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California Median Price to Increase 20 Percent in 2013

by Bruce Norris, The Norris Group

RIVERSIDE, Calif., Dec. 10, 2012 – Remember the days when residential real estate gained equity each year?

It's happening again in California, and a year from now homeowners could see as much as a 20 percent increase in the median price of homes across the state, according to Bruce Norris, a Riverside-based real estate analyst and principal of The Norris Group.

"My best guess is that California we will have significant price inflation. Prices could escalate so strongly that we will think we are in 2004 instead of 2013."

Some may ask how this is possible.

But Norris has experience predicting the unpredictable.

A real estate consultant, investor and educator for the past 30 years, Norris publicly predicted the current sub-prime lending and foreclosure crisis in January of 2006, more than a year before the nation's leading economists and real estate industry analysts would even acknowledge the possibility of a downturn. Norris also correctly forecast both the real estate boom that began in 1997 and the subsequent doubling of home prices.

Norris now says he has identified three reasons why median home prices in California will go up.

For starters, he said, policy decisions have resulted in record low inventory levels.

"In many areas," Norris said, "there's one month of inventory. Inside of that one month of inventory are very few REOs and a lot of short sales that may or may not really be available to buy and close anytime soon. The properties that would normally be purchased by owner occupants are being snapped up by billion dollar hedge funds. These hedge funds, unlike the smaller investor

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types, are keeping all of the properties as rentals. There's a little inventory for sale by 'normal sellers with equity,' but, right on cue they are getting the idea their property just might be worth more than the last sale."

With the absence of inventory, Norris predicts, prices will escalate.

A second factor paving the way for the rise in median home prices in California is the return of the former homeowner who was foreclosed on in 2008 and 2009.

"The numbers of trustee sales in those years were staggering," Norris said, adding, "As a percentage of whatever had happened in the past, 2008 and 2009 will go down in history as the California Real Estate Collapse of all time. The numbers differ across the state but the percentages are similar. In San Bernardino, the numbers of foreclosures exceeded the number of sales in 2008 and 2009. Fast forward to 2012 and you now have those same people ready and capable of buying a home again."

So, how is it these people can buy homes so soon after going through a foreclosure? The answer, Norris says, resides with FHA, which will now make a loan to a buyer who lost their home via foreclosure after three years. "Buyers have realized that their house payment would be less than their rent, and that's fueling demand and pushing up home prices," he said.

The third factor setting the stage for a significant increase in median home prices is interest rates. "Interest rates are at all-time lows, and that allows for price increases to take place without significantly increasing mortgage payments," Norris said, adding that he expects California's median prices to up by as much as 20 percent during the coming year.

California Forecast 2013: More of the same save the black swan

by Sean O'Toole, ForeclosureRadar

In 2012, we saw the continuation of a housing recovery in California, with solid sales volumes and price increases throughout much of the state. More importantly, short sales, loan modifications, price increases and even foreclosures helped many get out of being underwater on their homes. Many would say this recovery is artificial. And, while there is no question government intervention played a major role, it appears unlikely that intervention will end anytime soon; so the recovery is likely to persist-save the possibility of a black swan.

The biggest change in 2012 was the dramatic decline in foreclosure sales, and as a result, bank owned properties (REOs). The "foreclosure wave" that many others predicted has yet to materialize in California. Instead, over the past 12 months, notices of default plunged by 48.9 percent year-over-year, foreclosure sales fell 27.7 percent y-o-y and REO inventories declined 34.9 percent y-o-y. While we correctly predicted that there would be no foreclosure wave, this decline was steeper and sooner than we expected.

For 2013, we largely expect more of the same. Demand will remain strong thanks to low interest rates and affordability. Housing supply will remain constrained, largely due to foreclosure intervention. Prices will rise, though likely at a slower pace. But unlike 2012, we expect sales volume will decline due to further decreases in supply.

Demand will remain relatively strong, despite structural issues

- The Federal Reserve is clearly committed to monetary-stimulus programs that will keep mortgage interest rates at or near record

lows. Low interest rates have and will continue to positively impact demand.

- In many parts of California, rents remain higher than payments, despite recent price increases, making housing attractive both to buyers and investors. This positive impact on demand may be offset by further price increases.
- Early foreclosure "victims" may now qualify again for a mortgage, and choose to return to homeownership. This new set of buyers will increase demand for scarce inventory.
- Negatively impacting demand is the reality that homeowners with equity are not moving up at the rate they did during and before the credit bubble, and instead are hunkering down.
- Nearly a quarter of all homeowners are underwater, owing more than their homes are worth. While these homeowners may be able to short sell, they are typically unable to repurchase, and are forced instead to rent negatively impacting demand.
- Demand also continues to be constrained by tighter mortgage lending standards. Given that most mortgages are still government backed, and that the government backed entities are still struggling with losses that are blamed on loose lending standards, we don't expect mortgage lending standards to ease anytime soon.

Supply will remain tight, with the inventory of homes for sale at record lows

- Government intervention will continue to play a huge role in the foreclosure market. The National Mortgage Settlement Program, the Home Affordable Modification Program (HAMP), and the California Homeowner Bill of Rights legislation that goes into effect on January 1, 2013, will all continue to put downward pressure on foreclosures and foreclosure inventory. Foreclosures have been a significant source of supply since 2008, and these continued declines will hurt sales volume in 2013, likely dropping foreclosure supply to half the level seen in 2012.
- Similar to the impact on demand, the hunkering down of homeowners with equity, and the inability of underwater homeowners to sell, except through short sale, will negatively impact supply.
- Short sales will likely increase in 2013. We believe this is the sole bright spot for housing supply. Banks ultimately want to clean up non-performing assets, and short sales provide clear benefits to banks over foreclosing including: faster disposition, better recovery of value, less political opposition, and reduced risk of homeowner lawsuits. That said, short sales are at risk, as the tax exemption established under the Mortgage Forgiveness Debt Relief Act of 2007 is set to expire at the end of this year. This tax exemption allows mortgage debt forgiven by a lender in a short sale, loan modification or foreclosure to be exempt from federal taxation. We see the risk of this occurring as low, and believe Congress will choose to extend the Act for another year. Still short sellers and their Realtors should push to close currently pending deals before year-end, just to be safe.

Housing prices will rise, but increases will be constrained

- Continued demand, combined with the continued constraint of supply, should result in prices continuing to rise throughout 2013, though likely more moderately than in 2012.
- The increase in home prices will continue to be constrained by appraisals. As bidding wars push

prices beyond those supported by recent sales, getting purchase prices to appraise will continue to be a challenge. 2012 saw a willingness of buyers to bring cash to the table to overcome this issue. Not all buyers have ability, which will make this market especially difficult for first-time buyers.

- The increase in home prices will also be constrained by affordability and return on investment (ROI). The key ingredient to fast rising prices in 2012, was the fact that house payments , even after taxes and insurance, were lower than rent in many areas. This also led to very strong demand for rentals by investors seeking, and finding, high returns on their investment. Demand from these buyers has been the critical driver behind price increases to date, but as prices rise affordability and returns drop.

Other factors in 2013

- We believe more households will become renters in 2013, through short sales and foreclosures, than will become homeowners. This will continue the strong demand for rentals, and continue to put upward pressure on rents throughout much of California.
- Trustee sale investors will continue to see strong competition at the steps. However, as prices continue to rise, they may see the large rental buyers move away from the auctions, and perhaps even California, as they seek better returns elsewhere. This lessening of competition may help offset declines in foreclosure volume for the traditional trustee sale investor, who focuses on restoring foreclosures for homebuyers.
- Trustee sale investors also need to be aware the FHA's anti-flipping waiver expires on December 31, 2012, and to date there has been no announcement to extend the waiver. In 2011, however, the announcement to extend the waiver was made on December 28, so we remain hopeful they will again extend it. We actually believe it would be better to let the waiver expire to discourage flipping, and instead exempt trustee sale and sheriff sale purchases, which are non-market transactions and require a professional purchaser to flip the property in order to make it available to most homebuyers.
- As the end of 2012 approaches, debate over the mortgage interest deduction is intensifying. We believe the debate is mainly political posturing. Many Congress members have second homes in Washington and benefit more than most from the mortgage interest deduction. We highly doubt our elected leaders will vote against their self-interest, and when the push comes to shove, they will vote to keep the deduction. We also think it would not be smart to do it now. That said, we do think the mortgage interest deduction benefits banks, at the expense of homeowners by encouraging debt rather than real ownership.
- We expect taxes to rise in 2013, more for some than others. In addition to the unknown tax increases associated with the expiring Bush tax cuts, the Affordable Care Act will impose an estimated $260 billion in new taxes in 2013, and the passing of Proposition 30 will significantly increase taxes for higher income earners in California. Higher taxes take money away from consumers, constraining job growth and possibly keeping a lid on demand for housing. With higher income earners clearly being targeted, the most affluent neighborhoods are likely to be the hardest hit.

