

TNG

CALIFORNIA INVESTOR QUARTERLY

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FREE SUBSCRIPTION

WHY I TEACH

by Bruce Norris

People wonder why I teach. After reading this story, you will know why!

My daughter Sarah and I went to a 7-11 type store to get a drink a few years back. While checking out, the cashier looked at me and said, "I know who you are." Joel had heard me speak at Nick Manfred's club meeting the week before. Joel asked if he could give me a call sometime to which I agreed.

Joel called and I invited him to the office. He seemed likeable and eager, but when it came to money, he didn't have a dime. I decided to give him the Buying Systems Course and advised him on what to do.

Off he went, and since that day he's bought 20 million dollars of real estate and has become a millionaire! That's an unbelievable accomplishment by any measure, but how he's done it is especially tough.

Joel went door to door to people in foreclosure! He started at six in the morning every day, seven days a week, and got home at seven at night. In between, he door knocked fifty foreclosure houses. That is a very tough day! He drove an average of 250 miles each day, from Palm Springs to Corona and from Temecula to Victorville. Since he started with no money of his own, he got someone to put up all of the money for him. He mostly bought the property "subject to" and flipped the properties for a profit. Sometimes he made \$5,000; sometimes he made \$20,000. He now has a loan business with dozens of loan agents and six full time buyers that look at properties for Joel every day . Congratulations, Joel! What an accomplishment starting from scratch just 30 months ago!



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Most email addresses and pictures are active links. Click to email or follow to website.

INVESTOR WAR STORIES: OUR AUCTION - A SUCCESSFUL FAILURE

by Bruce Norris

Whenever I take on a new venture, I dive straight in, full bore. It's the best way for me to learn. This approach allows one to find out very quickly what does and does not work.

Do I believe in the auction process? Yes. Is it for all types of inventory? No! Here, in a nutshell, is what we learned by holding our first auction.

1. The inventory has to appear to be very cheap. You have to give the buyer a reason to set aside whatever they were planning to do and attend the auction.
2. The inventory is better "as is," with an emphasis on "fixer upper" in advertising
3. The location of the auction should be held on site, if a tract, or at least close to the properties for sale
4. Dollars spent advertising in newspapers other than the Los Angeles Times produced very little
5. The buyer likes to be able to see what they're buying online via Circle Pics advertising
6. Many times, buyers are searching for properties on their own via Realtor.com and Craig's List
7. Open house signs were most effective in drawing interest
8. Courting the client after they call or see the property is a must. We had in excess of 190 people sign up to attend the auction. Most of them were called to confirm. Auction day, 16 bidders showed up! We called them back to see what happened. Here's what we learned.
 - Don't assume the buyer understands anything about auctions
 - Don't assume the buyer has read any of the disclosures
 - Don't assume the buyer is telling you the truth about coming up with deposit money
 - Don't assume the buyer is telling you the truth about their coming to the auction
 - Don't assume the auction is going to be a success because you have a huge amount of people telling you they are coming
 - Don't assume people aren't buyers, even if they didn't bid at the auction
 - Don't assume all properties will close, even though the buyers deposit is at risk
 - Don't assume you'll get to keep the deposit



By Ryan Hernandez, www.artbyryan.com

I called this auction a successful failure because I learned a lot about what will and will not work. Unfortunately, our auction company hasn't been the only one conducting auctions without success. Five other auctions, two in Northern California, two in Southern California, and one in Arizona all failed to sell a single property.

Are auctions a viable alternative to selling retail and competing with all the repaired properties? I'd have to say that given the right inventory, an auction has a good chance of success. The three circumstances I can think of are:

1. New tract, sold on site, with reserve no higher than 65% of last ask
2. Fixer uppers, where the price can start at about 65% of after repaired value
3. Custom homes, sold alone, in front of the residence and staged

I do not think a ballroom auction, with repaired inventory, with the owners expecting retail prices in a declining market, is reasonable. We are better off selling the buyer the property "as is." We know the cost of repairs a lot better than they do. The buyer of a fixer upper believes he can repair the property for a very reasonable figure. I suggest we let him do it!

We will choose a date in late February to hold our next auction.

