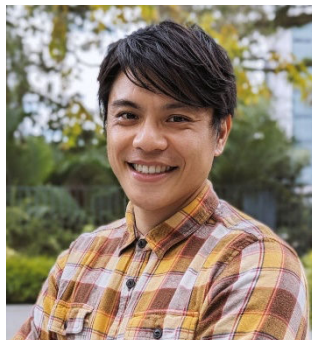


Singapore Couples Journey to Financial Freedom through U.S. Real Estate Investing



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00:17

Donald Klip

Hello everybody, my name is Donald Klip, co-founder of America Mortgages and Global Mortgage Group. We are the only us mortgage provider outside of the USA, focusing only on non-residents who are foreign nationals and U.S. expats living overseas. We're super excited to have a conversation with our next guests. But before I introduce you, we're going to be talking about their journey on U.S. real estate investing. We've been talking about the benefits of U.S. real estate investing for many years now, but once you hear it from an actual practitioner who quit their job and is doing this full-time, the story is much more interesting.

01:04

Donald Klip

Now stay till the end of the webinar where I will talk about our loan programs and we will open it up for Q&A so you can ask questions about anything U.S. real estate related, investing strategies, the market, and of course our loan programs. So, please stay till the end. So with that said, Han Teo, Tracy Pah.

01:27

Tracy Pah

Hi everyone, I'm Tracy. Together with Han, we are so excited to be here with America Mortgages and Donald. So just a little quick intro about ourselves. Han and I are Singaporeans. We were born in Singapore, grew up in Singapore, and studied in Singapore. We are full-fledged Singaporeans. We have always wanted to achieve financial freedom, but it's very difficult to do so with Singapore properties due to the very high cost. So we started to research all over the world where it would possibly make the most sense. I will share with you the juicy bits later. But we decided that our properties made the most sense and therefore we dove into this journey to collect more and more cash-flowing rental properties to reach our financial freedom. Han, do you want to say a few words?

02:20

Han Teo

First and foremost, we are very thankful to America Mortgages, Donald, and the team for inviting us to allow to share on this platform. We also thank all of you here for your time to participate despite your busy schedule. I hope our sharing today can add value and offer you a very different, viable alternative way to grow your wealth and achieve financial freedom. So, without further ado, let me get started. Take a look at the slides here. We're Han and Tracy. We are co-founders and co-hosts of Byte Sized investments. We are the only education and consulting company teaching international real estate investors to buy U.S. cash-flowing rental properties.

03:07

Han Teo

Both of us came from average-salary jobs but managed to quit our nine-to-five, all thanks to our portfolio of U.S. cash-flowing rental properties, as you can see in the slides. We own chopped properties at the moment, almost all are bought remotely from Singapore. So, a little bit more about ourselves. I came from a low-income family. My dad was a taxi driver, and my mom was a bookkeeper. It was tough growing up because my family didn't have much. I had half the pocket money compared to my peers in school, and I had to learn how to stretch my dollars. So at work, I had to endure 24-hour shifts on weekends, and after the shift work, like on Monday, without any break, continued my nine-to-five jobs.

03:52

Han Teo

life was really tough, and I realized that I was working hard for money and not the other way around. And I neglected my family and friends and did not enjoy it. So this motivated me to find out more meaning in life and to find financial freedom.

04:10

Tracy Pah

For myself, unlike Han, I grew up in an upper-middle-class family. But because we didn't need to worry so much about money, I grew up following the system. I called the system the conventional way that people think life should be, which is to go to school, find a field of study that ensures good employability, get good grades, get a good job, find a stable job, and stay there until you retire. And in the Chinese context, they call it the iron rice bowl. So people think that once you get an iron rice bowl job, you're set for life. So I would say I was very fortunate that I managed to do my postgraduate studies in the U.S., and I was there with my sister.

04:52

Tracy Pah

So while we spent that one and a half years just touring around the U.S. with not a care in the world, we cared a little bit about our studies. We passed. But I think that was the first taste of freedom that I ever felt, to have freedom of my time, to do what I love without having to report five days a week to the office. So I just want to highlight that Han and I, both of us, have no background in finance or real estate. Han was a physics major, and I was from electrical engineering. So when I came back from the U.S., I told Han, "I know you always talk about financial freedom. I also want to have freedom of my time. What should I do?"

