

Assignment 1: Set your limits

Review chapter 1 of the Transactioneering Guide, especially the section called “Setting Limits”.

Remember that setting limits is the best way for you to quickly decide which potential deals are actually opportunities for you, and which are not right for your exit strategy(ies), which are beyond your current resources, which will end up taking a huge amount of your time without resulting in an appropriate profit for your efforts.

Example: if your exit strategy is to lease/option, getting involved with a commercial property like a truck stop that you don’t know how to evaluate and for which there are limited buyers is a distraction likely to end in nothing, no matter how “cheap” it is or how much time you put into it.

There’s a tendency for real estate entrepreneurs to say, “I’ll do ANY deal as long as there’s a way to make money from it”, and not want to set real limits on when they’ll simply say, “No thanks” to a particular opportunity and move on to something more familiar/profitable/likely to succeed. Please don’t fall into this trap; it ends in wasting a huge amount of time.

Answer, for yourself (there are no “right” answers here—these are your personal preferences and needs) these questions:

My property limits:

I will only pursue properties of this type

- | | | |
|--|--------------------------------------|--------------------------------------|
| <input type="checkbox"/> Single family | <input type="checkbox"/> Two family | <input type="checkbox"/> 3 family |
| <input type="checkbox"/> 4-family | <input type="checkbox"/> 5-40 units | <input type="checkbox"/> 40+ units |
| <input type="checkbox"/> Condominium | <input type="checkbox"/> Mobile home | <input type="checkbox"/> Vacant land |
| <input type="checkbox"/> Commercial properties | <input type="checkbox"/> Other: | |

I will only pursue properties within this area: (can be a distance, city, county):

I will only pursue properties in areas where these exit strategies can be successfully implemented:

- | | | |
|--|---|--|
| <input type="checkbox"/> Low income rentals | <input type="checkbox"/> middle-high income rentals | <input type="checkbox"/> Lease/options |
| <input type="checkbox"/> Retail (fix and flip) | <input type="checkbox"/> Wholesale | <input type="checkbox"/> Sell and carry back “paper” |
| <input type="checkbox"/> Repair for Equity | <input type="checkbox"/> Other: | |

I will not pursue properties that need this KIND of work:

- | | | |
|--|--|--------------------------------------|
| <input type="checkbox"/> Any | <input type="checkbox"/> Structural/foundation | <input type="checkbox"/> Fire damage |
| <input type="checkbox"/> Mechanical (HVAC, plumbing etc) | <input type="checkbox"/> Flood damage | <input type="checkbox"/> Other: |

I will not pursue properties that need more than \$_____ in work

I will not consider properties smaller than ____ square feet or larger than ____ square feet

I will not consider properties with fewer than ____ bedrooms or more than ____ bedrooms

I will not consider properties built before _____ (date)

I will not consider properties that have:

Functional obsolescence

No garage

No offstreet parking

Flat roofs

No dining room

Other:

Financial Limits

I will not consider properties with an after-repaired value of under \$_____ or over \$_____

I want to get at least this much equity any time I do a deal: \$_____ (or ____% of ARV)
Unless:

I want \$_____ in minimum net cash flow from any deal I keep
Unless:

If I have cash invested in a deal, the minimum return on cash invested I want is ____%
Unless:

If a deal MUST contain a "balloon payment" the minimum term I will accept before the balloon is _____
years
Unless:

I'd like to have all "keeper" properties paid off within ____ years of the start of the deal (in other words, what is the maximum fully-amortizing loan term you'd like to negotiate)

Unless:

Control Limits:

- I always want to "get the deed"
- I always want to "get the deed", unless:
- I never want to "get the deed"

These are the benefits I most want, and am never willing to give up to the seller, a buyer, a private lender, or a partner:

- The equity captured at closing
- The appreciation
- The amortization (mortgage paydown)
- The tax depreciation
- The cash flow

These are benefits that I care less about, and am willing to give up to make a deal to get the ones I really want, above:

- All or part of the equity captured at closing
- All or part of the appreciation
- All or part of the amortization (mortgage paydown)
- All or part of the tax depreciation
- All or part of the cash flow

I can tolerate and am willing and able to take on these risks/responsibilities:

- Any rehab needed
- Management of the property
- Ongoing maintenance of the property
- Personal liability for the debt payments and expenses (taxes, insurance, utilities etc)
- Corporate liability for the debt payments and expenses (taxes, insurance, utilities etc)
- Personal liability for legal damages
- Corporate liability for legal damages

Other "limits":

Section comprehension:

What is the key question that Transactioneers always ask themselves when approaching an opportunity?

- a. How can this deal be structured to be the most profitable?
- b. How can I best help the seller?
- c. What do I want, what does the seller need, and in what ways could these things be achieved?
- d. What is the best strategy (subject to, lease/option, owner financing) for this deal?
- e. None of the above

Which of these are benefits of owning real estate?

- | | | |
|--|--|--|
| <input type="checkbox"/> Tax depreciation | <input type="checkbox"/> Maintenance | <input type="checkbox"/> Cash flow |
| <input type="checkbox"/> Taxes and insurance | <input type="checkbox"/> Appreciation | <input type="checkbox"/> Use of the property |
| <input type="checkbox"/> Rehab | <input type="checkbox"/> Right to transfer | <input type="checkbox"/> Mortgage paydown |

Check all that are true:

- The responsibility to maintain/rehab a piece of real estate can be legally separated from the benefit of cash flow with the right contract
- The benefit of tax depreciation can be legally separated from the legal ownership of the property with the right contract
- The cash flow from a property can be separated from the legal ownership of the property with the right contract
- You can be the legal owner of a property, but not get the benefit of any appreciation in its value

True or false:

- | | | |
|---|----------------------------|----------------------------|
| You should always decide how much you want to make on a deal on a case-by-case basis | <input type="checkbox"/> T | <input type="checkbox"/> F |
| Low money down, no-qualifying deals are basically always good deals | <input type="checkbox"/> T | <input type="checkbox"/> F |
| You should always try to pay no more than 70% of the ARV of a property less repair costs | <input type="checkbox"/> T | <input type="checkbox"/> F |
| Your goal should be to complete EVERY deal you run across | <input type="checkbox"/> T | <input type="checkbox"/> F |
| The key to a successful deal is giving the seller what he wants | <input type="checkbox"/> T | <input type="checkbox"/> F |
| Learning Transactioneering means you can find the one right solution to any "situation" | <input type="checkbox"/> T | <input type="checkbox"/> F |
| You can Transactioneer deals, even with sellers who aren't particularly motivated to sell | <input type="checkbox"/> T | <input type="checkbox"/> F |

The sellers who are most likely to do creative deals are:

Landlords

Homeowners

People who are behind on their payments

People who have a property they don't want and are flexible in how their problem is solved

People who need cash to solve some other problem in their lives