ROCK STAR REPORTS

★ LESSON FOURTY NINE ★

More Real Estate Questions Answered

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TOM & NICK KARADZA

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Foreword

3

The countdown continues! Three more reports to go to wrap-up your 52-Week Training Program!

This week we wanted to share a **little golden nugget** with you…

Since 2006 we've worked with hundreds of real estate investors in groups and in one-on-one environments and we've begun to make some observations.

We always ask ourselves what separates the achievers from the ones who sit on the sidelines.

And it seems that we can boil a lot of that down to this…

It doesn't matter how much money you have, or how much experience you have, or how many books you've read. We've worked with high school dropouts, PhDs and Presidents of companies.

> The people who accomplish the most are those who act even though they feel they only know 80% of what they should. Those people who want to know 100% of everything before they begin get nothing done because they never feel they know enough.

Of course you need to do your due diligence, you need to research and you need to study. We're not discounting any of that. But after six months of intense research you've likely discovered everything and you need to get going.

The rest of you knowledge, that missing 20%, comes from real world experience!

Note…
Download links for previous lessons will always be at the close of each PDF file in case you missed or misplaced an earlier edition.

Introduction

This week we're compiling many of the questions that we've had sent to us over the last few months.

From these, you'll find that the same things that are on your mind are on many other people's mind as well!

We've left the formatting of the requests just as we get them so you'll get the "raw" questions and answers.

Let's get started…

Property Acquisition: Personal or Corporate?

by Celeste
(Calgary, Alberta)

When acquiring an investment property for the purposes of 'buy & flip' or 'buy & rent' is it better to purchase the property in your personal name or in a corporation?

I understand taxes on rental income in a corporation are 45% but personally they range from 25%-39% depending on the amount of income.

I have heard it is prudent to buy in the corporations name due to liability but the taxing seems to be high.

Thanks for any insight you can offer.

RE: To Incorporate or to not incorporate ... that is the question!
by: Tom Karadza

Hi Celeste,

Thanks for your question!

There's so much to share here that we could write a book about it!

1. CRA does consider real estate as a "passive" business, so it is taxed at a very high rate, in the mid-30% range.

2. If you own it personally, then as you stated, it becomes income and you pay the appropriate average tax rate.

There are many advantages to buying using a corporation but you'll need a corporation with enough income to qualify for the mortgage. You'll also want a very good real estate accountant because there are legal and ethical ways to get that tax corporate tax rate down.

If you don't, a corporation that will qualify to purchase property you may be stuck buying properties using your own name - this is very common so don't become discouraged.

If liability is a concern make sure you have at least $2,000,000 coverage on your insurance policy. With the proper insurance policy you should be able to protect yourself from most potential liabilities.

A chat with a good local accountant who knows real estate (because many claim to, but few actually do) may be very useful before you begin.

Hope that helps!

Tom.

In debt and doesn't own a home...

Hi Tom and Nick,

I signed up for your real estate investing class but after reading your e-book I'm wondering does it make sense to even attend because my credit is not good and I do not own my own home.

I'm very much interested in investing in real estate so that I could be financially stable but I don't think I'm in a good position to start just yet.

Do you think that I should focus on getting my credit score up and getting my own home first before attending your investing class?

Regards,

Fabian

RE: Do you buy investment property before fixing your credit and debt load?
by: Anonymous

Hi Fabian,

Thanks for your question!!

You've nailed it. We obviously don't know your entire situation, but it's likely a very good idea to get yourself in good financial shape before you begin. Having a good credit score and your own roof over your head is important in our opinion.

There are "creative" ways to get started with no money but we've found by spreading yourself too thin you can actually put yourself in worse situations than you were in originally!

You are still more than welcome to come out and meet us, of course, and learn about what we do. Then, when the time is right you'll have the knowledge you need.

Hope this helps a small amount!

Tom.

Non-payment of rental income. What action to take?

Dear Tom,

I have a rented income house in the Richmond Hill Area, at the end of the leased.

