

## Bend with the Trend The PACTrust™ to the Rescue Bill J. Gatten

A tough question posed recently by a would-be investor in the East: *"Where I live there hasn't been any appreciation in real estate for several years now. If I truly want to pursue being a real estate investor, should I move elsewhere, or wait for the market to turn?"*

To some this might seem a reasonable question; however, my response was: "Stay put! Empowering such bogus rationale is what keeps the millionaire ranks as low in number as they are."

The key to creative real estate investing is to have a plan that adapts quickly to ANY market...it doesn't matter which direction market dynamics flow, the force is still there: water flows east with the same strength as when it runs west. In a "down" market, there are few willing buyers; but obtainable properties abound, and they're all for sale at the best prices. In an "Up" market there may be fewer "easily" obtainable properties: but there are more buyers, and they'll do just about anything you want in order to get in on the action.

The fact is that market dynamics in creative real estate have always required "thinking outside the box." The true CRE entrepreneur lives with, copes with, and makes his/her living with that fact. Think about it...a fisherman who goes fishing armed only with catfish bait, most probably won't catch trout. All he can expect to bring home is catfish...if they're biting that day. If the catfish aren't hungry the fisherman will be. On the other hand, the serious and well-studied angler, carries a "full" tackle box, so that

when the catfish aren't biting, he can hook up for trout, bass, walleye...or a sperm whale, if he wants to...at a moment's notice.

Understand that when real estate appreciation trends are up, a *seller's market* prevails: sellers set high prices and hang in there till they get them. On the other hand, when appreciation is down or stagnant, that's a *buyer's market*: fewer properties are available and sales are sparse. It's during these downtimes that most folks are counting pennies and digging in for a long winter, than looking for a new home. In other words, a Seller's market pushes prices and circumstances toward the seller's benefit; whereas a Buyer's Market pulls everything down to suit the buyer's needs. But none of this should be a concern of the well-studied CRE investor. In an up market you sell, in a down market you buy and hold.

During our last major downturn here in California, a common cry was: "Help! Houses are a dime a dozen, but I can't find any buyers." But now that the market has turned, the current entreaty is, "Help! Buyers are everywhere, but I can't find any houses!" And (for the most part) whom do you suppose these two disparate plaintive cries come from? Right! Exactly the same people: those who choose to blame their own shortcomings on market condition, having failed to plan to "bend with the trend (as it were)."

To excel in any market, we need education...and tools that work in *all* circumstances. In a seller's market, we must be able to attract and serve buyers who would love to climb on the home-buying bandwagon, but who haven't yet saved up the cash or garnered the credit to do so. In a buyer's market, that knowledge and those same tools must attract sellers of no, low, or negative equity properties; fixer-uppers; distress

sales; NOD filings; and "hard-to-moves"...while simultaneously wedging us, the investor, into the middle.

This is where the NARS PACTrust™ comes in. The PACTrust™ is a third-party title-holding land trust system, which works virtual wonders in any market (see advertising here in CRE). With this remarkable tool, the existing loan stays in place without a due-on-sale compromise; full income tax write-off is transferred to the tenant (in exchange for much higher payments); the property is shielded from creditor judgements, tax liens, law suits, bankruptcy action and marital disputes. Think of it...no down payment, no bank qualifying; no payments; no expenses. This is creative real estate investing!

Imagine telling a seller who is reticent about "carrying," that he needn't transfer the title to you until you can sell or refinance in the future. Or that he needn't worry about liens, suits, judgements or personal problems ever compromising the property's title while he remains on the loan (nor do you need to worry about such occurrences on his behalf).

The PACTrust™ gives your tenant full tax write-off in exchange for paying (your) *full* mortgage, property tax and insurance. For a share in future appreciation potential, they'll gladly paying 100% of the (your) maintenance, repair and management costs. In other words:

*"Mr. Buyer, if you can afford the payments (which include a few hundred positive cash-flow for me) and a few thousand dollars in closing costs (most of which goes into my pocket)... I'll give you the property. The only thing I want out of it all, is to be assured that you'll refinance in a few*

*years--at which time, if there's been any appreciation, I'd like to split it with you."*

