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Presents

Alan David Kosinski's

Special Report

License or Not:

Should Real Estate Investors Have a Sales
License?

License or Not: Should Real Estate Investors Have a Sales License?

As an investor, what are the advantages or disadvantages of having a real estate license?

It would appear to make good sense that in order to be a successful real estate investor one should get their license. However, many of the real estate investment books, tapes, and national investment courses and seminars say that you should NOT get your real estate license. These real estate guru seminars go even further and highly suggest that if you have a license you should get rid of it, and if you don't have one you should not get one. It's confusing. Are they right or are there underlining reasons for their direction?

When I got started investing in real estate over 35 years ago, I listened to and followed the same statements. I decided that I was going to become a successful real estate investor, but purposely did not make any attempt to get a license. I'm licensed now, but why? Allow me to share the pros and cons - then you can make your own decision.

Benefits

1. What do all real estate agents and all real estate investors have in common?

One of, if not the most reasonable and valuable reason to have a license as an investor, is that you would not be wasting your overall efforts in the procurement of property leads. Professional investors and professional real estate licensees procure their prospective properties exactly the same way. Both chase FSBOs (For Sale by Owners). Both chase Realtor® expired listings. Both chase estates, divorces, and other probate matters. Both also *farm* specific geographical areas, types of properties, and/or types of owners. This list can go on; but the point of the matter is that, if you are either an investor OR a licensee but you are NOT both - you are duplicating efforts and wasting effort and valuable time. ***All top producing real estate investors and all top producing real estate agents target the same leads.***

2. *If you don't BUY it, LIST it.*

I started with only a few hundred dollars, absolutely NO credit and a father who would never let me forget if I failed. This meant that each property that I acquired had to have positive cash flow from day one. I would find properties using many different methods, excruciatingly research each one, agonizingly negotiate the heck out of them, and then walk away because of fear. This process would sometimes take months for a possible acquisition. The sellers or their attorney would get to know me reasonably well. I knew their property better than they did. After all that, I would walk away. Within days, a Real Estate agent's sign would be placed on the property. How frustrating! I did all the work to learn everything about the property, and someone else who did not know the first thing about the property made the money (commission). *This is the first reason to have your license - if you don't buy it - list it and at least make a commission.*

Here is another example:

More than once, I have been asked to partner up with a fellow investor. He had found an opportunity and asked me to "do my magic" and close the deal. This lady's house was being foreclosed for nonpayment of the mortgage. His elderly mom had previously bailed her out several times but couldn't continue. She was a single parent and just lost her driving license, her job, and custody of her son. She had to sell the house quickly but was reluctant. She was given several paths to take and couldn't decide on any. After an hour of negotiation without any direction we left. My partner asked what we should do. My response was - that even with the hundred thousand dollars in equity it was not worth acquiring the property. Someone in her physical, emotional, and psychological condition would end up selling us her property, then after we fixed it up, placed it on the market, and made good profit, file a lawsuit saying we took advantage of her. If we lost the case it could cost us three times more than we made (by Massachusetts consumer protection law Ch.93A). If we won the case, it would have taken so much time, effort, and money for the defense that we could have made easier profits elsewhere. My suggestion was that we list the property and broker the sale for her as a real estate licensee. Without a license, we would have nothing to show for our time and energy spent with the seller. The commission would have gone to someone else.

3. If you don't LIST it, BUY it:

Sometimes, when you receive a lead as an agent, it is more appropriate to buy the property than to list it. As an agent/investor you will be able to take advantage of this information and act quicker than the general public. More importantly, you will be able to see properties that are not moving for some reason or another. Houses that smell of pet urine or are full of trash or have some other problem, which make selling on the market unlikely, can be great investment leads. The public at large will not want to purchase such houses or they won't be approved by a conventional lender – but we investors love them. You will not know about these unless you are “in the system” or get lucky with a broker telling you about them. ***Go for listings, but if you don't list it, buy it***

Check out this example:

One day a new agent of my office came dashing in with a special request. One of his listings had sold, and closed about 10:00am that morning. The time now was about 4:00pm. His seller clients were in the conference room and he wanted me to answer some questions for them. He couldn't stay because he was headed out the door with other customers.

The agent introduced me then disappeared out the door. The sellers explained that they had bought their house a year or so ago. The mortgage broker pulled some illegalities and got them into a house they couldn't afford. They made the first payment then stopped. The house went into foreclosure and for some reason it took a whole year until an auction date was set. That is when they called my agent in to list the property. With extreme luck, the market had miraculously boomed and the house they bought was worth double what the original sales price to them was.

Although they were in foreclosure, and had purchased the property with nothing down and no closing costs with a bank loan, they had over a hundred thousand dollars in equity! Wouldn't we all like that?! However, they were on the verge of losing the property with the auction less than two weeks away. The agent told them that he could list and sell the property very fast. He placed it on the market underpriced and it was instantly snatched up. The buyer was fully approved and ready to close. My staff and our agent had to jump

through hoops to postpone the foreclosure auction while the lending process took place. It was painful. Within 30 days from the listing date, the property closed. Now six hours after the closing the seller was sitting in my office, a rental truck was in our parking lot with everything they owned, and they had a problem.