Just so you know the extent to which we went to pull this auction off, this is a list of the time and money spent working on the auction that did not work.

1. Aaron Norris worked 80 plus hours a week for 8 weeks, preparing the web site, creating the sign design, ordering marketing collateral, working with advertising, and coordinating several vendors including Circle Pix, Virtual Investor Plus, and Proxibid to name a few.
2. Greg Norris worked 80 hours a week for 8 weeks, preparing the legal documents for the auction and worked with Aaron on many other facets of advertising, property information packets, etc.
3. I worked about 60 hours the last two weeks while we were advertising for the auction. I personally set up the open house signs (about 150), picked up and placed temporary workers who waved advertising signs (6-8 each day).
4. Everyone at The Norris Group worked their behinds off holding open houses during the two weekends prior to the auction event. Then we prepared and worked the auction weekend as well.

To be honest, I was never more proud of a team effort in my life! It didn't work, though. Only one property sold; the only fixer upper we had sold for nearly 80% of value and about \$100,000 more than what was paid for it.

The reaction of those of you who came to the auction was classic! I received a lot of "condolence cards," trying to make me feel better about what had just happened. If I looked upset, I was not. I was intent about learning how to do the auction business better. I really couldn't have put out a more valiant effort, and neither could have my Norris Group team. That said, we'll regroup and see you at the next auction!

Please send us your Investor War Stories! We will illustrate your story and put it in next quarter's newsletter. Submit your story to aaron@TheNorrisGroup.com and put "Investor: Story" in the subject.



ASK BRUCE

The following are questions submitted by readers. We hope this becomes a great resource and answers several of the most commonly asked questions about the buying business. If you have a question you'd like to ask, please submit your question to aaron@TheNorrisGroup.com with "Investor: Ask Bruce" in the subject.

One thing I'm unclear about: I thought the reason for the big effect was that variable rate product folks would come off of their fixed rate to MUCH higher rates and payments they couldn't afford. If the interest rates stay constant or much lower than expected, how will this still create such a landslide?

The landslide will be caused by four components.

1. Interest rates rising is one of them. If this doesn't happen, we will be spared a super bad scenario.
2. Don't count on the same loan program being available under the same loan guidelines. The Fed has told Freddie and Fannie to get in line with increased disclosures and tougher qualifying. That's why you see sub-prime lenders saying "So long. Farewell!"
3. Foreclosures are going by leaps and bounds. This will provide lots of competition to sell against, so forget about price increases. Combine this with builder auction being very common in 2007, and you won't need high interest rates to have a very problematic year. Look for time on market to swell and cause sellers to reduce prices. The refi may be possible, but perhaps the owner will have to send in a principle reduction check to make the lender happy.
4. Migration is now being acknowledged as being negative for domestic migration. That means less demand.

Keep in mind, this is a projection all the way till the end of 2010. Higher interests have to be considered a potential problem anytime between now and then.

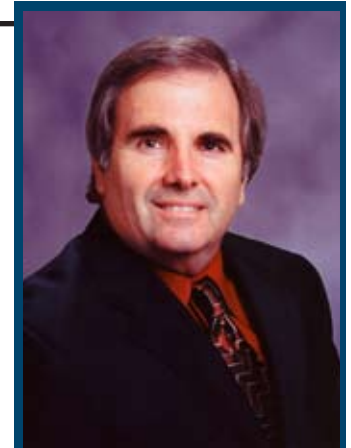
I heard in an economists forecast that we might have an inverted year. What does that mean?

There's a gentleman in Orange County who said that the end of 2006 would pick up, creating an inverted year. By that he meant the normal strong market in the spring would show up in the last six months. Does that seem possible to you?

Not only isn't it likely, I can't think of it ever occurring before! The dominos of a real estate downturn have started to fall in their natural sequence. The problem is caused by affordability hitting all time lows. This increases time on market and builder cancellations. Time on market increasing creates motivated sellers and builders who lower prices. The lowering of prices makes people who are unable to make their monthly payments lose their homes due to lack of equity. Some of these people move to other states, causing migration losses. Once the first domino of affordability tips over, the rest have to fall.

