

Targeting Prospective & Professional Real Estate Investors

Presented by:

In Touch Today

www.intouchtoday.com



For many, investment property has become this decade's stock market. After the last stock market crash many investors bailed. Rather than invest in the market, they chose to instead buy property which historically returns its investment and appreciates over time.

What We Will Discuss



- Three E's of success
- Identify your borrower's "type" to provide the best mortgage loan value for your clients
- How to tap into the commercial lending market
- How to identify your "ideal" client



What We Will Discuss



- How to find professional and novice investors and market to them effectively
- Questions to ask when purchasing a cold mailing list
- Investment group types and which is “right” for you
- How to create or participate in an investment group



The Three E's of Success



- The 3 E's of success are:
- Expertise
- Exposure
- Enthusiasm



1. Expertise



- Know the products you can offer to investors
- Read:
 - Real estate section of your local paper
 - Wall Street Journal
- Learn how to navigate a difficult loan scenario
- Manage your time effectively
- Have resources available to help your investors be more proficient/profitable



2. Exposure



- People have to know who you are
- Keep your name in front of people by staying in touch
 - Use more than one method of keeping your name in front of clients including:
 - Email
 - Web site
 - Direct mail
- Notes
- Phone calls
- Special events
- Investing clubs
- Investing/property trends in your area
- Work with a select group of referral sources rather than blanketing the world



3. Enthusiasm



- Be optimistic, be up
- Provide the level of service you expect
- Show a willingness to help even if you don't get the business
- Let your actions tell others that you enjoy your job



Your Borrower's Type



- There are basically three types of buyers:
 - Savers
 - Planners
 - Investors



The Saver, the Planner and the Investor Defined



- Savers
 - Low risk tolerance
 - Fiscally conservative
 - Generally older and closer to retirement
- Planners
 - Moderate risk tolerance
 - Seek balance in the amount of risk they're willing to take
 - Have definite long-term goals
- Investors
 - High risk tolerance
 - Generally want to maximize their opportunity for growth
 - Less interested in traditionally safer or more stable investments
 - Looking to improve their financial position over time



Saver Risk Tolerance Strategies

- Savers
 - Use products that allow them to grow equity in the property
 - Use fixed rate products and have clients buy down the rate
 - Have these clients work with a tax/retirement planning specialist to maximize their return



Planner Risk Tolerance Strategies



- Planners
 - Minimize their initial investment
 - Use longer term ARM products
 - Keep track of their financial progress over time and reinvest capital into other property investments



Investor Risk Tolerance Strategies

- Investors
 - Use aggressive loan products that have the lowest payment option and leverage equity
 - HELOCs, I/O ARMs, high LTV loan products
 - Restructure the loan to help the client stay competitive
 - Provide clients with access to a financial/tax advisor to maximize return and minimize loss



Residential or Commercial? That is the Question



- Benefits of doing residential loans
 - Know the programs you offer
 - Know how to structure a deal and get it closed and funded
 - Have comfortable relationships with your wholesale AEs, underwriters, processing team, appraisers and real estate agents
- Benefits of doing commercial loans
 - Gain access to doing loans for properties not typically available using residential loan products
 - Gain access to another set of buyers
 - Larger paycheck when loan closes
 - Broaden skill level and types of services you can provide



Getting Started in Commercial Lending



- Start small
 - Apartment complexes
 - Mixed use
 - Retail shops
 - Office condos or commercial condo units



Getting Started in Commercial Lending



- Reasons to start small
 - More small commercial properties than large commercial properties
 - Competition for smaller properties isn't as fierce
 - Buyers shop around more for the best deal
 - Smaller commercial loans are less complex
 - Close quicker



Commercial Loan Products and Requirements



- Loan products include:
 - Adjustable rate products
 - Balloon products
 - Fixed rate (costs extra to obtain this type of financing)
- Documentation is critical and is often extensive
 - Will affect the interest rate, LTV and maximum loan amounts
- Frequently require cross collateralization of other assets to minimize risk
- For those who can't provide documentation:
 - Stated and no-doc programs are available
 - Slightly higher rates and lower LTV requirements to minimize the risk



