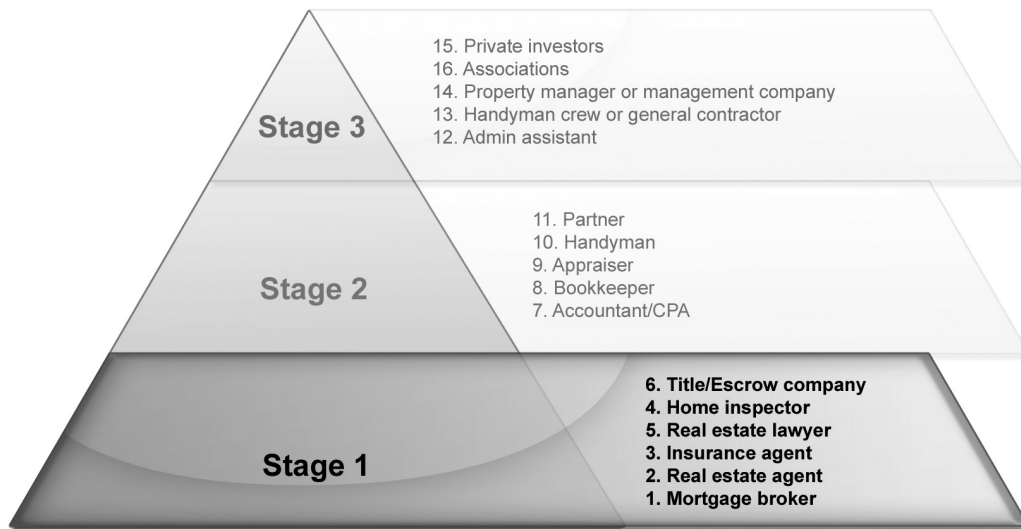


# The Team Builder - Stage 1 Guidebook

As you grow in your real estate career, you will want to engage various real estate professionals to support you in your success. We have organized this into the Success Team Pyramid. Do not feel intimidated by this list. At this stage, you only need to engage the first level of people, and you are working with them one person at a time. So focus on finding the right person for you.



## Mortgage Broker - Team Member #1

**Role:** Helps you qualify for a loan.

**Cost:** Origination points and possible junk fees.

**What to Look for:** You can look for a mortgage broker who shops many banks, or a bank loan officer, who only works for that one bank. When we were starting out, we had no idea where to turn for money. We thought that with our inexperience and low income, no one would even give us the time of day. After talking to a few people, we noticed that the mortgage broker in the mall was mentioned a few times.

The broker was surprisingly accommodating and answered all our questions. We ended up getting 13 mortgages with them over the next five years, and made us all a lot of money. Through our repeated dealings with them, we discovered how they worked, and how they differed from the bank.

Mortgage brokers are independent. They do not work for any one bank or lender, but work with many banks and lenders. This is the key to their success. They take your mortgage and shop it for you. This means that they contact the lenders and negotiate a deal.

Why do the banks like brokers? Brokers help the banks sell loans. Brokers are paid a commission for every deal they do. Also, they can offer you a lower interest rate than their posted rate, but the difference will come out of their commission. They very seldom do this, so I would not even ask (unless you start doing a deal per month with them).

Underwriters are employed by the bank where they are shopping your mortgage. The underwriter decides whether or not you get the mortgage. This is the person who holds all the cards (and money). Seeing that the broker does many deals a week, he/she knows the underwriter by name. This often results in a personal broker/underwriter relationship. This may allow some brokers an easier time pushing through your financing.

The bank is the traditional place to get a mortgage. The funny thing is that whether you go to the bank or a broker, the money is almost always coming from the same major banks. Why does it work like this? Well, think about it. The banks save money by paying a set commission to a broker per mortgage, rather than pay a mortgage specialist to sit in an office at the bank and write up mortgages.

The bank employee is very expensive because of the office, salary, benefits, pension, etc. Furthermore, the bank is now responsible for all front-end paperwork, administration, and marketing of the mortgages. You will notice that a broker pays for marketing, office space, employees, and administration work.

When you walk into the bank, you will see what is called the posted rate. This is almost always negotiable. The person you will be dealing with is often called a mortgage specialist. He or she will have a discounted rate. This is the lowest that head office will allow. For example, if the posted rate is 5.05 percent, then the mortgage specialist can probably drop your rate to about 3.95 percent. This is a huge difference and can mean the difference on whether your loan is approved – not to mention tens of thousands of dollars saved over the life of your mortgage, and a significantly lower monthly payment.

