

The logo features a central dark blue circle with the letters 'UIC' in light blue. This circle is surrounded by a thick yellow ring. Four lines radiate from the circle: a yellow line pointing towards the top right, a red line pointing towards the top left, a red line pointing towards the bottom right, and a yellow line pointing towards the bottom left. The text 'Alumni Exchange' is positioned to the right of the central circle, and 'ALUMNI ASSOCIATION' is written vertically along the bottom yellow line.

UIC

Alumni Exchange

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Building Wealth Through Real Estate

July 14, 2022

Julia Wesley, MSW '05, PhD '10
REALTOR® & Researcher
&
Nelson Morales
Senior Mortgage Consultant

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About Julia



Chicago native & Licensed IL REALTOR® serving the Greater Chicagoland area.



Nearly two decades of coaching individuals, groups and organizations – seamlessly moving clients from vision to strategy to positive outcomes.



Bachelor of Architecture from the Illinois Institute of Technology, Master's degree and a PhD in Social Work from the University of Illinois at Chicago



About Nelson



Sr. Mortgage Consultant



Certified Military Housing
Specialist



****LENDING IN ALL 50 STATES****

“90%

*of all millionaires
became so
through owning
Real Estate”*

~Credited to Andrew Carnegie, nd.



“There are many ways
to build wealth in
America...

but real estate might
be the safest,
steadiest and simplest
way to do so”

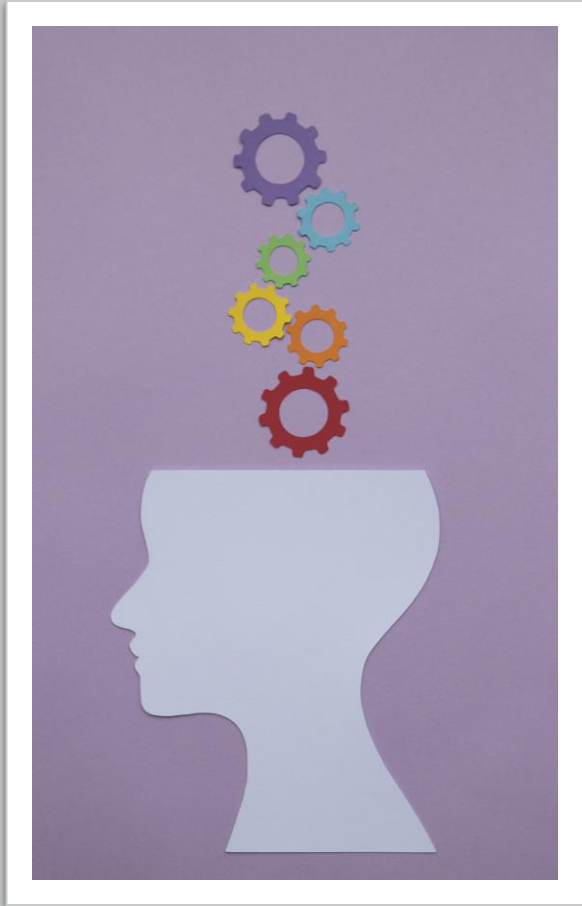
~David Greene, November 27, 2018, “Why Real Estate
Builds Wealth More Consistently Than Other Asset
Classes”





