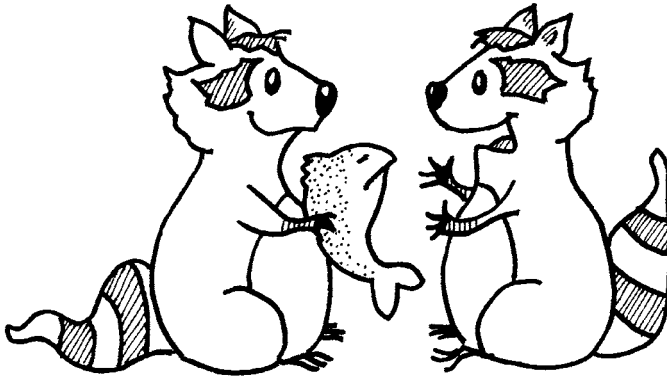
The Dynamic Roll-out Seems Like A Lot Of Work

Absolutely it is. It will also keep you in the business. Consider the fact that in a generation no one will remember a time before computers. If the public's **perception** becomes that a real estate agent merely performs a few hours of paperwork, enters the property in the MLS, sits back and collects a huge check, the industry will be ripe for disruptors because a robot and a fancy platform can perform that basic service. It is already happening. The public will have no concern for your career as the age of technology has trained the public to choose services based on cost, not on quality.

I am surprised consumer advocates and real estate regulators have not targeted an agent's ability to represent both the seller and buyer in the same transaction. I believe those days are numbered. If the banking/lending industry ever allows a real estate agent's fee to be financed within the loan, the dual-agency practice will disappear overnight. Consumers would be free to choose their buyer's or seller's agent and negotiate a competitive fee based on the service provided. Maybe by using your humanness to set a standard of practice no automaton can ever equal is the formula for longevity as a real estate professional. Maybe that is what this book is about.

Actions to take:

1. The interests of clients should always supersede your own and should guide your actions.
2. Design the most stellar service practice for your clients.



Chapter 14

Giving with Gratitude

***“A thankful heart is not only the greatest virtue,
but the parent of all other virtues.”***

—Cicero

Out of the bounty we possess, give each to your ability to others as an act of love to one another. Giving to others has three “T”s: Time, Talents and Treasure. Grateful giving fills you with joy, optimism and greater satisfaction with your life.

Your Time

A well-liked agent named Bruce Kerr taught the new Realtor class for many years. It consisted of three hours reviewing and discussing the Realtor’s Code of Ethics with newly licensed agents. Unfortunately, he informed the Salem Board of Realtors of his desire to be relieved, so a search for his replacement commenced.

No one stepped forward because so many agents were entering the business; the class would need to be held six to eight times per year. In one of my most significant decisions, I volunteered. For the next 15 years, the class exposed me to every new agent entering the profession in Salem. I became the expert to call when they were bothered by an ethical issue and an opportunity to listen and collaborate toward resolution. I gained confidence in speaking in front of others and included stories from my experience relevant to our discussion topic. The most impactful benefit was that the subsequent

transactions with many of these agents were on an amicable and professional level, resulting in a high rate of successful negotiations. In giving your time, you often become the greatest beneficiary.

When we give the gift of time, the opportunity to expand our point of view builds character and exercises our gratitude muscle. As a volunteer at a veteran's clinic four hours a week, thanking those who served our country filled me with so much satisfaction. When we volunteer and devote attention to a cause or service, we come away refreshed and with a positive attitude to greet our clients.

Interaction With Others

Over the years, our property management inventory continued to grow as our reputation and expertise among investors became more known. In about 2000 when one of our out-of-town clients notified me of their desire to purchase another home for their portfolio, I began my systematic search. A house in South Salem came on the market but was not available to view for a few days. After driving by, I called the clients and let them know that by the asking price and the excellent condition of the exterior, they should submit an offer to purchase without seeing the interior, which they did. I would be the eyes for the clients at the inspection and meet the inspector. Also at the inspection were the sellers and they remained during the examination. From what I could tell, the seller was about 65 years old, and his wife was about 45. I thought it was a second marriage, which I learned later to be correct. While the inspector set to his task, I decided to walk through the bedrooms. While touring the last of the three in this immaculately maintained home, I noted a model World War II plane on a desk in his office. It was a Grumman Torpedo Bomber – TBM and since I had been reading up on the subject, I came out and asked if he enjoyed building model planes. He looked at me with disgust and said, "I flew that plane." After immediately apologizing, I told him he did not look old enough, to which he responded he was 80 years old. Immediately, I got into his good graces when telling him he looked no older than 65 years of age. Then I asked if he was in the battle of Leyte Gulf. A look of amazement came across his face as he asked how I knew.