I have not collected the rent for a couple of months, what action should I take and
if I require a lawyer where can I obtain one?

Elizebath

Late Rent and Non-Payment of Rent in Ontario
by: Tom Karadza

Hi Elizabeth,

The Landlord and Tenant Board in Ontario does an excellent job at helping in these situations.

You really should not need to incur the cost of a lawyer unless there are details here that complicate the situation.

You start by filling out a N4 form and mailing it to your tenant or putting it in the mailbox. 14 days later you file an L1 form for a hearing date at the Tenant Board. If they have not paid by that time they will likely get an order to vacate the property.

Why don't you give them a quick call, they're very helpful:

http://www.sjto.gov.on.ca/ltb/

The N4 form and L1 form are on the website along with detailed instructions on how to use them.

Hope that helps!

Tom.

How do Land Transfers Work With Lease Options?

How does Land Transfer Tax work on a Rent to Own?

Is it paid once (when tenants exercise option to purchase) or twice (when you buy the unit and when the tenant exercises their option)?

Land Transfer Tax with Canadian Rent to Own Real Estate Investments
by: Tom Karadza

In Ontario when a property changes ownership Land Transfer fees are paid.

1. So, when you, the investor, buy the property <u>you</u> pay land transfer fees.

2. Then, when (and if) the tenant buys the property from you at the end of the lease then <u>they</u> pay the land transfer fees at that time.

Hope that helps!

Tom.

Need a home but also want to start real estate investing.

by Shari
(Moving to ON from NS soon)

Hello

I am very interested in real estate investing and I have been doing some research on this before going ahead with it.

I want to start investing within the next two years.

I'm 22 years old and I have a job that pays decently, about $50,000/yr. I still have some student debt but I should have it paid off in about six months.

After that, I will have about $900 month extra. I intend to save money to start investing in properties, however I don't own a home (or car) and it wouldn't be sensible to buy a home I intend to rent when I don't have a place of my own.

I don't think the bank would lend me enough money to buy a duplex or a home big enough to rent out a portion of it.

So my question is this, how do you suggest I get started in real estate investing, given the situation of needing my own home?

Most of the articles I read on real estate investing assume that a person is somewhat settled, but I've not come across any articles advising people in situations similar to mine.

I haven't gone through all your articles so I apologize if the answer to my question is somewhere in there but if you could please point me in the right direction I would appreciate it.

Thank You

Shari

When is the right time to start real estate investing?
by: Tom Karadza

Hi Shari,

I can't believe you're already thinking this way. Super smart! Nick started investing by himself with his own cash at 21 and to see you already thinking this way is amazing.

The buy versus rent debate will rage on for years. There are volumes of books written on this, debating the pros and cons.

My personal preference is to own my own castle. Meaning, purchase the place you live. Others will argue that you can save money on maintenance and property taxes by renting and you invest the difference.

From experience, I personally don't know anyone disciplined enough to actually take the money they save by renting and invest it.

For that reason I'm a believer in buying your own property. This is of course my personal bias.

I think you are very smart in thinking about renting out part of a property you buy. I know many people who have roommates and that extra income really helps create extra cash flow to save up for a down payment on an investment property.

But if you don't like the roommate thing then I wouldn't discount qualifying for a duplex. Depending on your credit and where you're living in Ontario you may be able to qualify. I would strongly encourage exploring that option further.

And if you discover that you really can't qualify for a duplex then again my personal opinion is to buy your property before you begin investing.

Others may disagree with this and I really want to tell you to start investing first but I personally believe in owning the place you live.

I would really explore the idea of a duplex as much as possible though. If you could qualify that would be the perfect combination.

Hopefully this doesn't confuse you more than help you!

Tom.

Canadians doing some U.S. Real Estate Investing

by Jessica
(Barrie, ON)

We have recently decided to pool together our resources with some family members to take advantage of the low prices and low interest rates and purchase a vacation property in Florida.

Our concern is with seeking out the right resources to figure out how to format this purchase.

For example, some have mentioned incorporating a business to do the deal, however I have read online that this might not be the smartest move in terms of dealing with U.S. taxes.