**Where to Start:** Ask people at work, the health club, neighbors, and friends. Finding most members through word of mouth and recommendations is the best. You can read their ads all day, but never really know how they do business until you talk to someone who has worked with them. If you have no recommendations, do not worry — you can still find someone great.

Make appointments at a couple of banks, including your own, with a mortgage specialist. It should not take too long, but the information you get from the meeting will be very valuable. Also, make an appointment with a mortgage broker. It is important that you compare rates – every borrower's situation is different, and only you can decide which is the best fit for you.

**What to Give Your Mortgage Broker:** To make things quick and easy, be sure to bring the following documents and information to your meeting. The more information you can provide, the happier the lender will be.

- Social Security Number / Social Insurance Number
- Two pieces of proof of identity - Birth Certificate, Drivers License
- Proof of down payment
- Proof of income – Tax return from last two years and/or recent pay stub and/or recent letter of employment
- Gift letter – applicable if your down payment is a non-repayable gift from an immediate family member

**Questions to Ask Your Mortgage Broker:** Ask lots of questions. There are no stupid questions when it comes to money. Included below is a list of questions to get you started, although you may have many of your own. One of the first things people think about when looking for a mortgage is the interest rate. The interest rate is the most important in virtually every case. However, with such a competitive lender market out there today, interest rates are often very similar. Carefully consider all aspects of the lenders mortgage package before making a decision.

**Mortgage Pre-Approvals:**

- Does the mortgage lender offer a pre-approval?
- What conditions are attached to the pre-approval?
- How long is the rate guaranteed?
- If rates decline, how low can your final rate drop?

### **Prepayment Privileges::**

- What are the prepayment privileges?
- Is there a maximum that can be prepaid? (Usually a percentage of the mortgage balance)
- Is there a minimum that must be prepaid?
- Is the prepayment privilege cumulative or non-cumulative?
- How often can the mortgage be prepaid?
- When can the mortgage be prepaid?
- When does the prepayment privilege begin?

### **Increasing and Decreasing the Monthly Payment:**

- Is there a fee if the payment is increased or decreased?
- How many times a year can the mortgage be increased or decreased?
- By how much can the payment be increased or decreased?
- Can you choose your own mortgage payment at the outset of the mortgage?

### **Payment Frequency**

- Can you choose to pay your mortgage monthly, bimonthly, biweekly, or weekly?
- Are prepayment terms and other terms available at all payment frequencies?

## **Real Estate Agent - Team Member #2**

**Role:** Buys and sells houses for you.

**Cost:** Nothing out of pocket when you are the buyer. The seller pays commissions, which are rolled into the price of the property.

When you are buying a property, your real estate agent costs you nothing – they are paid by the seller upon closing. When you are selling a property, expect to pay between 4 and 6 percent of the sale price for the services of a real estate agent. In most cases, two real estate agents are involved in a transaction. One agent represents you (the buyer) and your interests, while the other agent will represent the seller and their interests. Even with two agents involved, the seller pays them both. The selling agent decides how they will divide the commission paid for by the seller.

Agents who represent sellers use many creative, and sometimes not so creative strategies to sell a property. You will often see in a listing that a real estate agent offers a guaranteed 2.5 percent commission to all agents representing the buyer, all the time.

This guaranteed minimum commission makes it more attractive for other agents to do business with them. They then attract more buyers' agents, therefore closing more sales. Occasionally, a real estate agent represents you under a dual agency or a buyer-seller agreement. This occurs when the agent represents both the buyer and the seller in the sale of a property. It is important to note that with dual agency, the agent owes full disclosure to buyer and seller, and must act ethically in the best interests of both parties. However, the agent always works for the seller first, and the buyer second since they are paid by the seller.

**What to Look for:** Your real estate agent should be friendly, honest, and trustworthy. He or she should have the knowledge and experience to give you advice and help you through any deal. All real estate is local, so the longer the agent has lived and done business in the area, the better. You should feel comfortable with them, and not pressured in any way.

Community involvement means the agent is serious about developing a deep base of clients in your area. In some sense, it shows he is committed to working in your area and will not be moving any time soon. Ask yourself: does your prospective agent participate in any local organizations, boards, volunteer activities, or other civic endeavors?

Keep in mind that it is okay if he or she does not work in the community. But for agents who do, it is a sign that they value their trade and are eager to establish and maintain a good standing in the community. It also adds to their reputation and gives them more reliability in the eyes of the community. Plus, it shows they are smart. Building community trust is, after all, essential to finding clients. Good agents will be involved.