I told him I had read about that plane and how it was a frequent fixture on the shorter jeep carriers. The Japanese Navy had outsmarted Admiral Halsey by luring his task force to the north of the Philippine Islands with a decoy force and pouncing on the unprotected carriers at Leyte with heavy cruisers and battleships with a second force. It would turn out to be the last great naval battle where the opposing forces would be within sight of one another, unlike today's Navy with missiles and jet fighters. The carriers went to flank speed in an attempt to avoid shelling as they saw the Japanese ships racing toward them from the horizon. To be honest, it was a lucky guess. He told

me to wait a minute as he went into his office and shortly returned with a Time/Life series volume on the battle and then opening and turning pages until he stopped and showed the book to me. On the page was a handsome young pilot climbing onto the wing of his TBM. It was him in the picture as he shared just a bit of his experience before closing the book and returning to the room. Once out of sight, his wife, silent until this time, tugged on my sleeve and whispered, "He has never shared that with anyone; he shared it with you because you knew what he had done." I was tearing up in the car as I returned to my office after the inspection, mindful of the privilege extended to me by a veteran just by showing I cared. Upon further research, I read an account of some of his fellow pilots flying their planes off the carrier decks without orders directly at the Japanese ships to draw their fire, thus sacrificing themselves in an attempt to save their ship and shipmates. And this man had been a witness to this.

I must now admit my Realtor Code of Ethics violation for contacting another agent's client without their knowledge. At the time of the transaction, I happened to read an article about the Evergreen Aviation and Space Museum in McMinnville, Oregon, purchasing a TBM. I cut out the section and mailed him a note that read, I thought you might like to know about this so you could see your plane. A few days later, I received one of the most beautiful notes expressing his thanks for letting him know and it left me crying all over again.

Some years later, I customarily finished teaching the three-hour Realtors Code of Ethics class by adding in a story from my experience to a room full of new agents. The living room exchange with the TBM Pilot was one of my favorites, and I chose to share it on this particular evening. During the story, I heard muffled sobs from one of the students in the back. Upon concluding the story, all the attendees left except a woman looking at me with her tear-filled eyes. It was the wife, now a widow of the TBM flyer who had obtained her real estate license. With a smile, she told me her husband never forgot the conversation I had with him that day. I found myself crying once more. If you have a hobby or specific interest that intersects with others, it can create incredible memories.

Wisdom By Walking

Arthur Boers wrote of his 500 mile hiking experience on his pilgrimage along the Camino de Santiago in his book; *The Way Is Made By Walking*. It is a month-long hike across Northern Spain on a route traveled by tens of thousands of people each year and I will be one of them in 2022. The pilgrims are in the solitude of one's thoughts or the companionship of other pilgrims from all over the world as they walk their way to the Cathedral in Santiago de Compostela. They have been doing this for twelve centuries.

One of Boers' thoughts along the way he writes; "Instead of front porches for visiting neighbors and a passerby, our backyard decks are sheltered behind privacy fences. We no longer stroll on sidewalks, with the opportunity to chat with pedestrians, homeowners and shopkeepers; rather cars moving directly into and out of garages with automatic doors." We have become strangers behind the latest smart locks or virtual security systems because of the lack of the investment of time getting to know our neighbors or folks we interact with each day. Our faces point down to a lifeless screen and miss the opportunity to smile at the faces of others we pass. We rush around and miss out on conversations that lead to learning something new if we paused a bit.

Recently I was awaiting my flu shot along with a bunch of other folks over the age of 65. The staff was overwhelmed, making the wait times go beyond scheduled appointment times. The man next to me complained to the pharmacist giving the shots of his missed appointment time. She asked if he had checked in which he replied he had not and angrily exclaimed they should assume he would be there. My mask covered up my smirk for his audacity. Shortly thereafter I was called in to receive the vaccine. The young woman apologized and thanked me for my patience. I replied you do not need to apologize, I am not in a hurry, and expressed how much I appreciate her training and availability to give me my shot. After being chipped at day after day the compliment almost brought her to tears. How sad.

Each day we can brighten the countenance of our fellow travelers on the planet earth. We have only so many trips around the sun to make a stranger laugh or empathize with the challenges of others we meet. Arthur Boers observed at the leisurely pace of his walking so much more of our world can be observed, contemplated and appreciated. Maybe our lives are better lived a little more slowly.

Leadership Opportunities

A Realtor state president performs installations for local associations as part of their duties. The installation ceremony script was boring and awful at the time. The installation officer would vacate the posts of the prior year and install the new set of volunteers, blah, blah, blah. When I was charged with performing these installations as state president, I dressed as a Union Civil War officer and the script became a history lesson. Recounting Col. Edward D. Baker (no relation), the junior U.S. Senator from the State of Oregon, I spoke of the troops he helped raise at the outset of the conflict. The Senator lost his life in battle in 1861, but remnants from his command were at the high watermark of Pickett's Charge at Gettysburg in 1863. His efforts made a difference even after he was gone. Most of my time during the ceremony was spent honoring the volunteer leadership, especially the incoming president and the extensive gift of time they were taking to give back to our industry.