Do you have any information or any resources that would give us some direction?

Regards,

Jessica

Canadians Buying Investment Property in Florida
by: Tom Karadza

Hi Jessica,

There's one condition here...you have to invite us to your property so we can bask in the sunny Florida weather too! :)

You're smart to ask these questions in advance, we've seen many investors plow ahead and make a U.S. investment property purchase without doing the proper due diligence.

Canadians are definitely hit with specific U.S. tax laws when it comes to rental income. Your best bet is to get an accountant who knows both the U.S. and Canadian laws.

We know an accountant certified in both Canada in the U.S. and he's here in Ontario.

Explain your plan and ask for advice on how to structure the purchase. A few minutes up front will save you a ton of problems down the road.

If you would like his number call our office and give your email address to Samantha ... we'll send his contact info to you. Office: 905-338-6964 ext. 210.

Tom.

Request to clarify a certain statement in your Income For Life eBook

by Ron
(Toronto)

On page 34 of the book, the second paragraph mentions: "...Plus at the time of sale to my tenant, I get my down payment of $11,650 back..."

I DO understand the $140,000 less $4,500 less $7,200 less $116,500 = $11,800 profit. However, The closing cheque of $23,450 is the sum of two amounts: the $11,800 profit and the amount of $11,650.

I would like to understand who exactly pays you back this $11,650 down payment? Is it the tenant? Is it the lender from whom you initially obtained the mortgage?

If it's from the tenant (who now is buying the house from you) then I cannot see where in the details provided about the whole arrangement with the tenant it was mentioned that they will pay you $11,650 IN ADDITION to the $140,000.

If it's from the lender then again, I cannot see where it was discussed that the lender would pay you back your $11,650 down payment.

Your clarification would be appreciated.
Sincerely,
Ron.

Down Payment from a Canadian Real Estate Investment
by: Tom Karadza

Hi Ron,

Thanks for the question!

We should probably make it clearer. No one actually pays you that money back. When you get the money from the tenant's bank on the sale of the home and go to pay the mortgage you had on the property you'll keep the difference.

The outstanding mortgage isn't the $116,500. It's $116,500 less your original down payment. So when you go to pay off your mortgage with the money you get on the sale you'll have your down payment amount as "extra" money that goes to you.

I don't have the book right in front of me as I reply so I hope this is making sense!

Tom.

Leverage or Mortgage Free Investment

by Peter
(Toronto)

Hi Tom/Nick,

I have a mortgage free property with a potential income of $1800/mth. My estimated value of the property is approx. $320K if sold. I am contemplating selling the property and working with 2 scenarios:

1) Splitting the money into 2 properties (i.e. Put $200K into a bungalow and mortgage approx. 200K and save the $120K for a duplex).

2) Putting all into 1 property (ie. take the $320K and look for a duplex of $550K with a mortgage of $230K).

Based on current pricing of bungalows and duplexes, my concern is the cash flow. My question is, would I be better off with the one source of income or leveraging and getting 2 properties at this time?

Thanks for taking the time and providing such a Canadian needed resource.

Sincerely,

Peter

To Leverage or not to leverage your real estate investments?
by: Tom Karadza

Hi Peter,

For us this really comes down to a personal decision.

If you want to aggressively grow your portfolio base then you'll want the most leverage possible.

But you'll have to be smart about the area, the rates you get, and make some plans to protect yourself from any interest rate moves that may occur.

Without knowing more about you and your goals this is a tough one to answer.

However, just some generic advice...

Our opinion is that if you do your research and choose wisely you want to leverage yourself to grow your wealth.

But keep this in mind...if interest rates go up and/or if prices drop, being leveraged is not fun. You need to plan for this now.

We've been in that type of situation before and in these cases you need 1. Cash 2. Credit and 3. Cash Flow to survive.

So don't spread yourself so thin that you can't handle a move in interest rates or home prices.

I know this isn't answering your question directly but I hope it somehow helps a tiny bit!

Tom.

