

# The “Ideal Lifestyle” Business

## *Part Three*

Well, we’ve made it through our first two weeks! In our first week, we covered how to find and buy mobile homes. We also walked through a few important ideas on how you can pay yourself a commission on each mobile home investment you acquire.

In our second week, we focused on getting your mobile home ready to show, how to advertise your homes for free and my autopilot system for buyer showings. This included the agreements I use to sell my homes and how I approach each sale.

This week we’ll be focusing on the management system you’ll use to manage your portfolio of homes. Next week, we’ll dig into how to sell mobile home investments to investors to create a profitable new income stream.

One idea you might consider would be selling mobile homes to investors in order to create funds you can use to purchase mobile homes for yourself. If you were to charge a \$3,000 to \$5,000 flat commission for each mobile home investment you do for outside investors, you would be able to use these funds to acquire more homes for yourself.

We’ll get into the details of how to sell homes to other investors next week!

## How To Work One to Two Hours a Day

For the most part, I only work on this business for one to two hours a day. Some days I don't work at all. Other days, I work more than one to two hours a day. In general, my time is invested as follows:

1. **Buying new mobile home investments.** This includes calling on homes for sale, driving through parks, and looking at fixer upper homes taken back by parks.
2. **Getting quotes from my contractors for renovation work: painting, flooring, cleanouts, plumbing, etc.** This is typically all through text. I'll simply text them the address, lockbox code and other details. Sometimes if the home needs a lot of work, I'll meet them at the home to layout a game plan.
3. **Transferring titles on homes I've bought and sold.** This includes meeting Sellers at the title bureau to get titles to homes I've purchased. Or transferring titles to my buyers once they've paid their homes off.
4. **Driving to the homes to take pictures when they're ready to show.** This includes installing lockboxes, applications and application instructions.
5. **Posting rent to own advertisements on Craigslist.org and Zillow.com.** I usually update, or copy, an existing advertisement for each new advertisement. I'll also upload pictures of the home if I have them.
6. **Returning phone calls to setup showings to interested buyers.** This also includes using my template email to send applications to those who are interested in applying.
7. **Reviewing and screening incoming applications.**
8. **Meeting with Buyers to sign the lease purchase agreements.**
9. **Collecting incoming checks and calling buyers regarding their monthly payments.** All of my incoming checks go to a local PO Box. Anytime I'm in the area, I'll stop at the post office and pickup everything in the PO Box.
10. **Bill payment and bookkeeping.** I typically pay my contractors through the online bill payment function and don't write manual checks.

This may sound like a lot, but it really isn't.

Please notice I typically don't do any of the work at my mobile homes. I outsource just about everything. This means I'm not cutting the grass. I'm not painting. I'm not installing new floors. I'm not fixing any plumbing leaks. These are actually low value activities and I prefer to focus my time on high dollar activities.

The days I tend to work more are days when I'll drive to one or more mobile home parks. The parks I buy mobile homes in are around 45 minutes from my home. So when I head out to a park, I have an hour and a half of driving time. Plus, I typically group several activities into these days in order to use my time effectively.

As an example, last week I worked four hours one day. This included driving to a park to look at a home my contractor was finishing up. I installed a lockbox and took pictures. While at the park, I delivered a title to one of my buyers who had paid off their home. Before leaving, I drove through looking to see if any homes were for sale. On my way home, I stopped at a different park and picked up two lockboxes and met with a buyer to do a lease purchase agreement on one of my homes.

If I had to guess, I only have days like this once, or twice a month. They are extremely productive days, but I do work more than a typical day. I'll typically listen to an audio book or podcast during my drive and actually enjoy these days.

On this particular day, I didn't return any phone calls or set any showings. I simply left them for the following day. On the following day, I probably only worked half an hour and this time was posting an advertisement for the home I took pictures of and returning showing phone calls. I spent 10 minutes posting the advertisements and 20 minutes returning calls.

Now, I could drive out to the parks each week, but I don't. Every time I'm about to go to a park, I ask myself if it's really necessary. In many cases, it isn't necessary. I'll save the task for my next trip and hold off. I do keep a running list of tasks to do when I do head out to the parks. These lists include items like:

- Picking up lockboxes
- Installing lockboxes
- Taking pictures
- Posting 3-day notices
- Seeing homes for sale
- Dropping off applications & instructions on how to apply
- Transferring titles

I'll typically never go to a park for just one item. I'll let lockboxes sit on homes after they're sold. If all the applications are gone from a home, I'll simply email applications to interested buyers.

Out of everything listed above, the most profitable activities are:

**1. Buying new mobile home investments.**

**2. Selling mobile home investments.**

As you might imagine, buying new mobile home investments is where **ALL OF THE MONEY IS IN THIS BUSINESS**. This is the main priority of the business. I will invest extra time to buy more mobile homes. I will not invest extra time on lower value activities.

This means...

**If you're not buying mobile homes, you're not making any money.**

We have to keep this in focus at all times, or we may become distracted. I strongly suggest you set a goal for a minimum number of mobile home investments and you hold yourself accountable to this goal. It IS the MAIN goal.

A few examples might be...

Buy TWO mobile homes each month.  
Buy ONE mobile home each month.  
Buy ONE mobile home each quarter.  
Buy ONE mobile home every six months

This laser like focus will provide a great deal of simplicity to your business. If you set your goal for new mobile home investments and follow through, you really won't have to worry about anything else. The reason why is because compounding will do the rest.

**I know that if I buy just ONE home each month, I'll have an extra \$2,400 a month in 12 months.**

Sure I'll have a few challenges along the way. I may have to evict one or two buyers, or someone may default on their agreement and move. None of this matters and this is because **we can only control our future income by buying new mobile home investments**.