In 1999, my daughters, aged 12 and 10, accompanied me on an 800-mile round trip to Klamath Falls, then to Baker City to perform two installations. The Realtor members at the ceremonies treated the girls like royalty. The girls also enjoyed the scenery in parts of the state they had never been. Leaving Baker City very early on Sunday morning, I wrapped the two in their comforters and reclined their seats so they could keep sleeping. Waking up and hungry, the pancake breakfast in Arlington on the Columbia River filled the bill. The girls are in their 30s now and have children of their own, but they still remember the trip. Many pleasant memories are when we are in service to others because we act outside our everyday routine.

Setting A Routine For Success

Two excellent books to read to reinforce the benefits of beginning your day positively:

“Miracle Morning” by Hal Elrod

One of Hal Elrod’s inspirational quotes suggested to read each morning:

“The moment you accept responsibility for everything in your life is precisely the moment you regain the power to change or create anything in your life.” He covers six elements, when incorporated into your morning routine will transform your life.

His Life S.A.V.E.R.S stand for:

- Silence
- Affirmations
- Visualization
- Exercise
- Reading
- Scribing

I have enjoyed this regimen of morning practice beginning at 5 AM, adding a powerful start to a time-well-used day. It will also focus your attention on your personal and professional goals and a positive mindset.

“The Happiness Advantage” by Shawn Achor

In a similar vein, Achor’s study showed greater positive outcomes when you start your day with:

- Three Gratitudes
- Journaling
- Exercise
- Meditation
- Random Acts of Kindness

My father always had a list with three columns titled A, B, and C. The items under “A” were the must be done that day. “B” listed those tasks he should do after the “A” list was complete. The “C” column had the “if you have time to get to it” tasks. A frequent comment I would hear him say was, “Don’t do “C” items on “A” time.” Planning your day early in the morning or even the night before is essential to achieving success.

One of my morning routines is to read passages in the Bible as part of a plan to complete the entire volume in a year. After years and several laps through the pages, I conclude that there are two significant takeaways for believers and non-believers alike. The first is an attitude which answers what is the greatest commandment of all: To love one another. The second is an action which is illustrated when Jesus disrobed at the last supper to wash and dry his disciples’ feet. We should become humble and be in the service to others. These two takeaways appear to be the qualities of a mature real estate agent, would you agree?

Setting The Tone First

One of our property managers was not looking forward to meeting with our most difficult client to inspect her rentals and generate a list of maintenance items in need of attention. The negative attitude commonly on display when communicating with this owner was sufficient to produce much anxiety. I suggested the first thing she should do is comment on how beautiful the day was and how happy she was to see the client. I returned late in the afternoon to see her seated with her back to me. I asked her how it went. She spun around in her chair with a smirk on her face of one who had learned a lesson. She had done what I suggested, and the time with the client was unexpectedly pleasant. Attitude is everything. The very first thing you say sets the tone for the result.

Be Positive

Years ago, a very successful agent taped a smiley face to his desk phone. He would look at it before picking up the receiver to sound cheerful in his conversations. Every morning, adopt a regimen to be in a mindset of abundance. Carry a positive outlook with you at all times, and amazing things will happen. This cannot be repeated enough.

Thank-you notes

Writing notes is a gift to others. There should be no expectation to receive a response, but if you get a response it encourages you to continue. The impact of these notes can be profound. I recommend not enclosing your business card. It should not be a commercial but a sincere sharing of your love.

I thought Salem's Mayor performed an excellent service to the community. Other than a nominal monthly stipend, the 40-hour per week volunteer job was a significant investment of her time. Unfortunately, the local paper took a swipe at her for a now-forgotten issue. I decided to mail her a handwritten note expressing my appreciation and commending her actions. A few days later she called me because of the note. I was surprised she took the time to call, given the many people who most assuredly write her letters of thanks. When I asked her about that, she let out a big laugh and told me my note was the only one she had ever received that was not asking her for something. We assume others are swamping our elected leaders, bosses, pastors, teachers, police officers and others with notes of thanks, but that does not happen. Instead, most of their time is spent answering complaints.

The husband of one of my wife's running friends was suffering from kidney failure. She dutifully prepared breakfast for him each morning and came home from work each day to fix his lunch. I wrote her a note because she was an inspiration to me in honoring her husband in sickness and in health, part of her marital vows. How many of us would be so faithful in a relationship or a health crisis? About six months later, I asked how her husband was doing. She told me he was doing OK but declining and added that she still had my note. She said she has it posted in her cubicle at work and reads it everyday to keep her going. The note commending her as an inspiration to me became her source of inspiration! Make a habit of writing letters of thanks.

Random Acts

Are we on the Earth for a reason? There is no absolute proof either way one needs to rely on faith. It was Christmastime and the Salvation Army bell-ringers were out as I stopped at the store to grab something. A woman was ringing her bell next to her kettle when I approached and reached for my wallet. I put some money in the kettle and also placed a \$20-dollar bill in her hand. She immediately burst into tears leaving me to wonder if I had insulted her. She shared this was her first day and used all her gas to get there with no means to return home. She said she had been praying for \$20 to pay for some gas and make ends meet until the first paycheck. Random acts of kindness at times have a memorable impact.