Where Do I Get a Student Rental Financed?

by Daniel
(Hamilton, ON, Canada)

I'd like to be able to purchase some student rentals around the McMaster University area.

However, as soon as the banks hear that it's a student rental, they say, "No Way!"

I've found a niche market lender that lends on student rentals, but they want 75% LTV, 1 point at closing, 1 or 2 year closed term, and 4.44/5.0% fixed interest rate, even when I've told them I'm planning to live there.

I don't have a problem with the 1 or 2 year term, although I'm not big on it, and I have even less of a problem with the interest rate (although my wife hates it...she wanted a variable rate), but we have a problem with the 1 pt and the 75% LTV.

We wanted to get an 85% or 90% LTV mortgage, or an 80% LTV mortgage where we could use our line of credit to partially finance the down payment.

Where the problem lies is that the lender is saying they need 25% down, and we'd like to come up with 10% to 15% down, or come up to 20% down, using LOC's and/or low interest rate credit card specials.

Do you happen to know any we could talk to, to get preapproved for student rentals?

Thanks.

Student Rental Financing for Canadian Investors
by: Tom Karadza

Hi Daniel,

We feel your pain!

There are banks that will finance student rental properties with better rates than you've found. But they're always changing their programs so it's best to reach out to them and get the latest.

If you call our office and give Samantha your email address I'll pass along a mortgage broker's name and number who knows of such banks. Office: 905-338-6964 ext.210.

However, the down payment problem won't change. Most student rentals will need 25% to 35% down ... I wish I could change that but that's the norm.

Occasionally one of the banks in Canada will change their minds and for a short time have more attractive programs ... so it's really best to chat with an experienced broker.

Also, sometimes at the bank "branch level" they'll do special mortgage programs for student rentals that aren't done on a national level.

For example, somewhere close to McMaster there used to be a Nova Scotia branch that was pretty open to doing Student Rental properties and I remember them having more attractive programs (you'd have to walk in and ask what the latest offerings are). I hope I'm remembering that correctly.

Thanks for the question and hope that helps a bit!

Tom

Cottage Investment Properties

by www.theaspiringmillionaire.tumblr.com
(Canada)

We recently bought a cottage lot and are not sure what to do with it.

If we build a new home on the lot we need to do septic, well etc.

And a new home would bring us up to a $450,000 investment in the property.

In this economy we are worried it wouldn't sell. It is on a lake. We actually have a double lot and are wondering if we should build as everyone on our street is converting their cottages to year around homes (baby boomers) or split the lot and put another cottage on the other one and sell it for $180,000 profit and we could sell the other one as well.

We are worried about splitting the lot, as that is why most people like the property because it has a double lot.

Most cottages go for around $200,000 on the lake, which are a lot smaller properties than ours (1/2 size). What would you suggest?

Build a dream home or split the lots and build another cottage?

RE: Cottage & The Aspiring Millionaire
by: Tom Karadza

Hello Aspiring Millionaire!

Thanks for the question.

And I would have to come back to you with a question. What was your goal when you bought the property?

Long-term appreciation?
Immediate cash flow?
Quickly force up your equity position and sell?
Do you need/want to sell quickly and get out of the situation?

It sounds like you want to sell and are looking for the right strategy.

You'll need a decent amount of cash to get through any re-zoning, new construction, and carrying costs of a build. You'll also have to deal with contractors and turn yourself into a mini general contractor to oversee the project. None of that is bad, just be aware of it.

If you're looking to sell quickly doing a build may not be the best option.

I would talk to an experienced realtor in the area and ask them for comparables of your property "as is," "split into two," and with a "dream home" on it. Once you have that information I would imagine it will help guide your decision.

I realize I'm not helping very much here! Reply with more detail around your goals for this and I'll add more!

Tom.

If you had $100,000 .... ?

by Ken
(Vancouver, BC)

No, this is not a Barenaked Ladies spinoff (sorry to plant that song in your head). I have had this question in my head, wondering what would Tom and Nick do if suddenly $100,000 dropped into their laps.