I promise a time will come when you won't want to buy another home. You'll either have a few vacancies, have other life challenges, or maybe you'll be tight on cash. My suggestion is to stick your goal and continue buying homes. Everything else will work itself out. It always does.

Whenever I'm at a point where I have several vacant homes at once, I usually want to put the brakes on and hold off buying new homes. This is because I want to get the vacant homes sold before buying another one. For me, this is a mistake and this is because I'm not controlling my future. I'm allowing circumstances to control my future.

I find it helpful to always remember Future Banking. **Future Banking is when our work today creates income in the future.** In most cases, each mobile home investment I make creates a minimum of \$10,000 in profit. This profit isn't paid out immediately, but is locked into the sale price with my buyer. Buy a home for \$7,000 and sell it to a buyer for \$17,000 = \$10,000 profit before interest income.

Each home acquired adds another \$10,000 to my Future Bank. This also means that each home NOT acquired subtracts \$10,000 from my Future Bank. Buying homes is our most important activity.

Don't let little things distract you from big things.

Set a goal for mobile home purchases and stick to it.

## **The Mobile Home Management System**

One of the most important systems you'll need will be a system to manage your homes. The good news is managing your mobile homes isn't as hard as it may seem. This is primarily because we have the buyers handle all of the maintenance and repairs. This one aspect of mobile home investing saves countless hours of management and thousands of dollars in repair/maintenance costs.

Trust me, I know from experience.

For several years, I sold my mobile homes using lease option agreements. The agreements I used required buyers to handle minor repairs, which were defined as any repair up to \$200. The problem this created was two-fold:

1. They would call me for all repairs because they didn't know how much it would be. I would ask them to find a contractor to look at the repair and give an estimate. This estimate would always be extremely high which would make it my responsibility. I would then end up sending my contractor out for the repair, but this would require more phone calls and more time.
2. I would pay for the repairs when completed and they were always supposed to reimburse me for the \$200 they were responsible for. In many cases, I had to split this up over a few months to make it easier for them to pay. In some cases, they simply wouldn't pay it.

Finally, I got frustrated and simply changed the agreements to those included for you last week. This change resulted in a significant decrease in management time and a large financial savings as the buyers have to handle maintenance and repairs themselves. Now my phone rarely rings from buyers calling about needed repairs. Life is so much better.

One of the biggest benefits of this change was that I now had more time and money to invest into additional homes. My contractors no longer had to handle any repairs, so I started using them to renovate "ugly" homes purchased directly from the park at extremely low prices. Had I still been responsible for maintenance and repairs, I wouldn't have the opportunity to renovate fixer upper homes.

Winters were always problematic here in Ohio. This is because water lines would freeze in several homes and I would have to have my handyman go to each home to thaw the lines out and get the water flowing again. In many cases, the pipes would burst and I would have additional plumbing costs. All of this has been eliminated. I did have one call from a buyer this past winter because their furnace wasn't working. I gave them the phone number for my heating contractor and suggested they call him to get their furnace running again. I never heard another word about it!

To manage my mobile homes, I use one free Google Spreadsheet. This spreadsheet is the main tool I use for management. The best part is I can access it anywhere and it is automatically backed-up.

On Firefox (my preferred internet browser), I keep a tab for this Google Spreadsheet open at all times and this is because I refer to it on a daily basis. I've included the same basic spreadsheet I use in Excel format for you on the download page. You can easily convert this Excel spreadsheet into a Google spreadsheet so you can access this in the cloud.

Here's a partial screenshot of my actual spreadsheet:

Investor	Tenant	Address	Prop Tax paid by:	Due Date	Late Fee	Monthly Rent	Dec 2015	Jan 2016	
Rob's	RUSTIC	ON							
Equity L	John 44 Frabotti	ifer	17748 Roc	tenant	1st	\$35 + \$5 per day after 4th	294.47	300	345
Equity R	Walter i 440-214 330-304 5/2015	/alter	17748 Roc	tenant	1st	\$35 After 4th plus \$5 per day	275.00	275	275
Equity - L	Fred R		17748 Roc	tenant	1st	?	250.00	275	275
Equity - R	Georgi	-6503	17748 Roc	investor	1st	\$30 after 4th	275.00	275	275
Equity - R	Shawn 440-291	'9 Colette	17748 Roc	Buyer	15th	\$35 after 4th	276.51	276.51	
Equity - R	Judith E	05	17748 Roc	Buyer	15th	\$35 + \$5 after 19th	298.62	300	300
Equity - L	Amanda Victoria	7853 & 784	17748 Roc	investor	15th	\$35 + \$5 after 19th	300.00	300	300
Equity - R	Sara N 440-62	1/NEW	17748 Roc	investor	1st	\$35 +\$5 after 4th	257.00	n/a	n/a
Equity - L			17748 Roc						
Equity - R	Yvonne (brother	58 Raif	17748 Roc	Tenant	5th	\$35 Plus \$5/day after 9th	291.67	291.67 on Jan 4th	owes late fees

**The first column labeled “Investor” indicates what entity owns the mobile home.** If you were to hover over each box in this column, a note would appear with the account number and asset number for this particular investment. You'll notice each home listed is a home owned by one of our self-directed IRAs. Equity Trust is the company we use and you'll see Equity-R or Equity-L. The “R” is for homes owned by my IRA. The “L” is for homes owned by my wife's IRA. There are also “Ks” and “Hs” for the homes owned by my daughter's IRAs, too.

For the homes owned by LLCs, the name of the LLC is obviously listed in this column. This is used each month as payments are forwarded into the Self-Directed IRA account.

When a check comes in for one of these homes, I fill out an Equity Trust Deposit slip specifying the name of the IRA, the account number for the IRA, and the asset number they've assigned to this particular home. A stack of these completed deposit slips and monthly checks are grouped together and mailed each week into Equity Trust.