05:32

Tracy Pah

He recommended two books to me, Robert Kiyosaki's Rich Dad, Poor Dad, and also this one, Cashflow Quadrant. I went to read them and oh my God, my mind was blown. Like, where has this book been all my life? It is just crazy, and enlightening. So Robert Kiyosaki talks a lot about achieving financial freedom through real estate. But more importantly, I think this book changes your mindset about how you think about money, life, employment, being a business owner, being an investor. And for someone like me, who grew up being told by my parents that debt is bad, stay away from debt your whole life, this book taught me how debt can be good, like how debt can earn you more money and accelerate your progress towards financial freedom.

06:24

Tracy Pah

And by the way, America Mortgages gave us a lot of good debt to scale on our journey. We'll share some real examples later. So, what is financial freedom? Financial freedom is where your passive income is more than your living expenses. So what is passive income? Passive income is money that comes into your bank without you needing to spend time at a job. For example, rental income. Every month your tenant pays you the rent even though you don't need to report five days a week, eight and a half hours a day at a job. So, that's called passive income. So once all this passive income covers whatever you spend on, your food, your insurance, and your transport, then you don't need to spend time on the job anymore. You don't need the job anymore. And that's when you achieve financial freedom.

07:10

Tracy Pah

And let me show you what financial freedom has done for us. This is in no way to show off. I just want to motivate you guys and show you guys that it's possible that just four years ago,

Han and I were getting zero passive income and zero properties, and we didn't even know where to start. And in just four years, right now, every month we collect about U.S. \$15,000 in rent checks. That's about S\$20,000. Round of applause for us. But again, this is in no way to show off. I just want to show you it's possible. As mentioned, we both came from average-salary jobs. So financial freedom allows us to turn our dreams into reality. With the passive income, we can travel.

07:58

Tracy Pah

We're not limited to our 18 days of leave a year at a job anymore. We can travel for a few months, to different places. And all this time, our rental properties are still paying us while we travel. So in 2024, we're going to do something new and exciting for us at least. If you look at the bottom right-hand corner, there is a van that we bought. We're going to retrofit it into that sample picture on the right-hand corner so that we can travel and live in the van. Plus we installed two passenger seats so our family and friends, if they come along, can go for a ride. And to us, it's a dream in the making. We have planned for this for so many years and now we finally achieved it because we have collected sufficient cash flowing rental property.

08:43

Tracy Pah

So, it turns your dream into reality. I know a lot of you will be thinking, why did we choose the U.S.? Don't worry, I will share. But first, let's let Han share some of our recent purchase numbers to show you what it's like with U.S. properties.

09:00

Han Teo

Yeah, looking at the pictures, got my heart pumping quite faster and got me excited. And that's the true meaning of life. So anyway, take a look at this picture. This is a three bed, one and a half bath, 1300 square foot single family home on a 5000 sqft land with nicely done up the interior, finishing as you can see on the picture on the In my country, such lent home would cost upward of a few million dollars. But this was how it looked like when we bought it. It was distressed, dilapidated, and ugly. But such ugly houses are opportunities for investors. Why is it an opportunity? Tracy will share with you later with some maps and charts. But now let's take a look at the numbers.

09:53

Han Teo

we bought it for \$142,000 and we spent \$42,000 to fix it up. So our all-in cost is about \$185,000. So we also know at the same time that the same type of properties around the area right nearby were selling for \$230,000 when done up nicely. So what will happen to our property's value when we get it fixed up nicely? It's a no-brainer. It's going to be at least in around the area of \$230,000. But our all-in is only \$185,000. So we made an instant \$45,000 of paper gain. So at the same time, we rent it for \$1800. Our net rental yield based on the 70% loan-to-value will be about 16.6%. Is that good or great? Let Tracy share with you more about what are the other qualities we see when we invest in U.S. real estate.

10:55

Tracy Pah

We share this so many times with our friends, but we're still very excited every time we share. So, why the U.S.? We want to retire early. Our goal is financial freedom. We need assets that pay us, not the other way around. So why didn't we invest in Singapore, our hometown? Let's take a look at this. I'll call it a fictitious Singapore condo. We'll just call it

N.ton park. So a one-bedroom costs about \$1.2 million. The down payment is about \$300,000. This is the kind of property that a lot of Singaporeans buy as an investment because one bedroom is the lowest price point to buy a condo unit. Now, your monthly mortgage payment will be about 4.2k, and the rent is about 3.5k.

11:42

Tracy Pah

So, the rent cannot even cover the mortgage. And this means that this is a negative cash-flowing property. And now you throw in property tax as well, and then even add in repairs, vacancies, appliances, and whatever. Every year, just based on the mortgage payment and the property tax, you are bleeding or you are paying the bank \$13,000 a year instead of the property paying you. All right, this is called negative rental yield. So why is it negative? It's because the property price is just so high. So, the mortgage payment is very high, and the rent just cannot cover the mortgage payment.