Given your variety of investment strategies, the current market, etc., I'm wondering how you would use it.

Would you use it as a 10% down payment on a $1,000,000 apartment building?

Would you use it as a 20% down on a $500,000 triplex/apartment/student rental?

Would you make 2 $50,000 (20%) down payments on $250,000 single-family homes?

Or spread it really thin and make 5 $20,000 (10%) down payments on $200,000 townhomes?

I know this is a wide-open question, and knowing you, I'd expect you to mix and match, but I guess I'm just curious about which market you would be leaning towards and how thin you might spread yourself.

RE: Barenaked Ladies
by: Tom Karadza

Hey Ken, love the Barenaked spin on the question!

Great question!

It would come down to my goals.

1. If I'm in a stage where I want to aggressively grow my own portfolio I would likely put as little down as possible and maximize my leverage. There would be a lot of due diligence in the area, the type of property, future appreciation projections etc., but that's the answer.

I would also have to accept that with many properties and only one of me (assuming I didn't have a team yet and/or no property management) that many nights and weekends would be busy managing the properties. It's a trade off.

2. Now, if I'm at a stage in my own wealth creation where I don't care about maximum leverage any longer, because I've built a bit of a portfolio and the cash is flowing, I may choose one nice single family home and put a lot down on it, perhaps the entire $100,000. That would increase my cash flow (because I would have a lower mortgage) and give me less to manage.

So it comes back to my goals at the time, my preferred strategy and my exit plans.

Hope that helps!

And yes, you've got the Barenaked Ladies song stuck in my head now! :)

Tom.

What happens if things go bad?

by Steve
(Mississauga, Ontario, Canada)

After reading your book I'm more intrigued than ever. But I'm curious, particularly since a lot of this comes from the U.S., what happens if/when the market makes a correction.

I can't help but envision owning x number of homes, the market drops by 10% or more (if we are in a bubble not an outlandish possibility) and all your rent to own tenants realize the house is worth substantially less than they have it optioned for. They no longer are willing to pay a higher rent since they know they likely are not buying the house at the agreed price any longer. Further, it seems conceivable to me that if they know they are going to loose their deposit anyway if they opt not to buy at an over market price at the end of the lease they will just walk away.

Is it not a possibility that in a down turn (Similar to what happened in the U.S.) that you could end up with a substantial part of ones portfolio vacant and thus a real problem with cash flow to cover the mortgage payments?

What happened to your U.S. members when the values dropped by huge percentages?

Ah, great real estate risk assessment question
by: Tom Karadza

Hi Steve,

Great question.

It's important to set context before with this one. Risk with real estate applies to every category and every strategy.

Student rentals may have the neighbouring university put up a massive new residence building.

Apartment buildings may have $250,000 in unexpected underground parking repairs.

You get the idea.

With single-family homes you need to be comfortable that you'll be able to rent out your property for acceptable cash flow in any environment.

Once you've established that then you can implement lease/option strategies on them.

Property and community fundamentals come first. Always.

That way if property values change (up/down) you always feel good because you bought a property that you know you can rent out anytime (there are always people looking to rent).

And if the current tenant doesn't pay you your rent, you can move on and get a new one (by the way, in your example, tenants must pay the higher than average rent that you mention because it's in their lease - they can't decide not to).

Also, for lease/options there are always two sides. We know investors who had to give up equity because the property appreciated past the set buy out price. We know others that agreed to reduce their price (although they didn't have to) to sell their property but still made a profit b/c of accumulated monthly cash flow and equity build-up.

As for U.S. investors, we know some who got carried away and bought "not so nice properties" because they were good deals and they've seen their prices drop. Interestingly, they can still find tenants for them. We know others who bought in good areas and have had stable prices. So it's case by case. One nice thing about lease/options is that you as the investor are in control.

To summarize quickly, it all starts with the property.

Find a property that you like. Focus on a good area.

And if you decide through your own education that you'll rent out that property for an acceptable amount in any economic environment - then chances are you've found a winner.

Hope that helps a little!

Tom.

