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Welcome Investor,

As an interested investor into pre-construction I want to let you know that we are offering our newly completed investing e-course ebook called:

[The 12 Deadly Mistakes Investors Make When Buying Pre-construction Real Estate...& How To Avoid Them](#)

I'm sure you'll find this material to be very practical.

As always, our materials are offered to you at no charge. Over the coming weeks I'll be sending you these complimentary lessons. I hope you enjoy them and find them to be highly educational.

Deadly Mistake Number 1: **Negotiating from a position of weakness**

In order to succeed as a pre-construction investor long-term it's critical that you never buy on your own. In fact, we never invest unless we are in a position to buy at least 20% of the entire development.

The reality is that as a single buyer...you have no leverage. You are going to get the same take it or leave it offer that every other buyer is getting. While it is true that you may be offered discounts or other incentives, you can never be sure that you have gotten the best deal possible...or that others have not gotten better deals than you.

In order to protect yourself and have the greatest possibility of success, you need to offer a solution to the developer's biggest problem...getting a construction loan. Each developer must pre-sell at least 50 percent of the units in their entire project before they will qualify for construction financing. To gain leverage in your negotiations you must be able to help the developer accomplish this requirement.

By joining with a group of other investors and negotiating together you will immediately get the developer's attention. Not only can you get significant discounts, you will also be able to shift most of the risk back to the developer and build profits into your purchase agreements.

When you buy without leverage you can expect to make large deposits (usually 20% to 25%), give the developer access to most (if not all) of your deposit, be required to close on and finance the purchase following construction, and be restricted from reselling until after taking possession.

Lots can happen during the construction period. Property values can drop. Developers usually experience delays. Bankruptcy can result in the loss of your entire investment, etc. In order to protect yourself, you must negotiate from a position of strength and get the developer to take on the majority of the risk for you.

This can be accomplished by partnering with other investors and negotiating a bulk purchase.

Below is a partial list of benefits our investment group gets in every transaction. Terms like these (and more) are clearly outlined in a written agreement signed by each developer before we ever put money in escrow:

- Negotiations and due diligence completed by the group leadership
- Substantial discounts from public prices
- Dollar-for-dollar discounts if real estate values drop
- Instant equity based on the terms of your purchase agreements
- Small deposits (usually 10% of the purchase price)
- Letter of credit deposit optional in most cases...instead of cash
- Deposits held in escrow and never touched by developer for any purpose (refundable if developer or project fails)
- Opportunities to invest in non-local markets (even internationally)
- Very low probability of closing or taking possession after construction is completed (it has never happened to date)
- Profitability NOT dependent on market appreciation
- 40 to 50% starting NET profits (even in flat or declining markets...based solely on the terms of your purchase contracts)
- Complete freedom and control of all decisions regarding all units you purchase

- Freedom to resell before closing (usually done for you by the developer on a first-in/first-out basis)

In the history of this concept not a single buyer has ever been brought to closing or ever lost a nickel of their invested capital...because we never give developers access to the money...and always resell during construction.

In summary, you simply can't get these types of protective terms from any developer unless you can help him qualify for his construction financing in a big way. Joining with other investors is the only way to effectively help the developer...and thus get the favorable terms and protection you need.

The remaining 11 lessons in this course will outline exactly what to avoid and how to protect yourself in every deal as a pre-construction investor. Next time we'll discuss six of the most critical hazards you must avoid when purchasing properties.

You can call me anytime. We don't sell any products or seminar tickets. We're a private investment group committed to education and partnership. Our purpose is to provide you with a comprehensive education so you can properly invest in what we believe to be the greatest opportunity anywhere for intelligent investors...pre-construction real estate.

Deadly Mistake Number 2:

Accepting a developer's standard contract without adding your own protective terms

While you want to be sure to negotiate special pricing in your purchase agreement, it is even more important that you establish an addendum to the developer's standard contract. The addendum (a document attached to the purchase agreement to modify the terms of sale) will stipulate the precise terms that you have negotiated for the bulk purchase and should indicate that the addendum itself will supersede the developer's standard agreement.

If you recall from Deadly Mistake Number 1, there are many terms that you can negotiate to protect yourself. The addendum is the place to put them.

Let's discuss six of the top hazards you should avoid:

First, avoid reservation agreements. Developers are notorious for selling with reservations, holding your money for months (or years) and later canceling your reservation when they have found another buyer willing to pay more. Reservation agreements leave the developer in control (something you don't want). More about this in lesson nine.

Second, require the developer to begin and complete construction based on a strict timeline. In most cases when we negotiate deals we require the developer to acquire construction financing and break ground within six months of us signing on the dotted line. If they fail, we can cancel our contracts and recover our deposits with interest...thus having only lost some time. We'll talk more about this in lesson eight.

