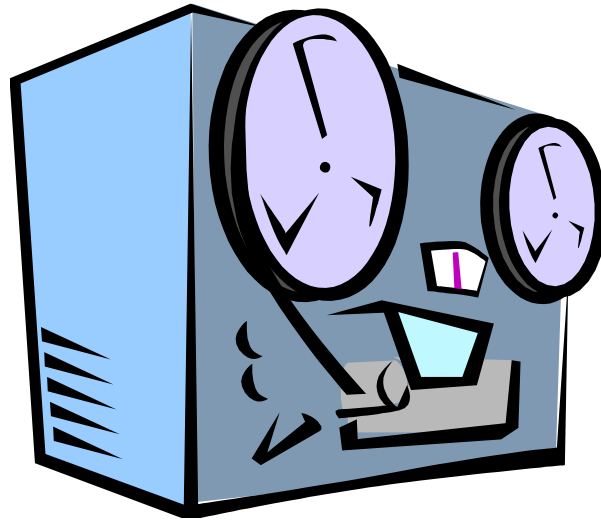


The *Magic* System Used by the Big Corporations

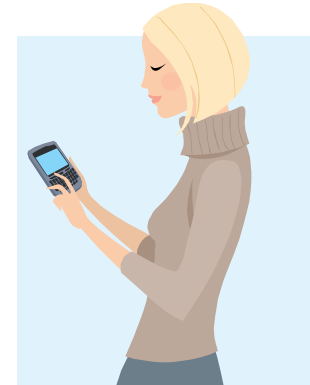


By Dennis Henson


Recording



Please Silence Cell Phones



Seven Secrets of Success in Real Estate Investing

1. Get your mind right
2. Seek Wisdom
3. Develop Skills
- 4. Make detailed plans**
5. Take massive action
6. Form great alliances
7. Be persistent 



5 M' S Of Real Estate Investing

1. Mining
2. Money
3. Maintenance
4. Marketing
5. Management



The *Magic* System Used by the Big Corporations



By Dennis Henson

National Semiconductor



Background



- Tour and Reference
- Yearly ISO Audits
 - Most Managers dreaded
 - We scored 100's
- Made Life Easier
 - When something happened
 - You knew what to do