Commercial Lending and Residential Lending are NOT the Same



- Commercial lending is considered more risky
- Commercial lending pricing isn't as aggressive as residential pricing
- Manage your clients' expectations
- Appraisal is a critical factor
 - Cost is 5-6 times greater than residential appraisal
 - Each lender has their own appraisal process



The “Ideal” Investor Client Profile

- Purchase at least 3 properties a year
- Know what they want
- Have a strategy for investing
- Have available capital and assets that are easy to tap into



How to be the Investor's Lender/Realtor of Choice



- Be an active property investor
- Provide resources for your investors
- Remain current on the real estate trends in your community
- Continue your personal investor education
- Share your personal investing successes and your school of hard knocks investing experiences



How to be the Investor's Lender/Realtor of Choice Cont'd



- Give of your advice freely regardless of whether you close the transaction or not
- Provide advice based on what's best for the client, not what's best for your wallet
- Stay in touch with your investors and give them a reason to call you
- Make it easy for clients to reach you and always respond in a timely manner to your clients' requests



How to Find Professional Investors

- Three ways to find professional investors:
 1. Absentee owners
 2. Third party referrals from your warm list
 3. Investment club members



How to Identify Professional Investors



- How to identify absentee owners
 - Obtain a list of those who own property but don't inhabit the property
 - Title company
 - List company
- How to identify third party referrals
 - Call your past clients and ask for introductions to those who are investing
- How to identify an investment group that interests you
 - Support/mentoring oriented
 - Educational/sales oriented



Effective Marketing Techniques to Reach Professional Investors



- Targeting your warm list
 - Call your past clients
 - Send notes about housing trends in your area
 - Send direct mail to educate clients about investing
 - Offer educational seminars on advanced investing topics
 - Ask each person to bring one friend who's currently investing
- Create an online community or regularly scheduled meetings for investors to come together and network
 - Provide educational events and workshops on specific topics
 - Provide investing updates/trends within your local area



Effective Marketing Techniques to Reach Professional Investors Cont'd



- Targeting a cold list
 - Send email and include property trend updates with a value-added free offer such as:
 - Free report about area real estate trends
 - Brochure about investing in foreclosures
 - Seminar about investing (advanced)
 - Send direct mail and include a value-added free offer
- Provide free educational seminars such as:
 - How and When to Buy Foreclosures
 - Advanced Investing Strategies
 - What is a 1031 Exchange and How Can I Use It?



Effective Marketing Techniques to Reach Professional Investors Cont'd

- Advertise in local business journals and real estate sections about services and seminar offerings
- Create an online community or regularly scheduled meetings
 - Provide educational events and workshops on specific topics
 - Provide investing updates/trends within your local area



The Essential Cold Mailing List Questions

1. How often is the list scrubbed?
2. What is the percentage of return on bad addresses?
3. How long has the company been in business?
4. What type of guarantee do they offer?
5. Do they resell their lists to others?



The Essential Cold Mailing List Questions

6. What type of lists do they offer?
7. Do they specialize in a specific demographic?
8. Can the list be used more than once?
9. Do you have rights to the list for multiple mailings?
10. Can you obtain a copy of the list?



Investment Groups



- Three types of investment groups
 1. Educational/mentoring/networking – create a community of like-minded people looking to help each other succeed
 2. Sales/educational – “buy” a product to become proficient; pseudo educational
 3. Franchise investment business – provide education, advertising and support; requires financial investment and substantial assets



Educational/Networking Investment Groups



- Two examples of educational/networking investment groups:
 1. Investment Realty Resource of Colorado
(www.irrofcolorado.com)
 2. Investment Riches
(www.investmentriches.com)



Investment Realty Resource of Colorado



- Group meetings held at local venues on a monthly basis
- Charge \$12.00 per meeting or \$99 for a year
- Sponsor specialized workshops in addition to monthly meetings
- Currently offering Realtors and lenders the opportunity to start a local version of this concept
- Strong emphasis on practical education for serious investors