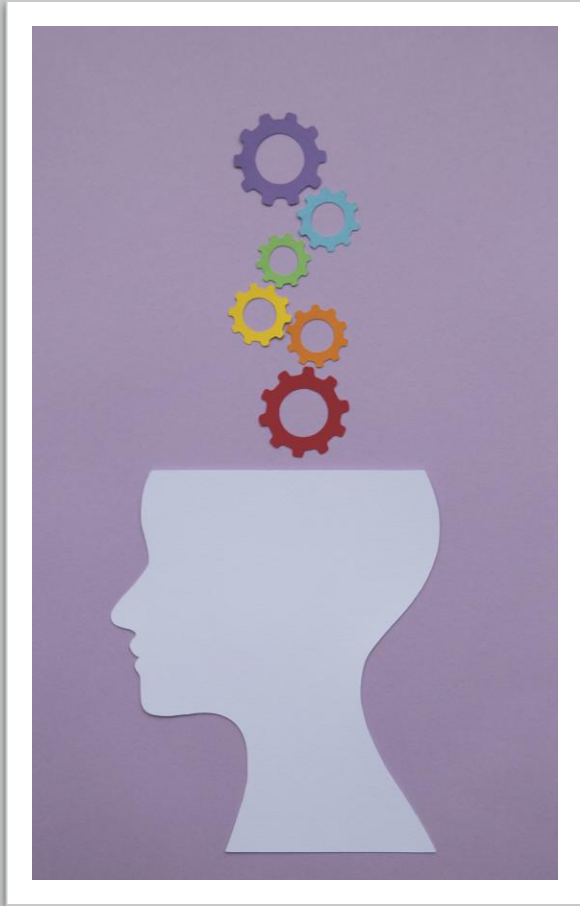
Objectives

- Expand knowledge of the real estate market
- Explore the ways real estate can be used to build wealth
- Gain access to the people, information, and resources needed to start investing in real estate



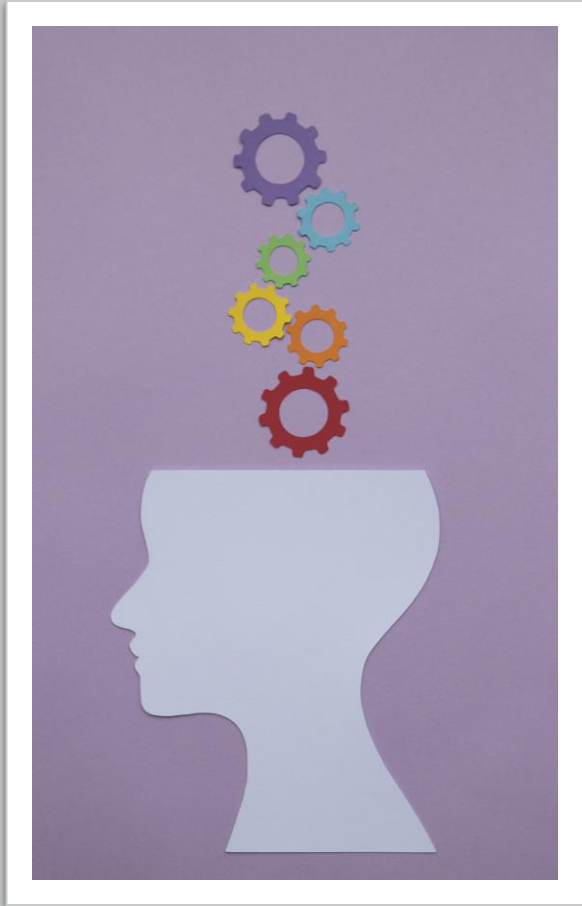
Real Estate Knowledge Poll

- What percentage of the GDP is housing services (e.g. rent from renters, utilities, homeowner imputed rent and utilities)?
- What percentage of Chicago households are rent occupied?
- What is the average down payment most buyers do on the purchase of their home?



Real Estate Knowledge Poll

- What percentage of the GDP is housing services (e.g. rent from renters, utilities, homeowner imputed rent and utilities)? **(Answer: 13%)**
- What percentage of Chicago households are rent occupied? **(Answer: 53%)**
- What is the average down payment most buyers do on the purchase of their home? **(Answer: 6%)**