**The second column labeled “Tenant” lists each adult living in the home along with his or her phone number.** Anytime they call or text my Google Voice number, I double check to make sure I have correct phone number for them. In many cases, these phone numbers are modified as they change their phones. I always want to have their updated phone numbers! These phone numbers will include their work numbers too.

**The third column labeled “Address” lists the address of the home and the lot number.**

**The fourth column labeled “Property Tax Paid By” lists who is responsible for the manufactured home taxes.** This column was necessary because I used to pay the taxes on these homes. The reasoning was because I wanted to make sure the taxes got paid.

However, when I changed my agreements to make the buyers responsible for repairs and maintenance, I also required the buyers to pay the manufactured home taxes, too. Today, most of my buyers are responsible for the taxes; however, there are still some homes I pay the taxes on. This column helps me to see which bills I pay and which bills get forwarded to the buyer.

In Ohio, we get two tax bills each year. The first bill is in January and the second bill is in July. When the tax bill is received, I simply mail the original to them along with a short letter asking them to pay the county directly. Here’s the letter I mail to the buyer along with the tax bill:

**January 8, 2016**

**To: Larry XXXXX**

**From: Rob Minton**

**Enclosed please find the new tax bill for the 2016 tax year for your home. As noted in our agreement, you’re responsible for the taxes on your home.**

**Can you pay this directly to the county before the due date?**

**I have included the actual bill received so you can use the payment coupon with your payment. This will ensure your payment is applied to your home.**






**If you have any questions, please call me at 440-721-7541.**

**Best,**



## Rob Minton

And here's a copy of one of the tax bills to you can see what it looks like:

<b>LAKE COUNTY REAL ESTATE TAX BILL</b>  <b>LORRAINE M. FENDE, TREASURER</b> 105 Main Street P.O. Box 490 Painesville, OHIO 44077-0490			
LOCATION: 		REG #: 00679      TAX DISTRICT: 01 MADISON TOWNSHIP	
MFH STATEMENT 2nd HALF 2016  39,999,999  WILLoughBY OH 44096		SERIAL NO.: M-O-15111-2 CERTIFICATE OF TITLE NO.: MAKE: MANSION MODEL: SECTIONAL OWNER NAME: 	
APPRAISED VALUE		RATE USED: EFFECTIVE	
ASSESSED VALUE (35% OF MARKET)		FACTORS	
HOMESTEAD VALUE		TAX RATES	
10,000	3,500	101.90	67.989101
DISTRIBUTION		CALCULATION OF TAXES	
SPECIAL ASSESSMENTS  <b>TO AVOID LATE PENALTY PAY ON OR BEFORE DUE DATE</b>  08/01/2016 US POSTMARK IS ACCEPTED - NOT PRIVATE METER If you need a stamped receipt, return entire bill with a self-addressed stamped envelope otherwise no receipt will be returned. Your cancelled check is a valid receipt.		Gross Real Estate      178.33 LESS: Credit (HB 920)      59.34 10% Rollback      11.39 2.5% Rollback Homestead Net Manf Home Tax      118.99 ADD: Reg/Reloc Fees LESS: Escrow Paid ADD: Past Due Manf Homes Penalty      107.60 LESS: Payments AMOUNT DUE      107.60	
County General Fund      1.58 Devlp Disabilities Bd/Deepwood      7.21 AdamsHS BOARD      2.49 Child Welfare      0.90 Narcotics Agency      0.29 Crime Laboratory      0.39 Senior Citizens      0.78 School District      46.27 City/Village Township      18.07 Library      3.33 Lakeland Community College      5.50 Lake Metroparks      4.35 Auburn JVS      2.36 Other      14.08 Specials			
Return this portion (bottom) with payment			
MFH STATEMENT 2nd HALF 2016			
OWNER NAME: CSH FLW LLC		FOR OFFICE USE ONLY CHECK MONEY ORDER CASH TAX CHANGE SEE REVERSE SIDE	
LOCATION: 25 CYPRESS BV Make Checks Payable to: <b>LORRAINE M. FENDE LAKE COUNTY TREASURER</b> OFFICE HOURS 8:00 AM - 4:30 PM MONDAY THRU FRIDAY EXCEPT HOLIDAYS		39,999,999 REG #: 00679 AMOUNT DUE      107.60	
000000000000679000010760			

Each bill details any unpaid taxes, so I can easily see if they've paid the prior tax bill. If they haven't, I contact them immediately regarding the delinquent taxes. I don't want the taxes to go unpaid for too long because they'll never be able to get caught up on the bill.

Thankfully, in our area, the taxes are only \$250 to \$350 a year. If they go unpaid, I'll simply pay them and will then collect from the buyer. Depending on the situation, I may actually have them reimburse me monthly with their loan payment.

**The fifth column labeled "due date" is the date their payment is due.** I usually use the 1<sup>st</sup> or the 15<sup>th</sup> for the due date. Each home is different. I used to always set the payment due date on the 1<sup>st</sup> of the month, but decided to move this to the 15<sup>th</sup>. The reason why is because the park lot rent is due on the 1<sup>st</sup> and I didn't want them to have to make both payments at the same time. **By moving my payment to the 15<sup>th</sup>, I've made it easier for them to stay current. This one move has eliminated dozens of evictions and hundreds of "late payment" phone calls since implemented.**

All of my other properties are set to the 1<sup>st</sup>, so I have a constant flow of incoming checks, which is nice! Some pay early. Some pay on time. Some pay a few days late. A day doesn't go by without a few checks arriving in the mail!