Consider how we feel exuberant in a long line of traffic at a stoplight when we are the last car to get through the intersection before the light changes. Caring for others is like making sure the car behind us gets through the intersection as well. If we consciously look for instances to be considerate, the opportunities are a constant source of pleasant occurrences. Allowing someone with fewer items at the checkout to go first, taking the cart back to the store from a shopper in the parking lot, allowing a driver to turn ahead or merge in the line, opening doors and how much you tip. Help your neighbor, buy girl

scout cookies and not take the cookies (that is a double win!), lay off the car horn, don't be in a hurry and forgive others' mistakes as you wish your errors to be ignored. Sound familiar?

Each of us has a built-in talent available to share with others by volunteering. For example, helping the homeless, saving wild animals, delivering meals to the elderly, picking up trash along the highway and thousands of other community service acts. As mentioned before, my calling is to welcome veterans as they come to the local clinic for healthcare. They are unique in my mind because these men and women took an oath of service to our country, subject to punishment for failure to fulfill their commitments. The rest of us can quit our job as we please.

A gentleman came in for his appointment. As he waited, we engaged in friendly banter that turned into the story of his military service. He received a draft notice and contemplated going to Canada in a conversation with his father. The father, a veteran himself, said the choice was up to him but he would not be welcome back home if he chose to leave the country. So he went to Vietnam as a helicopter door gunner. On a mission, his ship received a direct hit and the violent impact with the ground killed two of the four-person crew and severely injured the pilot. The pilot ordered him to save himself as they were in enemy territory. Instead he muscled the pilot out of the wreckage and carried him on his back two kilometers to a river for an ultimate rescue by a river patrol boat. He is all of five-feet-five inches tall. After all these years, he wrestles with an unanswerable question. If he went to Canada, would the door gunner in his place have saved the pilot? To him, it is not about his heroic act or the Silver Star medal earned because of it, it is his thinking of others over himself. We can learn life lessons from the extraordinary experiences of people we meet. Take the time to listen.

Checking out at the grocery store, I asked the checker how she was doing. Her response was that she was just getting by, and told of a rough time she was going through. As a mother and adult daughter approached with their cart, I whispered to the checker to continue running their items on my card while I stood off to make sure all went smoothly and collect the receipt. Once complete, the checker came over, and as she handed me the slip said the random act had made her day as the two ladies were in tears. The mother hugged me while sharing that it was her daughter's birthday. Something simple changed the countenances of three fellow human beings. It is within us all to treat others kindly and you discover how wonderful it will make you feel.

I previously bought some American flags and drove around handing them out to those flying a banner needing to be replaced. I approached one home and knocked on the door. The man answering told me he was not interested in buying a flag to replace the tattered remnant on the pole in his front yard. He was taken aback when I said the flag was not for sale but free, and I would

be honored to help him post the colors. The pole had a nut and bolt assembly at its base. When we removed the bolt, the pole tilted down to make the change. With the now bright colors flying, he told me to sit down on the grass with him. He served in uniform many years before and I listened to his life story on a lovely summer afternoon under his flag. The investment in the flags turned out to be a bargain for what I received in return.

Actions to take:

1. Make a point to identify your gifts for which you are passionate. Then practice random acts of kindness often because nothing more will give your life more meaning and fulfillment.
2. Be self-aware of opportunities to extend courtesy and respect to others.



Chapter 15

The 30 Rules of Real Estate

The previous chapters have shown through experience and stories what is summed up here. These 30 rules of actions and conduct have been woven within all the classes I teach and are now a gift for you to use and adapt as you see fit.

For the over 45 years of my real estate career certain practices became apparent that, if consistently implemented, would guarantee better representation for our clients and lead to a successful career. The Realtor Code of Ethics and the Realtor Pledge mention the obligation to “build our knowledge and competence”; if we provide time-tested maxims to newer as well as experienced agents, we all will be better off. I hope you find these rules helpful.

Some of the rules did not warrant their own chapters, so they were combined within the chapter in each rule’s name.

The 30 Rules of Real Estate

When Conducting Business

1. **Interview to get a Clear View (Chapter 1):** Dedicate 1-2 hours for the initial meeting with your client to go over the buying or selling process, company policies, how you are compensated, forms, etc. Learn how to identify the four personality types of your clients to tailor your presentation and subsequent services accordingly.
2. **Walkthrough Treasure Hunt (Chapter 2):** Learn what defects inspectors list in their report. Utilize your knowledge when conducting your

initial listing walkthrough with the client to identify issues needing investigation before proceeding.

Distinguishing Tip: Create a checklist to assist in gathering the property's attributes.

3. **Elect to Pre-Inspect (Chapter 3):** A pre-inspection will increase the chances of closing the transaction on time. It identifies issues that need immediate attention, allows more time for repairs and provides an opportunity for solutions without buyer involvement. The seller may modify pricing to cover some of the expenses. Some repair items may qualify to be paid from a home warranty if it is committed to beforehand.

Distinguishing Tip: Pay for the pre-inspection as part of your marketing plan.