I believe that kind of statement (inverted year) comes from a surprised prognosticator attempting to rationalize why things didn't go up 15%-18% as predicted. In 2006, I believe he used this exact sentence, "You can virtually guarantee your buyer that prices will go up in Orange County 15% in 2006. I really believe it's going to be closer to 18%."

Since this person considers affordability to be an antiquated benchmark, there was no way of foreseeing this downturn. The media didn't cause prices to stop going up; affordability did!



Bruce Norris

DEAL OF THE MONTH

The deal of the month comes from a buyer in San Diego County. The property was purchased from a private party. The lead resulted from an absentee letter. The property was worth \$380,000 (appraised by Ken Pound) and was purchased for \$220,000. The Norris Group's loan amount was \$245,000. After closing costs, the new owners received a rebate check of \$12,870. They purchased a wholesale deal in a nice county, didn't put a dime of their own money into the property for a down payment, have a \$10,000 repair kitty to draw from. In addition, they have \$135,000 of equity. Imagine if this was your first deal. That's the power of become a wholesale buyer! Congratulations on a good buy.



CALIFORNIA HEADLINE ROUNDUP LAST 30 DAYS

Leading Housing Economists To Discuss Direction of Market, Overall Economy featuring David Seiders (Chief Economist, National Association of Home Builders), David Lereah (Chief Economist, National Association of Realtors), and David Berson, Chief Economist (Fannie Mae). The phone conversation took place December 12, 2006 but you can listen to the recording by calling 877-344-7529 (toll free). Enter 400218 followed by the # key when prompted for account number. Visit <http://www.nahb.org/generic.aspx?genericContentID=68561> for more information.

- CAR - "C.A.R. reports sales decrease 28.7 percent in October, median price of a home in California at \$548,680, up 2 percent from year ago" (11-28-06)
- CAR - "New' loan limits fail to improve homeownership opportunities for Californians" (11-28-06)
- LA Times - "Optimism is rising on housing market" (12-1-06)
- NAR - "Pending Home Sales Indicate Market Stabilization" (12-4-06)
- Real Estate Journal - "Rate of Home-Price Increases Falls To Slowest Pace in Eight Years" (12-4-06)
- Yahoo! - "HSBC warning ominous for U.S. lenders" (12-6-06)
- Market Watch - "Subprime lender Ownit Mortgage shuts down" (12-7-06)
- Real Estate Journal - "Home Equity Down, While Household Net Worth Is Up" (12-11-06)
- Real Estate Journal - "Realtors See Improvement Ahead For Housing Market, Home Prices" (12-12-06)
- CNN - "Realtors: Home sales may keep falling in 2007" (12-10-06)
- Sign On San Diego - "'Short sales' called an emerging trend" (12-11-06)
- CNN - "Rent increases trump workers' income growth" (12-12-06)
- DQ News - "Southland home sales slowest since 1997" (12-13-06)
- RTE Business - "World Bank fears US house crash" (12-13-06)
- OC Register - "Falling prices trap new homebuyers" (12-13-06)
- NAR - "Growth Continues In Commercial Real Estate With Record Investment" (12-14-06)
- OC Register - "Foreclosure rate continues to build in Orange County" (12-14-06)
- ALTA.org - "OFHEO: Fannie, Freddie must follow guidelines for nontraditional loans" (12-14-06)
- Yahoo! - "Homebuilders Taking Big Charges to Revalue Their Land and Other Assets" (12-15-06)
- CNN - "10 housing markets ready for a fall" (12-19-06)
- NAR - "NAR Concerned Over Rapid Increase In Foreclosure Rates" (12-19-06)
- Realty Times - "Alarmed By Rising Defaults, NAR Educates Consumers About Exotic and Subprime Loans"

TNG CALENDAR

 = TNG LIVE EVENT

Jan 11 th -14 th	Real Wealth Expo San Diego	San Diego, CA	Open
Jan 18 th	AOA Wealth Building and Asset Protection Conference	Ontario, CA	Open
Jan 25 th	AOA Wealth Building and Asset Protection Conference	Pasadena, CA	Open
Feb 17 th	Market Timing Update 2007	TBA	Open
Feb 18 th	Technology Day	TBA	Open
Feb 24 th	AOA Wealth Building and Asset Protection Conference	Anaheim, CA	Open
Mar 2 nd -4 th	Mobile Home Millions 5	San Diego, CA	Open
Mar 17 th	California "Only" Essentials Live	TBD	Open
Apr 11 th	SDCIA	San Diego, CA	Open

THE NORRIS GROUP MISSION STATEMENT

The mission of The Norris Group is to provide the highest level of service in every facet of real estate, trust deed investments, and investor education. We are driven by service, not sales, and are committed to conducting business based on the principles of The Golden Rule.