**The sixth column labeled "late fee" lists what the late fee is and when it becomes due.** I typically have a four-day grace period in every agreement. So if the rent is due on the 15<sup>th</sup>, the rent is considered late if I don't have it by the 19<sup>th</sup>. Today, I charge a \$50 late fee plus \$5.00 a day. I used to charge \$35 late fee. This means I have homes with different late fees and this column helps me keep things straight! I DO enforce late fees and NEVER waive them. You should do the same. If you don't charge late fees, they will pay late all of the time. Your buyers will treat you how you let them treat you.

Truth be told, I ABSOLUTELY LOVE LATE FEES! They are extremely profitable! Here's why...

**If a buyer has a monthly payment of \$300 and they pay late, I collect an extra \$50. This \$50 is technically a 16% return on investment.  $\$50/\$300 = 16\%$ . There aren't too many places where you can get a 16% return on investment!**

In any given year, I probably collect an extra \$3,000 to \$4,000 in late fees! So I've learned to love when buyers pay late.

**The seventh column labeled "Monthly Rent" lists the monthly payment for the home.**

The remaining columns are simply the months of the year and are used to track the payments received from the buyers. In most cases, I'll simply put the amount they paid if it was paid on time and in the correct amount. If they pay short or late, the amount paid and the date received is listed in the box for that month. This will trigger a late fee being

added to their invoice for the following month. If I send a 3-day letter, I'll list the date mailed in the box for the month, too. This helps me quickly see where I'm at with each buyer.

This one spreadsheet contains every detail for all of my homes. I do have a part-time bookkeeper. She only works a few hours each month sending invoices, which we'll get into next. I share this spreadsheet with her and she has up to date information at any point in time.

## Payments – Monthly Invoices and Collection

I have a part-time bookkeeper that helps out a few hours each month. One of her duties is to send each buyer a monthly payment invoice. This payment invoice is typically mailed two weeks before the payment is due.

This means she sends two batches of invoices each month. One batch around the 15<sup>th</sup> and this is for payments due on the 1<sup>st</sup>. The second batch is mailed on the 1<sup>st</sup> and this is for payments due on the 15<sup>th</sup>. **If I were starting with my first home, I would probably set ALL of my payments to be due on the 15<sup>th</sup>. This would simplify things significantly.**

My bookkeeper has access to my Google Spreadsheet and uses this to add late fees to the monthly invoice mailed to each buyer. This way, we invoice the buyers for late fees. These late fees stay on their invoice until they're actually paid. Here is one of the monthly invoices:

ETC Custodian FBO Hannah Minton IRA

PO Box 806  
Willoughby, OH 44096

Questions / Concerns 440-721-7541

### Invoice

Date	Invoice #
1/15/2016	1926

Bill To

Larry Phelps  
12 Hawaiian  
Madison, OH 44057

Due Date		2/1/2016
Description	Rate	Amount
Loan Payment for February 2016	291.96	291.96
Invoice Total		\$291.96

Late fees will be added to all past due invoices. Your payment must be received on or before the due date to be considered timely. Please see your lease/purchase agreement for terms and late fees.	
REMITTANCE STUB - please detach and return with your payment	
Larry Phelps 12 Hawaiian Madison, OH 44057	Amount Remitted: _____
Make Check or Money Order payable to: ETC Custodian FBO Hannah Minton IRA and send to:	<b>Total Balance Due includes current invoice and any past due payments not posted as of the statement date.</b>
ETC Custodian FBO Hannah Minton IRA PO Box 806 Willoughby, OH 44096	Invoice Total \$291.96
	<b>Total Balance Due \$583.92</b>

This invoice is for a mobile home owned by my daughter's Self-Directed IRA. There are a few things to note on this invoice:

1. The invoice uses the language: "loan payment" which is significantly different than "rent." I do not want any of our buyers think they're renting the home. The mindset they should have is that they're buying the home, which is what they're actually doing based on our agreements. This means they're responsible for repairs and maintenance. This also means they can improve the home.
2. The invoice is dated January 15, 2016 and is for the payment due on February 1, 2016. The invoice is mailed to the buyer two weeks before the due date.
3. The invoice details what entity they're supposed to make their check payable to. Most of our homes are owned by Self-Directed IRAs and the payee info is typically a long name. Including this with the invoice solves several problems and helps remind them of how and where to pay. They still mess up occasionally, but this system is a big improvement.
3. Notice the language on late fees. I always charge late fees and tell them this when we do the initial paperwork before they move into the home.
4. You can use this invoice to communicate other items or reminders to your buyers. As an example, I could include a reminder about checking their heat tape on the plumbing lines, changing their furnace filters, checking their smoke detectors, or paying any outstanding taxes due. Another idea is to include the phone number for your contractor and indicate they can call him or her directly if they need help with any maintenance or repair issues. Remember, they're responsible for the work, but you have the ability to refer them to someone you trust.

I could obviously handle these invoices, but don't want to bother with it. So I pay my bookkeeper \$25 an hour for her work and she makes things a lot easier. In the beginning stages of your business, you can probably skip monthly invoices all together. However, as you accumulate more properties using different entities, you might outsource this activity like I have. I probably pay her \$200 a month and this investment is typically offset by late payments collected from buyers.

I do believe the monthly invoices are worth the effort. The buyers are reminded of their payment. They have the name on the invoice so they can make the check out properly. Plus, they have the mailing address. Finally, late fees are included which increases my income.

Since most of my homes are owned by IRAs, I'm unable to collect online payments, or credit card payments. The payments must be received in check format and each check is forwarded to the IRA with a specific deposit slip. Most of my buyers pay with money orders or cashier's checks.

If I didn't have to receive physical checks, I would definitely use Cozy.com for managing my properties. This website will automate your monthly payments and will save you a significant amount of time.

Let's move on to the fun part, collecting the payments!