12:21

Tracy Pah

So the landlord, which is the investor, is working very hard to pay for the asset and hoping that it will appreciate enough to be able to sell it and make back, firstly, all that negative cash flow over the years, and secondly, to make a sizable profit out of it. It becomes, you buy, you pay every month, and then you hope that it appreciates, and then you make something out of it. And if you want to retire early on passive income, how many of these can you buy to quit your job and live off passive income? It is just impossible because everyone you buy has a negative cash flow. You're never going to quit your job collecting properties with a negative cash flow.

13:04

Tracy Pah

You need to work to earn the income top-up, to pay the bank the extra for the mortgage. Now, let's take a look at a typical us property that we buy. In the middle photo, there's a house on sale. It's about 180k, similar to the one Han shared. And then on the right, this house on the same street rents at about 1.8k a month. Do you realize that just two of these properties can fetch you about 3.5k of rent a month, which is the same as the Singapore N.ton park? So just two of the U.S. houses to fetch the same rent as the Singapore property. And how much would two of these us houses cost? It's less than 400k.

13:50

Tracy Pah

180k times 2, 360k, compared to \$1.2 million for N.ton park. So you spend a lot less when you use our properties versus Singapore properties where we are. In that sense, we are making our dollar work a lot harder for us. We're getting more bang for our buck. And for Singapore investors, you may heard of asset progression. This is where you invest in the house that you live in. So you start with an HDB. And then you wait a few years, earn a bit of income, better appreciate your sale and then you upgrade to a bigger house, maybe a condo. And then after a while you sell and you just keep upgrading to build your net worth. But all this time, because you're living in, it's not giving you cash flow, you are working hard to pay the mortgage.

14:38

Tracy Pah

And as you upgrade to a more and more high class, you're paying more and more mortgage and that keeps you locked in your job. And then after that, at the end of it, when you want to retire, you downgrade. So when you finally want to enjoy life, you downgrade. So this is not

a strategy that you can use to retire early. Whereas for U.S. real estate, the cash flow, so every property you buy pays you, adds to your income and you can use this cash flow to fund your lifestyle. And that's why you can retire early. On top of that, U.S. properties are freehold. So you just collect, collect. You hold them forever and then you can pass them down to your kids and even your kids' kids.

15:20

Tracy Pah

It's very common to see 100-year-old properties in the U.S. being done up very nicely and passed on and on for generations. Can you imagine what it would be like as a child if, by the time you graduate from school, your parents hand you 20 cash-flowing properties? I think life will be so much different for them. Another reason is that the U.S. also has an imperfect housing market. Let me show you what these kinds of opportunities are. So these are the sale transactions in a southern neighborhood in the U.S., you will see that some are sold very cheaply, like below 100k, whereas right next door the house can sell at 200k even though the house looks almost the same. Why?

16:05

Tracy Pah

Is it because of distressed sellers, distressed homes, like the one that Han showed you? the one that we bought, was distressed and needs a lot of renovation. And when houses need a lot of renovation, nobody wants to buy them. So the seller will just mark them for cheap. You go in as an investor, you buy them way below market value, put a bit of money, fix it up, and straight away the valuation jumps up to what it should be, what all the rest on the street are. This is called forced appreciation. So in Singapore, what investors do is they buy and they wait for years to happen, wait for market appreciation to occur. But in the U.S., we use forced appreciation even before you buy.

16:46

Tracy Pah

You already know how much it can be appraised after you fix it up. And we force up the appreciation. And in the U.S., information is very accessible. So it is very easy for you to find the sales around the area, the rents around the area. This creates opportunities for forced appreciation, our favorite kind of appreciation. And lastly, this is a very important point. Good debt. Good debt versus bad debt. The U.S. is the only place in the world where you can get 30 years fixed-rate mortgage. That means if the market rates go up, you don't do anything. Keep your rate. If market rates go down, you can refinance down to the lower rate and then lock it in for 30 years.

17:28

Tracy Pah

So I think a lot of our fellow Singaporean friends, during the COVID time, after COVID-19 when interest rates started to go up, then they felt the pain of refinancing at a higher rate. But for the U.S., 30-year fixed rate, you don't need to worry about rates going up. Rates go down, you refinance down. Rates go up, you just don't do anything about it. And as investors, that's so important because you reduce one variable in your long-term equation. Also, for the loans in the U.S., you don't need to show your income. Why? You think about it. Why does your local banker ask for your income when you want to buy properties? It is because they know that the property's rent cannot cover the mortgage to pay them back.