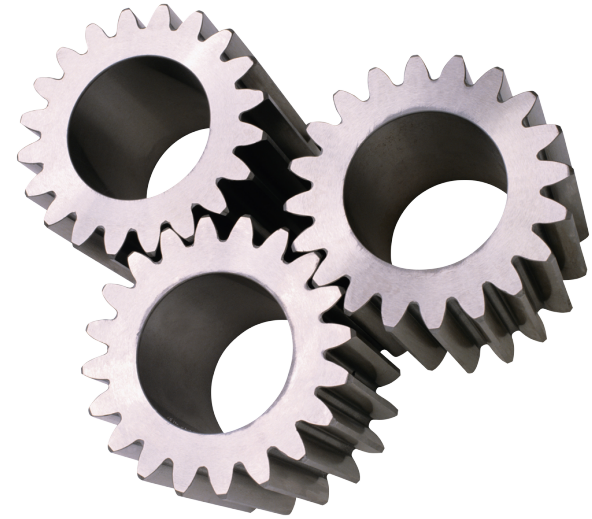
ISO

- International
- Standard
- Organization

- Quality
- System
- Maker



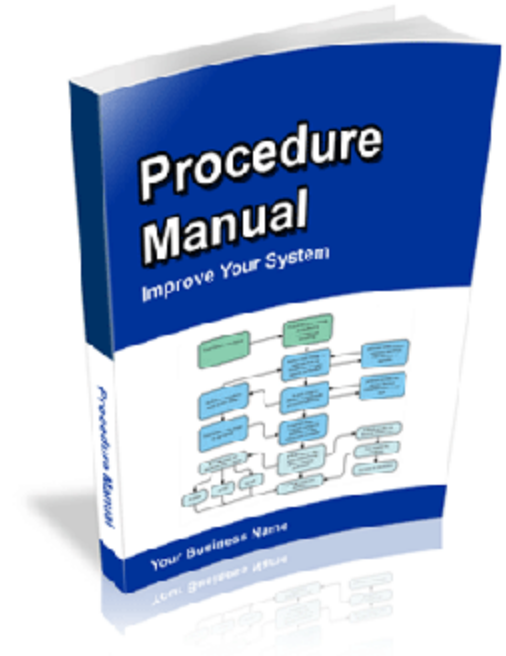
Seven Instant ISO Advantages



1. Efficiency--everyone does things the same way every time
2. Profits--because work will be done more accurately
3. Fewer mistakes-avoiding mistakes saves time & money
4. More confidence & enthusiasm--everyone knows their role
5. Time savings--everyone finds things in their place
6. Better Control—everything is planned in advance
7. Feeling of power--because all systems work together

What is the Secret?

- Organization
- Making detailed Plans
- Having Policies & Procedures
 - for every part of your business



Overview

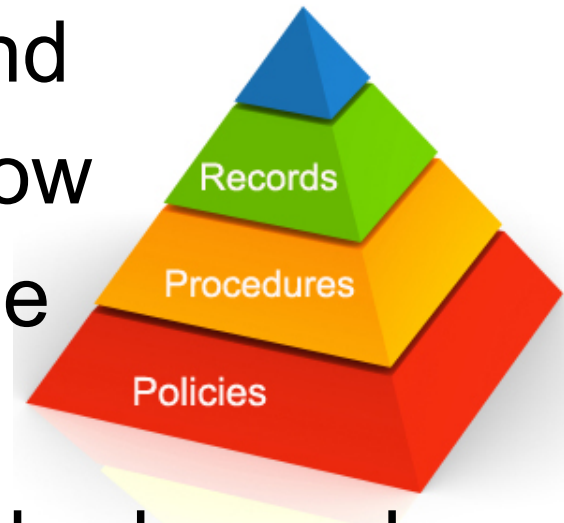


- What are Policies and Procedures?
- Why do real estate investors need them?
- Which Policies and Procedures are needed for real estate investors?



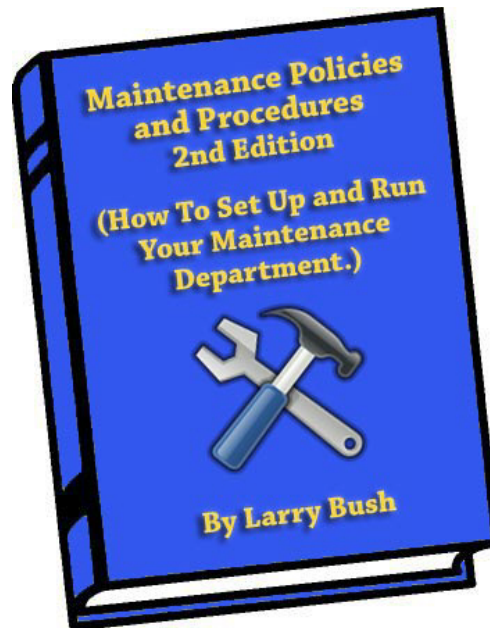
What are Policies & Procedures?

- Policies identify key activities and provide a general strategy on how to handle situations as they arise
- Procedures are the specific methods used to put policy into action



Simply Said

- Our policy is to— (do this)
- Our procedure is to—(take these steps)



Why do We Need Policies & Procedures?