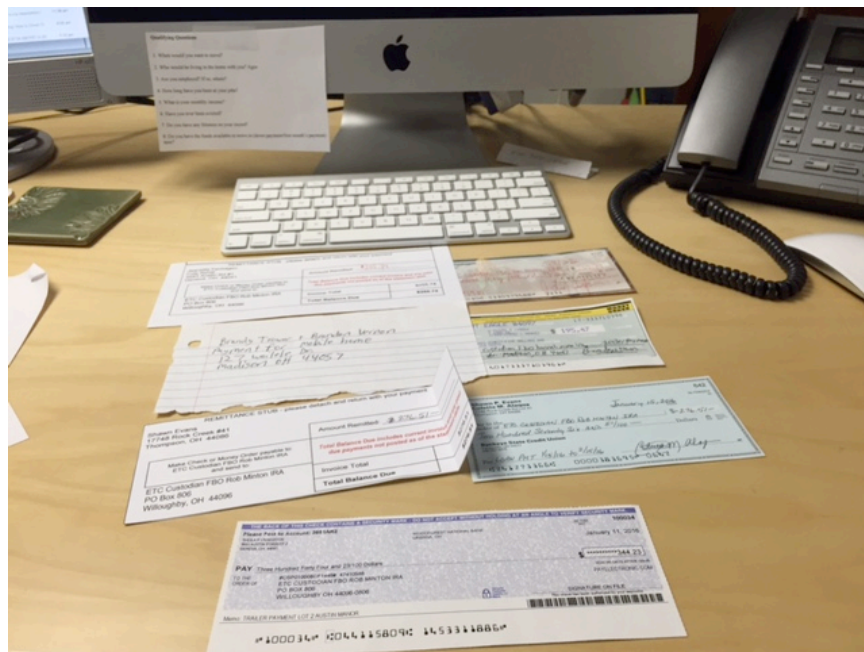
I have a post office box at our local post office. All payments for all homes are mailed to this post office box. **I personally check this box once, or twice a week.**

I used to have my bookkeeper check the PO Box. She would also track all the payments, but I learned a valuable lesson about this when one of my former employees confessed to embezzling over \$100,000 and went to jail. I no longer trust ANYONE with incoming payments and handle them myself.

Plus, I actually enjoy collecting a bunch of checks. It feels good!

I bring the checks home and go through them in front of my computer using my Google Spreadsheet. As I open up each payment, I'll list the payment in my spreadsheet.

Here's a picture of how this looks:



You can see two of the buyers included the remittance section from the invoice mailed to them. One wrote their information on notepaper. The last payment was an automatic bill payment sent directly from the buyer's bank.

Next I'll write out the Equity Trust Deposit Coupon for the property indicating the payment received, account number and asset number. I'll group these payments and send them to Equity Trust on a weekly basis.

At any point in time, I can quickly scan through the entire spreadsheet to see which payments are missing. If I haven't heard from a buyer and their payment isn't received within 5 or 6 days after the due date, I will call them to get an update on the payment. I'll typically say:

*"Hi this is Rob and I'm just checking in get an update on the payment for your home. I haven't received it yet. Have you mailed it?"*

Or if I get their voicemail, I'll leave a similar message:

*"Hi this is Rob and I'm calling to check on the payment for your home. I haven't received it yet. Could you please call me back with an update on when this payment?"*

If they don't return my call within a few days and I still haven't received the payment, I'll send a 3-day notice via certified mail. I'll also call with the following message:

*"Hi this is Rob and I never head back from you regarding the payment for your home. Since I haven't heard back and haven't received the payment, my attorney has started the eviction. You should be receiving a certified notice via mail providing 3 days for you to get caught up. If the payment isn't received within those three days, the eviction will be filed with the courts and it will be on your credit report. If you would like to avoid this, please call me as soon as possible."*

In 90% of the cases, I will hear back from the buyer. They'll tell me why their payment was late and will tell me when the payment will be mailed. I'll make a note of the date they're mailing the payment in the month's box in the Google Spreadsheet. I'll note "Paying on 6/22." This way I can verify if they follow through with the payment when they promised.

I will always work with buyers and will setup payment plans if they get behind. I typically don't want to evict them unless they're a constant problem and I can no longer rely on what they tell me.

If I still don't hear from the first two calls and after sending the 3-day notice, I'll file the eviction myself, or have my attorney file the eviction.

NOTE: When I meet with buyers to do the paperwork with them to buy the home, I always say the following:

*“The payment is due on \_\_\_\_\_. If I don’t have it by \_\_\_\_\_, there is a \$50 late fee plus \$5 a day. I never waive late fees. If you’re going to pay late, please call me and let me know when you’ll be paying. If you’re not communicating with me regarding your payment, I will file an eviction, which will be on your credit report. If you’re evicted, I will have my attorney garnish your wages. I will work with you if you call me and keep me updated on when you’ll be paying. However, if you stop communicating with me, I will file the eviction quickly.”*

I really don’t mess around with non-payment. I will evict quickly. The filing of the eviction will force their payment, the late fees due and the eviction filing fee reimbursement, or it will force them out of the home.

Either way, progress will be made. If I wait to evict, there is no guaranteed progress and I’ll lose more money letting them stay in the home with each passing day.

And for more honesty, I usually make more money on the home after evicting someone. The reason why is because I’ll be able to resell the home and start the monthly payments over from the first payment.

If someone has been in the home for a year, I’ve probably collected \$3,600 from them. I can resell the home for the same price and I’ll start back at the beginning. The only time it hurts financially is when they’ve only been in the home for a month or two. Proper screening will minimize this situation all together.



## How to Handle Evictions & Buyer Defaults

As with any business or investment opportunity, there are challenges we'll have to deal with from time to time. One of the challenges we'll face is the default of your buyers.

A default occurs when a buyer stops paying as agreed, or they simply move out before paying the home off. You'll have both of these situations with your homes; so don't get too upset when it happens. It is part of this business. Just like returns/refunds are a normal part of retail businesses.

