



MOBILE HOME PARK MONTHLY

November 2011



The Mobile Home Park Investment Study Course includes 24 hours' worth of material that will teach you how to BUY, SELL, OPERATE, AND TURNAROUND any Mobile Home Park.

Current MHP REIT Stock Prices

As of 9/28/2011

Equity Lifestyle Properties (ELS)

UMH Properties Inc. (UMH)

Sun Communities Inc. (SUI)

A NOTE FROM FRANK AND DAVE

The year is winding down quickly. At this time of the year we like to review our goals and see what we still might get done before 12/31. We also start writing our goals for next year, so we can be ready to act on them. Being proactive on your goals helps push you along and give you clear direction. You've heard the old saying "think like a man of action and act like a man of thought". Well, as the year winds down, we're more about action for the current year, and thought for the coming year. Creating your goals seems to fit well with the Thanksgiving Holiday, as it gives you time to reflect in between eating. So instead of watching football, you might pencil in some time for writing down your goals. That's what we do.

And speaking of Thanksgiving, we'd like to take this opportunity to thank all of our friends, clients and partners for being a part of our lives this year. 2011 was a great year for us, and we are very thankful for that. We are also very thankful for the mobile home park industry being in the right position to benefit from the same recessionary pressures that are sinking the rest of the economy. We think that 2011 was definitely the year of affordable housing.

Don't forget to enter our monthly contest and send us any and all feedback. You can reach us at (800) 950-1364 or mhpsfeedback@gmail.com.

Until December,

Frank Rolfe and Dave Reynolds



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HOW TO FIND SELLER FINANCING FOR MOBILE HOME PARKS

One of the biggest advantages of mobile home parks over other real estate investments is that there is so much seller financing available. Whereas it is the rare exception in apartments, retail, office and industrial, it is very common in mobile home parks. And its availability – at a time when obtaining a bank loan can be nearly impossible – is allowing investors to continue to buy when other asset classes are at a near stand-still.

Why it is plentiful

There are around 50,000 mobile home parks in the U.S., and about 30,000 of those are still owned by the original “moms & pops” who built them from scratch. Most of these owners are entering their 70’s and 80’s, and they are more focused on monthly income than they are getting a bunch of cash and buying a new house/boat/car. They simply want to be able to live out the rest of their lives with a comfortable monthly amount, and no worries.

But even more important than their state of mind is their state of finances. To be able to offer seller financing you must first own the property free and clear of any bank debt.

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CONGRATULATIONS to
Eddie Biller for winning
October’s contest! See page 5
for his compelling argument
for a lender to grant a loan for
a mobile home park.

“BEFORE YOU EVICT SOMEONE,
YOU SHOULD FIRST WALK A MILE
IN THEIR SHOES. THAT WAY,
WHEN YOU EVICT THEM, THEY ARE
A MILE AWAY AND YOU HAVE
THEIR SHOES.” ☺



November Contest

Each month we will be holding a new contest. The details and entry rules will only be available in the newsletter, so keep your eyes open.

October contest: What is the best or most funny excuse you have received for a tenant not paying their rent? We want to hear them all.

The top winner will be determined and awarded our new Mobile Home Park Store shirt.

Good Luck!!!

Rules:

-Must state in email your tenants best or most funny excuse to mhpscontest@gmail.com.

-Email must include contact details. (Email address and phone number.) Please include how you would like to be contacted if you are one of the winners.

-Entries must be submitted to mhpscontest@gmail.com no later than November 30, 2011 at 11:59pm CST.

-After November 30, a creative team will narrow down entries and determine the top entry. The winner will then be contacted for their shipping address.



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How to Find Seller Financing for Mobile Home Parks continued

And because they built these parks so long ago, they paid off the mortgage decades back. Even a 30-year amortization mortgage has a zero balance when you've owned the park since 1960.

How to find it on the front end

Many deals clearly advertise that the seller will carry the debt. Those advertisements will say "small down payment and seller will carry" which means there is no mystery to the debt structure – you simply put your money down and the financing is already done for you. Other sellers will answer "yes" when you ask them if they will carry the paper, but do not have it clearly posted on their offering. And there are plenty of brokers that will give you the straight scoop when you ask them about the details of the park for sale and if the seller will finance.

One of the most important times to listen to the seller is when you ask if they will carry the paper. If they answer "I don't want to" then it means that they can potentially do it but if they answer "I can't" then it may be that they have refinanced and already have a large mortgage that precludes seller carry.