4. **Learn Lenderspeak (Chapter 4):** Educate yourself on all financial loan programs, terms, lending requirements, developing business relationships with knowledgeable loan officers so you can be a productive part of the team in the transaction.
5. **Scan your Scan/Confirm Receipt (Chapter 6):** Ensure all the pages in your attachment are in order and aligned correctly. Your client could lose in a competitive offer situation if a page is missing. Follow up with your client or fellow agents to ensure they have received all attachments and all pages.

Distinguishing Tip: Personally deliver the documents and present your offer to the listing agent if possible.

6. **No Phone Booth for Superman (Chapter 5):** Remember the different levels of communication. It is always best to speak in person or on the phone, especially during complex negotiations.
7. **Axe the Ambiguity (Chapter 6):** Stick to simple, concise, factual sentences when writing purchase agreements, addenda, repair addendum, etc. Track conditions through each evolution of documents in the transaction to prevent misinterpretation. Utilize written procedures and checklists to provide consistently excellent service to your clients.
8. **Do Not Bury Landmines (Chapter 6):** It is far better to lose a transaction than to conceal a pertinent issue that blows up after closing.

For example, recommend the pickiest inspectors, never misrepresent facts or information and recommend outside experts when warranted.

9. **Clockwise (Chapter 7):** If at all possible, perform showing and do errand driving routes in a clockwise direction. One of the more dangerous maneuvers in driving is the left turn. Right turns at intersections can be made against a red light. Going clockwise reduces left turns and increases right turns, thus increasing your safety and saving time.
10. **Drive about a Different Route (Chapter 7):** Make a regular habit of driving through unfamiliar areas and neighborhoods. You may come across brand new listings, discover a new way to travel, and appear more confident showing property when you know the community.
11. **Romp with Comps (Chapter 4):** Supply appraisers with relevant comparable sales and other marketing activity. Provide proof of multiple offers, especially if the transaction is above the asking price.
12. **Stick to them Like Glue (Chapter 8):** When your buyer clients are in town or your seller client's home goes pending, make sure to fill up their time finding their next home.
13. **Attend at the End (Chapter 4):** Properly finish your job by reviewing the closing statement for errors and confirming all purchase agreement conditions have been met. Your presence can calm the client's fears and answer their questions. Why would you want to miss a chance to ask for future referrals personally?
14. **Designate to Resonate (Chapter 10):** Take advantage of education opportunities by obtaining Realtor designations. Not only does it improve your service, but it also provides notice to potential clients that you will serve them well.
15. **Stats are Facts (Chapter 10):** Keep informed on the market activity in your service area, know interest rates, school data, etc. and readily share the information with those you meet. Track your city and county agendas on how issues may affect your clients and communicate their potential impacts.
16. **Cards to Pard's (Chapter 12):** At every opportunity, hand out your business card and ask for leads or referrals. For example, provide your

card when checking out at the grocery store, filling up with gas, at the dentist's office, etc. Your business card serves no purpose on your desk.

17. **Call your Chums (Chapter 10):** Regularly communicate information of value to your sphere. Take them to lunch, get to know them and serve them.

When Investing in Yourself

18. **Block Out for Family (Chapter 9):** Always place your family first by scheduling anniversaries, birthdays, kids' events and games as appointments. Business appointments are scheduled around your family.
19. **Stay Home with the Blues (Chapter 9):** If you are sick or life events prevent you from smiling at the world around you, stay home. Chances are, you will do more harm to others and yourself.
20. **In Shape to Escape (Chapter 9):** Your body is a magnificent machine. If fueled properly and exercised, dividends will pay off handsomely. Less time sick, feeling better and hanging out with like-minded athletes is suitable for growing your sphere.
21. **Never Stop Learning (Chapter 10):** Mark Twain said: "I never let my schooling interfere with my education." Education helps to improve your craft. Learning what interests your clients enables you to be a more rounded citizen.
22. **Invest to be the Best (Chapter 11):** What message do you send to your clients if you do not own your own home and investment property? The experience of buying and holding real estate will make you a better agent.
23. **Plan your Exit (Chapter 11):** Set a goal and create a plan to obtain your financial freedom.

In Treating Others

24. **Bank Future Business (Chapter 12):** Always be willing to provide services and do favors in instances where compensation may not be forthcoming. The business will flow back to you.

25. **Client Before Commission (Chapter 13):** This is not an action but an attitude. The interests of the client are superior to your self-interest. A commission dollar is a poor substitute for a delighted client.
26. **Respect the Team (Chapter 12):** Always treat the escrow officer and title staff with the utmost respect. They are not agents and they are not there to do your job. Draw up your extension or modification addenda, provide all paperwork promptly and be kind. The same goes for loan officers, appraisers, inspectors, attorneys and insurance agents. Remember, they buy and sell homes as well as make referrals.
27. **Kill Them with Kindness (Chapter 10):** I recall my mother speaking with a client she had spent many hours showing homes to who just purchased through another agent. She offered her sincere congratulations. Many agents would express their displeasure to the client and drive them away. Instead, because she valued continuing the relationship the clients referred business to her for years afterward. Be sincerely happy for others and watch what happens.
28. **Smile on the Line (Chapter 14):** A very successful agent taped a smiley face to his desk phone so he sounded positive in his phone conversations. Every morning, adopt a regimen to have a mindset of abundance. Carry a positive outlook with you at all times; amazing things will happen.
29. **Giving with Gratitude (Chapter 14):** Freely share your time, treasures and talents in the service of others. There is no greater inner satisfaction you can experience.
30. **Know your Competitors (Chapter 5):** Get involved in association committees, attend Realtor social events and luncheons to meet other agents. If you know the other agent in a transaction, it improves the chances for success. The by-product will be increased professionalism and superb service to your clients.