Third, forbid the developer from using your deposits for construction or any other purpose. The developer doesn't need your money. He needs your purchase contracts to get his construction loan. Your money should be held in escrow earning interest. You'll read more about this in lesson four.

Fourth, require the developer to take on the risks associated with declining property values. This is particularly important when the market stability is in question. We hear from investors every week who have purchased units during pre-construction for one price only to have developers selling comparable units for far less a year later. This can be avoided with a good addendum. We'll discuss this at length in lesson six.

Fifth, require the developer to allow you to resell during the construction period...without a closing requirement. You will clearly be better off if you can profit without having to close, finance the property and then resell it. In most cases our group will require the developer to resell our units for us during construction on a first out basis. The developer must resell all our units before he can sell the remaining units in the building. You'll find more on this in lesson seven.

Sixth, insist that significant profits are built into the purchase agreement. I'm not just talking about getting immediate equity due to a discounted purchase price. You should be able to have a net of 40% or more when property values are flat or depreciate...even after paying an agent to resell your units for you. All future lessons will address this issue.

When you negotiate your purchase from a position of strength, you can get all of the above terms and more.

In the next lesson I'll outline exactly why you should never invest when property values must increase for you to make a profit.

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Deadly Mistake Number 3:

Investing when property values must increase for you to make a profit

This lesson is vital to your success. If you only learn one thing from this course, understand this. Investing with the "hope" of appreciation is CRAZY!!

Never count on appreciation when buying pre-construction. If you buy a \$250,000 condo and then go to resell it, you will incur a 5-6% real estate commission. At 6% you are facing a \$15,000 loss...unless property values increase.

In addition, since most developers will require you to take possession before reselling (unless you negotiate a bulk purchase) and thus finance the unit, you will be faced with steep lender penalties if you resell during the first year after taking possession.

If construction takes 2 years and you have to close on and hold the unit for another year to avoid prepayment penalties with your lender...you are now exposed to the market for 3 years. Lots can happen in 3 years...and if you need out...you don't want to be facing a loss.

When you negotiate the deal you need to establish terms with the developer that will protect you from market weakness and cover the costs associated with reselling your properties.

This will require you to change your thinking a bit. When we negotiate our deals we are actually not very concerned with getting discounts. What we are more concerned with is that the public price for the units is significantly above our price. Our concern is with the difference between our price and the public price...the price everyone else will buy for.

In addition, we make sure the developer agrees to sell all future units at the higher public price...or higher.

For instance, let's say you buy your units for \$200,000 each. You may require the developer to sell all his remaining units (and resell your units) for at least a 10% premium...or \$220,000. If you make a 10% deposit of \$20,000, you'll be starting out with a 100% gross profit when the unit resell for \$220,000. You invested \$20,000 and resold for \$20,000 more than you paid...thus a 100% gross profit.

From this \$20,000 gross profit you can pay your 6% real estate commission and still have a significant net profit...even in a market that is flat. This return on investment can be increased significantly if you negotiate to have the developer cover some or all of the costs associated with the resale (the real estate commissions).

The point is that you should never enter the transaction if a flat real estate market can leave you with a potential loss. Your biggest risk should always be time...not money.

Lesson six will address how to maintain profits even if property values drop. Hint: Negotiate to have the developer eat the loss.

In the next lesson we will discuss another very important issue...how to protect your money properly in escrow...so the developer and nobody else can get their hands on it.

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Deadly Mistake Number 4:

Giving the developer access to your deposit or sending money to anyone other than the developer's escrow agent

In most states the law allows developers to gain access to your entire pre-construction deposit for use in construction, marketing or whatever purpose the developer deems necessary. Some states, like Florida, restrict access to the first 10 percent of the purchase price deposited into escrow, but allow the developer to utilize the balance.

It is vital that you understand that the vast majority of all pre-construction projects that fail...do so prior to acquiring their construction loan. This is why the pre-sales are so important to the developer. Once the loan is acquired the project is far more likely to be completed.

The developer does not need your deposit money for construction. He will be getting the money from a construction lender. What he needs is your name on a purchase contract along with the other pre-construction buyers. On the other hand, the developer may need your money to market his project or pay sales commissions to agents who find more buyers. Since 95% or more of failed projects fail prior to construction financing, it is CRAZY to give the developer access to your deposit for this or any purpose.

When negotiating the deal, be sure to indicate that the developer shall have no access to the deposits for any purpose unless you are to close on the units following construction. While the law may allow the developer access to your deposits, you can forbid access in your revised agreement.

You should also know that money held in escrow is NOT subject to bankruptcy law. The government cannot touch your money if the developer files for bankruptcy.

One last note about deposits: Be sure the deposit is held in an FDIC insured interest bearing escrow account. You should be able to negotiate the interest rate on the escrow to four or five percent.

In addition, if you are considering investing as part of an investment group, never send any money to the group directly. I've spoken with dozens of investors who have been asked to wire as much as \$200,000 to a group within 10 minutes of meeting them on the phone. DON'T DO IT!