2022 Investor Market Share

Nationwide Level of Investor Share

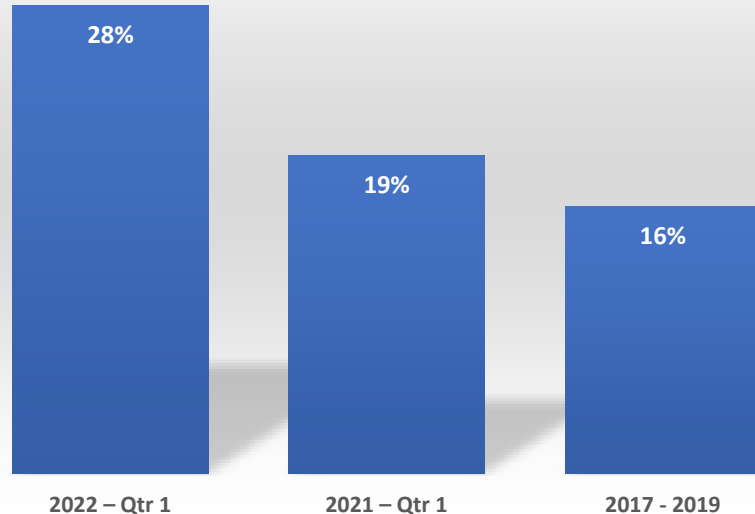
- Quarter 1: 28% of Single-family Market (Source: Harvard Joint Center for Housing Studies)
- Record breaking year!

Chicago – Investor “Gateway” City

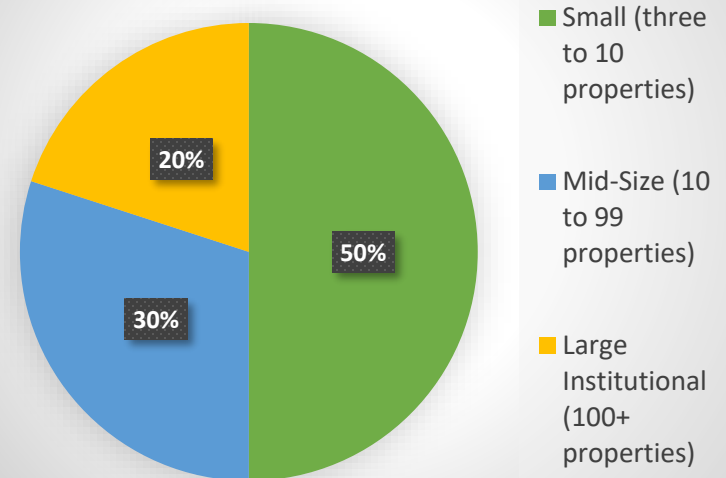
- Affordable areas attract investors

2022 National Investor Market Share

National Investor Market Share
Annual Comparison



National Market Share by
Investor Type



Chicago – “Gateway” City Market

Sales Market

- **4.4%** higher sales price than June 2021
- **\$360k** - Median list price
- **\$247** per sq ft - Median List Price
- **13** - Median days on Market
- **\$365.5k** - Median sales price
- **99.9%**, Sale to list ratio
- **5 of 10**, Affordability index

Rental Market

- \$2500, Median Rent (3bed)
 - 9% increase year/year
 - Steady for past 3 year
- 53%, Renter-occupied housing (*very strong!*)
- \$1,500 to \$6,000+, Rents range (*varies by neighborhood*)



Building Blocks
for Building
Real Estate
Wealth

Wealth Building Blocks

1. Know

- Know Your “Why”

2. Know

- Know Yourself

3. Find

- Find Your Niche

4. Create

- Create a Plan

5. Build

- a. Build Your Skills
- b. Build Your Team

6. Invest

- Start Investing in Real Estate



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1. Know Your “Why”

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Family future?

Financial freedom?

Passion for Real Estate?

Real Estate Investment Tax Benefits

Tax Write-Offs

Depreciate Costs
Over Time (Rental
Property)

Pass-Through
Deduction

Capital Gains

Tax Deferment
with Incentive
Programs

Self-Employment
(No FICA Tax)





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2. Know
Your Self

&

3. Find Your
Niche

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What passions, skills do
you bring to real estate?

What aspects of real
estate interest you?



To Build or Rebuild





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4. Create a Plan

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Set SMART goals

- Investment goals should be specific, measurable, attainable, realistic, timebound
- Aim high. Start small!
 - e.g. purchase 1st primary residence, purchase 1st vacation home

Source Your 1st deal

- Identify target market
- Start building your team (network, call successful people)

Identify/secure financing

Do Your Due diligence

Manage & Grow Your Portfolio



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5a. Build Your Skills

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Prioritize

- Make Real Estate Investment a Priority

Learn

- Learn the real estate market. Asks lots of questions!
- Read Articles (e.g. [The Oracle](#), [The College Investor](#))
- Listen to Podcasts (e.g. [Biggerpockets Real Estate Podcast](#), [Real Wealth Show](#))

Get Help

- Get a mentor or two
- Build a network of likeminded people

Be Gracious & Be Patient

- Be gracious with yourself/others. Be Patient!