Because of that commitment, we promise to treat a motivated seller with respect and use our expertise to assist, not harm. We promise to look at every trust deed investment as if our own money was involved. We promise to share every secret we know about the buying business with investors who participate in our training. And finally, we promise to lead the way with innovative programs, bringing benefits to all who are associated with The Norris Group.



As a California investor, you need a reliable funding source you can count on. The Norris Group's loan program was designed to be an exact fit for the wholesale buyer's needs. Our simple process makes it easy to close your purchase in 10-14 days!

Term of Loan: 1-3 Yrs
Interest Rate: 12-12½%
Prepayment Penalty: None
Loan to Value: 60-70%
3½ Points

Since 1997, investors just like you have borrowed over \$125 million dollars. Those funded deals have resulted in millions of dollars of profits for our clients.



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4 California "Only" Investor Series

7 Days of Training + 40 In-the-Field Assignments =
1 Savvy California Investor

ONLY \$2997

The California "Only" Investor Series is the most complete and comprehensive California-specific training material for the California real estate investor on the market. And it's now available for purchase online!

The series includes:

- 4 full-color manuals (over 800 pages of training)
- 33 audio CDs (over 30 hours of audio)
- Access to the TNG Web Portal with downloadable forms, resources, and thousands of dollars worth of vendor discounts
- **And if you're serious about becoming a successful wholesale buyer, there's even an opportunity to receive a full refund for the cost of the series! Keep reading.**

Bruce starts with the basics in our California "Only" Investor Essentials course, teaching you the information you must know to make it in the business. You don't have to be a "shark" to be successful. Learn what it takes to be an ethical and savvy investor capable of receiving Thank You letters from sellers handing you their property at 60-70% of value!

Then Bruce takes his expertise on California real estate market timing and applies it to the California real estate buy and sell business in our all new California "Only" Buying Systems course. You learn exactly which of the 24 buying systems to implement depending on what the market is doing. No need to recreate the wheel, we've already done it for you, literally.

Next, join Bruce and sales great and author Ben Gay III while they teach you the necessary techniques in approaching sellers, closing deals, and turning yourself into a negotiating machine.

Finally, join Bruce with local foreclosure expert Ward Hanigan as you explore the art of California foreclosures in our California "Only" Foreclosures course. This California-specific information will help you not only make money but avoid making mistakes that could land you in jail!

Bought separately, these four courses cost over \$4,500. Purchase the series and save over \$1,500! And if you are still interested in finding out how to get this unbelievable price refunded to you, turn the page.



**EDUCATE
YOURSELF FOR
FREE!**

The Norris Group not only trains California investors but helps fund their deals as well. With access to millions in private investor money, we fund \$20-30 million in deals every year. We're motivated to see you succeed because we want you as a customer for life.

Once you've purchased the entire series, you are immediately eligible to receive a one point rebate off your first TNG hard money loan. That means if you borrow \$300,000, you'll receive a \$3,000 rebate! **You're getting the entire series of education for FREE!**

**RECEIVE A ONE POINT REBATE
OFF A TNG HARD MONEY LOAN
~\$3,000 VALUE
(MORE THAN PAYS FOR THE SERIES!)**

We stand behind our materials with a 100% satisfaction guarantee. We're serious about your education and your success.

Novices and experts alike agree that this California-specific training is what they've been waiting for. Read the following pages for more in-depth details on each course and to see what other satisfied TNG customers are saying.

Have questions about our products or want to find out more about our hard money loan program? Give us a call:

The Norris Group
(951)780-5856

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