Believe it or not, a default by a buyer may actually be extremely profitable for you depending on how long they've been in your home.

One of my buyers just called me to explain they just bought a home and will be moving out at the end of the month. In other words, they're defaulting on our agreement. This call made me extremely happy!

This buyer has made 26 monthly payments of \$276.51 for a total of \$7,189.26 and they're walking away. During these 26 months, they've actually improved the home, too.

I paid \$6,900 for this mobile home and this is actually my second buyer! The first buyer walked away after making 6 payments of \$235 for a total of \$1,410.

So far, my \$6,900 investment has generated a return of \$8,599.29 and I get to start over again selling this home to a new buyer. Right now, I have all of my investment back plus a profit of \$1,700. I can offer this home for \$250 a month for five years and I'll have the opportunity to collect another \$15,000.

**A default typically means you'll increase your return on investment dramatically. This is because every dollar you collect from the defaulting buyers reduces the amount you have invested into the home.**

What is my return on investment when I resell this home for a third time? Try and calculate it and see what you come up with?

Amount invested: (\$1,700) This is a negative \$1,700

Expected Profit: \$15,000 This is a positive \$15,000

See why I love defaults?

Let's walk through both default situations together and the best way to handle each.

## **1. Buyer moves out of the home, for any of variety of reasons, on their own.**

This will be your most common form of default and it is typically outside of your control. In some cases, they'll tell you in advance they're moving and in other cases they'll just disappear.

If you have the opportunity to talk with them before they move, explain to them that they're financially responsible for the home until you have it resold to another buyer. This financial responsibility includes the park lot rent.

My mission is to get them to pay the park lot rent until the home is resold. I'm not as worried about their agreement with me and this is because I'll simply resell the home to a new buyer. I'll use this as an opportunity to work with them by saying:

*"You realize our agreement indicates your responsible for the home payment and the lot rent until I'm able to resell the home to another buyer?"*

They may, or may not, remember this from when they moved in. I'll follow this with...

*"You've been great and I want to try and help you. If you give the home back to me in good condition and cover the lot rent until it's resold to another buyer, I'll waive any future payments on the home."*

Basically, I'm trying to negotiate to get them to leave the home in good condition AND pay the lot rent for letting out of the contract. The primary concern is the home's condition. The secondary concern is the park lot rent.

If the home is in good condition, I can usually sell it again within a few weeks saving extra lot rent while the home is vacant.

I use the following Mutual Release to cover this scenario:

### MOBILE HOME LEASE-PURCHASE MUTUAL RELEASE

This Mutual Release Agreement is made between \_\_\_\_\_  
(OWNER/MANAGER) and \_\_\_\_\_(RESIDENT) for  
the "Mobile Home Lease-Purchase Agreement" for the home located at  
\_\_\_\_\_.

Both parties wish to terminate the above referenced lease-purchase agreement and release each other from any and all claims. The above referenced lease-purchase is hereby terminated. The parties hereby mutually release each other from and against any and all costs, damages, actions, proceedings, demands or claims whatsoever.

RESIDENT agrees to use the security deposit for the lease termination fee.

\_\_\_\_\_  
OWNER/MANAGER

\_\_\_\_\_  
DATE

\_\_\_\_\_  
RESIDENT

\_\_\_\_\_  
DATE

The second default scenario would be when your buyer stops making the monthly payment.

## **2. The buyer stops paying but is still living in your home.**

This situation will require you to take court action to get possession of your home. I will file an eviction using the lease portion of the lease purchase agreement. I will NOT include the buyer's purchase agreement with the eviction.

In Ohio, I'm able to file the eviction without an attorney for homes owned by my IRAs and this is because the homes are technically in a trust. This means I file the eviction myself and actually attend the eviction hearing on my own. In my last 20 years investing in real estate, I've been through countless evictions so handling the court hearing is no big deal.

The eviction process in Ohio starts by giving the buyer a 3-day notice. The first time I send a 3-day notice to one of my buyers, I'll include this cover letter:

Date: \_\_\_\_\_

To: \_\_\_\_\_

Regarding: June 2016 Mobile Home Payment

As of the date of this letter, we have not received your rent payment for \_\_\_\_\_.

We certainly understand that unexpected expenses come up and would like to setup a payment plan with you to help you get caught up. We can set this payment plan up to make installment payments based upon your schedule. If it would be helpful, we can also accept payment via credit card.

**To setup this payment plan, please give me a call at \_\_\_\_\_**

However, if I don't hear from you within the next 3 days, I'll assume you're not going to make any more payments and will be forced to forward your file to the courts for eviction. The 3-day notice included with this letter actually starts the eviction process. I obviously don't want to do this and would prefer to help you stay in your home.

If this does get sent to the courts for eviction, the process does move very quickly and you'll be forced to move within a few weeks. In addition, the court will more than likely issue a judgment against you for past due rent, late fees, and any damages to the home. The judgment will be used to garnish your paychecks at some point in the future and it will also be on your credit report making it more difficult for you to find a new home, get credit, or buy a car.

Please contact me as soon as possible at \_\_\_\_\_ to setup a payment plan.

Sincerely,

My hope with this letter is that the buyer will contact me and we'll setup a payment plan. I obviously would like to keep the buyer in the home. Along with this letter, I'll also include a 3-day notice. This notice is needed in order to file the eviction:

## NOTICE TO LEAVE PREMISES

To: \_\_\_\_\_

I wish you to **LEAVE** the following described premises, now in your occupation, situated in the City of \_\_\_\_\_, County of \_\_\_\_\_, and the State of Ohio, and known as \_\_\_\_\_

Together with the LOT OF LAND on which said \_\_\_\_\_ is situated.