Investment Riches



- Online networking/social club for investors
- Community includes:
 - Real estate agents
 - Lenders
 - Property managers
 - Developers
 - Investors
- Open forum which allows clients to connect with multiple providers
- Sliding scale monthly membership fees
 - Lenders - \$199-\$299
 - Realtors - \$65
 - Builders/Developers - \$99
 - Property managers - \$35
 - Investors - \$0
- Members can connect with each other and accept or not accept communications from others



Sales “Educational” Investment Groups



- www.1800paycash.com
(www.becomealicensee.com)
 - Get rich “quick” with unbelievable testimonials about great success in short period of time
 - Direct mail online “letter” extolling virtues of this investment system
 - No specific information about the start up costs or licensing fees – offer a 100% money back guarantee



Franchise Investment Groups



- Home Vestors of America (We Buy Ugly Houses)
- Applicants must have net assets of at least \$200,000 in cash and cash equivalents
- One time buy-in price ranges from \$46,000-\$49,000
- Franchisee pays \$950 per property acquired and \$450 monthly fee
- 10-day training program, weekly coaching and workshops throughout the year
- Company lends money on short-term basis at an average of 12% (90-120 days)
- Buy cheap, rehab and sell – the goal of this company
- Clients can choose to buy, rehab and sell or keep as rental property



Franchise Investment Groups



- Company provides all advertising services including:
 - Billboards
 - Direct mail
 - Radio
 - Television
 - Yellow Pages
 - Newspaper



Franchise Investment Groups



- Franchisee pays a fee of \$5,000 a month for advertising services
- Leads are provided to franchisees based on how much they spend on advertising each month



How to Find Novice Investors



- Three ways to find novice investors:
 1. Warm list referrals and interest from past clients
 2. Parents of incoming college students and/or younger children
 3. Targeting prospects



How to Identify Novice Investors

- How to identify warm list referrals
 - Call your past clients and ask if they're interested in learning about investing
 - Send targeted mailings about investing basics to begin the education process



How to Identify Novice Investors

- How to identify parents of incoming college students and those investing for children's future
 - Advertise services with college housing services, incoming freshmen publications, general publications, exhibit at college recruiting events
 - Advertise at child care centers, libraries, exhibit at children's events



How to Identify Novice Investors

- How to identify cold list prospects
 - Age demographic (retired, young parents, college students)
 - High home equity demographic
 - Income demographic



Effective Marketing Techniques to Reach Novice Investors



- Targeting your warm list
 - Call your past clients
 - Send targeted direct mail to introduce investment property concepts
 - Offer educational seminars on how to begin investing
 - Ask each person to bring one friend who's also interested in investing
- Introduce your prospective investors to property managers, real estate investors and others who can help your clients become proficient and comfortable as investors



Effective Marketing Techniques to Reach Novice Investors



- Targeting cold list prospects
 - Send direct mail to educate prospects
 - Offer something of value to entice prospects to call such as:
 - Free reports
 - Information about investing trends in your local area
 - Free educational seminars
- Exhibit at events that target college students, retirees, young children
- Partner with a financial planner
 - Use property investment strategies as one wealth building technique
- Advertise in local business journals and business section of your local newspaper



Key Take Aways



- Expertise, exposure and enthusiasm are critical to your success
- Determine your client's risk tolerance before talking about loan programs
- Knowing your client's risk tolerance will help you build a more effective relationship with you clients
- Doing small commercial property loans will broaden your investment offerings



Key Take Aways



- Start with smaller commercial properties because competition is less fierce
- Commercial lending is NOT the same as residential lending – you have to carefully manage your client’s expectations
- Create an ideal investor profile to separate the “wanna be” investors from the serious investors
- As an investment lender it’s really important that you stay on top of the trends in your area



Key Take Aways



- Continue your personal investing education
- Stay in touch with your investor clients and give them a reason to call you
- To locate potential clients use title companies, past clients and investment clubs
- Target prospects using a variety of methods to increase probability of response



Key Take Aways



- Three types of investment groups and it's important to choose the type you're most comfortable with
- To locate novice investors use your warm list and cold list providers
- Think outside the box when prospecting for novice investors



Thank You!



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