18:12

Tracy Pah

So therefore they want to know your income to top up the rent to be able to pay the mortgage. But because in the U.S., we have cash-flowing properties, the bank knows that the property can pay for the mortgage, plus the property taxes and insurance and what have you, and therefore they can approve loans without seeing your income. So linked to that, for the U.S. loans, we don't have TDSR or MSR. This is the total debt service ratio, and mortgage service ratio. Because the loans are tagged to the property and not you. And because of that, you can take an unlimited number of loans. Imagine you want 1000 houses. As long as each of the 1000 houses can earn enough rent income to cover each of their loans, by all means, take 1000 loans. It's not tied to your income.

19:00

Tracy Pah

And lastly, there is no age limit for taking loans in the U.S. This is due to the Fair Housing Act. So even if you are 99 years old, you can still take 30-year fixed-rate loans. So, how cool is that? So this is just a summary. I'm not going to go through everything, it's just too much to talk about. But feel free to take pictures, and print screen the page. These are all the pros and cons of Singapore versus the U.S. I just want to highlight there are a few new things here. Like U.S. has higher rent demand which forces up rent growth. We'll talk a little bit more about this later. There are no cooling measures like in Singapore where the government is trying to tell you, hey, stop investing in properties.

19:41

Tracy Pah

I'm going to slap all these measures on so you stop investing in properties. The U.S. on the other hand, is like, come and invest. I'm going to give you tax benefits, a lot of benefits for you to invest in properties. And lastly, a very powerful strategy that we use is you don't need to sell your home to monetize the appreciation. There's a way to take the money out without selling the home. I'll let Han explain more about this.

20:10

Han Teo

So how do you sell your house without selling your house? So let me show you. Take a look at this four-bed, two-bath single-family home that we bought for \$79,000 and we spent about \$16,000 to renovate it. So the total capital investment was about \$95,000. After we finished renovating, the property was appraised at \$170,000. So obviously we gave a call to Donald and said, "Hey Donald, can you give me a loan?" And Donald said yes. And then he approved a 100k loan taking this property, as you can see in the slides, as collateral. So this is called cash-out refinance, where you go to a lender, take a new loan with the property as collateral, and put the cash into your pocket. You can do whatever you want with it.

20:59

Han Teo

So can you see what is happening over here? We paid \$95,000 and then how much did we get back? We get back \$100,000 as a loan. So did we pay for the property, or did we get paid for buying the property? So we got paid \$5,000 to buy the property. And then when we realized this, it instantly blew our minds. It was a mindset change, and we now see things very differently. We got more cash than what we put in, and it's still a cash flow cost that rent can cover the mortgage. And when we make investments, we talk about ROI. What is the ROI for this deal? Think about it. You take your returns, which is our monthly cash flow. And we divide by the amount we put in.

21:47

Han Teo

But in this case, if the amount we put in is zero, which is our denominator, what does it mean? Our return becomes infinite. Off the chart, it's 10%, 20%? And everyone will say, I got 20, 30%. But then we got more than that. We got it off the chart. I don't know, is it good or great? So anyway, we got the 100k from Donald, and what do we do with it? All right, we buy another property. We repeat the process over and over again. We use the cash-up money from the previous property as a down payment, and then we call Donald again, and say, "Hey, we need another loan to buy this property." So, as you can see, we bought this property without a single new fund in.

22:37

Han Teo

So this is how we scale from zero to twelve properties, and we aim to repeat this every year, over and over again, and double and double our portfolio. So this is how you can sell your property, and monetize the appreciation without actually selling it. So then you can continue, collect your rent, enjoy future appreciation, and then, once it is appreciated enough, give Donald another call a few years down the road when the property appreciates. So one more thing I like to share with you. It's called rent growth. We bought this three-bed, one-bath, single-family home for \$90,000 in 2021. Our rent then was \$921, and cash flow for \$300 per month. This is very normal in the U.S.

23:26

Han Teo

Over the years, we managed to successfully push rent up from \$900 to \$1000 to \$1003 to \$1004. So this is very normal in the U.S., as Tracy has shared because inflation and capitalism are baked into daily life. The landlord does it, and the tenants accept it. So rent has been slowly growing forever, as you can see in the chart on the bottom right side. Whereas in places where it's dominated by a lot of homeowners, let's say like Singapore, rents sometimes can stay flat for a very long time, as you can see in the bottom left side. So to summarize, when we invest in the U.S., we invest, number one, for cash flow. But at the same time, we also enjoy appreciation and rent growth. So, I hope this gets you very excited about the potential here. And if you are excited, about how to get started, Tracy will share with you.

