

## A Conversation with Ed Garcia

Who in the heck is Ed Garcia? Ed, along with his long-time business partner, Terry Vaughan, is one of the most experienced real estate investors in the country. These two men have been there and done that and have the battle scars to prove it.

In addition to being a real estate investor, Ed Garcia is a mortgage broker with many years experience. Terry Vaughn and his wife J. P. founded CREonline.com, which is the granddaddy of all the online real estate investing websites. Terry is also one of the most experienced note buyers in the country.

Last weekend I had a chance to spend time with these two real estate investing giants. At one point I had a chance to sit with Ed Garcia and ask him where the real estate investing market was headed. Thought you would like to know what Ed said.

Let's get right to the point; in talking about what was coming down the economic pike, Ed came out with the following gem, "You gotta buy low and it's gotta cash flow!"

Sounds simple, doesn't it? It reminded me of the old stock market saying, "You gotta buy low and sell high." Well duh!

Kim and I have been investing in real estate for over eleven years. In all this time I've never heard a real estate investing theory that was so simple, so pure, so concise, and so true.

If you are or want to be a real estate investor, you should write down Ed's saying and tape it to your bathroom mirror, the dashboard of your car, and the ceiling above your bed. "You gotta buy low and it's gotta cash flow" should be the first and last thing you see each and every day.

Why? Any idea how many calls we get from investors who are knee deep in a bad deal and are hemorrhaging money? The sad thing is, often there is no painless solution to their problem. If an investor pays too much for a property and/or it has a negative cash flow, there is nothing he can do but bleed money.

Don't let this happen to you! Think each deal through. Do your due diligence. Make sure you are buying the property for well below market. If you plan to keep the property, make sure the rental income is more than the expenses.

Again, you gotta buy low and it's gotta cash flow!

As Ed Garcia and I talked, it became apparent that he was very excited about the state of the real estate investing market nationwide. He said three things were creating the best buyer's market the country has seen since the 1980s.

First, since last summer the price of real estate has been level or moving downward in a big way. This has been especially true in hot real estate markets like California, Florida, Phoenix, Las Vegas, etc.

Second, interest rates have increased significantly and continue to climb.

Third, and this is the kicker, over the past four years many folks who had (the key word is *had*) a good bit of equity in their homes pulled the equity out of their homes by refinancing their property. They used their equity to buy four wheelers, boats, big screen TVs, etc.

To make matters worse, a large percentage of these refiners switched from thirty year fixed rate mortgages to adjustable rate mortgages (ARMs) and interest only loans with balloons. In other words, as interest rates rise, so do many peoples' mortgage payments.

Bottom line, real estate prices are flat or decreasing, but mortgage payments are on the rise. Looks like it's time for many people to pay the piper. This means foreclosures are about to shoot through the roof!

So how can an investor buy a house that is worth \$100,000, but has a \$105,000 mortgage and still make \$30,000 on the deal? Welcome to the world of Short Sales.

To learn more about Short Sales be sure to read next week's column.

If you want to learn more about real estate investing, or would like to be mailed a ***FREE*** copy of our 16 page monthly real estate investing newsletter, or would like information about our 1,500 member real estate investors group that meets monthly at the Holiday Inn in Cartersville, then please visit our website at **[www.REIoutpost.com](http://www.REIoutpost.com)**.