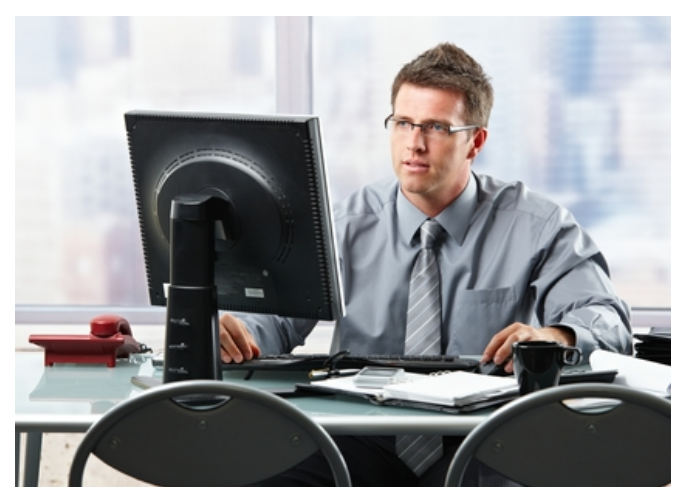
Good Procedures

- Allow control of events before they occur
- And prevent costly mistakes and law suits

Policies & Procedures together

- Create efficiency
- And are an important element of control

Preparing Policies & Procedures



ISO States

- Written Policies & Procedures should be
 - Action oriented
 - Grammatically correct
 - Written in a consistent style and format
- This will result in an increase in
 - Effectiveness
 - Efficiency
 - Improved performance

Performance Improvement

- If your policies and procedures are:
 - incomplete
 - outdated
 - inconsistent
- You're probably not driving performance
- Improving performance can:
 - Save MONEY
 - Save TIME
 - Make life MUCH easier



Six Honest Serving Men

*“I keep six honest serving-men
They taught me all I knew;
Their names are What and Why and When
And How and Where and Who”*

Rudyard Kipling



Improvement Tip

- Get on track much faster
- Use a good policy & procedure template



Template Should Include

- Purpose
- Scope
- Background
- Definitions
- Legislation
- Policy
- Procedure
- Verification
 - Authorisation
 - Approved by

D102.2: DEMO OF ISO: 9001-2008 Quality Procedures (8 Procedures) DOCUMENT KIT Price 60 USD

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Chapter-1.0 CONTENTS OF QUALITY PROCEDURES DOCUMENT KIT

It covers sample copy of mandatory procedures covering all the details like purpose, scope, responsibility, how procedure is followed as well as list of exhibits, reference documents and formats.

The list of sample procedures provided is as below. All the Quality procedures are related to manufacturing/process industry.

QP/QMS/01	Procedure For Management Review
QP/QMS/02	Procedure For Document And Data Control
QP/QMS/03	Procedure For Corrective And Preventive Action
QP/QMS/04	Procedure For Control Of Quality Records
QP/QMS/05	Procedure For Internal Quality Audit
QP/QMS/06	Procedure For Control Of Monitoring And Measuring Devices
QP/QMS/07	Organization Structure of company
QP/PRD/01	Procedure for Control of Non-Conforming Products

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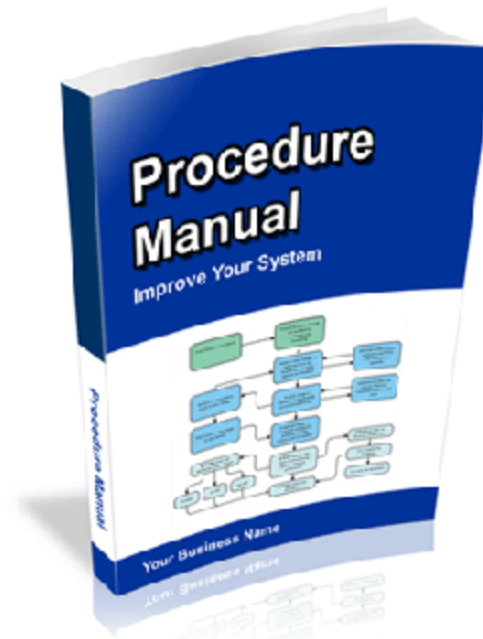
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[ISO 9001 QMS](#) (PDF, 100KB)

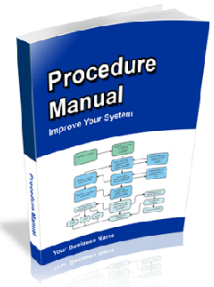
[ISO 22000 FSMS](#) (PDF, 260KB)

Policy Example

4.2 Eviction Policy: When a tenant is late paying rent start the evection process immediately



Procedure Example



4.2 Procedure: To Collect or Evict when Rent Payment is Late

Task: Collect late rent or evict tenants.