The risk of a black swan should not be overlooked

The term "black swan" comes from *Fooled by Randomness* by Nassim Taleb. The idea is that rare,

unexpected, events are actually the norm, and should be expected. Today we face a number of risks that no one, including us, expects will happen. We summarize some of these are here because we believe Mr. Taleb is right, and we should always prepare for the unexpected.

- While hopefully resolved before the start of 2013, the so-called "Fiscal Cliff" creates real uncertainty for next year. If Congress fails to act within the next couple of weeks, taxes will increase by an estimated $500 to $700 billion, almost certainly sending the U.S. economy into recession. Most expect some sort of compromise, even if just pushing the issue into the future. We are concerned the economy will tough, regardless of the outcome; and that much of the current political posturing is less about any real attempt to resolve the issue, and more about making sure the other party takes blame for what's ahead.
- The Middle East continues to be highly volatile. A crisis there could send fuel prices skyrocketing; and any US involvement would also result in new spending and debt that the country can little afford. Resulting impacts to the economy, and possibly interest rates, would not be favorable to housing.
- The Eurozone debt crisis continues to make headlines. In this interconnected world, it would be unwise to think that further problems there could not impact us here.
- Something else, even more unexpected than those we've outlined above.

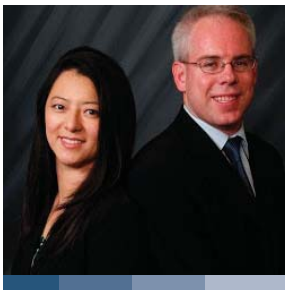
Despite the risks, government intervention, higher taxes, and the other issues that keep up at night, we remain relatively bullish on the housing market for 2013. We have little doubt that fewer people will be underwater by the end of the year, and that housing will have proven a relatively safer investment than entrusting your money elsewhere.

And no, there will still not be a wave of foreclosures.

5 Tax Savvy Holiday Ideas for 2012

by Amanda Han and Matt Macfarland, Keystone CPA

www.keystonecpa.com/



Hopefully you are enjoying this wonderful holiday season. With the tree lit-up and the fireplace going, Uncle Sam may be the last thing on your mind. Of course for the team here at Keystone CPA, Inc., we never give up an opportunity to save taxes…even during the holiday season!

With the holiday season fast-approaching, why not take a unique approach to annual gift giving with some Tax Savvy Holiday Ideas this year?
Instead of buying another blue blouse for Christmas, why not consider holiday gift ideas that can be a tax deduction? For your real estate business, you may want to buy that new double monitor, or a Persian rug for the office. Even a briefcase can be a tax deduction.

If you are in the market for bigger items that are needed for your real estate or business, don't forget about the 50% bonus depreciation. This tax benefit allows you to take a 50% immediate write-off on brand new assets purchased for your real estate business. Rather than having to depreciate the cost of the asset over multiple years, you may be able to take a 50% write-off all in the 2012 year. This is huge and can be a great gift if your business is in

the market for some new furniture, appliances, or equipment.

Keep in mind that this can also apply to the real estate itself as well. With the appropriate planning, you can use a combination strategy of component depreciation and bonus depreciation to get some significant tax write-offs on your investment properties in 2012! The bad news is that this is one of those strategies that will be expiring as of the end of the year, so be sure to take advantage of it before December 31, 2012.
How about buying that brand new truck or SUV for your business and getting a 50% write-off for it this year? That is one holiday gift that is sure to bring a big smile. Remember: The 50% bonus depreciation is scheduled to expire as of December 31, 2012 so act quickly.

We all know that during the holiday season, cash flow may be tight for a lot of people. If you have employees in your business but you don't have excess cash to make that big bonus payout this year, think of other Tax Savvy ways to reward your employees. Consider giving them more paid time off during the holidays as one good way to reward your employees rather than bonus payouts. Alternatively, you may consider giving your employees that new double monitor or the new computer speaker set that they have been asking for.

During the holiday season, now is also the time that most of us hold holiday parties for the office. Generally meals and entertainment are limited to 50% for tax deduction purposes. However, one exception to this rule is for employer-provided social or recreational expenses for the benefit of employees. These types of expenses are 100% tax deductible and a holiday party generally can qualify for this tax perk. Let the Party Begin!

Last but not least, a tax savvy gift idea for the kiddies. If you have kids or grandkids, look at ways to help them build wealth by putting money toward their college. Consider setting-up an Education Savings Account or a Roth IRA for them. Not only can this money be used for permanently tax-free investment but did you know that they can also use this money to invest in real estate?

This holiday season, we encourage you to get creative and utilize some of these Tax Savvy Holiday Ideas for gifts, employee rewards, and holiday fun.

Year-End-Retirement Planning

by Kaaren Hall, uDirect IRA

www.uDirectIRA.com

We here at uDirect IRA Services want to help you direct your retirement money into great investments that make your retirement financially secure. Whatever it is you decide to invest in (and the list is pretty long) the point is to get going and save for retirement!

I was in Washington, DC in March this year and heard the Department of Treasury tell a group of us that there is something like a $6.6 trillion deficit between what baby boomers have and what is needed to retire. Needless to say, that's a huge gap!

So what can you do about it? The first thing to do is to make a contribution to your retirement account. While you're wrapping up 2012, think about what you're going to be paying for the taxes and then ask yourself if you would rather send some of that money to your retirement account instead of to the IRS. Kind of a no-brainer I would say.

Check with your tax professional because the amount you can contribute depends on a few factors like your account type, your age, your income and

how much you may have already contributed. If you are 50 or over there is a provision called a "catch-up contribution" where you can contribute more than if you were younger. It's nice to have some perks of aging!!

When it comes to deciding what to invest in, the list is long. We are administrators and not advisors so we don't give investment advice. Whatever you decide to do, make sure you do your due diligence. It's not easy to put away that retirement money, so make sure you're investing in something that is going to give you the pay-off you hope for. Nothing is certain (except death and taxes) but you can certainly minimize your risk with some good old-fashioned research.

Here are some helpful resources:

www.investor.gov, 800-732-0330, The Securities and Exchange Commission (SEC) is dedicated to helping Americans protect their investments.

www.nasaa.org, 202-737-0900, The North American Securities Administrators' Association provides information on investor education.

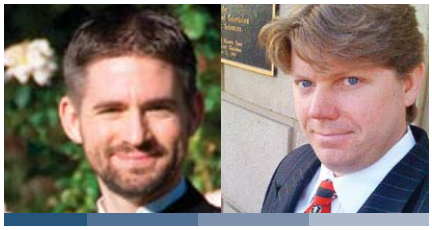
www.finra.org, 301-590-6500, The Financial Industry Regulatory Authority (FINRA) has an "Investor" section on Smart Investing.

www.aarp.com, 888-687-2277, American Association of Retired Persons (AARP) includes a section on scams, fraud and consumer protection.

The iPad as an Investing Tool

by Kenny Wyland and Kyle Humfeld, In a Day Development

www.inadaydevelopment.com



Hi, this is Kyle and Kenny from In A Day Development. We've been cash flow investors, primarily focusing on rental real estate and notes for about four years, so you could call us newbies. However, we've had our fingers on the pulse of technology since we could operate a keyboard. We've both been avid programmers since childhood, and we've been programming professionally for over three decades if you put both of us together.

We frequently attend investor events, and we're always approached with questions regarding technology, web sites, software, the Internet, mobile apps, and other related topics. Though we don't (yet) have the long decades of experience through which our teachers and mentors have developed their skills, knowledge, and expertise, we have tried hard to leverage technology in our investing.

The most frequent question we're asked is 'iPhone or Android?' and the answer is 'You can get great devices from either one'. If you're thinking of getting a tablet (which we recommend), we'd recommend sticking with the one that most closely matches your phone - if you've got an Android phone, look into Android tablets. If the iPhone is your thing, then the iPad is for you. Why? If you stick with the same platform, you won't have to buy all of your apps again - as long as you use the same username, the apps you've purchased from the Apple App Store or Google Play can be installed on as many devices as you want. Also, the ways you use your Android tablet will make more sense to you if you're used to your Android phone, and if you're good at working your iPhone, then the learning curve when picking up the iPad is very shallow.