**Where to Start:** Just like in most businesses, referrals from friends and family will often lead you to a good real estate agent. You can also ask your mortgage broker or others in the business you know. If someone you know recommends one, ask how he or she heard about the agent and the brokerage. Did someone they trust make the referral? Did they have a good experience? These questions are important. It may also be helpful if you ask the agent for a few referrals from past and/or current clients they have assisted.

You can also look for real estate agents in these ways:

- Look online for houses for sale in your area. Contact the real estate agents who are selling them. See if they also represent buyers.
- Drive the neighborhood. Look for 'For Sale' signs and write down the name and number of the real estate agent.
- Call the local real estate agencies and ask for an agent who can help you.

Once you have found a few agents, narrow the field:

- Select two or three agents.
- See each of them. Any real estate agent who will not give you a one-hour free initial consultation is not worth seeing.
- Ask them a list of questions to determine which one is best for you.

Questions to ask real estate agents:

- What areas do you specialize in?
- What types of houses do you specialize in?
- Do you mostly help sellers or buyers?
- How long have you been in the business?
- How many houses have you bought or sold?
- Where are the best places for the types of houses I want?
- What has the market been doing in the last 12 months in this area?
- How does the market look in the coming 12 months?
- Can you give me sales comparables on houses you find for me?
- Have you bought or sold any income properties?

Lastly, you have to feel that you can trust this agent. This is a person who will be finding your future home. He or she needs to understand your needs. Once you have chosen someone to work with, you can give them a chart showing what you want, as described in the next lesson.

## **Friends and Agents Don't Mix!**

Many people will use friends or family members as their agent. This is usually a bad idea. You need an agent with an unbiased opinion. When buying income properties, you are running a business, so treat it like a business.

## Insurance Agent - Team Member #3

**Role:** Finds the best insurance for your investment property.

**Cost:** Monthly premium varies based on many factors, including property value and total amount of payout.

Although insurance companies are very competitive and usually have comparable rates, it is important to compare the rates of at least three companies. Shop rate quotes to get insurance agents to compete for your business. When agents compete for your business, you win.

**What to Look for:** Larger companies usually have a more developed corporate infrastructure. Their risk is spread out over more clients, so they often have lower premiums for the same amount of coverage offered by a smaller company.

The distinguishing trait that sets insurance companies apart from one another is their customer service. We all hate to dial a number and listen to computer voices tell us to endlessly choose option after option. But we love it when we dial a number and a knowledgeable customer service representative fields the call in a timely and professional manner. It is necessary that you check out the insurance company's customer service and support. To do so, call up the insurance company's toll-free number and ask questions about their insurance policies. Make sure you select a company with knowledgeable representatives who are specially trained to answer your questions. They should also be able to respond to your claims efficiently and quickly.

**Where to Start:** The best way to find a great insurance agent is through a recommendation. The same process you used to find a mortgage broker and real estate agent can be used to find your insurance agent. In fact, you should ask the person that recommended your mortgage broker and real estate agent.

You can also ask your real estate agent, who certainly can recommend insurance agents. Your agent can help you decide on the coverage you need for a particular home, and do not forget to let your agent know if the home is your primary residence or a rental property. Also, add a clause for your valuables, such as jewelry and electronics. The types of valuables you are insuring could affect your rate, so be sure to ask the insurance agent specifically about the items you want covered and the cost to do so.

### Find an Insurance Agent

- Set up a meeting with at least three insurance agents.
- In each of your meetings, bring a listing of a house you are considering placing an offer on. Also, have information regarding any other assets you own.
- Have all three agents quote you an umbrella policy that includes all of your insurance needs: home, auto, rental, life, etc.
- Compare the prices and quality of customer service from the three. Combine these scores with other details, such as ease of communication, distance from your home or work, and how comfortable you felt with them. This will lead you to your new insurance agent.

Once you have found an insurance agent that offers a great price and makes you feel comfortable, build a strong relationship with them. If you have kept your coverage with a company for several years, you may receive a special discount for being a long-term policyholder.

Some insurers will reduce their premiums by up to 5 percent if you stay with them for three to five years, and by 10 percent if you remain a policyholder for six years or more. Just make certain to periodically compare this price with that of other policies. You do not want them to take your business for granted after all.