Steps to be Completed

Completed

Step 1. 2nd day to get a date & time of payment

Step 2. 3rd day send out late letters

Step 3. 10th day file eviction

Step 4. Attend Court as assigned

Step 5. File with Sheriff to take possession

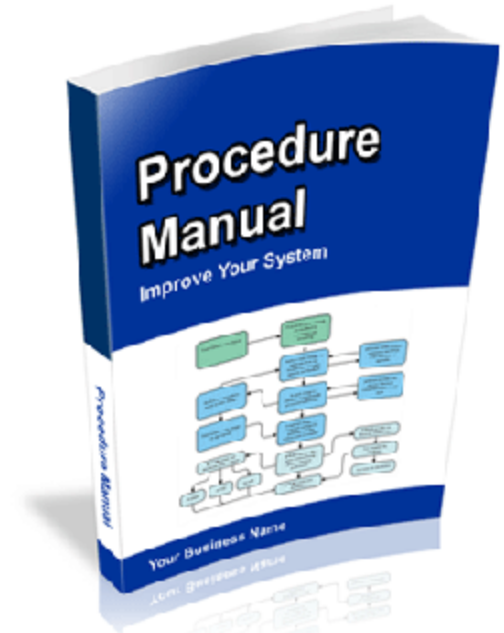
Step 6. Set up help for move out

Step 7. Meet Sheriff and change locks

Things to remember: If you receive any money you must start process over over at Step 2.

What Parts of the Business

- Policies and Procedures – General Real Estate
- Policies and Procedures - Finding Deals
- Policies and Procedures - Money/Finances
- Policies and Procedures - Buying
- Policies and Procedures - Marketing
- Policies and Procedures - Renting
- Policies and Procedures - Selling
- Policies and Procedures - Maintenance
- Policies and Procedures - Bookkeeping
- Policies and Procedures - Managing
- Policies and Procedures - Move In
- Policies and Procedures - Evictions
- Policies and Procedures - Move Out
- Policies and Procedures - Building Business Credit



Policies (& Procedures)

General Real Estate

- Follow written policies & procedures for each part of the business
- Always follow the law
- Put all agreements in writing
- Have written agreements with all employees
- Have written agreements with all contractors
- Never do anything that can be delegated
- Let revenues lead expenses
- Pay yourself the first 10% of all net profits
- Always be building business credit
- When overwhelmed get help
 - Get professional help
 - If you are having problems ask an expert
- Read and listen to educational material daily
- Take vacations and have planned times to rest



Policies (& Procedures)

Finding Deals

- Always be looking for good deals
 - Use the “66 Ways to Find Deals”
 - in Single Family Fortunes
- Make the numbers each week no matter what
 - Contacts
 - Viewings
 - Offers
 - Deals
 - Money contacts
- Do not stop bidding when you get a property
 - lower the amount of the offers



Policies (& Procedures) Money and Finances



- Always be looking for money
- Always be building Business Credit
- Have a budget for every property
 - Include projected income, (rent), and expenses, vacancy rate, repairs, taxes, insurance, utilities, yard care & management costs
 - If no management co--pay yourself
 - Estimate life and budget for roof, hot water heaters, air conditioning, carpet, appliances, cabinets, and counter tops
- Escrow to cover repairs, vacancy costs & improvements
- Use a rental management software to track everything