That said, we were early adopters of iPads, having had iPhones for several years and having written apps for both iPhones and iPads for more than three years. We both have iPads and we use their awesome capabilities in our daily lives to enhance our investing. A computer is only as good as the software installed on it, though, and here are some of our favorite apps:Kenny Wyland, In a Day Development

SignMyPad and DocuSign Ink let you read and sign documents, like real estate offers, without wrestling with printers, scanners or fax machines. Aside from the simple economy of not spending money on paper and ink, we can turn our offers around much faster and get contracts signed wherever we are - the 3G/4G Internet access allows us to send, receive and do business anywhere. Even better, you can avoid hand cramps by saving signatures and initials within the app. DocuSign Ink is free, and it has available in-app purchases which unlock additional signatures for a nominal fee. Sign My Pad is $3.99 with additional signature slots available for purchase. There's a 'Pro' version available for $19.99, as well.

10bii Financial Calculator is a fantastic financial calculator, inspired by the Hewlett-Packard 10bII. This might seem like a plug for our own product, but the fact that we rely upon this app for analyzing our own deals means that we have a serious incentive to make it the very best it can be. From saved TVM (Time Value of Money) transactions to PDF amortization schedules, to a simplified uneven cash flow investing interface, to the app drawing cash flow diagrams, to the Easy Modes which work like 'wizards' for common calculations, we use this app every day... and so do a lot of other investors. The 10bii Financial Calculator costs $5.99.

Redfin, Realtor.com, Zillow and other similar apps give us information about properties that are active, pending, or closed, and let us research our target farms and specific properties. These apps tend to be free.

Gmail is a free app from Google that lets you access your Gmail inbox, including your labels and archived mail. The built-in Mail app will let you send and receive email via Gmail as well, but the specialized Gmail app provides some extra features. It can alert you when new emails have arrived in your inbox, and it has a ton of very nice features. If you're not a Gmail user, this app won't do you much good, but you owe it to yourself to try it out, as it's an excellent mail system with some fantastically innovative features.

Dropbox, Google Drive, and SugarSync are free apps that allow you to store files in the cloud so they can be accessed from anywhere. You can drop a file into your Dropbox on your desktop computer and it is available on your mobile device instantly. You can allow others access to the files to make collaboration easier or you can keep them private

--, it's up to you. In fact, we wrote this article on Google Drive so we could collaborate easily and then just share it with The Norris Group rather than sending a word processing document via email. Being 'somewhere else' when our files are 'at home' is a real pain, and so is only being able to find an old version of a document that you know you've done more work on these apps and their corresponding web sites (which let you upload your files from your computer, or create them right on the site in the case of Google Drive) are a key part of our technology-based investing strategy.

Google is our preferred search engine, and the free Google app for iPad is a great front-end to Google's indispensable service. If you have a question, Google probably has the answer.

There are so many more awesome apps out there, and we're working on more iPad apps to enhance our own investing efforts. If you think you could get at least some benefit from a tablet computer, we'd recommend getting one. On the other hand if you've already got one and you know of a killer app that we've missed, please drop us a line at TheTeam@InADayDevelopment.com and let us know about it.

Happy investing!

Third-Party Risk Management Companies

by Claire Bartos, Las Brisas Escrow
www.lasbrisasescrow.com

I can hardly believe this year is coming to a close. With apologies to Disney, I feel like I am riding 'Mr. Toad's Wild Ride.'

According to my colleagues and associates, the real estate market is alive and growing. Sounds to me like a Christmas miracle in Escrowland. Here, here, and cheers!

The major industry news as it relates to escrow is the emergence of "Third-Party Risk Management Companies." The Consumer Financial Protection Bureau (CFPB) issued Bulletin 2012-03 to provide guidance primarily to lenders, to strictly oversee their business relationships with service providers in a manner that ensures compliance with federal consumer financial laws. At first glance, this sounds like a major benefit to consumers and a daunting task for lenders.

But wait! Entrepreneurial companies/individuals emerged claiming that lenders now have new duties created under Dodd-Frank and the CFPB Bulletin. These entrepreneurs created agreements with wholesale lenders to "assist" with that "requirement" by offering to "vet" escrow and title agencies and their employees. This is only the beginning -- would real estate agents and brokers be far behind? Some interpret the bulletin to already include the real estate agents and possibly others.

The definition of "vet" is: to investigate carefully (and pass as satisfactory. For example,) every member of staff has been vetted by our security department before he or she starts work.

These "independent" and "unregulated" third-party companies would not only investigate, register, and scrutinize the company providing settlement services, but also the individual escrow officers, title officers, assistants, and notaries. This registration would require the submission of personal information, credit reports, and social security numbers.

If this was not intrusive enough, the individual providing this information must PAY the "unregulated third party" for this privilege. The pitch is this: "registration" would satisfy the lender's obligation to actively manage loan fraud risk. Some lenders were eager to comply and began initiating letters stating that if you wished to continue closing transactions with them, you must register with their selected "vetting" company.

Hmm --. let's see. There are approximately 921 Department of Corporation licensed escrow companies in California. Let's say each escrow office employs 10 persons fitting the vetting profile. Perhaps a modest, albeit fair, estimate of persons to be "vetted" might be 9,210 (remember this is only escrow personnel). The vetting companies suggest a fee of $299.00 per year, for each person in this capacity. Wait for it -- .... that totals

$2,753,790.00! ... The proposed vetting system sounds more like an on-going "pay to play" system.

In California, a basic requirement to operate as a Department of Corporations' licensed escrow company is that you must have clearance by the Department of Justice and membership with Escrow Agents Fidelity Corporation (EAFC). (EAFC was organized for the purpose of indemnifying the members against losses sustained as a result of fraud, theft, or embezzlement by officers, directors, stockholders, and employees of the escrow agent, according to (Chapter 2.5 of Division 6 of the California Financial Code. Each applicant is required to pay EAFC a membership fee of $3,000 and comply with the certificate requirements), finger printing, and bonding.

It is my opinion, and that of many in the industry, that this process does not help anyone except the "third-party vetting company; " furthermore, it could actually be in violation of current regulations. We, as an industry, through the efforts of many, (including the trail blazing Escrow Institute of California, and with support of the Department of Corporations) have successfully presented our position to the lenders. I am happy to report that the proposed "registration" (which was scheduled to be in place by December 31, 2012) is currently "on hold."

In the words of Henry Ford, "Most people spend more time and energy going around problems than in trying to solve them."

Our Auctions Rely on Serious Buyers with Money to Determine the Price...not the seller or the appraiser

by Randy Grigg
www.sellwithauction.com

If you're a control freak, it can be difficult to let the free market make the decision on what your "magnificent" rehab is really worth in a five-minute period of time. As a control freak myself, it took several auctions using our own inventory to realize sometimes the market said our property was worth more than I thought and sometimes less. When the market told me it was worth less than I hoped, it usually translated into either paying too much when we bought or spending too much to fix…or both…OUCH!

When we conduct our "California" reserve-style auctions, we feel it's best to let the bidders provide the opening bid or start real low and then move quickly to the high bid using large bid increments. Using the traditional listing approach, on the other hand, many times properties are listed at 5-, 10-,

or 20% more than similar, comparable sales in the hope that a buyer will pay more than value. When buyers don't bite, the price is reduced slowly until a taker is found or the listing becomes stale and undesirable.

If an inflated FHA offer does surface, a rude awakening occurs when the appraisal(s) come in less than the proposed price offering. The buyer knows he is protected by the appraisal and knows the seller wants (needs) to sell…advantage to buyer. Because most FHA buyers also don't have extra money to make up the difference from what they offered and what the appraiser said the property was worth, either the seller reduces the price or gives back the "contingent" deposit money. Bottom line: wasted time, additional holding costs, and more stress for the seller.

Other "net price" reducing costs include: the 3-4% closing costs many FHA buyers require, termite work, and/or home inspection-generated repairs.

When we sell by auction to an FHA buyer, it's quite different. First -- to be a bidder at our auctions, the buyer needs to bring a minimum of $5,000 in the form of a cashier's check. Second -- if they are the winning bidder, their non-refundable $5,000 deposit is held in our trust account per the auction contract they sign. Third -- if the appraiser says it's worth less than they bid, they lose their $5,000 at the seller's discretion. In reality, however, because there is a lot of real money at stake, they usually find a way to close. Tougher rules makes more people do the right thing (like what my parents kept preaching to my brother and me). Fourth -- the seller doesn't pay for the buyer's closing costs, termite work, and home inspection repair requests. Fifth -- the buyer pays for title insurance (which is normally a seller's expense).