## Give Accurate Answers

*Answer questions honestly when you are getting an insurance agent. You will be asked very specific questions about the home's square footage, age of appliances, roof, heating, plumbing and electrical systems, and the value of your possessions. You will receive the value of what you report to the insurance company if your home is destroyed, so it is important to be as accurate as possible.*

## Home Inspector - Team Member #4

**Role:** Checks that everything is working in houses.

**Cost:** About \$500 for a residential home inspection.

**What to Look for:** Your home inspector should be an expert in construction and know the area well.

One of the best home inspections we ever received was from an inspector who used to work for the builder of that home. He had supervised the construction of that model many times, and knew the house inside out.

**Where to Start:** Ask your real estate agent for a couple of recommendations. If you cannot get a recommendation, do an Internet search for 'home inspection (your city)'. Call a couple of inspection companies and ask them a few questions, such as:

- What is your background in construction?
- How long have you been in business?
- What report do I receive?
- What area or neighborhood do you specialize in?
- Have you done any home inspections on the street of the home I am considering buying?
- How much do you cost?

## Real Estate Lawyer - Team Member #5

**Role:** Keeps your transactions legal.

**Cost:** Lawyer fees and disbursements are generally around \$2,000.

**What to Look for:** A lawyer can help you negotiate the real estate contract and renegotiate it if a home inspection finds flaws or an appraisal deems the house less valuable than the sale price. A lawyer also represents your interests at the closing and does the lion's share of paperwork and coordination associated with it.

There are basically two types of real estate lawyers: those who handle lawsuits (called litigators) and those who primarily handle contract matters (called transactional lawyers). Some lawyers do both, but most tend to specialize in one area or the other. If you are involved in a lawsuit or may end up in one, look for a litigator. Otherwise, a lawyer who handles transactions may be your best bet.

You should also know that most real estate lawyers do not actually do the work. They supervise law clerks, who often use automated software. For a simple house purchase or sale, the legal work is not difficult or demanding, but very routine clerical paper work. It does not require much effort at all.

Real estate law is further divided into many subcategories. Make sure your lawyer deals primarily in residential real estate. Other subcategories in real estate law include:

- Commercial
- Industrial
- Agricultural
- Landlord-Tenant

**Where to Start:** Ask for referrals from your real estate agent, local real estate agent association, or local bar association. Use the same process as you did in choosing the other members of your power team:

- Select two or three recommendations.
- See each of them. Any lawyer who will not give you a half-hour free initial consultation is not worth seeing.
- Ask them a list of questions to determine which one is best for you.

The following questions will give you a good idea of which lawyer is for you:

- What is your fee when I buy a property? When I sell a property?
- Could you represent me if I had to take a tenant to court?

Your real estate agent can provide many questions for your lawyer, specific to your area and situation.

Also take into consideration:

- Their office location
- Their hours of operation
- Search the lawyer's name on the Internet. Any bad news? Any good news?
- Does the lawyer advertise in the local directory? Is the ad compelling?

## **Title/Escrow Company - Team Member #6**

**Role:** Keeps your transactions legal.

**Cost:** Lawyer fees and disbursements are generally around \$1,000.

**What to Look for:** In Canada and some U.S. states, a title company is not necessary. If a real estate attorney is handling the closing, the lawyer takes care of the title insurance as part of the services.

Whether you are working with a lawyer or title or escrow officer, the professional is responsible for making sure the property you purchase has a clean chain of title. This means that the seller, the seller's heirs and so forth cannot lay claim to the same piece of property. You become its sole owner.

The need for title insurance arose from wilder years, when unscrupulous landowners would sell the same piece of land to two different people, thus collecting payment from both buyers before skipping out. The buyers were fighting it out over who really owned the property. The title officer helps settle all the loan papers, so the purchase transaction goes smoothly.

In Canada, every house that is bought and sold has title insurance on it. That covers any problems with the title during the transfer, so a title company is unnecessary.



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In Canada, every house that is bought and sold has title insurance on it. That covers any problems with the title during the transfer, so a title company is unnecessary.

**Where to Start:** If you need a title company, ask for referrals from your mortgage broker, real estate agent, or other professionals. Use the same process as you did in choosing the other members of your power team:

- Select two or three recommendations
- See each of them
- Ask them a list of questions to determine which one is best for you.

The following questions will give you a good idea of which escrow is for you:

- What is your fee when I buy a property? When I sell a property?
- What are all the charges incurred in a closing?
- How does the chain of title work?
- What does a typical settlement statement look like?

*Once you have selected  
the first six members on your success team, record the  
information on the **Team Bulider Stage 1 Tool**  
provided with this booklet.*





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