Reputable groups will never ask you for money up front. They will not have group joining fees. They will not charge monthly or annual maintenance fees. They will only charge you based on their performance...and only after you have actually received your profits from each transaction.

As a side note, reputable groups will never ask you to sign a power of attorney. Signing one will give them complete control over your transaction and may be in their best interest...but not yours. Signing a power of attorney for pre-construction deals is equivalent to handing them your money. DON'T DO IT!

You don't want to miss the next lesson. We will discuss how to increase your profit margins from 40 percent to as high as 2,000 percent or more by using a financial instrument known as a letter of credit.

Deadly Mistake Number 5: **Making deposits in cash when** **letters of credit can be utilized**

Why would you invest with cash when you don't have to? Success in any investment depends largely on leverage. Letters of credit (NOT lines of credit) can turn a 40% profit into a 2000% profit...so pay attention!

Nothing is more exciting about pre-construction investing than this...and almost nobody knows about it!

Buying pre-construction as part of an investing group with a small cash deposit can result in significant profits...as we've been discussing. However, letters of credit can grant you far more flexibility and leverage with little or no additional effort or risk.

Read this lesson carefully because most people confuse letters of credit with lines of credit. A line of credit is a loan against assets like home equity. We are NOT talking about loans here.

A letter of credit is simply a letter from a financial institution, often a bank, saying that you have assets to back up your commitment to a developer. Essentially, a letter of credit allows you to use capital or equity you already have invested somewhere else as collateral for the letter...thus giving you the ability to make deposits on real estate without putting cash in escrow. Since we never let our developers access our deposits anyway, why shouldn't they let us use letters of credit?

Most institutions will charge you a fee equal to one percent of the face value of the letter (per year) for their assurance to a developer that you have the capital to back up your promise. So long as your money continues to be invested through their institution there is no reason they couldn't issue a letter to any developer. So your money continues to be invested...and you get control of the real estate too. What could be better than that?

Traditionally, most letters of credit have been issued against stocks, bonds or other assets owned by the investor. The way in which capital is held will determine what percentage of the capital is available to be used for the letter. For instance, if you have a \$100,000 stock portfolio, a lender may issue you a letter for only 60 or 70% of the value...since there is a risk of the portfolio value going down. There are other types of restrictions as well...depending on how secure the money is.

So what does this have to do with you? What it means is that you may be able to generate substantially greater profits with the use of capital you have already invested (or saved) somewhere else. Let me explain.

Let's say you have \$100,000 in a bank CD earning 5% per year. A financial institution would likely be willing to give you a letter of credit for the full amount since the money is safely held in a secured account and is not subject to volatility. Let's say they give you a \$100,000 letter of credit at 1% per year. In this example your \$100,000 letter of credit costs you \$1000 per year.

Next, let's say you find a developer (or we introduce you to one) willing to sell you a pre-construction unit for \$1,000,000 with a 10% deposit of \$100,000. He is willing to accept \$100,000 cash or \$100,000 in the form of a letter of credit. Using the letter of credit, you now have control of a \$1,000,000 pre-construction condo unit for \$1,000 per year.

If it took two years to resell your property, the \$2,000 cost for the letter would return at least \$40,000 (if you are a member of our group)...just based on the terms of your purchase agreement (assuming the units are completed and don't increase in value). If \$2,000 turns into \$40,000...that's a 2,000 percent return on investment.

If the developer failed, you would only be out the cost of the letter. I'm sure you can see the added benefit the letter of credit can provide. Of course you will still receive the 5% annual interest on the bank deposit (or profits from your other investments) regardless of how the real estate investment does.

While the institution issuing your letter will use your assets to guarantee payment to the developer, you don't give them the money to hold in their possession...so you can continue to earn the same return the money has always provided...with the possibility of additional profits from the real estate.

Many savvy investors are beginning to realize that letters of credit against current holdings (cash and otherwise) can be used to leverage a wide variety of real estate transactions. Did you know you can

freeze a line of credit and get a letter of credit against it? That's right! It basically means that you can gain access to letters of credit...against equity in real estate (without borrowing the money)...so long as you first acquire a line of credit against the equity. While this strategy is new to most financial institutions and may require more diligence on your part, it is possible.

Our buying club has several deals with developers willing to allow us to use letters of credit instead of or in combination with cash deposits. This is a trend we see continuing for some time...especially in the US. But as an individual buyer you will likely never get such concessions from any developer.

By the way, our buying club has established special relationships with financial institutions offering high interest rate CD's, monthly interest disbursements and FREE letters of credit in exchange for your deposit. Whether you are interested in our buying group or not, letters of credit should be a large part of your strategy.

If you have any questions about this topic, feel free to call me at the number below.

In the next lesson we will discuss another important issue in detail...how to protect yourself from losses in declining real estate markets. We'll show you how to get the developer to take on these risks and give you your profits...even if they come out of his pocket.