These auction advantages gives the seller about a 5% "net price" advantage compared to a traditional list-and-sell transaction.

We really don't want FHA buyers at our auctions because we don't want to be in a position to decide how much of their deposit to put in our bank account when their most generous relative won't make up the appraiser's short fall. Also, most FHA buyers don't attend our auctions because they don't have extra money, can't afford to lose their deposit, and they need the seller to pay for most or all their costs. SO… most of our rehabs in Bakersfield aren't sold by auction because the price range we buy, rehab, and flip is FHA buyer territory. We sacrifice net price and hassle factor because of the market we have decided to play.

The best properties to sell through us by auction are properties where at least 60% of the potential buyers are those who pay cash or have a real down payment and utilize conventional financing. In Bakersfield, its houses are valued at 50% above median price (about $225,000 and above). We also have witnessed unfixed properties (wholesale flips) and multiple units work very well with our auction service in any price range.

Recently, we sold a rehab in the L.A. area (Highland Park) that involved $100,000 in rehab, and fit the guideline of 50% above median price value, so we sold it using our onsite auction method. Ten bidders showed up, all with $15,000 cashier checks. The house closed on time with the buyer using conventional financing at a price $20,000 more than we had anticipated.

In Riverside, we wholesaled a house for an investor where the auction turned into a bidding war with 37 bidders. The price went through the roof (retail) and it closed with a cash buyer.

We sold a six-plex for a seasoned investor in southern California who wanted to reduce his management responsibilities. We had nine bidders, each of whom was required to bring a $50,000 cashier's check. The property appraised for $150,000 less than the buyer agreed to pay -- it

closed because the buyer didn't want to lose his $50,000 non-refundable deposit.

Elite Auctions specializes in assisting flippers and investors to sell their properties using an onsite auction with an experienced auctioneer and ringmen. We have revamped the cost to use our services, making it much easier to participate. Sellers are not obligated to accept the high bid (unlike an absolute auction), however, we won't waste the effort if a seller is unrealistic with his or her price expectations. Buyers can bid live at the property, online, or by phone.

Now you know more about a great alternative to sell your property. Please feel free to contact me for additional information.

Mike Cantu Presents 2013 and Beyond

by Mike Cantu

www.mikecantu.com

What is it that you're out to accomplish? That's the big question. Exactly, what is it? Equity, cash flow, a pile of cash? Get specific. How much and when? It's all attainable under the great umbrella of real estate. Spend time thinking it through. This is your future. Set aside time for thinking every day. Put no limits on your imagination.

Put your business plan in writing. It belongs in your goal book. Review it every morning and night. Keep it simple. Simple, but not easy.

A good plan with the proper actions over time is all that stands between you and the life and lifestyle you want. Persistent and consistent are the key words here.

Have clay plans vs. stone plans. They're easily remodeled and shaped to accommodate the changing market. Expect lots of changes in 2013.

There's opportunity in every neighborhood. If there's houses, there's opportunity. Time and circumstances change all sellers. Good deals are made, not found.

Remember, we're in the people business first and foremost -- person to person. Secondly, we are in the real estate business. You dance with the people, not with the house.

Keep it simple. Don't over-complicate things. It takes three things to make a deal: two humans and one property. That's it. Keep it simple.

Make lots of offers. It's like playing the lottery for free. The key here is to have lots of good leads. The more leads, the more offers. Any unmade offer is a 'no.'

Take lots of action -- disciplined action – and do it every day. 'What did you do to buy a house today?' That is a very important daily question to ask yourself. Discipline usually means doing the opposite of what you feel like doing. Achievement comes from the sum of consistent small efforts, repeated daily. The foundation of achievement is intense desire.

Keep your overhead down. Marketing and innovation produce results. All other business functions are costs.

Produce for wealth creation and accumulation. Invest profits for wealth preservation and growth.

Put the magic power of compound interest to work. Save 10% of all you earn. Pay yourself first.

The best investment you will ever make is your steady increase of knowledge. Invest in yourself. I can't put enough emphasis on the proper education. Proper is the key word. Study alone is no substitute for experience and action.

Be patient. Wait for the right property and circumstance. Patience can save you from years of damage.

When the going gets tough, ask yourself: 'what is freedom worth?', and then never ever give up. Most importantly, enjoy the ride -- every moment of it! Remember, all we ever really have is the present moment.

So get out there, get after it, and don't quit until you get what you came for.

Nothing But Good News Here...?

by Tony Alvarez, REOMentor
www.Tonyalvarez.com

Hello EVERYONE! Well here we are again. This year seemed to go a lot faster than we expected, or maybe it's just that I'm getting older. 2012 did start with a few surprises, some to the plus side and some to the minus. For example, we dealt with our first eviction in ten years. Unfortunately, it didn't stay at only one, as we will close 2012 with our second eviction in a decade of renting.

Continuing on the minus side we've also experienced:

1. More vacancies
2. Lower rents
3. Fewer REOs available for acquisition
4. Definitely more wannabe investors in our target market

On the plus side of things it looks something like this:

1. More real estate agents looking for a white knight to save their deals from falling apart (yet again).
2. Equity investors buying up all the Big Box white- elephant- type properties we wouldn't touch with a ten- foot pole.
3. Superior investor- type financing getting better every day and… to round things off…
4. Higher prices for the same old rehabbed houses that we were selling for less last year.

All in all, I guess we're not doing too badly considering the ever increasing unemployment rate which is presently exceeding 17% in our immediate market area (The Antelope Valley).

So What's the Bottom Line?

Our acquisitions continue to hold steady at an average of one profitable deal a week, while our profit-margin on flips held at 10-20% of estimated retail market value.

We bought more houses in 2012 than in 2011 and we kept more as rentals than we flipped. For 2013, we will strive to hold 90 to 100% of our acquisitions as long-term rentals, hopefully helping us to slide home to our goal of 200 rental properties.

What We Learned This Year

Every day in this business brings with it the opportunity to learn something new. Even if it is nothing more than a reminder of a lesson you learned years earlier, but had since forgotten. Again, this year we were reminded that in this business, as in life in general, the only thing you can truly rely on is constant change.

The biggest setback we experienced this year was losing our focus in acquiring new business, while trying to effectively deal with the unexpected wave of vacancies and turnovers in our rental units, declining rental rates, and inferior tenant selection.

Three is the Magic Number

In an effort to regain our focus, we broke down our operations into threes. Each person in control of some specific part of our ongoing operations was asked to THINK and come back with the three MOST important MUST DO Daily Action Steps in their respected area of the daily operations of the business.

These Daily Action Steps -- regardless of any other condition, set back, or surprise -- must be executed without compromise on a daily basis to assure we stay on track as a small investment company.

Here is how it broke down:

Acquisitions Agent

1. Make offers
2. Talk to agent/sellers
3. Look at properties

Property Manager

1. Collect rents
2. Rent vacant units
3. Complete work orders/repairs

Bookkeeper/Controller

1. Monitor cash flow
2. Make deposits
3. Pay bills

Operations Manager

1. Secure superior financing
2. Review daily production reports/budgets
3. Monitor market changes

We simply realized that everything else is a non-issue if these vital Daily Actions Steps were even slightly overlooked or diminished in any way.

So there you have it. That was our 2012 experience. We sincerely hope you took advantage of the opportunities that have been available to us all since 2008. If not, DON'T FRET! Here comes a whole NEW YEAR full of new opportunities for success playing The Game of Real Estate!

We look forward with extreme optimism to 2013 as we see that the real estate tide has, as expected, begun its turn in our direction once again.

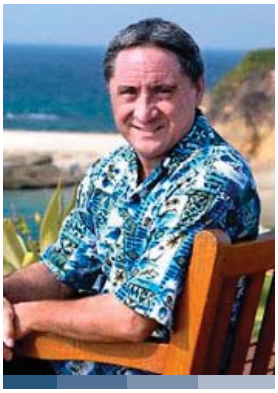
Our tip and suggestion for 2013 is STAY FOCUSED!

We extend a warm heartfelt thank you to The Norris Group for allowing us to participate in this wonderful yearly event yet again.

We wish you all a wonderful Holiday Season and a tremendously prosperous New Year!
a more helpful mindset to assure you will be open-minded and prepared enough for whatever is heading your way.