Inheritance.

by Benoit
(Edmonton, Alberta, Canada)

My wife is very likely going to inherit a 12-unit apartment building near the university of Edmonton.

Her grandfather was a successful man who invested in many things. She wants nothing to do with it; and since we are expecting our fourth child in 4 weeks she is very busy.

She has no experience, and I have none either, at running a business. Is it even a business?

I have always wanted to invest in real estate. I have read dozens of real estate investment books. I like your book by the way. I read as much of it on the computer as I could until my eyes hurt.

Unfortunately, I don't know anything about running a business.

If you were in my situation what would you do? Who would be an expert on how to run such a business? If you know some good people/mentors in Edmonton that would be cool.

Ben

An unexpected apartment building owner
by: Tom Karadza

Hi Ben,

Thanks for the question!

If she wants nothing to do with it then personally I would sell it.

This is definitely a business (your customers are your tenants, you'll have maintenance and expenses on the property and you have financial tasks to deal with - it's definitely a business). And if you're not fully engaged there's the opportunity to mess it up.

Now, if you you've always wanted to invest in real estate you've stumbled upon an interesting situation. Apartment buildings can produce cash flow when run well and will build up equity (or, as in your case, may have a lot of equity in it already).

You'll want a local mentor to guide you. We have commercial contacts who cover most of Canada. I'll email you directly and pass along their contact information - they may have some local contacts in Edmonton that would provide helpful.

Hope that helps a tiny bit!

Tom.

Assigning Real Estate Contracts

Hi,

My question is when assigning contracts, after the buyer and I sign the agreement do the seller and I sign a purchase agreement too?

RE: Assigning Real Estate Property Contracts
by: Tom Karadza

Hello,

Thanks for the question...

Typically the sequence of events is this:

1. You sign a Purchase & Sale Agreement to lock up a property and there's a clause in the agreement that allows you to assign the agreement to some other party.

2. You then come to some sort of agreement (usually for a fee) with a third party in writing.

3. And then you officially assign the originally Purchase & Sale agreement over to them.

There are a lot of details here that I skipped over, like the seller's right to refuse etc., so make sure you're getting proper legal advice if you're in the process of this right now.

Tom.

Variable VS Fixed Rate Mortgage

by Daj

RBC's 5 year fixed rate mortgage is 4.19%.

Their 5 year closed variable rate mortgage is prime (2.25%) plus 0.0%.

Their 5 year open variable rate mortgage is prime (2.25%) plus 0.7%.

Is there any reason not to opt for the 5 year closed variable rate?

By the way, your website is beautifully organized and easy to navigate. Dividing your information into bite sized pieces works extremely well. Thanks for making real estate transactions comprehensible.

Re: Open Versus Closed Variable Rate Mortgages by RBC
by: Tom Karadza

Hi Daj,

Thanks for the feedback, much appreciated!

The 5-year closed is obviously the better rate as you mention.

However, make sure you're planning long term. If you ever have to break that 5-year mortgage you'll pay a penalty. Ask what that penalty will be so that you're prepared.

A few years ago I had to break a 5-year closed mortgage and paying the penalty wasn't fun.

So that would be my number one concern. If that's not an issue for you then the lower rate will likely save you thousands.

Hope that helps!

Tom.

Are Two Single Family Homes a Better Investment Than a Duplex?

A duplex selling for $365,000.00 with each side rented for $1200.00 a month. Purchased with 5% down with a monthly mortgage payment of $1500.00

versus...

Two single family homes selling for $135,000.00 each with each home rented for $800.00 a month. 10% down with a monthly mortgage payment of $500.00 for each house.

The duplex is in a better neighbourhood (closer to schools and surrounded by single family homes) and is constructed better than the single-family homes (better foundation, insulation, nicer interior finishing).

What factors should I consider when making this decision?

Thank you.

Re: Single Family Investment Property versus a Duplex
by: Tom Karadza

Hi,

Thanks for the question...

Much of this will come down to your own specific goals.

The factors we consider include the amount of cash flow we'll earn versus the down payment required to secure the property.