Deadly Mistake Number 6: **Investing without price protection**

As we've been discussing in these lessons, the key to successful pre-construction investing is to gain leverage by joining with other buyers to negotiate a bulk purchase. Bulk buying will allow you to get very favorable terms.

In lesson 3 we also discussed the importance of requiring the developer to impose immediate price increases on all remaining inventory immediately after you make your deposits.

There is one important point that must be mentioned here. In addition to agreeing to increase prices significantly after you buy a block of units, the developer must also agree that if he sells any of the units for less than the agreed upon premium amount...that your purchase price will be reduced on a dollar-for-dollar basis.

This is critical to your protection from the market and the developer. Of course the developer must also agree to allow you to review his books to verify that he has not in fact sold any other units at a discount. In this way, you will always know that you got your units under better terms than all other buyers in the entire project.

I understand that you may be wondering why any developer would ever agree to terms such as these. The answer lies in the reality that they must sell at least half of their project before they can ever get their construction loan.

When we enter into negotiations with developers their first question is usually, "How big of a discount do you want?"

Our answer is, "We don't want a discount."

This usually takes the developer by surprise because everyone is always asking them for discounts. Remember from lesson 3...we are more concerned with the price spread than we are with the purchase price.

So long as the developer sells the other units (and usually resells ours too) for at least the premium public price...we know we can be profitable.

However, there must be consequences if the developer fails to keep his commitment. Of course the consequence is that he must adjust our purchase price downward on a dollar-for-dollar basis for every dollar he sells any other unit for that is below the agreed upon public price.

Our dollar-for-dollar discount applies whether the developer is forced to sell units below our agreed upon price (because of market conditions)...or he chooses to. Developer's are known for cutting deals all the time. But if they break our agreement on even one unit...every one of our partners gets a discount. This is why we insist on having access to their books to verify that no discounts have been given.

Often, knowing the immediate price increase might make selling the other units more difficult, the developer will offer us a discount and raise prices from their. Again, we are not concerned with the purchase price...only the price spread and guarantee that we will get the dollar-for-dollar adjustments if the developer is forced or chooses to discount other buyers.

Please note: When I say we are not concerned with the purchase price I mean it only in relation to discounts. When we select projects, we are particularly concerned that the units are priced in such a way that we believe we will be able to resell them easily.

Lesson 7 will address how to profit without ever going to closing, financing or taking possession of the property. Don't miss it.

Deadly Mistake Number 7: Investing when the developer requires you to take possession before reselling

Unless you are buying pre-construction with the intention of holding the property for personal use or long-term appreciation, the last thing you should do is agree to close on the unit when it is completed.

95 percent of the time, as an individual buyer, the developer will require that you close on the units you purchase by financing them after construction is finished. As an investor, it makes much more sense to resell during construction to avoid the time and expense of getting financed.

Once you close, if you are using a lender to finance the purchase (as most people do), you will likely be subject to stiff prepayment penalties on your new mortgage...if you pay it off in the first 12 months...not to mention closing costs and the burden of the monthly payment, property taxes, association fees, etc.

In addition, as a real estate investor, the more property you own...the more difficult it becomes to qualify for additional financing for your next investment. By selling during construction you can buy more properties without the worries of hurting your credit score.

Developers intend to make the majority of their profits on the sale of the second half of the units they sell once construction has started. They certainly are not interested in having to compete with you when they are still selling their own units.

For this reason and other reasons related to lending requirements, most developers will prohibit investors from reselling until after they have closed on their units...sometimes six to 12 months after closing. If they do allow reselling during the construction phase, they will typically impose significant fees and penalties to investors who won't wait until after the project is completed.

There is little you can do about this if you are buying as an individual. However, if you are part of a buying group who is taking a block of units, there is no reason you shouldn't be able to get the developer to make concessions on this point.

You should also make sure the developer is not imposing any fees or penalties for reselling during the construction process. Most developers will try to charge you a percentage of the resale price (often five or 10 percent) of your units or impose a flat penalty. Don't let them.

Our investment group is currently requiring that all developers not only agree to let us resell during construction...but we also require that they find the buyers for us.

In the history of our group concept, not a single partner has ever been required to go to closing on a single unit. Developers are required to resell our units on a first out basis. This means that once we have all our deposits in escrow and the construction loan has been acquired, the developer must stop selling the remaining units in the building and resell all of ours first...at a premium price, of course.

In addition, we require that the developer cover at least half of the costs associated with finding the new buyer (real estate commissions). In exchange for this service, we will allow the developer to share a portion of the appreciated value of the units when they are sold...if there is any.

By offering the developer a piece of the appreciation it becomes a total win-win. The goal of a group negotiation is not to take advantage of the developer, but rather to partner with and help the developer.