Calculator Challenges 6: To Err Is Human & Check Your Work!

by Bill Tan
www.sdcia.com



The last newsletter I provided you with two examples and on one of them I gave you the wrong answer! I messed up! Oops! Forgive Me! Mea Culpa!

Here was the challenge (it was just the second one):

1) I buy notes. It's my business. If the seller of the house needed to sell that note after having received five years of payments, what would I pay for it if I wanted to get 10% on my money?

How many payments have been made on the note after five years? And how many payments remain?

Answer: 5 years x 12 payments/year = 60 payments have been made

360 total payments - 60 payments made = 300 payments remaining

Now we know how many payments are remaining (N), the interest rate I wish to earn (I), the monthly payment amount (PMT) and the balloon amount (FV)? Knowing these four things I can determine how much I am willing to pay TODAY for this note:

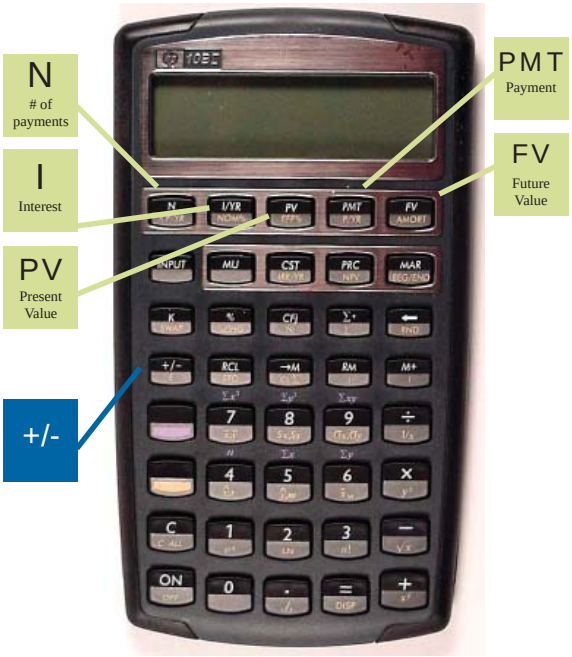
N = 300 (payments remaining)

I = 10% (what I want to earn on my money)

PV = ? (what I'm willing to pay for the note TODAY)

PMT = 1,073.64 (notice the plus sign; I will RECEIVE these payments)

FV = **0** (it's a fully amortized note)



(After 300 payments there is a zero balance remaining. _ Chief Messer Upper)

Answer: PV = -118,151.47

I am willing to pay **$118,151.47** to purchase this note and receive 300 payments of $1,073.64.

What if I purchased the note for $118,151.47 in order to receive 300 payments and the note was paid off after only 60 payments? What would my yield be then?

N = 60 (payments I will receive)

I = ?

PV = -118,151.47 (that's what I paid for the note)

PMT = 1073.64 (positive because I will RECEIVE these payments

FV = 162,684.13 (Now we can use the answer from the first challenge which is

POSITIVE because we will be receiving it as the payoff from the payor)

Answer: I = 15.89%

That's a little better than the 10% I expected. Why is higher than 10%? Because we're receiving our investment plus interest, plus the discount on the note purchase much sooner than expected.

See the value of checking your work?

And only Carl Salzman contacted me and questioned me about my goof. I'm sending Carl a gift as a thank you and a humbling reminder, "always check your work!!!"

This is just one of the many ways a financial calculator can help you in your business. And here's to you having lots of business to use it.

The Sandwich Lease

And here's one of my favorite techniques, the sandwich lease.

This technique involves two leases on the same property. It offers cash flow along with possible long-term benefits. First, you obtain a long-term lease with FLAT RENT and the right to sublease. Then, if you don't want to live in it, you make it an investment by subleasing (or subleasing with an option) it to someone else. Subleasing a property to someone else is called a Sandwich lease. Sublease for MORE than you're paying in rent thereby generating positive cash flow. If you combine your lease on the property with an option to purchase later, you can sell it later for a profit (or walk away). You can sell the property to your sub-tenant or anyone else. Combining the lease/option strategy with the Sandwich lease strategy can give you current cash flow and future profits with minimum risk.

Benefits to the OWNER:

1. They get tax benefits by turning the property into a rental.
2. It eliminates their management problems.
3. They can resume their own life immediately.

Benefits to ENTREPRENEUR

1. Positive cash flow due to your property management skills.
2. Win the confidence of the owner.
3. Through a successful LEASE, you can arrange to purchase the property later with favorable terms because you've already proven yourself to be trustworthy.

I hope to see you around at meetings or possibly in one of my creative financing or calculator classes.

Happy Holidays! Mele Kalikimaka a Meka Hauoli Makahiki Hou!

TheNorrisGroup

What is Taxmageddon?

by Susie Leivas, Leivas Associates
www.leivasassoc.com

America is on the verge of the largest tax increase in 19 years – an event commonly referred to as Taxmageddon by television news programs and print publications. What is causing this nightmare? Primarily, the expiration of the Bush tax cuts and the presidential election. While you may not be concerned with the politics of Washington, the one thing you are undoubtedly concerned about is the impact those rumblings will have on your wallet. So, how do politics combine with taxes to make the perfect storm?

Americans will pay approximately $4.041 trillion in 2012 taxes alone. Currently, there are more than 1,000 pending pieces of legislation around tax policy on Capital Hill. This current gridlock in Washington plus the increasing federal deficit leads many analysts to believe that higher taxes are on the horizon. Furthermore, if Congress does not pass new legislation, broader tax increases are inevitable for most Americans.

If Congress does not take action before December 31, 2012, all the marginal tax rates are scheduled to increase. With that in mind, it may make sense to bring all income into the 2012 year whereever possible and take deductions in 2013. Another way to pay tax on income in 2012 would be to do a ROTH Conversion. Currently, Roth IRAs represent a savings vehicle with minimal restrictions and the ability to accumulate income tax free. If tax rates do increase as scheduled in 2013, taxpayers who convert Traditional IRAs to Roth IRAs will be subject to higher taxes on the converted IRA.

Capital gains rates (for long-term capital gains) are scheduled to rise from 15% to 20%. When you have a capital gain, normally the first thing you think about is whether you should sell an investment or two that are at a loss to offset your gains. The question now is -- would that loss be worth more later?

The current tax-favored status of dividends is scheduled to expire. Qualified dividend rates are scheduled to rise from 15% to ordinary income tax rates. In other words, dividends would increase from 15% to a taxpayer's marginal tax rate. That could be as high as 39.6%.

If the Alternative Minimum Tax (AMT) "patches" are allowed to expire, many middle-income Americans may be subject to a 28% AMT tax rate. What is AMT? This additional tax review is in place to ensure high-income households pay their due portion of taxes. As part of its review, AMT used a different set of calculations, which do not factor in many deductions and exemptions. The AMT income-exemption amounts have increased incrementally each year in line with inflation, but these allowances are scheduled to phase out this year. Without these annual "patches," AMT exemptions could return to the year 2000 levels, thus imposing the AMT on a significant number of middle-income taxpayers for whom it was never intended. "Four million taxpayers paid AMT in 2011, and more that 31 million are expected to see their liabilities rise in 2012.

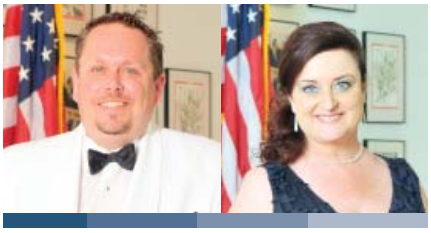
The impact of increased taxes doesn't end with the potential expiration of the Bush tax cuts. It also carries over from new legislation surrounding health care reform. Beginning in January, the employee portion of the Medicare payroll tax will be 1.45% for the first $250,000 ($200,000 if single) and an additional 2.35% for income over $250,000 ($200,000 if single). For example, a couple making $300,000 per year would have their first $250,000 taxed at 1.45%, and $50,000 would be additional taxed at 2.35%. It is important to note that employer Medicare taxes will not see the same

increase – remaining at 1.45% regardless of income. Beginning in 2013, you may find yourself paying a 3.8% investment excise tax. New investment income is defined as interest, dividend, and distributions from non-qualified annuities, royalties and rental income. Net investment income does not include distributions from qualified plans as well as municipal bond interest. The excise tax will be charged to the lesser of net investment income or MAGI over the $250,000 threshold ($200,000 if single). For example, if you are a married couple with a $275,000 modified adjusted gross income and have $20,000 in qualified dividends, currently you would pay $20,000 x .15 = $3,000 in taxes. In 2013, it could be $20,000 x (36% + 3.8%) = $7,960.