Actions to take:

1. Adopt the 30 Rules of Real Estate into your standard of practice.
2. Regularly review each rule to consider methods to improve your service.



Chapter 16

Conclusion

“Accomplishment will prove to be a journey, not a destination.”

—Dwight D. Eisenhower

The Gift Of Our Experience

In 1990, I called ahead to show a home on the corner of 15th and Jefferson Street in Salem, Oregon. After leaving a message, my clients and I drove to the two-story, basement home. I knocked without an answer, so I used the key box to open the door and proceeded to show the first level. Going down the stairs to the basement we ran into the owner, an African-American man in the process of ironing some of his shirts. After explaining my attempts to notify him of our presence, he encouraged us to continue looking at his home. I noticed a Marine Corps campaign hat in its holder on the wall, keeping the brim straight and level. This man must have been a drill instructor. Upstairs in the bedroom when we opened the closet, all the shirts were ironed, facing the same direction and one inch apart. The entire home was meticulously maintained, but it was not the right home for the buyers.

In 2010, I received a call from my client Barbara who purchased a lovely home with me a year and a half before. She let me know she was moving out of the area and wished me to come over to get the selling process underway. I expressed my sadness as we worked so hard to find the ideal home, matching her perfectionist lifestyle. Once on the market it sold quickly and in a few weeks we were at escrow to sign. She turned to me and said she had not been honest with me; she was not moving out of town but rather getting married. I

asked why she had not told me before, she said she was unsure what I would think about her marrying an African-American man. She then shared he used to be a marine. I immediately thought of the previous encounter 20 years earlier and asked her to check with her fiancé to see if he owned a home on the corner of 15th and Jefferson Street. She later called and advised me her fiancé had owned that home and he wanted to meet me. I met Marion a few days later and instantly became friends.

Our son was a senior in high school and considering the military, particularly the Marine Corps. I asked Marion if he would be willing to talk to him, he said he was happy to do so. For two hours in our living room with his military photo album, Marion spoke not of why Patrick should join but what the Marine Corps meant to him. Based on that conversation and a few others, Patrick placed his feet on the yellow outlines at the Marine Corps Recruit Depot in San Diego in December 2011.

In March 2012, we attended his graduation and brought him back to Salem on his leave for a celebratory gathering of his high school friends, family and of course, Marion and his wife. Our son looked sharp in his uniform at the party and after a time, Marion asked if he could get up and say something. He congratulated him for joining the Marine Corps and welcomed him into the brotherhood. Then out of a paper bag at his feet, he produced his campaign hat and proceeded to hand it to our stunned son.

His high school friends were yelling for him to put it on, but he remained erect and at attention, staring straight at Marion. He knew he had no right to put Marion's hat on because he had not earned it. Marion gave a slight nod, and our son removed his hat and placed Marion's hat on for only a few seconds.

What is the point of this story?

I saw the hat in its holder on Marion's basement wall before my son was born.

When Barbara told me she was marrying an African American man who was a marine, I thought of Marion. The less than 10 minutes I spent in his exceptionally cared for home left such an impression, my mind went back over two decades and determined it must be him.

Likewise, the 30 Rules of Real Estate helps elevate the level of service you provide, so when those in your sphere ask who should represent them, they will conclude it must be you. I understand why Marion gave our son such a personal and significant reminder of his service. In our son he found a fellow marine to carry on his love and tradition of the Corps. Similarly, writing this book is my expression of affection and the desire to pass on my experience to my fellow agents in the industry that has been my entire life's work.

The Realtor Pledge came into existence in 1954 with the words below:

To protect the individual right of real estate ownership and to widen the opportunity to enjoy it;
To be honorable and honest in all dealings;
To seek better to represent my clients by building my knowledge and competence;
To act fairly towards all in the spirit of the Golden Rule;
To serve well my community, and through it, my country;
To observe the REALTORS'® Code of Ethics and conform my conduct to its lofty ideals.

Heady stuff for me as a 21-year-old newbie to grasp back in 1977.

The pledge is aspirational, it does not require the member to be all-knowing. It requires us to keep improving. It is a moving goal line Realtors never reach, but the great ones get close. I tried to get that across to the Real Estate Agency employees on our field trip.