We'll also consider maintenance and ongoing management of the property. Our experience has shown that single families are easier to manage than multi-unit properties (even small duplexes).

However, our #1 criteria is the area we're purchasing in.

Without knowing all the details and specifics of each community we would choose the property in the better area with the better construction.

We're always thinking of our exit plan for each property. And good properties in good areas are very easy to sell.

So with the information we have here we would choose the duplex, but again, we don't have all the information obviously.

One thing to consider with the duplex: Is it a legal duplex or a non-conforming duplex? Some cities have by-laws preventing non-conforming duplexes from setting up in their communities.

Check that everything is legal and by the book with that duplex before you make any final decisions.

Ideally, track down a good realtor who knows the area AND works with investors to assist you.

Hope this helps a bit!

Tom.

Raw Land Purchase

by Art
(Kamloops, BC)

Can a person write off the interest on a mortgage for a raw land purchase?

RE: Raw Land
by: Tom Karadza

Hi Art,

Best to stick with a good accountant for this one. There's a lot of variables with such a broad question, however, in general if the land was purchased as an investment then the interest can be used as a tax deduction, yes.

We know investors who buy land and sit on it for years ... actually use it as farmland until urban sprawl catches up to it and then they sub-divide and build on it.

Again, for this one, best to double check with your accountant, but our feeling and experience tells us that if you're using it as an investment then you'll be able to write off the interest on the mortgage.

Thanks for the question!

Tom.

Financing, end if the road??

by Steve
(Mississauga, Canada)

I have a finite amount to invest and although my personal covenant is good, I don't understand how I can keep building a portfolio when my equity is exhausted.

I'm 50 and I don't want to wait while appreciation and equity build-up give me enough to buy something more.

I realize investors may be an option but most want you to have a piece in as well, and I don't want to fight over who's driving the bus. I want to drive my own bus!

Not sure where to go from here?

Steve

Road Bumps
by: Tom Karadza

Hi Steve,

In Canada we are bound to the lending practices of the Canadian banks and they are mostly "income" and "capital" based.

Unfortunately, when you run out of equity there's only one answer - you need to find more.

I know that's not what you want to hear.

And you're right about Joint Venturing with other people. You can do that but you do lose some control.

You can go the "hard money" route and borrow money, however, you'll pay higher interest rates than normal and many banks won't accept borrowed funds as a form of down payment so you'll need to work closely with a good investment oriented mortgage broker.

I would highly recommend talking with a good mortgage broker about your goals and see if they have a plan for you.

I recall working in the software industry with many startup companies and finding more equity/capital to grow was always the #1 issue on the table - and it's the same with growing a real estate portfolio.

I wish I could help more than this!

Let me know if you have further questions...

Tom.

CMHC Rejection

Hi Tom and Nick!

Just recently I had a loan application turned down from CMHC. My mortgage broker says I'll need to put a larger down payment, and reduce some pesky credit card debt for next time, which is doable.

But my question is what does denial mean for future applications? Will I be put on some sort of 'blacklist' and have future applications looked at more closely?

Are there any good books out there that talk about the Canadian mortgage industry? I just read Carolyn Warren's Mortgage Rip-Offs and Money Savers, but that book is geared to the US market even though I did find some useful information.

Thanks for making yourself available to answer random questions from people like myself!
You guys are doing an amazingly great job!

PLEASE CONSIDER HAVING ONE OF YOUR SEMINARS IN OTTAWA!

Thanks

Thanks for the email!

Your denial really shouldn't be any factor in any future applications. The only thing that it will have affected will be your credit score ... but don't panic ... it's no big deal. Every time any institution pulls your credit your score is impacted a little. It happens to all of us. And **one** pull has almost zero impact. It only really affects you if you run around to 5 banks and ask them all to try and "approve" you for a mortgage or for 5 different credit cards or something. In that case Equifax/Transunion will knock your credit score lower b/c of this type of activity.

So in the long run there is nothing to be concerned with. If you take care of what you need to this denial will have no impact. You are not put on any blacklist of any sort.