It is impossible to assess how the tax code will change; however, being proactive now may be the best way to help minimize the potential impact you will feel.

The Yardstick And The Lion

by Shawn Watkins and Angel Bronsgeest, Investors Workshops
www.investorsworkshops.com



How do you measure your business? This seems like a simple question but the devil is in the details. In order to improve a thing that thing must be measured (Thank you David Farhney).

This real estate thing of ours can be a fickle mistress. For some, success is measured by the size of the check and for others it's about how many checks they get. However, we can all agree that the dependability of those paydays is something we all worry about. Strategies that seemed so reliable and "can't miss" suddenly begin to miss. Deal sources "dry up" and we are left to figure out why. Like many of you I believe that continuing education can help us to see some of these events coming so we are not blindsided. So, how do we know we are getting it right? What are you using as your YARDSTICK? Are your daily activities producing predictable results? How would you know?

The biggest obstacle to doing that is "busy work" or what my friend Ted McCune calls "minimum wage activity" (MWA). We are all guilty of it. We get caught up reading hundreds of emails for instance. They are all important right? Before you know it we have spent HOURS in digital space. Then it's time time to update our spreadsheet. While we have it open we will make the formula a little better for the next time. We email our Realtor with instructions to make offers based on the attached spreadsheet. By now it's time for lunch. We grab something from the drive thru as we head over to take pictures of a couple of houses we are thinking of writing offers on. Lucky for us, we see some FSBO signs in yards while we are driving. We write down the phone numbers from the signs so we can make sure to get them into our marketing spreadsheet to call later. By now it's late afternoon. I think I had better cruise by my latest rehab to make sure they are putting that tile down right. At the end of the day, we all fell like we have a done a TON of work...and you're right. But was it the work of an ***apex predator like a LION?*** Will it feed you?

You won't catch a Lion chasing after prey they don't think they can catch. That is simply too much work and they know they will starve if they don't plan for success. In a very real way WE can be guilty of filling our day with busy work instead of setting up ambush for the next transaction. We don't get PAID for hunting for deals but rather we eat what we catch.

Now is the time to plan for 2013 and I have a few tips.

1. **Delegate as much as you can** - Use family and friends whenever you can. They are very cheap and they actually CARE about you. Use virtual assistants (odesk.com, elance.com, fiverr.com to name a few) for remedial tasks like internet research, pulling comps, spread sheet updates, etc. use pay for performance and shift tasks in your business to be paid when you get paid and based on performance. (Example: If your contractor can handle ALL of the project manager duties in exchange for a performance bonus, then they get paid at close. You could stop those trips to the job site)

2. **Beware Analysis Paralysis** - Don't get caught up in dogma YOU are the only irreplaceable element in your real estate business. Commit to having at least one conversation each day with a seller instead of researching the latest web based software program or awesome marketing course.

3. **Plan your year** - Work backwards and LOOK at how many deals you closed this year. How many offers did you generate to get them? Simply put, INCREASE your offer rate to increase your close rate. If you didn't close anything this year, did you follow up with your offers?

I'm sure you can find more ways to be a lion in 2013. I will be doing my best to take the steps I have outlined here. Remember, WE are the engine that keeps the country moving forward. Go forward and whatever you do, don't give up.

Anatomy of a Big, Really Big, Deal (As seen in REIVoice)

by Geraldine Barry, SJREI
www.sjrei.net

Santa Clara, a small city located between San Jose, the 10th largest city in the country, and Sunnyvale a dominant force in the Silicon Valley tech community, fought to claim its space as something more than a bit player in the very competitive environment of major league sports. A home stadium for the San Francisco 49ers was hanging in the balance. When an opportunity presented itself Santa Clara city leaders quietly, strategically pulled together a plan to outsmart the bigger, better, richer, infinitely more prestigious city of San Francisco. This is the story of how the little guy prevailed, and was completely underestimated in the process, pulling off a coup!

One clear fall day in 2006, Jamie L. Matthews, mayor of Santa Clara, members of Santa Clara city council, and a group of civic leaders met with decision makers from the San Francisco 49er's for a trip on a Ferris wheel. At stake was the perspective home of the championship team.

In 2006, the future of the San Francisco 49er's remained uncertain. The only certainty was that the team needed out of the cold, old, and ill-equipped Candlestick park. The 49er's organization had struggled for 10 years with the City of San Francisco to locate a site for a new stadium. The city's only

suggestion was the "historically blighted" Hunters Point, which the 49ers never considered a viable option. The site required significant toxic cleanup, and was surrounded by incompatible development. The 49ers were looking for alternatives when the Santa Clara City Council, said, "Come check us out."

An amusement park might not be the first place that comes to mind as a location for hammering out a multi-million dollar deal. However, the host committee believed that once the 49ers bought into their vision, clearly visible from that perspective, everything else would fall into place. Up on the Ferris wheel they went. The heart of Silicon Valley spread out before them. To the east was a vacant parcel large enough to accommodate a new stadium and the auxiliary business it would require. To the south and west, over two million people, many already 49ers fans, hungered for a local team. For their bird's-eye-view, they saw major freeways and a light rail system ready to accommodate lots of traffic. They could visualize parking for the potential 70,000 vehicles required to host a Super Bowl, easily assessable to the proposed stadium site. Most important, they bonded forming camaraderie and discovered that they shared a results-oriented attitude. The willingness to do whatever it took to bring 49ers to Santa Clara enticed all concerned.

So began the journey to the 49ers' new home, an endeavor that is jaw-dropping in magnitude.

The vision established on the Ferris wheel ride was put before the voters, Measure J, a measure once passed allowed the City of Santa Clara to lease land to a newly established entity the Stadium Authority. This entity was tasked with a constructing a new football stadium where the 49ers would be the primary tenant. This private/public entity was formed to ensure that in a worst-case scenario, the entity would take the financial hit, not the city or taxpayers. The City of Santa Clara enjoys a high level of public trust that city leaders have diligently cultivated over the years-a relationship that ensured that Santa Clara voters approved Measure J easily. This successful outcome was strategically accomplished through hundreds of meetings from living rooms to town hall settings with all key players participating - Judd & Jeff York from the 49ers plan to build a $937 million stadium in their city.

Let the work begin. The stadium site, which had long been vacant (its primary use a shooting range for local law enforcement) is now a bee hive of activity. A deal was hammered out, between both parties, agreeing that local labor be used exclusively for the project, thus ensuring the highest quality labor force ahead of all the other large, local projects on the horizon such as the Apple Spaceship and BART.

"By entering into labor contracts with the Stadium Authority we locked up high quality labor, and ensured no work stoppages providing both sides (labor and 49ers) the security that helps garner high performance and commitment," Mayor Matthews said.

Builders Turner/Devon were given an incentive by the Stadium Authority with a $35,000,000 performance commission for meeting the opening deadline, and a significant fine was to be imposed, per day, for missing the mark.

The stadium when completed is set to be the greenest, most sustainable stadium ever built in the U.S, featuring solar panels, green roofs, and sustainable renewable materials. One hundred percent American steel is being used on the project.

"We re-opened several steel mills so the steel could be milled on U.S. soil, and we hit our goal of one hundred percent U.S. manufacturing," Matthews said. "Five of the largest cranes in the world were

flown in from Dubai to simplify the process of handling the steel, ensuring that it was not double handled, and could be set in place directly upon delivery to the site."

How is the project coming along? It is 20% complete on track and on budget to hit its original schedule - opening season 2014. Another bright spot is that the stadium, even as it is under construction, is one of two finalists to host the Super Bowl 2016. The collaborative nature that permeated the relationships in securing the stadium deal is again evident in the partnership Santa Clara forged with the city of San Francisco. A Super Bowl would benefit a region, not just a city, so in order to maximize the opportunity and work toward another successful outcome both cities are working together to make that a reality.

"The economic activity generated by a single Super Bowl game exceeds other major professional sport championships, including a 7 game world series. In most years, both Super Bowl teams come from somewhere else so virtually everyone attending the game is a visitor. This is much better for hotels and restaurants," County Assessor, Larry Stone said. "Since the game is played in Santa Clara, that city will receive major economic activity and benefit. My guess is every hotel room from San Francisco to San Jose will be booked solid. The Super Bowl may be just one game but the events and festivities go on for almost a week. While we would all love to see the 49ers play in the Super Bowl here in 2016 or 2017, the chances are not that great. The NFL and local businesses, particularly hotels, restaurants and tourist attractions don't want that to happen either."