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Patience is a Real Estate Virtue!

“That’s how you get wealthy. The longer you hold an asset, the wealthier you will become. It is amazing what happens to a portfolio after you’ve owned it for 10 years.”

~Mike Zuber, *How to build wealth from real estate investing, according to 7 couples and individuals who have done it*, [Business Insider](#), Apr 14, 2022

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Start Small!

“Buying that tiny studio was the most important decision I made because it got me in the game.”

—[Barbara Corcoran](#), founder of The Corcoran Group, podcast host of [“Business Unusual,”](#) judge on [“Shark Tank”](#)



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5b. Build Your Real Estate Team

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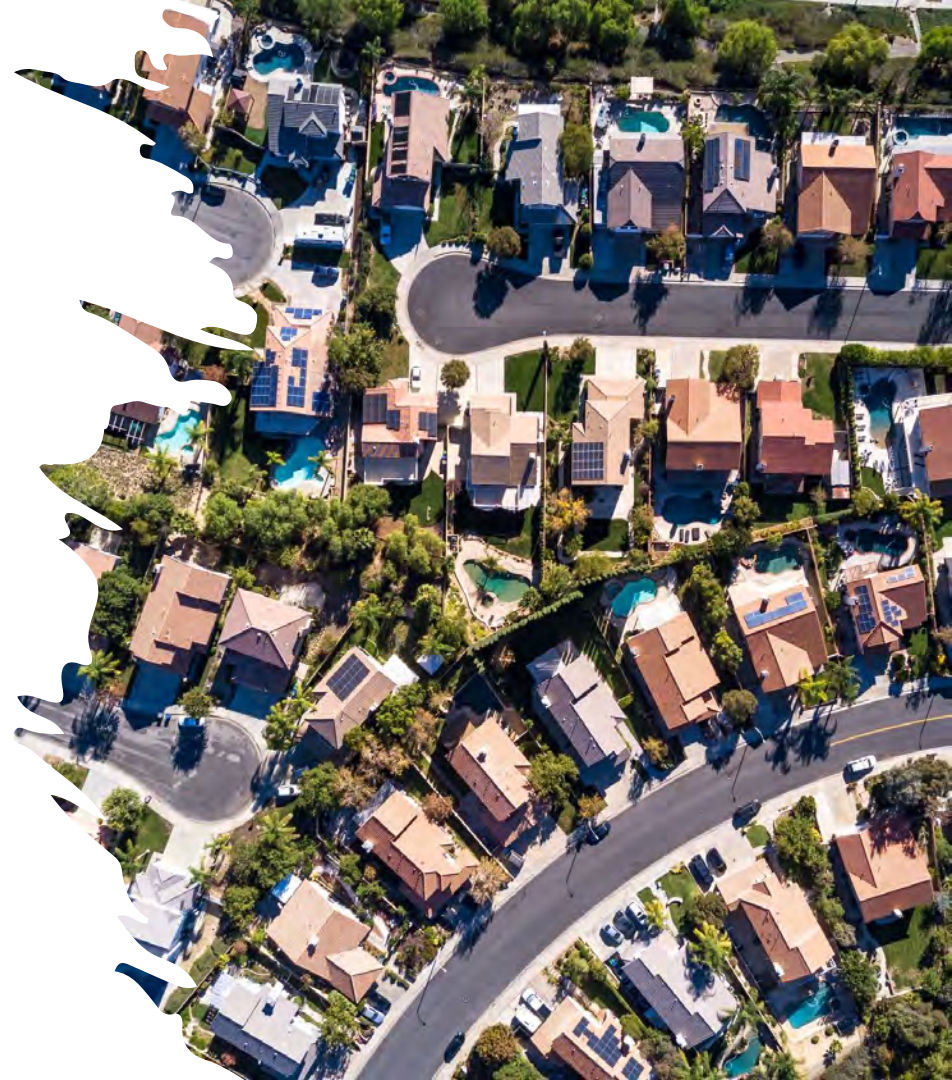
You CANNOT source deals alone!