In June 2020, I laid out a 65-kilometer route (about 40 miles) to follow in a day around Salem, with the distance signifying my age. The landmarks included, my high school track, childhood home, my old office, among others. The vast majority of the sites were properties listed, sold or expired over the years I practiced there. Each one was a story of triumph or failure I recalled as I hiked by. All were an incremental step in a decades-long pursuit of lessons learned in order to conform my conduct to the lofty ideals of my pledge. I have been lucky to associate with many individuals who have contributed significantly to protecting private property rights, superior service to clients and legislative efforts to support the public's ability to buy, sell and transfer real estate. My "Hall of Fame" includes those mentors of excellence I emulated. Over the thirteen hours and seven minutes it took to complete the course, the names Ohmart, Nelson, Tokarski, Epping, Morgan, Hudkins and so many more passed through my mind. Another is Garland Read, who was the listing agent on one of my first sales in 1977. After that sale, he made a point to call or stop by my office to check up on me once or twice a year. Even after he closed his office and left the business in the early 1980s during a period of deep recession, the practice continued. Once, I returned from an appointment to find him and his lovely wife Hope, speaking with my broker mother waiting there to greet me. For nearly 20 years until his passing in 1998, I could count on his call. What possessed the man to exhibit such compassion for a competitor? I can scarcely think of him without my eyes welling with tears and his example was the motivation to write this book. I owe him that and honor him in passing my compassion for this industry on to you, the reader.

One of the must-see landmarks on the hike was a listing that I was unsuccessful in getting sold, but I came away much richer in my mind. It was a rare 19th century home on 14th St NE. The stippling on the interior doors and the original gas light fixtures converted to electricity added a museum quality

to the interior. As the widow showed me the layout, she spoke of the many years there with her late husband. Upstairs, an out-of-the-way door opened to an office maintained just as her husband had left it, filled with memorabilia from the war and rare souvenirs collected in his subsequent travels. I had never seen such a private display before or since. I marveled at the inkwell, the smell of the leather belt and holster of a warrior draped over the chair, the dozens of faded black and white photos on the walls and so much more. Then my eyes came upon a small frame tilted up against the back of the desk-top. Not much more than my hand's size, the glass held down a fuzzy banner prompting my question of its meaning. She spoke of how her husband was on Corregidor Island in 1942 at the outset of World War II and surrendered with his garrison becoming a prisoner to the superior Japanese Army. Thus, he began a six-day ordeal known as the Bataan Death March. The prisoners marched 85 miles in six days, with only one rice meal during the entire journey. Those numbering in the hundreds who could not keep up, were shot or bayoneted. The atrocities continued once arriving in camp. Her late husband began to collect lint—a little white, some blue and some red. Should he be discovered at the risk of death, he began to weave this fuzzy banner over the next three years. I noted the placing of the white dots of lint on the field of blue, the ramrod-straight lines of white and red of his work of art measuring no more than four inches by three. He could not have known two more dots would be added a decade and a half in the future, or that my very existence would begin ten years after his 36 long months of torture and squalor at the hands of his captors came to an end in 1945.

I was due to speak to the North Willamette Board of Realtors in Mt. Angel in May as Memorial Day weekend approached, I asked if I could borrow the banner, to which she graciously agreed. When sharing the story behind the fuzzy banner, many in the room were temporarily affected by their inability to see clearly. I have seen people burn or trample over this banner's big brother version, claiming it a symbol of oppression. However, weaving that little fuzzy banner was an inspiration for the airman to endure and survive, who arguably experienced more hell than most any American alive today. Unfortunately, the widow has since passed away and I have no idea what happened to the relic. It should be on display as a poignant reminder of how our country got here, borne by our ancestors' dreams for us to be able to live together in peace. On occasion, as I post the flag we fly at our home, I think about the fuzzy banner made of lint. In its detail and intricacy, I get a sense of the character of a fellow American. To him and all those who made my path easier, I am eternally grateful.

May you all have long, satisfying and successful careers.

Sincerely,

John W. Baker

Recommended Resources

To become the best at what you do, you must learn from the best. I highly encourage taking advantage of the wealth of excellent wisdom available to you. Go to Bookfinder.com to locate these fine books.

Books:

Rich Dad, Poor Dad

Robert Kiyosaki 1997

This book is the number one finance book of all time and a must-read to begin thinking like the rich.

Cashflow Quadrant

Robert Kiyosaki 1998

Learn how the four different groups are taxed and pursue activities that reduce your tax liability.

Think and Grow Rich

Napoleon Hill 1937

The classic mindset-modifying book.

Think and Grow Rich for Women: Using Your Power to Create Success and Significance

Sharon Lechter 2014

Women are now about two-thirds of our industry for this update to Napoleon Hill's classic.

Bigger Pockets Presents The book on Rental Property Investing

Brandon Turner 2015

Learn about buying/owning rentals.

Tax-Free Wealth

Tom Wheelwright, CPA 2012

Lower your taxes by knowing the tax code.

The ABC's of Building a Business Team

Blair Singer 2004

Self-explanatory.

The Millionaire Next Door

Stanley and Danko 1996

Analysis of how the wealthy think and act.

The Advanced Guide to Real Estate Investing

Ken McElroy 2008

For those who want to go big in real estate investing.