This is a win for the whole region - no metropolitan area is complete without a major league team, so why not the world-renowned Silicon Valley? What an outcome from a Ferris wheel ride at Great America to a new stadium, and potentially hosting a Super Bowl.

"We believed from the beginning this could become a reality despite several roadblocks. Securing the 49ers stadium in Santa Clara, took teamwork, coordination, and focus. It is a great story in terms of collaboration between multiple parties, and a clear vision of how that empty parking lot could become a site for a stadium that beautifully, and naturally fit into this community. No one person, or group, can claim responsibility for this outcome. It truly required a sustained effort and courage of an entire community and its leadership - it was the greatest of team efforts," Matthews said.

No one could have predicted this triumphant outcome when the talks began - in 2014, this stadium will be a reality. The City of Santa Clara and its council members did indeed pull off a coup!

2012 Eminent Domain Issue Remains Unresolved Entering 2013

by the Paul Hererra, Inland Valley Assocation of Realtors

www.ivaor.com

In 2012, local governments in San Bernardino County took steps to become a laboratory experiment to test an expansion of the limits of government power in real estate finance. Touted, inaccurately, as a program to save homeowners facing foreclosure, the plan would use local government power of eminent domain to take control of underwater mortgages at below market value and, in the process, deliver profits to a private company, its investors and to government agencies. Three agencies – the Cities of Fontana and Ontario, and the County of San Bernardino – were solicited by an outside firm to explore the idea and launch the program.

Precedent-setting risk, government expansion and cost would be undertaken in order to address loans held by one in 10 homeowners, in a category that is facing default at a rate that has plunged to just above 10 percent. Another goal of the program –

to stabilize home values and help spur a rebound – is taking place without any such government overreach. Home values are now up by nearly 20 percent since the beginning of the year, with the price increases accelerating every month since March.

Inland Valleys Association of Realtors® (IVAR) moved the debate from private conversations into the public sphere, engaging the public, the industry, media and experts to fully and transparently analyze a troubling proposition. Working with a coalition that included the most influential industry voices in the country, IVAR helped to illuminate an idea that few knew existed. In the process, IVAR was asked to participate in discussions from Washington D.C. to Sacramento – and to help inform coverage of the issue by the nation's leading newspapers, television news and radio.

Despite the widespread, damaging effects possible in the experiment – as well as the universally negative reaction the idea elicited in two public meetings from residents and – businesses – its proponents now look to 2013 to move their plan forward here, around California and across the nation. Fortunately, leaders in local communities have taken time to carefully collect information, examine the idea and, so far, applied brakes to any program launch while deliberating the issue.

For a complete discussion of this complicated proposal and fallout, please visit http://advocacy.ivaor.com/current-issue.aspx#jpaanchor.

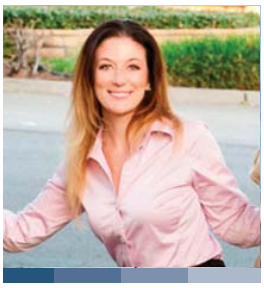
IVAR is working not only to keep this plan out of the Inland Empire, but also helping communities across the country prepare to do the same. Whether this plan gains a foothold here, in a community nearby or in another state, the fallout can potentially affect our housing recovery. According to national mortgage finance experts, this plan threatens some of the basic underpinnings of private finance in mortgages. If there is to be a needed recovery of private investment in home mortgages (as opposed to what has become a taxpayer-backed system), a plan that wallops investors with losses they never anticipated cannot help that process.

IVAR believes that the resolution of our troubled – yet finally improving – housing market will not come through creative schemes whose ingenuity and risk is matched only by the creative credit ideas that helped form the mess in the first place.

Short Sales in 2013

by Danica V. Patton, California Property Solvers

www.capropertysolvers.com



Well, let's talk about what is due to expire and what, if anything, will be extended into 2013.

First and foremost are Fannie Mae and Freddie Mac. Fannie Mae and Freddie Mac's HAFA Short Sale Program for a borrower is due to expire this month, December 31, 2012. The current deadline is December 14, 2012 for all Short Sale Agreements to be issued out to the borrower. Now it's just my opinion, but that alone will cause a huge uproar with homeowners and real estate agents. I predict fraudulent letters will be issued, and they won't be coming from the banks.

Fannie Mae and Freddie Mac are putting a disclaimer to the deadline saying the borrower(s) MAY still be accepted for a HAFA Short Sale if the fully-executed Short Sale Agreement is uploaded into the Equator system on or before December 31, 2012. After December 31, 2012, there will only be two programs, Cooperative Short Sale Program and Traditional Short Sale. Once again, these programs MAY offer relocation assistance to

the homeowners. I do not foresee Fannie Mae or Freddie Mac extending this program in the near future.

So the question still remains…Short Sale or REO in 2013? I like to look at the numbers on this one. The mortgage default filings hit their lowest point since the first quarter of 2007. Los Angeles County was down 30%; Riverside was down 27.3%; and San Bernardino was down 21.7% from 2011. Short sales were overtaking foreclosures in 2012 -- but will that be the case in 2013 with the Mortgage Debt Relief Act expiring this month?

To me, this is the most important law for my business. The Mortgage Debt Relief Act is due to expire December 31, 2012. As of today, we still do not know for certain if the Act will be extending into 2013, so let's look at this as a whole. Back in August 2012, the Senate Finance Committee approved the bipartisan bill that would extend the Act through 2013. The committee managed to pull enough votes to pass the extension and move it to the full senate. The senate was supposed to take action last month and the word on the street is there will be smaller tax extensions, as this Act will be lost in the dust storms. They most likely will oppose the debt relief extension because they see it as another costly bailout funded by taxpayers. The estimated cost for a two-year extension is $2.7 billion. This is a scary one -- they are stupid not to extend this Act, but when you look at how much it will cost us, we are in enough debt as it is.

I like to end on a high note…a friendly reminder that the California Homeowner Bill of Rights will go into effect starting January 1, 2013. This law prohibits unfair bank practices and restricts dual-track foreclosures. The bottom line is these new rules make the foreclosure process more transparent so the loan servicers cannot promise one thing while doing the exact opposite!

My feeling is still the same as we approach 2013: Short sales are the way of the future for getting a great deal but you need to have a great team who knows how to do short sales. You also should be somewhat educated on what options the sellers have in today's market as well so you can help the seller while benefiting yourself as the investor. It's a win- win situation. If you have questions or want to drop a line, feel free to check out wheredoyougofromhere.com or capropertysolvers.com, or visit us on Facebook.

Encouraging Words For 2013

by Nick Manfredi, IE Investors Forum

www.ieinvestorsforum.com

Wow… 2012 was great. This month's deals are flying around my friends and team like crazy! It's very exciting to once again see the exhilaration in their eyes and hear it in their voices. I expect 2013 to be a continuation of 2012 as we maintain relationships with trustworthy investors that have buy/flip deals, and cash partners with great hearts that seek joint-venture flips or trust deed investments.

The hearts and minds of those who surround you in your business life will have the same effect as those in your personal life. If your wife is a genuine and loving person, you're far more likely to have a successful marriage. If you surround your real estate business with genuine and loving people, you're far more likely to experience real estate success; how blessed is the guy that has a genuine and loving wife who's also his business partner?.

So my encouragements in 2013 would be:

1. Invest the time it will take for you to become a more genuine and caring investor. Commit yourself to liking or even loving others more than you do today and watch what happens.

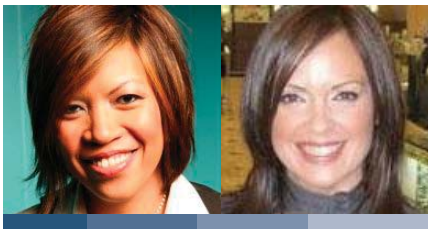
2. Remember: THIS BUSINESS IS BETTER CAUGHT THAN TAUGHT. There are a few posers out there, so get in an environment where you can confirm the type of deals that interest you are "in -fact" closing. If you don't yet have your real estate license, go get it, find a few solid investors and work with them. By working along side a few good investors, you'll catch on fast, and your confidence will grow as you see them closing deals, and earning profits. At all costs, help them prosper while earning something for your self in wholesale fees and/or agent commissions. You'll do well to simply focus your efforts on becoming (or remaining) the best buyer you can be. Do this for the next four years, and your cup will be full.