How to sell them on the idea

Seller financing is a win/win for both the buyer and seller. How is it good for the seller? Well, first of all, if you pay the seller in cash, he has to immediately pay tax on the full amount. If, however, he carries the paper, he only pays tax on the amounts he is paid along the way, so he effectively earns interest on money that would have been lost to tax. But more importantly, the difference between the interest he will receive in conventional investments and seller carry is gigantic. If a seller puts his proceeds from the sale in a CD, he will earn around 2% today. But if you pay him 6% interest on his note, he is making *three times more*. Can he make 6% in any other investment vehicle today? Not hardly. Look up the returns on stocks, bonds, CDs and Treasuries and see how pathetic they are right now.

What about security of his holdings? Which do you think is a safer investment: a first lien note on an income-producing mobile home park that he knows inside and out or the credit of some random company like Enron? And I used the Enron example as many large, well-thought of companies have been failing left and right recently – and if the company fails then his investment is worth zero.

The importance of "bonding"

Many times, the difference between seller carry and all-cash hinges on how well the seller knows, likes and trusts you. That's why there cannot be enough emphasis on "bonding" with your seller. Take the extra time to talk on the phone and/or meet with the seller and convince them what a good and hard-working person you are. Remember that sellers do not have a loan committee – they are the committee. It is imperative that you impress them with your commitment to making the deal a success, and you can't do that unless you spend time with them. I'm not talking about going on a vacation together, I'm talking about quality time listening to them and telling them about what your goals are. It's the same thing that you would want if you were in their shoes.

Conclusion

We bought more parks last year than ever before, despite a difficult banking environment. How? We received seller financing on the majority of the deals we bought. Seller carry is an essential tool in buying parks. Learn how to get it, and how to create a win/win scenario for your seller.

EARLY MOBILE HOME PARK SLOGAN

Mobile home parks are for the newly wed and the nearly dead. *There is actually some truth to this antique slogan – as young people and old people both have lower incomes and are more in need of affordable housing. This actually ties in with Warren Buffet's recent interview in which he said that the U.S. is facing giant formations of new households with no ability to afford modern home prices. And we all know that the baby boom is hitting 65 in 2016.*

WINTERIS COMING! HERE's a tip...

Winterizing your homes costs about \$100 and replacing the plumbing costs about \$2,000 – leaving the gas and electric on all winter on vacant homes will cost about \$2,000. Be sure to winterize!



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BOOTCAMP ALERT!

The Mobile Home Park Bootcamp still has a couple of spots left for November 11-13 in Miami, FL.

For more information visit

<http://www.mobilehomeparkstore.com/landing/mobile-home-park-boot-camp.htm> or call Sharon at (970) 856-4882.

This is an opportunity you don't want to miss!



WITH OUR RECENT ACQUISITION OF **MOBILEHOMEUNIVERSITY.COM**, YOU CAN NOW POST YOUR QUESTION ON EITHER www.MOBILEHOMEPAKSTORE.COM OR www.MOBILEHOMEUNIVERSITY.COM – OR BOTH. YOU'LL STILL GET GREAT ANSWERS, BUT FROM TWICE THE PEOPLE. ALSO CHECK OUT SOME OF THE NEW CONTENT ON **MOBILEHOMEUNIVERSITY.COM**.

PARK FOR SALE



- Colorado
- Two Parks, can be sold together or separate
- Cap Rate is 9.3
- \$7,655,000

For more information, contact Jeff Mueller at (303) 328-2049.

PARK FOR SALE



- Indianapolis, IN
- 167 Lots
- Price is Negotiable

For more information, contact Christopher Bultinck at (510) 316-1975.

Have you visited www.mobilehomeuniversity.com recently?

If so, you are sure to have noticed the blogs that are updated frequently by professionals. If you haven't, what are you waiting for?



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Argument to Lender Regarding Lending Against New or Used Mobile Homes

October 2011 Contest Winner

In this economic environment, lenders are extremely weary of lending against any collateral deemed out of favor. Certainly, mobile homes (specifically new, larger homes) have taken a huge hit; in fact, they were the first domino to drop in the sub-prime debacle. Older homes worth much less, although from a credit standpoint a safer bet, are viewed even more negatively because of their poor appearance.

With this in mind, I would still argue that a national lender should view mobile homes the same way that it views automobiles. Both types of assets are classified as chattel, with the largest differences being the purpose of use and life expectancy. I would argue that any national lenders that are actively lending against auto loans should view mobile homes as an extension of their chattel lending practice. Assuming the homes meet certain underlying conditions (age of home, general condition) and the loans against them have a decent LTV, a chattel lender should gain some comfort that his collateral is fairly well secured.

A point that would strengthen the argument for a loan quite dramatically would be if the mobile home park owner were the borrower on the loan. Because he has a substantial stake in keeping the home occupied, a lender should gain comfort in knowing that the MHP owner will make sure to keep paying the loan.

-Submitted by Eddie Biller



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