Policies (& Procedures) Money and Finances



- Develop a rental retention program
 - When a tenant is moving have--ask why
 - Ask to fill out a form telling why their moving
 - Do everything you can to keep your tenant
 - Send a letter showing the tenants all the costs of moving
 - Deposit on a new place, paying movers, taking time off work, moving supplies
 - Put a dollar amount for each item and total up and show the tenant the cost of the move
- Set up a retention program for tenants who pay on time and have been in the homes 2-3 years
 - Reward them with a ceiling fan, trip, or gift cards to restaurants
 - Send monthly newsletters

Policies (& Procedures) Buying

- Complete the buyers research packet
 - use the 6 research papers from SSF
- Use TurboBidder2 to complete costing
- Never pay more than TB2 suggests
- Make lots of offers
- Have the plan in place for the property before purchase
- Use the “Purchase Contract” for buying (“Sales Contract” for selling)
- Always get HUD1 to review the day before closing
- Never get anxious or fall in love with a property



Policies (& Procedures) Marketing



- Always be marketing
 - Use the “47 Ways to Market Your Property”
 - in Single Family Fortunes”
 - Get a list of top Realtors in area of home
 - from board of realtors for listings
 - When calling leave message
 - Be persistent call back later and the next day
- Always be building a buyers list
- Never argue or disagree with anyone
- Have all calls returned in one business day
- Use a phone log to capture calls both in and out

Policies (& Procedures)

Marketing 2



- Let prospects do their own research on neighborhoods
 - Don't answer questions about types of people in neighborhood
 - Say your not aware of any crime and haven't had any problems
 - Ask them to contact the local police to get information
- In ads only use pictures of a mixed group
- Do not put "No Children" in ads
- Show homes using lock boxes
- Have a presence on social networking sites
 - Facebook, Tweeter, Myspace, Linkedln, Meetup, etc.

Policies (& Procedures) Renting

- Have written minimum standards for screening
 - Standards must not discriminate
 - Check with attorney to be sure standards are legal
- Screen prospective tenants on the phone
- Have prospects complete an application
- Do not meet prospects at property until they are screened
- Have prospects bring in a deposit with their application
- Have prospects call you back for the decision
- Always check
 - With two previous landlords
 - Employment
 - Checking account



Policies (& Procedures) Renting (2)

- Do a credit and criminal background check
- **Keep a list of written standards on file**
- Rent to the first person that meets written minimum standards
- Get a big deposit
- Never let anyone have a key before
 - **All Repairs are completed**
 - Lease is Signed
 - Deposit and rent are paid (cash in hand)
 - Move-In Inspection Report is signed



Policies (& Procedures) Selling



- Form a good relationship with a title company
- Use the “Sales Contract” for selling
 - Use the “Purchase Contract” for buying
- Get the HUD1 to review the day before closing
- Review the HUD 1 BEFORE closing
 - & make corrections
- Learn to & sign your name in one second or less

Policies (& Procedures)

Maintenance – Contractors (1)

- Have bonded professionals to do all the repairs
- Do criminal background checks on all contractors
- Have contractors fill out 6 contractor forms
 - in Single Family Fortunes
- Use a Purchase Order system for contractors
- Use a cookie cutter plan
 - Paint and carpet are almost always needed
 - Don't be a tight wad—make sure the home looks great
- Ask contractor
 - Labor & materials cost
 - When will work be completed
 - How many hours (divide labor cost by hours)



Policies (& Procedures)

Maintenance – Contractors (2)

- Get all repair bids in writing in detail with a stated finish date
 - Have a per-day penalty if the job isn't completed on time
- Pay repair jobs by the job and not the hour
- Inspect the home after the work is completed
- Have all workers make an hourly worksheet to account their time
- Break down bids in
 - By costs of materials
 - Labor (get labor costs in writing)
- Verify to make sure work is being done and properly
- Never pay for a repair before it is 100% done
- Hold back 20-30% until after final inspection
- Do inspection of the property before offering for rent



Policies (& Procedures)

Maintenance – Renters (1)