Good luck and God bless!

The Main Goal For 2013

by Iris Veneracion and Bobi Alexander, InvestClub for Women

www.womensinvestclub.com



2012 has turned out to be another great year for those of us in real estate. We were able to do a lot of flips and have a lot of fun as usual. InvestCLUB for Women is going strong and our 60- day challenge has been such a successful and fulfilling experience for us. Having a real estate club, we used to see a lot of newbies come in and buy a ton of seminars but never get anywhere. Currently, we get to see our members --, who are now like family --, grow up from having no experience, to closing their first, second, or third deals, etc. It's been a very fulfilling experience for us to feel our club shift to the club of *action and we're excited to see how our 60- day challenge graduates do this year.*

The end of 2012 has thrown everyone for a loop. Inventory levels are so low, that it seems like a struggle to get a deal off the MLS, which was the low-hanging fruit at the end of last year. Being in the real estate business, you have to be flexible as the market seems to change weekly;, you need to constantly update be updating your strategy to stay on top of it. So by the end of 2012, we and our 60-day challenge graduates, or "Warriors" as we like to call them, are focusing more on the hidden markets. Dealing directly with sellers to get the best flip opportunities as well as some juicy seller- financing deals to buy and hold.

Our main focus in 2013 (in addition to some flipping) is holding as many seller- financing deals as we can get our hands on. We had the privilege of seeing the late, great Jack Miller at one of his last live seminars in California. One thing he said that really stuck with us was that 'once you can no longer buy inventory for less than you bought your last batch, then start holding.' It stuck with us and we can definitely feel that shift has occurred. Bruce has confirmed it in his latest reports that prices are likely to climb this upcoming year as inventory shrinks. So we intend to hold more than we flip and enjoy the ride up.

We look forward to the New Year as we refine our buy- and- hold strategies and sharpen our property management skills to get ready for the upcoming market. We will be updating our 60- day challenge to focus less on the MLS deals (although we still get deals there so we won't be throwing it out the window) and more on direct- to- sellers to create more seller- financing, buy as well as buy- and- hold, opportunities.

Thank you to Bruce for keeping us all up to date and providing an example of how to do business with the utmost integrity. We are grateful for everything you do for us and our community.

Supply and Demand. Since the Beginning of Time This Rings True

by David Granzella, NORCALREIA
www.norcalreia.com

The REO business has dried up, trustee sales have declined and hedge funds have taken a large chunk out of the inventory. On the subject of hedge funds, I take it as a compliment that these well established companies see our market place as a great place to invest – something we at NorCalREIA have known since I started investing on September 14, 2001. That being said, this does really heat up the competition. We are investors, NOT speculators. Each transaction has to make sense and stand on its own either as a wholesale, retail or rental. Each property has a job today… Not tomorrow.

The Sacramento Bee recently published an article from Zillow which ranked Sacramento "a good sellers market." The Sacramento area ranked No. 3 on Zillow's national list of top home sellers' markets. California markets dominated this list with San Jose and San Francisco ranking No. 1 and 2, respectively. The top 10 also included Los Angeles, San Diego and Riverside. The top three buyers' markets were Chicago, Cleveland and Philadelphia. No California markets cracked that top 10.

Uncertainty looms going into the New Year, including the fate of Bush tax cuts, and potential tax increases are due to be implemented. One thing we know for certain is that taxes are going up. We also know that interest rates are at an all time low, and this provides a great opportunity to build a rental portfolio, using either banks or owner financing.

Are you a real estate investor or on the education / investment club circuit? Do you see opportunities when you are driving? Do you glance over and see a house with "the look"? Getting back to the office doing some research to find out if it is an opportunity? Next can you put on your detective hat and chase the owner or decision maker down? Not much competition on an a vacant house!

One of the key factors I see for investors is our own psyche. This is probably what makes or breaks many investors. We are in a tough business, with lots of moving parts. We are "ON" when we are in the hunt, negotiating, making an acquisition, drawing up contracts or cashing checks. Lets touch on the other 90% of our time spent working, all of the tedious and time consuming grunt work. Either we have a team or we do it ourselves, either way it takes time and time is money. A team is imperative. I am not sure I know of any successful investor that is just a lone renegade.

Lets get an action plan started for 2013. Let's start by setting goals, S.M.A.R.T. goals. Specific-Measureable- Achievable-Realistic-Time based goals. Next, let's implement a business plan. What commitment and actions are you going to take to accomplish your goals? There are many good resources on these subjects. STOP, take time to set your goals and build your business plan. Map out your plan and follow your dreams.

This business so often takes us back to the basics. This is a good time to follow that path.

Good luck, wishing you good health and prosperity in 2013.

TheNorrisGroup

The Norris Group Calendar

= TNG Live Event = Special All Day Training

Jan 2nd	Prosperity Through Real Estate Poised to Pop: Quadrant 4 Has Arrived	Four Points Sheraton 5990 Green Valley Parkway Culver City CA, 90230	Open
Jan 8h	Coachella Valley Poised to Pop: Quadrant 4 Has Arrived	Residence Inn Palm Desert 38305 Cook Street Palm Desert, CA 92211	Open
Jan 10h	SocalREIA Valley Poised to Pop: Quadrant 4 Has Arrived	Embassy Suites Ontario Airport 3663 E. Guasti Rd. Ontario, CA 91761	Open
Jan 17th	Apartment Owners Association Poised to Pop: Quadrant 4 Has Arrived	Apartment Owners Association 6445 Sepulveda Blvd. Van Nuys, CA 91411	Coming Soon
Jan 24th	Apartment Owners Association Poised to Pop at the Scottish Rite Center	Scottish Rite Center 1895 Camino Del Rio South San Diego, CA 92108	Coming Soon
Jan 29th	The Norris Group Distressed Property Boot Camp	The Norris Group 1845 Chicago Ave., Suite C Riverside, CA 92507	Coming Soon
Feb 9th	2013 Real Estate and Tax Strategies Kick-Off Brunch	Coyote Hills Golf Course 1440 East Bastanchury Road Fullerton, CA 92835	Coming Soon

The Norris Group's Hard Money Loan Programs

www.thenorrisgroup.com/hardmoney

REHABBER PROGRAM

- 12.5%*
- **3.5 points (min. $2,500)**
- 60%-65% ARV
- 1-year term
- No prepay penalty
- $1,095 misc. fees
- $375 appraisal fee

NEW

REDUCED POINTS for Rehabber Loans over $285K! Flat $10k for loans $285k-$500k. 2 pts. for loans $500k plus. Entities and trusts OK. Non-recourse for IRAs OK.

REFINANCE PROGRAM

- 9.9%
- 3.5 points (min. $2,500)
- 60%-65% LTV
- 8-year term
- 2-year prepay penalty
- $1,095 misc. fees
- $375 appraisal fee

Entities and trusts OK. Non-recourse for IRAs OK.

NEW

RENTAL PURCHASE PROGRAM

- 12.5%* purchase to 9.9% refinance
- 3.5 points (min. $2,500)
- 60%-65% ARV
- 8-year term
- 2-year prepay penalty once converted
- $1,095 misc. fees + $500 modification fee
- $375 appraisal fee

Entities and trusts OK. Non-recourse for IRAs OK. Loan converts to 8-year term and 9.9% within six months after all repairs are approved.

NEW

BUILD TO FLIP PROGRAM

- 12.9%*
- 3.5 Points (min. $2,500)
- 60% LTV
- 1-year term
- No prepay penalty
- $1,095 misc. fees
- $375 appraisal fee
- 4 x $200 ($800 total) inspection fees upon builder department approved milestones
- Construction releases made in 25% equal increments after approved milestones

Entities and trusts OK. Non-recourse for IRAs OK. To qualify for program, investor must own lot free and clear and have approved construction plans and permits.

NEW

BUILD TO HOLD PROGRAM

- 12.9%* construction to 9.9% refinance
- 3.5 points (min. $2,500)
- 60% LTV
- 8-year term
- 2-year prepay penalty once converted
- $1,095 misc. fees + $500 modification fee
- $375 appraisal fee
- 4 x $200 ($800 total) inspection fees upon builder department approved milestones
- Construction releases made in 25% equal increments after approved milestones

Entities and trusts OK. Non-recourse for IRAs OK. Loan converts to 8-year term and 9.9% within six months after all construction complete and approved. Investor must own lot free and clear and have approved construction plans and permits.

** 0.4% additional interest if investor is not opted in for direct deposit. All loan programs subject to change.*