The last thing our developers want is for us to mortgage our units. What they really want is for us to make fat profits and buy 25 to 50 percent of their next project. See why it works?

Because our closing risk is very limited, we are able to comfortably invest in numerous properties at the same time...getting greater diversification.

Never buy pre-construction unless the developer will allow you to resell before closing...period!

In the next lesson we'll discuss project timelines and how to make sure you don't get stuck if the project is delayed

Deadly Mistake Number 8:

Giving developers open-ended timelines for starting & completing construction

Real estate developments are notorious for delays. If you are building a home or involved in any aspect of development you can count on the timelines not being met. It's just the nature of the business.

There are many reasons why developers will be unable to keep up with expected timelines. The developers may have trouble acquiring all of the needed pre-sales. The permitting process can be delayed by local government. Lenders may take more time than expected to approve the construction financing. Subcontractors may not keep their commitments or can be delayed for other unexpected reasons.

If you are investing, you can count on delays. But you don't have to wait forever. I hear from investors every week who have been in projects for as long as two or three years and the developers still have not begun construction...but they can't get out.

The eighth deadly mistake is to leave timelines open ended without a way to cancel your contracts.

If you are part of a buying group there should be no problem getting a developer to agree to some reasonable timeline requirements. At the very least, you should insist that they consummate their construction loan and break ground within a timeline you are comfortable with.

When we invest, we won't sign the contract unless we are convinced the developer has already gotten most of his lending requirements completed. He must show proof of land ownership, proof of completed permitting, proof of other pre-sales, proof of completed building designs, evidence that his chosen lender will finance when he sells sufficient pre-construction units, etc.

In most cases our negotiation with the developer involves conversations with his lender. Often we are able to introduce developers to lenders that we've worked with in the past...who are comfortable with a group of investors buying the pre-construction units.

We generally won't invest unless we are convinced the developer will be able to get their loan and break ground within six months of us making our escrow deposits. If they fail, we cancel and pull out...or re-negotiate better terms as compensation for the delays.

Likewise, it is important the developer complete the project in a reasonable timeline...and provide you with periodic reports to indicate his progress. Should he fail to meet his promise...back out or re-negotiate. You may be able to pre-negotiate further discounts on your purchases if the project is not completed by a specific date.

Make no mistakes, delays will happen. Developers will not keep their promises. Unexpected events will occur. Projects will fail. The key to your success is to realize this and prepare for the worst when negotiating the project in the first place. If you do, your greatest risk will be the loss of time. Your money will have been protected safely in escrow.

In the next lesson we'll discuss a small, but important issue...reservation agreements. Here's a preview: Avoid them!

Deadly Mistake Number 9: **Signing reservation agreements**

I mentioned this issue briefly in lesson two, but it is important to discuss further. Reservation agreements are designed for the benefit of developers. By signing a reservation, you have no benefit other than the ability to cancel before signing the actual hard contract.

If you negotiate the deal from a position of strength (as part of a group of buyers like we've suggested) the actual contract will allow you the ability to cancel under numerous conditions. The reason developers use reservation agreements is so they are not obligated to anything unless they successfully pre-sell the needed units to get their construction financing.

Often developers who are in strong markets will cancel reservation agreements signed by early buyers and sell them at higher prices to other buyers at a later date. In doing so, they have used you and your money to their advantage and left you with nothing but a big waste of time.

Under normal circumstances (as an inexperienced buyer) you would sign a reservation agreement...especially if you were buying at the beginning of the pre-sale process...in order to get the biggest discount. But this discount comes with a price as you will be waiting until all of the pre-sales are completed before you will ever be sure you can buy the unit at all.

Often developers will only require a small deposit during the pre-sale. Maybe five or 10 percent of the purchase price...with more required when you go to contract. While this may seem like a good compromise, you will still usually be subject to a larger deposit than is necessary and you will play the waiting game.

The best alternative is to negotiate with the authority of a large group of buyers and go right to contract when it is clear that the project has a high probability of starting construction over the next four to six months.

If we buy 30 or 40 percent of a project, the first thing the developer usually does is put out a press release announcing the project and the fact that they sold hundreds of units on their very first day. This builds credibility for the project and brings other potential buyers to the developer's sales office...wondering why the project is so hot. The large quantity of units we buy all at once will help the developer sell the remaining units needed to get his construction loan. This helps the developer and speeds the process along for us as well.

Our investing group management is in negotiations with dozens of developers every week. They will usually select only one project for every 100 developers interested in gaining access to our partners.

As joint venture partners, we don't hear about projects under consideration until the developer has convinced the group due diligence team they have satisfied all of the necessary requirements to be ready to break ground soon. In doing so, a reservation agreement becomes unnecessary. Of course we enjoy all of the other protective terms we've discussed as well.

In lesson 10 we'll discuss the risks of pooling money with other investors.

