

US Real Estate with Duriel Taylor



**Cashflow through
seller financing**

US Real Estate Investments with Duriel Taylor

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1. Management Summary

Business

- Purchase of single- and multi-family homes as well as apartments with seller financing, which are rented out to generate cashflow

Country

- United States of America

Provider

- Duriel Taylor (local partner) started as a real estate investor in 2005

Investment period

- 10 - 20 years

ROI / Return

- Option A as a partner: an average of over 50% / year
- Option B as a lender: between 7% and 15% / year

Cost

- Minimum of US\$ 15,000
- CHF 2,000 for VIP Cashflow Program

Risk assessment

- Medium
 - Own company (LLC) is founded
 - Partnership with local partner in LLC
 - Experience of local partner since 2005

A previous performance does not indicate or guarantee future development.
There is no implied or explicit guarantee of the future development of performance.
In addition, forecasts do not provide reliable indications of future developments.

2. Business

The local partner buys single- and multi-family homes as well as apartments below the market price with seller financing. With seller financing, the owner agrees to sell and the buyer agrees to purchase the property within a certain period of time (e.g. 5 or 10 years). With signing the contract, the buyer agrees to pay a down-payment of 5 – 10%, a monthly installment payment and a final payment. The buyer is entitled to immediate possession of the property upon the signing of the contract.

Process steps:

- Identification of possible properties
- Detailed analysis of properties
- Offer for seller financing to the current owners
- Purchase of the properties
- Deferred maintenance if necessary
- Rental and management done by local professional property management

The strategy includes the following points:

- Turnkey and tenant occupied cashflow properties
- Purchase price of homes on average \$ 20,000 - \$ 30,000 per door
- Purchase at 30% to 40% below the market price which gives immediate equity and multiple exit strategies
- Down-payment between 5% and 10% of the purchase price
- Signing a contract for addendum to deed for tax advantages (the property still belongs to the seller until final payment; new transfers on a deed usually increase the property taxes)
- As an added party to the recorded deed, we have all the rights to the property as a new grantor; the seller cannot do anything with the property without our approval
- This structure keeps the seller involved and responsible
- Initial cost for real estate attorney (\$1,500 - \$2,500) and inspection (\$200 - \$250)
- Striving to receive at least \$600 gross rent with \$300 minimal net per door per month

- Approx. 40% of the rent goes into expenses (property taxes, property management services, utilities, lawn services, snow removal, maintenance reserves and the seller financing monthly payments), 60% of the rent is net profit before LLC taxes, numbers may vary (up to 50% - 50%)
- Investors will start receiving positive cashflow from day 1
- Only forced appreciation if an opportunity is seen
- With a long-term tenant in place, a little deferred maintenance for the property to be in good condition (i.e. free Wi-Fi, stackable washer/dryer/, bathroom upgrades, etc.) may be done to increase the rent with the current tenant. Therefor the net may temporary go down to 40%-50% of the gross.
- Between 5 and 8 homes can be purchased with the minimum investment of US\$ 30,000 per LLC (see chapter Cost of Investment)

For the first 5 years there is usually a monthly payment that will go directly to the principle.

Calculation of monthly payment:

Rent: \$600

30% expenses: \$180

Minimal per door: \$300

Monthly payment: \$120 (rent – expenses – minimal per door)

After 5 years there are 2 scenarios:

- Paying a balloon payment of the remaining loan (sales price minus down-payment minus all monthly payments made). By then the asset should have increased in value and the option of a refinancing will be explored. Since the asset is clear and free the LLC can apply for a traditional mortgage from a lender and or local credit union.
- Starting amortization over the next 5 – 15 years, depending on the terms agreed with the seller

If the seller is not too excited about the seller financing, a great negotiation tool is the larger balloon payment versus making payments for 10-20 years.

3. Market

3.1. Overview

The real estate market in the US is very diverse. The properties are mainly sought in markets in the midwest of the US with little appreciation and strong cashflow: Indiana, Ohio, Michigan, to name a few. These markets thrive with long-term renters, and investors historically have made great returns on their initial investments.

In these markets, the demand for rental apartments and rental homes is increasing steadily.

The peak season for this business model is between september and march, as experience shows that homeowners are most likely to need liquid funds during this period.

3.2. Property evaluation

Before getting into a market, the due diligence on the market and the trends is done. After this several agents are selected (mostly highly recommended agents) and the due diligence on them is done. The agents then start sending deals. When receiving deals, the due diligence process on the property starts. First the numbers are ran. When the numbers come back in our favor, negotiations with the seller/agent(s) start.

Next is the local market analysis for economics, (i.e. rental rates, vacancy rates, employer's footprint, ...) as well as contacting 3rd party professionals (agents, inspectors, lawyers, law enforcement, etc.) and getting their feedback.

Pictures, supporting documents and sometimes virtual walk through (with platforms such as Skype, Facetime and Google Plus) are received at this stage.

When the investor, Cashflow Coaching and Duriel agree on the deal, a thorough property inspection will be ordered, and a local attorney will be contacted for the paperwork.

Once all the information is received and the numbers are still ok the property is bought.

This process proves to receive the best possible results and the highest return on the investment.

4. Provider

Duriel Taylor is an active real estate investor since 2005. Initially he mainly bought homes cheap and quickly sold them again with profit, later he bought real estate for cashflow and rented them out.

Duriel has been married since 2016, him and his wife has an 8-year-old son and they live in a single-family residence in Hollywood, Florida. Duriel has a bachelor in business administration and economics.