**STATE REASON FOR EVICTION:** \_\_\_\_\_

Your compliance with this Notice within \_\_\_\_\_ days after its service will prevent any legal measures being taken by the undersigned to obtain possession.

**YOU ARE BEING ASKED TO LEAVE THE PREMISES. IF YOU DO NOT LEAVE, AN EVICTION ACTION MAY BE INITIATED AGAINST YOU. IF YOU ARE IN DOUBT REGARDING YOUR LEGAL RIGHTS AND OBLIGATIONS AS A TENANT, IT IS RECOMMENDED THAT YOU SEEK LEGAL ASSISTANCE.**

Yours respectfully,

\_\_\_\_\_  
\_\_\_\_\_

Dated this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_

Note: You may need a different form for notices in your area. Check with an experienced attorney to make sure you're using the appropriate form.

I mail this letter and 3-day notice via certified mail with registered receipt. I will also tape this 3-day notice to the door if I'm in the park. If the buyer doesn't respond to the letter or the 3-day notice, I will file for an eviction

Evictions I file for myself cost about \$150 in court filing fees. Here is the document I use to file the eviction:

IN THE ASHTABULA COUNTY COURT  
WESTERN DIVISION  
GENEVA, OHIO

Name(s) _____ )	CASE NO.
_____ )	
Address _____ )	
_____ )	
Phone _____ )	JUDGE DAVID A. SCHROEDER
Plaintiff/Landlord _____ )	
_____ )	<u>COMPLAINT IN FORCIBLE ENTRY</u>
vs. _____ )	
_____ )	
Name(s) _____ )	
_____ )	
Address _____ )	
_____ )	
Phone _____ )	
Defendants/Tenants _____ )	

**1<sup>ST</sup> CAUSE OF ACTION, FOR EVICTION ONLY**

Plaintiff states that the defendant(s) have, ever since the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, unlawfully and forcibly detained, and do still remain on or in and have failed to vacate the following property located in the County of Ashtabula, and State of Ohio:

Street \_\_\_\_\_  
City \_\_\_\_\_

On the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, plaintiff served upon the defendant(s) as required by law, notice in writing to leave said premises. Plaintiff asks the Defendant(s) to vacate the property by order of the Court.

**2<sup>nd</sup> CAUSE OF ACTION, FOR DAMAGES (Rent, late charges, property damage, etc):**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

X \_\_\_\_\_  
PLAINTIFF

Date: \_\_\_\_\_

When I mail in the eviction, I'll include the court filing fees, a copy of the lease, a copy of the three-day notice I sent to them, and a receipt for the certified mailing of the 3-day

notice.

If the buyer moves out of the home before the actual eviction hearing, I'll cancel the hearing with the court. If the buyer is still in the home, I'll attend the hearing.

When called up to the judge, I basically say the following:

*"I'm the owner of the home located at \_\_\_\_\_ and have a written lease agreement with \_\_\_\_\_. The monthly rent is \_\_\_\_\_. On \_\_\_\_\_ the tenant became in default of this lease agreement. On \_\_\_\_\_ I sent the enclosed 3-day notice via certified mail. The tenant has not made any payments since the 3-day notice and I'm asking for possession of the property."*

That's it. I'll shut up and wait for the rest of the hearing. Notice the word "tenant" is used at the court hearing. The judge will ask if they've made any payments and the tenant will usually say "No, with a long reason why they haven't paid." The judge will typically say can you be out of the home by \_\_\_\_\_ (10 days after the hearing) and we'll agree on a date they have to be out of the home.

After the eviction is granted, I'll say the following the tenant in the lobby of the courthouse:

*"I know you're going through a hard time and I want to help you. If you leave the home in good condition, I won't garnish your wages for what you owe. However, if the home is in bad condition, I'll have my attorney garnish your wages for the unpaid rent, court costs, and all damages to the property. He is very good at getting payment. I want to avoid this if possible. Does this make sense?"*

If a home is owned by an LLC, or the lease agreement with the buyer is in the name of an LLC, I have to hire an attorney for the eviction. My attorney charges \$300 for this eviction. On top of his fee, I'll have to pay the \$150 court cost too. In total, it will cost around \$500 to evict the tenant in my area using an attorney.

I'll send my attorney, the lease agreement with the buyer, the 3-day notice I sent to them, and the receipt for the certified mailing. My attorney handles everything from this point forward. I'll meet him at the eviction hearing and he'll handle it.

After the eviction with my attorney, I'll still have the same conversation with the tenant about the condition of the home and garnishing their wages.

I do everything I can to minimize damage to the home.

**If you haven't ever been through an eviction, you should definitely hire an experienced attorney. They'll be extremely helpful for you. After you get a few under your belt, you can probably handle them on your own like I do.**

**IMPORTANT: Remember DO NOT include the sale agreement in your eviction filing. Only include the lease agreement!**

The number of evictions you have will be directly related to how well you screen your buyers. If you do a good job screening buyers, you won't have very many evictions. My eviction rates decreased significantly when I stopped relying on the mobile home parks to screen buyers and started screening buyers on my own.

Today, I probably average two evictions a year. In the past, I averaged one a month.

You'll actually have more buyers leave on good terms where you'll process the mutual release and you'll get the home back in good condition. On average, I probably have this happen about 5 times a year for a variety of reasons:

1. They'll relocate out of the area for work.
2. They'll buy a single-family home.
3. They'll go through a divorce, or a significant relationship change.

*Note: If you're a real estate professional, you actually have an opportunity helping your buyers as their buyer's agent. This would be extremely profitable for you because you'll get the home back in good condition and you'll earn a commission on their home purchase. You might even consider setting up a program to help them transition from your mobile home into a single-family home. Think of the numbers this situation would provide if you have 50 plus mobile homes.*

I also strongly suggest not taking any default personally. It is what it is. Shrug this stuff off and don't worry too much about it. **In just about every situation, you'll end up making more money from the home. This means defaults will be profitable for you** if you can control the condition of the home when the buyer moves out.