They had a check in their hands for over \$90,000 that they could not cash! They had spent the entire night loading the rental truck, and in the morning just before the closing they scraped enough change together to split two doughnuts and a cup of coffee. They were hungry, penniless, did not have a bank account, and because of the size of the check were unable to cash it anywhere! Earlier in the day, they opened a bank account and deposited the check. They then were told there would be a ten-day hold! They closed the account and took the check back. What to do?

I called in an investor friend who gave them \$5,000 cash, took the check, deposited it in his account the next day, and ten days later gave them all the cash less his fee of \$3,000. Problem solved.

If you have been in real estate either as an agent or as an investor for any period of time you would understand that the odds of these people escaping foreclosure were 99% against them. This agent was new with no investing knowledge. Because of this, he didn't realize the risk he was taking on such a long shot of stopping the foreclosure. It took real estate investing knowledge and luck to save the day. That knowledge was more valuable than the brokerage commission. As the broker of record, my fiduciary responsibility was to my agent's client. Unlike our previous point, the lesson here is that it is sometimes better to buy the property as an investor rather than to list as an agent.

As only an agent, this property would have been lost to foreclosure. As only an investor, you never would have known about the deal.

4. Accurate Comparison Data

Another very important advantage for having your real estate license, being a Realtor®, and having MLS (Multiple Listing System) data, is that you have property listing and sale comparison

information at your fingertips. This is extremely valuable as an investor. Since you are pulling up your own unbiased sales data, there is very little room for pricing mistakes in both the acquisition portion and resale portion of your investment. If you rely on a broker friend or relative to supply this data there could be some problems. First, they may give you a CMA (Comparative Market Analysis) or BPO (Brokers Price Opinion) based on misinterpreted data, which would lead you to believing that the property is worth much more than it really is. Would you want to lose tens of thousands of dollars because of a friend's mistake – never mind destroying the friendship?

5. Noticing Trends from accumulated data

Another advantage of having access to the MLS data is that you can see the raw unedited and unbiased data yourself. This gives you advantage where you can see trends of sale data in certain areas as compared to others, which can help you in specifically targeting certain physical streets or certain types of properties in a town or city. In other words, you can see a void and fill it.

6. Invaluable hands on training which is not available in real estate investment teachings.

Where is the professional training as a real estate investor? Most is in books, tapes, CD's, seminars, etc. Very little are actual hands on experiences – unless it is your personal money, assets and time – by trial and error. This is a very expensive way to learn the business. On the other hand, if you have a license and work in the right office – you will receive unbelievable real estate training in all topics – either free or at very low cost. Examples of topics are procurement, negotiation, sales strategies, listing strategies, personality training, and a plethora of other valuable training.

A specific example of hands on training would be in the field of home inspections. You either list or sell someone else's property. You attend the home inspection taking two to three hours. You listen and learn what to look for – so when you acquire your own property you know what to look for and what questions to ask during negotiation. You also see whom the best home inspectors are so you know who to hire for yourself. This hands-on education is invaluable – especially when the buyer of the property is paying for it for you. ***You learn on someone else's dime. You are paid to learn!***

7. Instant Credibility:

After five years of investing in real estate I finally got my license. Why did I do this after five years? I was working a government job, running my own cleaning company, landscaping company, painting company, and general contracting/handyman company. Then it all caught up to me after falling asleep behind the wheel when driving home from my full-time nightly Federal Government job in Boston. When I finally could comprehend something several days later, the doctors told me that because I was such a strong physical worker, especially landscaping, my heart wouldn't stop...when it should have. This is one of the miracles that have kept me alive to be able to teach you from my experiences. During the recovery period of several months, I closed all my companies. I got my real estate sales license, quit my solid Federal job, and went full time real estate.

My first 'buying' appointment after receiving my license was a great experience. By law I had to disclose that I was a licensed agent. I expected to get thrown out. I was pleasantly surprised when they immediately accepted my offer over another almost identical, simply because I had credibility by being sanctioned by the State of Massachusetts! My business of investing boomed from that point on.

My business in real estate investing boomed because of getting my license. It took me the downtime during the recovery of a tragic accident to analyze my life, think of what was really important, and make a life changing decision. I hope and pray that you don't wait until you have an experience like this to wake you up.

8. Professional licensure places you above other investors in even more ways.

One that I just touched on was home inspector selection and education from these great people. Think also about the invaluable-ness of meeting, learning from, and getting to see how other professionals work. Think of all the mortgage brokers, attorneys, inspectors, contractors, pest inspectors, structural engineer, septic inspectors & installers, etc. As your job as a Real Estate Agent you are placed in the middle of all these professionals, see who are the best, learn from all of them, and choose the best for your personal dealings. All paid for by the buyers and sellers of properties that you are either listing or selling! What a great "hands on" education! ...and you get paid commissions to learn it all!