He currently has more than 50 fully leased properties in his portfolio, 29 of which are owned by himself. The other properties are managed/partnered for/with investors. Duriel received his Realtor's license in February 2020.

One main goal for Duriel is to have more than 1,000 doors by 2021 (single- and multi-family homes as well as apartments) through his property management.

4.1. Strategy

The strategy involves starting the amortization after 5 years and the property being completely paid off after 20 years.

A common storage (Dropbox or Google Drive) is created, on which all relevant documents are stored on time.

4.2. Structure of the deal

An LLC is founded (US company, similar to a GmbH in Switzerland), usually in the state where the 1st property is bought. Duriel Taylor also participates in the deal and puts his share into the company, the other two shares are the investor and Cashflow Coaching.

Duriel Taylor is the president. Duties, competences and responsibilities of all parties involved (investor, Cashflow Coaching and Duriel) are added language within the organizational contract.

The percentage of the investment determines the share of the company and thus the share of the success. The return is paid out monthly or quarterly. It can also be reinvested upon common agreement.

4.3. Field Trip

A get-to-know-meeting with Duriel Taylor can be arranged during your trip to Miami / Fort Lauderdale, Florida. In addition, a visit of the properties can be organized after consultation with the property management.

Reto Winkler met Duriel Taylor in person on November 11, 2019 in Hollywood, Florida, where they were discussing this business model.

Virtual platforms like skype, facetime, zoom and others can also be used to meet Duriel Taylor.

5. Investment period

The basic idea is cashflow. Therefore, this investment is declared as a long-term investment.

5.1. Total investment period

10 – 20 years

5.2. Minimum investment period

Minimum contractual investment period is 3 years but should be at least 5-7 years.

5.3. Determination

An exit from the LLC with the corresponding payout is possible upon request, but the financial resources must either be available, or a buyer must be found to take over the shares in the company. Alternatively, after consultation with Duriel Taylor, the properties can be sold, and the LLC can be dissolved.

6. ROI / Return

6.1. Option A

In option A, the investor, as a shareholder of the LLC, is receiving his share of the net profit.

The aim is to achieve a monthly net return of \$300 per door. With 5 doors this will be a \$1,500 net per month = \$18,000 net per year, a ROI of 60%.

An increase in the value of the real estate is not anticipated, the investment is for the monthly cashflow only. Deferred maintenance is only done if necessary, in order to ensure the preservation of the value of the property or in order to get more rent.

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6.2. Option B

In option B, the investor is not a shareholder of the LLC, but only a lender. The investor receives an interest for his loan, depending on the amount of the investment:

7% for a US\$ 30,000 loan

10% for a US\$ 50,000 loan

15% for a US\$ 100,000 loan

7. Cost

The total cost consists of:

- Cost of investment (used for down payments for properties, notarization fee for setting up the LLC, real estate attorney fee, inspection fee, evaluation fee, recording fee, ...)
- VIP Cashflow Program
- Annual handling fee

7.1. Cost of investment

- At least US\$ 15,000 for investor
- Total investment for newly founded LLC of at least US\$ 30,000
- Difference between US\$ 30,000 and investment by investor is funded by Cashflow Coaching and Duriel Taylor
- If the investor wants the entire deal, then Duriel Taylor will receive an administration fee for asset and property management service.

The funds are transferred directly from the investor to an escrow account that is controlled by a state attorney. Funds are never controlled by nor accessible to Duriel Taylor or Cashflow Coaching. They are released only for payments for the creation of the new LLC, for down-payments for the properties and for 3rd party fees, attorney fees and inspection fees.

7.2. VIP Cashflow Program

The VIP Cashflow Program cost is CHF 2,000. It includes:

- Support for setting up the investment
- Support with filling out documents
- Assistance in signing the contract
- Help with translations of documents and content

7.3. Annual handling fee

The annual handling fee is 20% of the net profit. It is due after the profit has been paid out. You will receive the following benefits:

- Clarifications and coordination with Duriel Taylor
- Translation of email traffic
- Central contact point for all questions
- Obtaining the necessary documents from Duriel Taylor for taxes
- Help with organizing field trips to Miami or to properties

8. Risk

8.1. Risk assessment of Cashflow Coaching

The risk is considered to be medium.

- Investor establishes a registered company (LLC) with the local partner and with Cashflow Coaching.
- Experience of the provider as a real estate investor since 2005
- Field trips possible

8.2. Risk factors

Risk factor	Assessment Cashflow Coaching
Too little experience in the local market	With experience since 2005, with over 100 purchased real estate properties (50 resold, over 50 cashflow properties in stock) and with a detailed due diligence this risk is classified as low
Depreciation	If the property is bought too expensively and loses value, the investment may also lose value. This risk can be classified as low due to the prior valuation of the property as well as purchase at 30% to 40% below the market price
Management withdraws from business	Private, independent owner, not a large corporation. The owner has his own money in the company. Nevertheless, this risk is to be classified as medium
Embezzlement	Duriel Taylor does not have any criminal record, nor does he have any negative reception online or in the real estate industry
Bankruptcy of the LLC	The LLC can only go bankrupt by fraudulently using the existing capital or by selling the real estate and stealing the money. Or by a court case when an indictment is made. The young partnership means that this risk is to be classified as high
Volatile market	The real estate market can be volatile. With a good market analysis before purchase, the risk can be minimized. Nevertheless, this risk is to be classified as medium.

US interest rate raising leads to falling yields	With a fixed interest rate over the entire term, this risk can be minimized. Low interest rates make this risk to be classified as low.
Natural disaster	Possible events will be covered with insurance.

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9.No offer, disclaimer

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