Deadly Mistake Number 10: **Pooling money with other buyers**

When considering pre-construction investing by joining with a group of other investors, most people make the incorrect assumption that if you buy together you must also be pooling your money together. Nothing could be further from the truth.

The most important requirement the developer faces when getting his construction loan is that the 50 percent or so of the units he sold during the pre-sale process are from unique individuals. The bank wants to see a diverse group of buyers. If a group of buyers agreed to take 100 units by pooling money, the bank would look at them as one buyer...and decline the loan.

With individual contracts for each unit, you are able to keep your money in a separate escrow account and help the developer show diversification at the same time.

Having separate purchase contracts for every unit is critical to the success of your leveraged negotiation with each developer. The key is to negotiate as a group, but buy individually.

Once you come to terms with the developer, each member of your group will use the same contract you negotiated together. In this way, you will be able to make all of the decisions related to your unit. You will not have to be concerned with what the other buyers are doing. And most importantly, you won't have any concerns about the split of profits once the project is completed.

As a side note, in order for your group negotiation to be successful, it is critical that your buyers are all in a position to act on short notice once you come to terms with the developer.

In most cases our group can deliver all of the buyers on most projects over the course of two or three weeks. The process by which you select the members of your group will be the most important variable with regard to your groups credibility and negotiating capacity.

Our group requires that partners have the capital liquid and that they execute on as little as 48 hours notice. Of course we also have agreed that the most important protective terms will be part of every deal. Knowing that the key protection is always in place, we can comfortably act quickly by reviewing the purchase agreement and seeing the terms are the same as the sample contract shown to us before we were ever selected as a joint venture partner.

In the next lesson we'll discuss how to get compensation if you are brought to closing by the developer.

Deadly Mistake Number 11:

Investing without compensation if brought to closing

Throughout this course we've suggested that you should negotiate your investment so that you can avoid taking possession of the property once it is finished. The way to do this, of course, is to get the developer's permission to resell your unit during the construction phase.

In most cases, especially in soft markets, we negotiate our deals so the developer is responsible for reselling our units for us. In addition, we will require that he resell all our units before he sells the remaining inventory in the project. While he may have an obligation to resell for us, it is possible that he could fail.

In the history of this concept, no buyer has ever been brought to closing...but it could happen. This isn't so terrible. Most real estate investors expect to close on the property they purchase.

There is never any guarantee that your unit will be sold prior to the issuance of the certificate of occupancy...even if your unit is supposed to be the first one to be sold.

Once the local government gives the developer the certificate of occupancy he is allowed to bring you to closing...and you will need to finance the property.

If the developer is not successful in selling for you prior to this point, it is not unreasonable for you to impose some penalties. We generally require the developer to cover all of our closing and carrying costs for us.

This means that even if we go to closing, the developer must pay the mortgage, property taxes, association fees and all other expenses on our unit until he resells it. We now own the unit and may use or rent it...but the developer is on the hook to cover the expenses...not too shabby.

Of course when the developer makes the deal with us he is in the early stages of his project and is confident the units will sell...or he wouldn't build. But lots can happen during the construction phase. We are currently seeing a significant weakening of the real estate market here in the US. This softening is causing delays (slower sales).

It is important that you get the developer to cover the expenses until he completes his commitment to resell your units for you. While it is true that you might be in the project longer than you had hoped, you won't be facing a monthly payment or the hassles of finding renters, etc.

You might also be able to negotiate things like mortgage contingencies or appraisal contingencies that release you from contract even after construction is finished. With these terms, if you are unable to qualify for financing or the unit does not appraise for the agreed upon price when you made the deal...you can still cancel and walk away with your deposit...plus interest.

The key to all of the terms we've discussed in this course is to make time your greatest risk...but keep you capital safe (and earning interest).

My 72 year old mother is invested with our group. You might ask why a 72 year old woman on a fixed income would be buying investment property. The answer is simple. If the deal is good, her upside is 40% or more. If the deal fails she makes the same 4.5 percent interest she has been making anyway. Why not invest? Of course the letters of credit (explained in lesson five) make it an absolute no brainer.

In your final lesson we'll discuss the keys to selecting the right pre-construction investment group and the risks associated with choosing incorrectly.

Deadly Mistake Number 12:

Joining an investment group that requires cash up front, compensation without specific performance or requires you to sign a power of attorney

I hope that by now it is obvious that, done properly, pre-construction real estate can be one of the safest and most profitable investments you can ever make. Of course you should never invest in pre-construction on your own...and should always negotiate as part of a group of buyers in order to get better protection and greater potential profits.

I'm sure that throughout these lessons it has also become clear that we are not suggesting you go out to start your own investment group. While bulk-buying seems like a simple concept, the reality is that it is extremely expensive, time consuming and labor intensive...at least for those who are finding investors, negotiating deals and managing the whole process.