- A REALTOR® and/or a Lender are often the real estate investor's 1st stop
- Budget-conscious property search
- Facilitates smooth closings



Its All About the Comps!

- A REALTOR® will help you make an offer based on “comps”.
- What are comps?
 - Comps are comparable properties that are as similar as possible to the subject property





Comp Analysis

- Condition of the property
- Age of the property
- Size of the property
- Construction and style of property
- Location



After Repair Value (ARV)

- ARV = Property value before repairs/reno + Value of the required renovations
- Pay up to 70% of a property's calculated ARV
- Suggested Bid Price (SP)
 - $SP = (ARV \times .7) - \text{renovation costs (RC)}$.

Additional Key Real Estate Investment Team Members

- Attorney
- Title Company
- Inspector
- Contractors
- Accountant/Bookkeeper
- Insurance Agent



Financing Your Goals

- Sweat the Financial Details with a Trusted Lending Partner



Mortgages My Story

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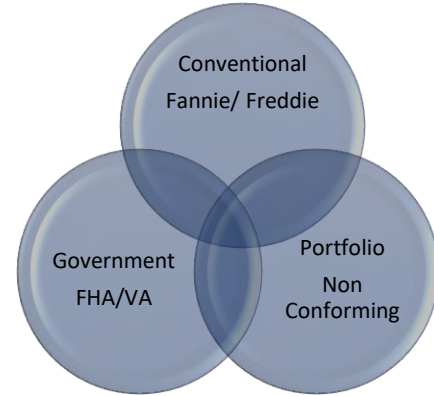
****LENDING IN ALL 50 STATES****



Types of Mortgages

In the Mortgage Industry there are different types of loans.

Any loan out there, will fall into one of these categories.



	CONV	FHA/VA/USDA	PORT
DOWN PAYMENT	3% to 20% down	0% - 3.5% down	20% plus down
CREDIT SCORE	620 plus	550 plus/620	640 plus
INCOME	31/50 ratios	29/45 ratios	can vary....

The Pre-approval

What 4 criteria make up every loan?



Credit

FICO scores range from 350 to 800

Owner Occupied (O/O) Vs. Investments(NO O)



What goes into my score?



What hurts my score?

- Not paying bills on time
- Opening too many accounts
- Closing old unused cards
- Signing up for Retailer's cards
- Maxing out your cards

Income



W-2'd employee or Self-employed?

- Length in Current job and line of work?
- Salary, Hourly, Commission or Bonus?
- Dividend's, Social Security, Pension or Alimony?

What the difference between Owner Occupied (O/O) vs. Investment (NOO)?

- *Income – Your income VS. Property Vs. Both*
- *Rental Income – calculations, Lease Vs. No Lease, Operating Income Statement*

Assets

- Savings/CD's/Stocks
- Gift Funds
- IRA/401k loans
- Seller Assistance

What the difference between Owner Occupied (O/O) vs. Investment (NOO)?

- *Down payment*
- *Cash to Close*
- *Reserves*
- *All 3 of these in terms of Owner Occupied Vs. Investment*



Property Type



What type of property are you buying?

-The Type of Property of use of the property will affect your loan and interest rate

- Condos

Warrantable Vs. Non-Warrantable, Owner Occupied (O/O) vs. Investment (NOO)

- Single Family Homes

Primary, or Second Home, Owner Occupied (O/O) vs. Investment (NOO)

- Multi Unit - 2-4 Units

Owner Occupied (O/O) vs. Investment (NOO)

Down Payment – O/O Vs. NOO

FRM = Fixed Rate Mortgage

ARM = Adjustable Rate Mortgage



Transaction Type	Number of Units	Maximum LTV, CLTV, HCLTV
Principal Residence		
Purchase Limited Cash-Out Refinance	1 Unit	FRM: 97% ⁽¹⁾ ARM: 95%
	2 Units	FRM/ARM: 85%
	3-4 Units	FRM/ARM: 75%
Investment Property		
Purchase	1 Unit	FRM/ARM: 85%
	2-4 Units	FRM/ARM: 75%



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6. Invest

*Start Making
SMART Money
Moves!!*

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Build Your Own Portfolio

- Real estate investment portfolios can have various points of entry and pathways, including:
 - Purchase
 - Hold
 - Renovate
 - Rent/Hold
 - Etc.