9. Errors & Omissions (E&O) Insurance

I have never heard of a real estate investor being covered by E&O insurance, but just about every agent is – sometimes by State law. If you are a professional real estate salesperson or broker, you should have Errors and Omissions insurance. This covers your license and all the real estate dealings included in the listing, sale, renting, leasing, or otherwise dealing in real estate. I require that my agents stay completely above board and buy and sell all their own real estate through the office, including the ‘creative’ deals. Once licensed, all your advice, listing, sales, purchasing, or selling property, including your own, is governed by your State’s licensing laws. It only makes sense to be totally immersed and make sure your broker covers you with each deal – both yours and your customer’s.

10. Quick Correct Pricing

Another one of the major advantages of having a license is the ability for quicker, correctly-priced marketing of your own properties via the MLS system. You can place the property into the market at the right price and listed properly without mistakes. You control the sale instead of some less-invested salesperson. Done properly you can move more properties therefore making more money.

One last thing about the MLS data -don’t have to wait a day or two for the information – it is available on your laptop in the front seat of your car—as you sit in front of the property the first time. You can make a quick decision and move on without wasting time.

11. Income Tax Advantages Galore:

I want to briefly mention that there are definite tax advantages to being an investor, having a real estate license, and working full time in real estate. IRS has rulings that benefit a licensee since the license itself and other criteria establish that your main business is real estate. Ask your tax preparer about this great advantage!

Real Estate Agents may be able to deduct 100% of their rental property tax losses from their income. That’s not true for people who spend less than full time as real estate professionals or rental property owners. **Details are spelled out in the Internal Revenue Code 469(c)(7).**

In addition, since this report was first published in 2003, changes in the tax codes have favored real estate agents more and more, including even better changes in the 2018/2019 rules.

12. Savings on Commissions:

You can also get a savings and/or other monetary return via the commission as the listing agent. Use your commission as part of the down payment when buying property. Save money when selling property on the MLS. You get the listing commission.

The long list of advantages of being in the real estate business as an investor *and* as a licensee can go on and on. The advantages are immeasurable and invaluable!

The Drawbacks

All that said, as I mentioned above there may be some drawbacks to having your license.

- **Actually Getting the License.** First and foremost, you need to actually get your license. This often requires a couple-hundred-dollars investment, and then from 24 to over 100 hours in coursework, studying, and taking exams to receive the actual license. Once you have the license, you must find a brokerage company to work for. Moreover, to be an agent in the office, additional membership fees for associations and franchises may be required. Then, to keep your license active there are about a dozen hours in continuing education that is usually required by law.
- **Paperwork. Yes. There will be more paperwork. You or your assistant will have to ensure that the transaction is totally within the letter of the law. Paperwork is what proves that there are no shady or illegal deals taking place. It ensures that both the buyer and the seller are properly taken care of. You will be responsible to writing your own offers, dealing with other agents, attorneys, closing companies, Multiple Listing Services, and the like. To tell you the truth, as an investor you should be dotting your I's and crossing your T's anyway. It also ensures that you understand every aspect of your own deals. Therefore, the paperwork required is actually good – and not a drawback.**

- **Disclosures.** Once you do have your real estate license in hand, you are held to a higher standard of law. You must disclose to buyers/sellers that you are a licensed agent; that you will treat them honestly and fairly; you can't take advantage of them; and you have to be totally above board in your dealings.

Many investors have learned from real estate investment courses that they should NOT get their license and if they have it they should get rid of it before investing. **I have found that these real estate gurus are the ones to avoid.** Much of their material is either illegal or walking the 'fine' line.

Other investors feel that having to make disclosures and being held to this higher legal standard negatively impacts their business and use that as the excuse.

As I mentioned earlier, my business actually boomed and grew quickly once I finally did get my license, and I can show you how to use it to your advantage also. I've found that most people actually feel more confident and secure that they are dealing with someone who is licensed and knowledgeable.

If you are totally above board anyway and you are not trying to mess people over, or do illegal things, then you should welcome these disclosure requirements.

Summary:

I believe that the jury is in! As a real estate investor, you should definitely get your real estate agent/broker license. The advantages far outweigh any possible disadvantages.

Now that we have almost concluded this discussion, the question that still lingers is - Why do almost all the books, tapes, and seminars say NOT to get your license? The only reason I find not to have a real estate license is that you are held at a higher accountability to the law. You are held to higher standards. If you are planning on being dishonest, greedy - stealing as much money as you can, taking advantage of people, and not really helping others, then don't get a license. If, on the other hand, you are honest, treat people fairly, take advantage of situations but not the people involved, help others, and aim for win-win situations, then get your license to provide better service to others while making more money and enjoying a better life.

I've noticed that the people who are presenting many of the real estate trainings are usually not genuinely honest and open in their real estate dealings. They fear that if they or their students are licensed, there will be heavy fines or other legal enforcement for taking advantage of people. Having a license gives you all the great advantages listed above, but it also brings you legal responsibility. You can still make lots of money and acquire properties with large equity positions while helping people with their problems. Be responsible, be honest, be profitable, and know you are doing the right thing. Get your license as an investor – it is well worth it.

Enjoy the Good Stuff – Alan David Kosinski

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