What makes the most sense is to join with an existing investment group. But which one? I'd have to say that I'm a little biased about that. In my opinion there is really only one viable group with significant experience and a large enough partner base to gain access to enough good projects. Ours.

While there are a few other groups out there, nearly all of them are either doing it wrong, have a weak addendum, have too little capital to cover operating expenses, have too few investors to get enough leverage with developers or don't have the necessary experience to negotiate the deals in the first place. In this lesson I'd like to let you know about some of the issues you should consider when choosing a group to join.

First, never join an investment group that requires you to give them cash as part of an enrollment fee. Actually, you should never be charged any fees except those based on specific performance...after you have received profits. As mentioned earlier in the course, you should also avoid ever sending them your money. It should always go straight to escrow...and no place else. If they are charging you ongoing fees, they either can't afford to operate without the fees...or they aren't confident in the projects they are selecting. Either way it isn't good for you.

Our team spends six to eight months on average on each deal negotiating terms and making sure the project makes sense. There are significant legal fees, travel expenses, staff salaries, facilities and dozens of other expenses. And since we (the joint venture partners) pay the group management based solely on the success of each project...they have to wait another two years or so to receive their compensation from us.

As a result, our investment group managers have more at risk than we do. If they are not selecting great projects, they are mostly hurting themselves...since we're only facing the return of our deposits and a loss of some time.

Secondly, it should be clear to you that you should never join a group if they are unable to protect you and your capital in every way discussed in this course. Any group you consider should provide you with a copy of their standard addendum before joining. Read this document to be sure you are protected in each transaction. Most groups out there have a four or five page addendum to the purchase agreement. Ours is a 15 page document...and protects you in many more ways than we have discussed in these lessons.

Third, google the backgrounds of the group management for felony or other legal issues. You must know who you are dealing with. Unfortunately, people don't always act out of integrity.

Fourth, and this is vital! Never work with a group that requires you to sign a power of attorney giving them the authority to sell your units for you. This is like giving them your money...and our attorneys have advised us that doing so makes them an illegal security. You must retain control of all the decisions on your investments...which is just good business anyway.

Fifth, be sure the group's addendum requires the developer to inform their lender that you are investors and have no intention of actually closing or taking possession of the property when it is finished. This seems obvious but many investing groups and

developers (fearing the bank won't make the loan) withhold the addendum to the purchase agreement when showing the buyer contracts to the bank.

Most banks are concerned when developers sell their pre-construction units mostly to investors...because if the investors bail...the bank is at risk. To withhold the addendum from the lender is bank fraud...and you as one of the buyers could be at risk if the project gets into trouble.

Our addendum with the developers all stipulate that they must disclose our documents to the lender. Actually, because of our reputation with lenders, we are often there to help the developer get their loan approved...based on our investor partnership. Sometimes we refer the developer to our banks...and sometimes banks refer developers to us.

By the way. In addition to potential felony charges, if the developer defaults on the loan during the construction phase, the lender will be subject to all of the terms of your agreement. However, if they were not previously informed of all the terms of the agreement, they can dispute them in court. Don't let an inexperienced investment group put you at risk.

Sixth, make sure the group is large enough to negotiate with sufficient leverage. A group of 50 to 100 investors may be sufficient to negotiate with smaller, less experienced developers, but larger, more prominent projects will require a much larger investor group. Of course less experienced developers are more likely to fail for one reason or another.

You will find that the smaller the group, the fewer projects. And that the projects will have a higher chance of failure as the group is not able to successfully negotiate with larger, more established developers.

Our group represents more than 400 active joint venture partners. And these are not just names on a list. All of them have invested in projects with us. There is no shortage of opportunities...in the US or internationally.

As a side note, our group also offers compensation for the introduction of any other partners you refer. Our membership is by invitation only and all new partners must be referred by an existing member.

Well that about does it for this 12 part course. Most readers tell us that our free course is more valuable than any other information they've ever found on pre-construction investing. We hope you agree.

If missed any of the lessons or would like to review the course again, you can simply [click here](#) for easy access.

As I've said before. We don't sell any products or seminar tickets. We're a private investment group committed to education and partnership. Our purpose is to provide you with a comprehensive education so you can properly invest in what we believe to be the greatest opportunity anywhere for intelligent investors...pre-construction real estate.

If you'd like to learn more about our group, our partner requirements, how to apply for membership or have questions about any aspect of this course, you can call me anytime.

Respectfully,

Jeffrey Putnam

(847)793-0146

Joint Venture Partner

Senior Executive Advisor, BPV

Founder, PreConstructionSecrets.com

President, Freedom By Design, Inc.

P.S. To regain access to your 12 page report and the pre-construction audio explaining the details of our investing club, simply [click here](#).

P.P.S. If you are a real estate developer or know developers who are looking for project funding, please give me a call. Our buying club may be interested in acquiring a large percentage of your pre-construction units.

Pre-Construction Investing

There were two big 'take aways' that I wanted to share with you.