Not Your How-To-Guide to Real Estate Investing

Ali Boone 2020

Great for the new investor to evaluate your mindset before you start purchasing rentals.

Thank You Power: Making the Science of Gratitude Work for You

Deborah Norville 2008

When you thank, you become grateful and so much more.

The Wealthy Gardener

John Soforic 2020

So good, I read it a second time immediately after finishing it.

Learn about visualization, goal setting, attitude, and more woven into a compelling story.

Stay The Course

The story of Vanguard and the Index Revolution John Bogle 2019

The wisdom from the founder of Vanguard Index Funds.

Financial Intelligence for Entrepreneurs

Berman and Knight 2008

It shows you how to evaluate a business by understanding income and balance sheets and more.

Big Potential: How Transforming the Pursuit of Success Raises Our Achievement, Happiness, and Well-Being

Shawn Achor 2018

Focus on others over self.

You are a Badass: How to stop doubting your greatness and start living an awesome life

Jen Sincero 2013

No hold back, kick your butt book.

Money: How the destruction of the dollar threatens the global economy and what we can do about it

Steve Forbes 2014

The result of taking the dollar off the Gold Standard in 1971.

Money Honey: A simple 7-step guide for getting your financial \$hit together

Rachel Richards 2017

Self-explanatory.

Total Money Makeover

Dave Ramsey 2003

Get your finances in order before investing.

The Slight Edge

Jeff Olson 2005-2013

Minor adjustments in your thinking led to significant results.

The Checklist Manifesto-How to get things right

Atul Gawande 2009

The power of creating systems that lead to better outcomes.

The Top Five Regrets of the Dying

Bronnie Ware 2011

Make Your Bed

Admiral McRaven 2017

Man's Guide to Women

Gottman and Gottman 2016

What Makes Love Last?

Gottman and Silver 2012

Rock Solid Relationship

Gonsiewski and Higdon 2016

QRP Book 2021

Damion Lupo 2021

Qualified Retirement Plan information on rolling over an existing IRA or 401K into your checkbook controlled and flexible investment plan.

How To Retire Happy, Wild, And Free

Ernie Zelinski 2011

Plan and design your ideal retirement.

Your Successful Real Estate Career

5th Edition 2007

Kenneth W. Edwards

Deep dive into all facets of Real Estate so you can decide if it is the right career for you

Investing in Real Estate

4th Edition 2003

Andrew McLean and Gary W. Eldred, PhD

Comprehensive Investing Book

The Way Is Made By Walking

Arthur Paul Boers, 2007

His observations on life while hiking along the Camino de Santiago

Podcasts/Radio:

Get Rich Education with Keith Weinhold

www.getricheducation.com/podcast/

Hundreds of episodes covering all facets of real estate investing.

Rich Dad, Poor Dad Radio Show with Robert Kiyosaki

www.richdad.com/radio

Look into global issues and their impact on investors. Occasionally strong language used.

Websites:

Get Rich Education & GRE Marketplace

www.getricheducation.com

Free Reports on the best markets and turn-key providers

Ali Boone

www.hipsterinvestments.com

Specializes in Turnkey Investing and identifying providers for you.

Ninja Selling

www.NinjaSelling.com

Learn to stop selling and start creating value

Highly recommended training to provide top of mind relationships with
your clients

The Tax Foundation

www.taxfoundation.org

Rental Property Calculator

www.calculator.net/rental-property-calculator

The Real Asset Investor

Dave Zook

ATM Fund Investing

Storage Unit Complex Investing

www.TheRealAssetInvestor.com

Aspen Funds

Ben Fraser

Note Investing

www.AspenFunds.us

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May this book be a future inspiration to the grandkids Benedict, Juniper, Cohen and Eden.

And finally to my siblings who collectively have kept the memory of my initial mentors, our parents alive with “Baker-Style” humor.



Clockwise from upper left:

The author

J. Thomas Baker “Tom” – A great brother and nationally recognized teacher for his unique engineering class within the Beaverton School District.

Marianne “MeePee” Baker – Dedicated and hard working advocate to find housing for HIV positive clients.

Catherine “Catoo” Van Meter – Professional cartoonist/humorist and provided the illustrations herein of the unnamed raccoon that terrorized my pants leg over four decades ago.

The picture is from 1976 as we desired to take our talent show on the road until mom told us we needed to put our “props” back in the silverware drawer.



About the Author

John W. Baker began his real estate career in June 1977 with his family firm Ned Baker Real Estate, Inc. in Salem, Oregon. He specialized in residential and small multifamily sales, investing and property management. He also taught classes on the Code of Ethics, Real Estate Practices, Real Estate Investing and more. He served as Salem Association of Realtors President in 1991 and the Oregon Realtors President in 1999.

He earned 6 Realtor designations, plus Realtor Emeritus, National Realtors Hall of Fame, Salem Realtor of the Year, twice, Alan Jones Memorial Award, Salem Chamber Distinguished Service Award, Oregon Realtor of the Year, and Oregon Distinguished Service Award.

He would welcome your comments at John@Nedbaker.com