- All repair requests must be in writing and will be done when received
- Give tenants a list the repairs covered by the landlord
 - and the ones that are not
- Give tenants work order forms to submit
- Inspect each property after 30 or 60 days
- Do not let tenants do repairs without permission and the adequate skills
- Document all phone calls and repair requests, deposits, and checks
- Fill out a work order for every repair
 - Include
 - Date & complaint
 - Name & address
 - Estimated completion date & cost estimate
 - Actual date completed and actual cost
 - Name of person who took the phone call
 - Person who did the repair



Policies (& Procedures)

Maintenance – Renters (2)

- Guarantee repairs will be made in 3 business days
 - If delayed
 - Offer a refund the daily rent
 - Continue until the repair is completed
 - Charge tenants for any damage they cause
- Have per day penalties if work isn't done on time
- Use door hangers
 - We were here
 - We were inside working
 - We came by
- Call tenant to verify that repairs were done



Policies (& Procedures) Bookkeeping

- No rent discount if payment is late
 - Even one day
- Charge a daily fee for late payments
- Charge a fee for returned NSF checks
- Set up affiliate programs
 - With internet & cable providers
 - To get referral fees
- Give tenants a services information flyer
 - With your affiliate programs
- Charge a fee to handle renters repair calls



Policies (& Procedures) Managing (1)

- Treat every tenant the same--it' s the law
- Give all tenants Policies & standards
- Do not allow any exceptions to policies



Policies (& Procedures) Managing (2)

- Charge everyone the same fees
- Have the tenant pay first 100.00 in repairs
- Give a DISCOUNT for paying on time
- Payment should be made with
 - Post dated checks
 - Mailed
 - Received from a credit card
 - Never cash



Policies (& Procedures) Managing (3)

- Never go out to collect rent or accept a cash payments
- Use Rent to Own
 - So tenants do most of the repairs
 - And will pay higher rent
- Everything must be in writing
 - repairs
 - late payments
- Deposits & 1st rent must certified funds



Policies (& Procedures) Managing (4)

- Do periodic inspections
 - Reward tenants for keeping the property clean
- Use an answering service
 - Do not give out your cell phone number
- Communicate with renters
 - Use monthly newsletters
- Use time blocking to schedule tasks and meetings
- Have monthly strategy meetings with the staff
- Have Master Mind meetings
 - With other investors, bankers, CPA, RE Attorney



Policies (& Procedures) Managing (5)

- Setup a corporation or LLC
 - Become the property manager
 - Position yourself as the manager
 - Working for the owner
 - Take the side of the tenant
- Never argue or get into a conflict with any of the tenants



Policies (& Procedures)

Managing (6)

- Have and work a retention program
 - i.e.: Tenant stays a year
 - give a gift (if rents were paid on time)
 - Appropriate gifts include
 - Ceiling fan, screen doors or carpet cleaning
- Have a referral program
 - Pay tenants to refer friends to rent or purchase
- Put all agreements in writing
- Tenant pays for handicapped adjustments



Policies (& Procedures)

Move In (1)

- Have tenant complete the Move In Inspection form and sign
- Have tenants sign a repair cost sheet for any damage they may do
 - Clogged toilet, lost keys, holes in wall, stained carpet, broken window
- Go over with tenants the rent and eviction policy
 - Rent is due on the 1st late on the 2nd, and eviction starts on the 3rd
- Give the tenant a “Renters Welcome Kit”
 - Put in water gas cable internet
 - Put in Lexington Law and Identity Guard
 - Renters insurance companies
 - Cost of repairs list
 - Work order forms



Policies (& Procedures)

Move In (2)

- Get utilities out of your co. name
- Call back to see all is fine
- After tenants move in, call to welcome them
- Get signed “Sales Contract”
- Go over credit repair
 - Start things off right send a welcome letter
 - Call to see if there’ s anything they need
 - The first days are critical in determining the manager-tenant relationship
 - This will set the tone of whether they’ ll be happy or unhappy