Not Sure Where to Start?

- Buy rather than rent your primary residence
- Buy residential property to live in one unit and rent out the other
- Homeowner? Buy a rental property or vacation home



Build
Your
Wealth

Wealth-Building Recap



Know your
“why”



Know your
strengths



Find your niche



Create a plan



Build your skills
& team



Invest

What Questions Do You Have? We're Here to Help!



kw ELITE
KELLERWILLIAMS REALTY

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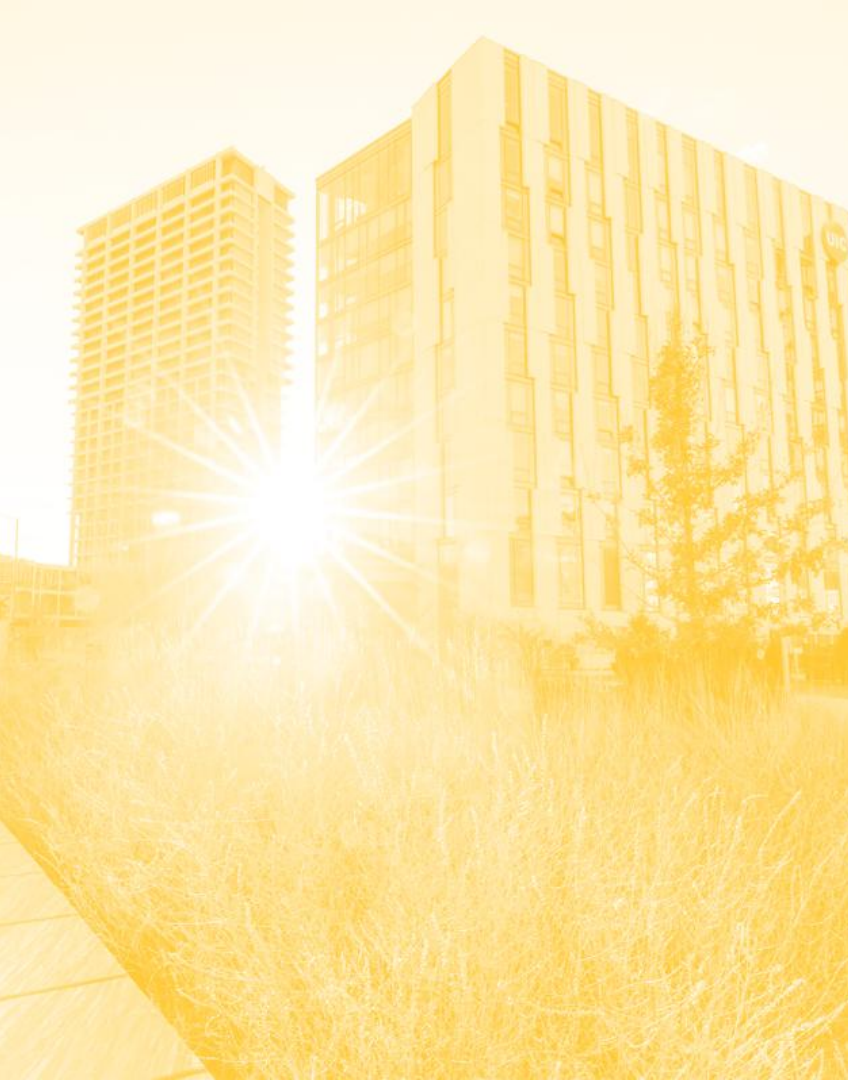
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LENDING IN ALL 50 STATES

 **Blueleaf Lending**
Committed to Your Success



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