

SEAC TOOL SHED Presentation 03/16/2023

Intro To Property Investing

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- Starting With Why?
- How my real estate journey began.
- What's your why?
- Why real estate investment?
  - It's one of the oldest businesses in the western world.
  - Low risk.
  - "Passive-ish" income
  - Inflation hedge
  - Scalable - "LEGOS"
  - Tax efficient \$50k investment down on a \$200k property -----> \$5,500 a year in profit - Depreciation expense of \$7k per year = \$1,500 paper loss
    - 1031 Exchange
- Start with Education
  - Resources:
    - Biggerpockets.com online forums, podcasts and books. "Real Estate Rookie" Podcast
    - REIAs
- Next with strategy...
  - "House hack" - For owner occupants.
  - Buy and hold - for non owner occupants, "single or multi family?"
- Location?
  - "Buy where you'd want to live!"
  - Preference - Neighborhoods with high owner occupancy +
  - "Price is what you pay, value is what you get"
- Realtors
  - The value in using one.
  - The best Realtor for your objectives doesn't cost you more. Go with the best.
  - Finding referrals or doing research on finding the best "someone" for you!
  - Don't start going out looking at properties just yet!

- Financing options
  - Agency Debt
    - FHA Owner Occupant
      - Pros
        - 3.5% minimum downpayment
        - Allow you to count a portion of rental income towards your debt to income ratio.
        - Long term fixed rate, 30 years.
        - Max sellers concessions.
      - Cons
        - Offers contingent upon FHA financing are dead on arrival in competitive offer situations
        - Life long MIP (Mortgage Insurance Premium)
    - Conventional Owner Occupant
      - Pros
        - Allows you to cancel mortgage insurance once you get to a certain equity.
        - More competitive in multiple offer situations.
        - Long term fixed rate.
      - Cons
        - Higher down payment on multi family. 15%
        - Private mortgage insurance is still a thing.
    - Conventional Investment
      - Pros
        - Long term fixed rate.
      - Cons
        - Higher down payment 20%
        - Even though investment, still requires you to have property and loan in your personal name.
  - Community Banks (portfolio loans)
    - Pros
      - Not cookie cutter like conventional
      - Flexible on seasoning requirements
      - Relationship lender
      - Will put loan in LLC name
    - Cons
      - Short terms
      - Higher interest rates - sometimes as as high as a point above

- Hard money or private money
  - Pros
    - Flexible on down payment sources (possible to do no money down)
    - Will finance typically “non-bankable” properties: condition or vacancy issues
    - Can facilitate quick closings as if you were a cash buyer
    - Some do interest deferred.
  - Cons
    - Fragmented market. Not a very google-able business.
    - Very short terms - usually 1 year max.
    - High rates 10% - 16%
- Due Diligence...
  - City of Town Code - Certificate Of Occupancy requirements
  - Finding public information on property.
  - Zoning
  - Preservation districts
  - Estoppels from Residents
  - Certified Rent Roll from property owner
- Operating a rental business from the start
  - Introduce yourself to residents and solicit requests for maintenance.
  - Lease renewals
    - Increase rents every year.
    - Start conversation early.
  - Apartment turnovers
    - Ways to add value - Creating a better product.
    - Preventative maintenance
    - Renovations? Understanding rental comps.
  - Resident screening
    - Income requirements
    - Credit score requirements - Interpreting credit reports. What’s important and what’s not.
    - Landlord references
    - Work references
  - Making and keeping residents happy.
- Growing your rental business into an empire!



**Interested in learning more?**

**Check out Freedom First Real Estate Investors Association: [www.ffreia.com](http://www.ffreia.com)  
Go to the calendar tab and come to our next meetup or workshop!**