Policies (& Procedures) Evictions



- Learn the eviction process for the area
- When a tenant is late paying rent start the evecton process
 - Set up a flow chart to follow through on evictions
 - Let the tenant know that they put the process into action
 - Always follow the law to the letter
- Only stop the eviction process when all rent & fees are paid
- Explain that next time the eviction will be followed through
- Use abandonment letter

Policies (& Procedures)

Move Out

- When notice is received
 - Send a move out check list and repair cost sheet
- Do a move out inspection of the property
 - to compare with move in inspection
- Collect keys, remotes, fees due or other items
- Have all locks changed
- Get utilities in company name
- Have property restored to original condition
- Get repair invoices
- Charge the tenant for any damages not on the inspection
- Send a check for the remaining balance of the security deposit



Policies (& Procedures)

Business Credit (1)

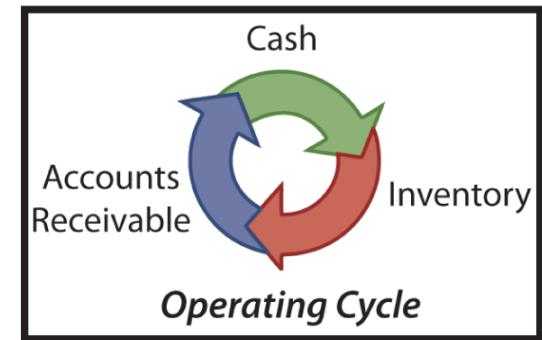


- Don't make changes often
 - may cause red flags for D&B and Lenders
- Let D&B rep to make changes--less chance of errors
- Use a Business Entity with a Federal Tax ID#
- Use Listed Business Phone number
- Keep required business licenses' in force
- Add information to credit file as needed
- Add existing positive existing trade references
- Apply for vendor lines of credit
- Use vendors that report credit limits monthly
- Raise Paydex to 90+ pay invoices 20 days early

Policies (& Procedures)

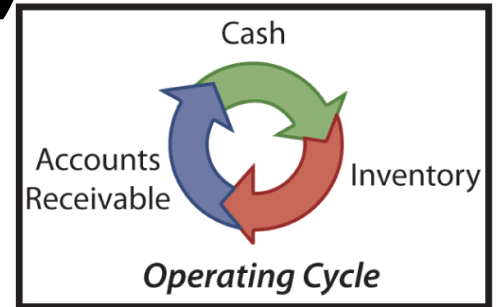
Business Credit (2)

- Build a big solid payment history volume
- Increase all account types and trade lines
- Consistently monitor the business credit file
- Get listed with multiple business credit bureaus
- Target specific bureaus for your industry and the big 3
- Use a business bank account
- Obtain secured business credit cards
- Use each credit card each month for \$60 or more
- Pay on all credit cards every month
- Get a small business line of credit
- Establish credit diversity with different account types
 - trade credit
 - revolving credit
 - Loans
 - leases



Policies (& Procedures)

Business Credit (3)



- Set up and keep good financials
- Keep and updated quality business plan
- Strive to maintain a personal credit scores of 700+
- Build large trade lines with many kinds of credit
- Request credit limit increases every 4-6 months
- Learn requirements before asking for more credit
- Join Business Credit forums and social networks
- Read Business Credit articles & subscribe to blogs

Summary

- Remember the SECRET of Making Detailed Plans
- Policies identify key activities and provide a strategy for how to handle situations as they arise
- Procedures allow the control of events before they occur and prevent costly mistakes from being made
- Together, written policies and procedures create efficiency and are an important element of control



Final Thought

- If you only take one thing from the training today let it be this...
 - A well designed plan and good Policies and Procedures in place is the **MAGIC FORMULA** to saving time, money and making life much easier!
- The best time to start on yours is **TODAY!!!**



Questions?

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Policies (& Procedures) Managing (2)



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