## Thoughts on Legal Problems & Defaults

Although I've been to court many times to evict buyers from my homes, I want to be clear that I do my best to avoid court.

Court is a major "Debbie Downer" on several levels.

1. It isn't fun.
2. It isn't a great use of your time.
- 3. It carries risk.**

The third reason I try to avoid court is the most important reason you should consider. You never know what will happen at a court hearing, so it is best to try to eliminate it all together.

I try my best to follow the appropriate rules, regulations and laws for my area; however, there is always a possibility that I could be challenged over something in a court hearing.

As an example, as noted throughout this guide, my strategy is to evict my buyers using the lease. I've never had a problem with this strategy. This doesn't mean I won't ever have a problem.

A buyer could attend the hearing and indicate they were purchasing the home with owner financing. They could provide their sales agreement to the judge.

The judge could elect to dismiss my eviction and require me to file a different type of court procedure – seizure/foreclosure. This would require additional court costs, additional legal fees, and a lot more time.

Another matter to consider is the Dodd Frank regulations. From what I've heard, if we violate these regulations, we may be ordered to refund interest received from the buyer. I honestly don't think this will ever happen for several reasons, but it is still a possibility.

Due to these concerns, I try to stay out of court if possible. You should too. It is just smart business to sidestep unnecessary risk.

This doesn't mean I won't file an eviction. I will and I will file it quickly. **I'm not concerned about filing court actions. I'm simply realistic about risk when IN court.**

Once the eviction is filed, I work hard to either get the buyer out of the home before the eviction, or to have them get caught up with back payments, late fees, and court costs. The filing of the eviction is the most important tool we have in our war chest. This filing will force the buyer to pay or move.

There are two primary ways I use to get the buyer out of the home:

1. If it's an ugly situation, I will sometimes offer the buyer cash for the keys. In other words, I'll pay them a few hundred bucks (\$300 to \$500) to move.
2. I will tell them that if they move out before the eviction, I will cancel the eviction and they won't have an actual eviction in their credit report. (This isn't necessarily true because the filing of the eviction will still show in their credit reports.) I will also tell them that if they give the home back in decent condition, I won't pursue money they owe by garnishing their wages. I'll simply let them walk away.

If either of these two options fails, I will go to court. One way or another, I need to get possession of the home and get it resold to a new buyer.

The bottom line is to be smart and work strategically. Try and solve problems before they get out of control. Refund money if you have an ugly situation. Be smart.

*A recent example:*

I recently sold an older two-bedroom home to a couple in their early 20s. They were in a hurry to move in because they were staying at her mom's house and it had recently sold. Even though they knew they had to move, they dragged their feet until the last minute. They went through the application process and I approved them for the home. They applied with the park and were approved at the last minute.

I met with them to do the lease-purchase agreement. I collected the down payment, pet fee, and first month's payment. A few days later I started getting nasty texts from the mother indicating that the home was "junk." She texted that it had black mold and bed bugs. She also made a big deal because the smoke detectors weren't working.

The mother wasn't with them when we met to do the paperwork. She thought they were renting the home instead of buying the home. I asked her to read the agreement. I also sent my contractor to the home to look at her concerns. He said the home was fine. There was a small mold spot in the shower that just needed to be cleaned.

She got so nasty, I negotiated to refund a portion of the money they paid as long as they left the home in good condition. Once they moved back out three weeks later, I checked out the home and it was in good shape. I had them sign the mutual release and quickly resold the home to a new buyer.

I obviously didn't have to refund this money. My agreement specifically indicates that if they move out before the end of the agreement, they're responsible for the payment until the home is resold. However, it didn't make any sense to let this situation escalate. The new buyer is 10 times better than they would have been. The new buyer absolutely loves the home. Their children live in the park and they're very happy. The situation ended up working out to my advantage as I have a better buyer in the home.

## Collecting Judgments

When a buyer applies for one of my homes, I require proof of income. This is for two reasons:

1. To make sure they have the income to make the monthly payments.
2. **To get details on where they work.**

If a buyer ends up owing a great deal of money after they move out of a home due to nonpayment or damages to a home, I can have my attorney garnish their wages. On average it costs around 50% of the judgment in attorney costs for this garnishment.

I will only consider garnishment if the buyer owes in excess of \$2,000. Otherwise, it just doesn't seem to be worth it. And in most cases, I get the buyers out quickly and this keeps the amount they owe below this level for mobile homes.

*(This is not the case with single-family homes. I always end up trying to garnish single-family home tenants and this is because they always end up owing \$3,000 to \$5,000 by the time they're out of the home. Two months of rent is usually over \$2,000. Add in damages, late fees, and court costs, etc.)*

I simply send the details on the buyer to the attorney, including their initial applications and pay stubs. They go through the process of garnishment, which takes several months. Once the garnishment is active, you'll start collecting monthly checks as they're automatically deducted from the buyer's future paychecks.

It's kind of nice.

If I don't think I can collect a judgment, I won't pursue it. I'll end up paying attorney fees out of pocket without any return on the investment.

This is why I require VERIFIABLE INCOME from my applicants. I prefer to see regular w-2 pay stubs. A letter from their boss isn't helpful. I'm also very leery of "self employed" applicants. No steady income and I cannot threaten garnishment.

**If a defaulting buyer has a regular job, the threat of garnishment is extremely powerful. This threat has no power if they don't get a regular paycheck from an employer.**

-----

Sorry to end this section in a negative way. Most of these challenges can be avoided with proper screening. The more strategic you are with your business, the easier and more profitable this business will be for you. Always remember, **most defaults actually mean you'll make more money on the home.**