Tip #1:

I realize that a lot of you have read my books and heard me talk about some of the amazing tips I share. After all, those tips did, literally, help me become a millionaire (well, those tips and the motivation to make a change in my life).

You know how sometimes we are taking a walk and we have the great views but we forget to 'stop and smell the roses'? Well, I forget sometimes how powerful these techniques are.

Case in point, I was at the Ultimate Investors Bootcamp and one of the people who was attending (and teaching) was a guy named Phil Pustejovsky. I had the opportunity to meet Phil a little while ago through a mutual friend and I'll tell you more about that in a minute (Tip #2). However, I learned something pretty amazing.

See, Phil is a full time real estate investor, however, he had never been really exposed to some of the techniques. He works most of his time doing short sales and working with banks. However, he said that this little tip, well, he had never heard it before. IT WAS AMAZING!

What was the tip?

The 3 R's (Range, Realistic, Realtor)

When you are discussing price with your seller, you can use the 3 R's to get an even better price. Here is how it works (and in a moment I'll tell you what was also amazing about this).

Range.

Investor: "So, what was it you were asking for the property again?"

Seller: "\$299,000"

investor: "Ok, \$250,000 - \$299,000"

In its simplest form, this is the Range technique. When the seller agrees with you, they have just agreed to the lowest price, in this example, the \$250,000.

So, you don't stop there - that was just one R.

The Second "R" is Realistic:

Investor: "And what were you Realestically wanting for the property?"

This question, in its simplest form, says, let's cut all of the fluff get down to the nuts and bolts - what are you really wanting for the property - after all, we both know you are going to be getting less than what you were wanting.

You'd be surprised at how effective this is. In todays market, this technique works wonders.

And the 3rd "R" is REALTOR.

Investor: "So, if a REALTOR came to you and you knew in your heart of hearts that they were able to get the property completely done with in 30 days at the full amount, you'd probably tell them to take a hike, huh?"

Seller: "No, we'd probably accept it."

You just knocked off another 5%-6% in Realtor commissions.

Now, I realize this is the 50,000 foot level of this technique. I shared it with you to refresh your memory. However, what was so amazing at the Ultimate Investors Bootcamp (and I also heard from several other students) was how they never really 'got it' until they actually saw it.

See, there are so many different things you do with your body and your tonality that you really have to see it to believe it. I was role playing the 3 'R's' with some of the students there and they were amazed at how much detail really goes into this little negotiation technique - you have Big Eyes, Scrunchy face, marking words, tonality, body posture, the list goes on and on.

You might be wondering - do these things Really make a difference in your negotiation?

YES, THEY DO! And it isn't just me telling you that. There were a bunch of students that felt the same way as well.

So, on to tip #2

NETWORKING:

Ok, Ok, so here comes the networking word again. However, it is true. Networking is HUGE.

Phil, I mentioned him above. We met a little while ago and I found out that Phil is the BEST short sale specialist in the state of Tennessee. In fact, Phil has been labeled across the US as the person to do the most short sale deals with out an assistant.

That is Right, Phil does all of his investing with out an assistant.

So, how many deals is Phil doing? I'll let you figure that out. However, I know that in the week before the Ultimate Investors Bootcamp in Austin, he was personally working on 4 short sale deals at once. He even closed a deal in the airport on Friday before the bootcamp.

Of course, when someone is this successful I wanted to know about it and also not only know about it, but I wanted to know HOW he did it.

I found out it was this amazing software program he is using that is helping him stay on top of, and CLOSE deals left and right.

I've been so impressed by him, I've asked him to come to the next Ultimate Investors Bootcamp in Denver, CO and in Seattle, WA to help train our students on how to do Short Sales - Step By Step.

(<http://www.mentorfinancialgroup.com/mfg/events/bootcamp/index.php>)

By the way, if you are considering attending the Ultimate Investors Bootcamp in Denver, there are a few things I'll share with you.

First, the final day for the discounted hotel rates is this Friday (February, 1, 2008) and Second, Starting Monday, February 4th, the New Year Resolution special price of only \$88 is going to end. On Monday, the tuition is going back up to \$145 for one person and \$199 for 2 people.

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So, the second tip is NETWORKING. You never know who you are going to meet and what that opportunity can help provide for you.

I wish you all the best of luck with your investing.

Peter Conti
Mentor Financial Group, LLC

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(<http://www.mentorfinancialgroup.com/mfg/affiliateprogram/index.php>)

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7475 W. 5th Avenue, Ste 100
Lakewood, CO 80226
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Hi Becky,

Ok, so I'm back in Baltimore and loving it. As most of you know, I was recently in Austin, TX at the [Ultimate Investors Bootcamp](#). It was a great weekend. I met a lot of GREAT people and was able to even get to know some of them while we hung out at night.

There were two big 'take aways' that I wanted to share with you.

Tip #1:

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