There's no really good mortgage book in Canada that we've found. We're always looking though! If we run into one we'll let you know.

Thanks for the feedback! If we ever make it to Ottawa we'll reach out to you!!

Does The Time of Year Matter?

Hello guys,

I have a very quick question for you. Through your experiences with lease to own properties, does the time of year affect the ability to fill a home in a timely matter? I know the real estate market usually slows down in the fall but does this effect filling the home with a suitable tenant.

I know you guys are always extremely busy, but if you can answer this question it will be greatly appreciated.

Thanks in advance,

There are some times during the year when Rent To Own lead flow will slow down.

Surprisingly, Christmas has not been one of them in past years (with the exception of the week immediately prior to Christmas Day). We have had a few members fill homes in late December in past years. I think it helps that many people are off work and looking at papers with time to attend showings.

There is a slight slowdown in leads in the couple weeks leading up to Christmas but nothing very noticeable.

Over the past few years the biggest drop in leads comes at the end of June and very beginning of July. We think this is because of the end of the school year. Many parents are busy with graduation ceremonies, vacations, the start of soccer leagues and other outdoor activities.

We have also noticed a drop in leads at certain times through August simply because of all the vacation time people are enjoying. But having said that, I believe 6 homes were filled by members within the last week of August this year.

Mid to the end of June is a time I would stay away from if I could, and maybe the middle part of December as well.

Other than that things seems to be fairly steady because different tenants will have leases ending at many different dates throughout the year so the Rent to Own market doesn't follow the typical market trends.

Hope this helps

Nick

This Week’s Assignment

1) If you have a question and would like it answered feel free to send us an email. We try to get back to every single email we get! Be patient with us and we will reply!

To Your Success & Achievement,

Tom Karadza Nick Karadza

Tom & Nick Karadza
Publishers, Rock Star Reports™

Coming Up Next...

Lesson #50: “Building Your Real Estate Database with Google Adwords and Facebook”

This topic is something we only share with our own coaching clients. There are interesting ways to bypass the competition and advertise your properties outside the usual “classified ad” channels.

Previous Lessons –

Lesson #1 …
http://www.yourrockstarlife.com/members/1_How_To_Create_A_Lifetime_Of_Income.html
Lesson #2 …
http://www.yourrockstarlife.com/members/Rock_Star_TNT.html
Bonus Lesson One …
http://www.yourrockstarlife.com/members/1_Bonus_Report_Team_Build.html
Lesson #3 …
http://www.yourrockstarlife.com/members/3_Using_Systems.html
Bonus Lesson Two …
http://www.yourrockstarlife.com/members/2_Bonus_Closing_Costs_Lesson.html
Lesson #4 …
http://www.yourrockstarlife.com/members/4_Quick_Start_Marketing_Systems.html
Audio Interview #1…
http://www.yourrockstarlife.com/members/4_Audio_Interview_Canadian_Investor.html
Lesson #5 …
http://www.yourrockstarlife.com/members/5_Dealing_With_Pros.html
Lesson #6 …
http://www.yourrockstarlife.com/members/6_The_Magic_Portfolio_Growing_Snowball.html
Lesson #7 …
http://www.yourrockstarlife.com/members/7_The_Key_To_Success.html
Audio Interview #2 …
http://www.yourrockstarlife.com/members/2_Audio_Interview_Bankruptcy_Credit_Investing.html
Lesson #8 …
http://www.yourrockstarlife.com/members/8_Commercial_Multi_Unit.html
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Lesson #16 …
http://www.yourrockstarlife.com/members/16_Getting_The_Deal_Done.html
Lesson #17 …

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http://www.yourrockstarlife.com/members/25_Lease_Option_Fundamentals.pdf
Lesson #26 ...
http://www.yourrockstarlife.com/members/26_Fast_And_For_Top_Dollar.pdf
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http://www.yourrockstarlife.com/members/29_Key_Lease_Option_Ingredients.html
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Lesson #47 …
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Audio Interview …
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