24:24

Tracy Pah

Do you want to get started? We can't share everything in this short session, but we do have a free webinar coming up. The next one will be on January 31. It is over 2 hours long, so we will share a lot more information there. And there's also open Q&A where you can ask us anything that you want. In our webinar, we will explain four core investing principles when you buy properties, no matter where in the world. The first one is how you avoid money pits, avoid properties that eat your money rather than pay you. The second one is how we buy properties for not only cash flow, not only appreciation but cash flow and appreciation. I invite you to join us at our free webinar. Then you can find out about the other two core investing principles.

25:08

Tracy Pah

you can scan the Q.R. code on the bottom left side. Anyway, feel free to take a snapshot of this page so that you can slowly scan the quotes later. And we also have a YouTube channel. It's called Byte Sized Investments. Here is where we give a lot of free content. Feel free to subscribe and enjoy our free content. At the same time, we also have a remote cash flow rentals masterclass here. We jam-pack a lot of information as much as we can. So why did we start this master class? Because due to our very unique circumstances to invest from so far

away, we did not know anybody else doing it. So we had no guide, nobody to follow, no role model.

25:48

Tracy Pah

So we spent years of blood, sweat, and tears building up all the processes, building up our teams over there. We think our properties are very powerful and it can be done from anywhere in the world. So we designed this course for international investors, and people outside the U.S. who want to start buying U.S. cash-flowing rental properties using proven data-driven methods to find these properties. So we will teach you things like how to pick markets, how to evaluate your rentals, who you need in your team, how to buy remotely, how to manage remotely, and even how to sell remotely. Plus, we also threw in some complimentary guides and free live group coaching sessions because it's very important to form a community.

26:28

Tracy Pah

So we want to have these group coaching sessions for our graduates to be able to network with each other with like-minded individuals. So it's everything you need to hit the ground and get running again. Feel free to print screen this page. Don't hesitate to contact us on any of our social media or our email at admin@bitesizeinvestment.com. You can ask us anything. We are very friendly. It's time for our next exciting session. Remember how I spoke about good debt and the U.S. having fantastic loan benefits? So I shall end my shameless plugs here and stick around to the end for Q&A as I hand over to Donald now to talk about U.S. mortgages.

27:11

Donald Klip

Thank you very much, Tracy and Han. And by the way, I was just noticing that those properties you bought that were valued at \$170,000 and 2020 must be much higher now. So it's about time you call me to cash out again. I think so. Listen, I want to talk about a few things. So the strategy that Han and Tracy are using is called force appreciation. However, there are many different strategies in the U.S. to earn rental income. There are strategies where you buy, and where industries are moving to. A lot of that is Texas, Atlanta, Florida. There are strategies where you focus on university towns. So Han and Tracy are experts in a particular area. And I'm not going to tell you where it is because that's in their seminar, but that's what they've done.

28:06

Donald Klip

there are many different strategies, but they all involve using good debt, which I'm going to talk about now. Another thing I wanted to talk about is the rental market because this is important. After all, people don't quite understand how can rental yields be so high. And it's very simple. There is a lack of supply in the U.S., and that's well documented. Everybody talks about it and everybody can feel it. And so the housing demand is growing. Supply is flat. So at the current mortgage rates, a lot of people can't afford to buy, so they have to rent. And that's why rental yields now in many states are 10% and they're only going higher. And we can talk much more about this in Q&A. So I want to talk about our mortgage programs that are specifically designed for overseas borrowers.

29:10

Donald Klip

So I want to do a quick snapshot of the key points. One, U.S. credit, U.S. residency is not required. So this is the biggest myth that people have. They assume that, oh, I don't have U.S. Credit. I don't have a residency. I can't get a mortgage. That's not true. We accept your overseas income to qualify, we offer loans in all 50 states, and these loans can be closed in as fast as 30 to 45 days, which I guarantee you, if you went to a bank, first of all, you wouldn't be able to get a bank loan. Normal bank loans, even for U.S. citizens, take months. Everything we offer is market interest rate and practices, except that we're only focused on our international audience.

30:00

Donald Klip

Our loans allow you to purchase, allow you to refinance, and what Han does is cash out of the equity. These loans are a 30-year fixed, regardless of the borrower's age, as Tracy mentioned. As a foreign national, you can borrow up to 75% of the home value, and for U.S. citizens, up to 80%, and you can sign the closing documents at your local embassy. Many of these foreign embassies already know us because so many of our clients are going to the embassies to sign the closing documents. And we have a phenomenal approval rating. We approve 97% of the loan applications that are submitted. Let's talk about our four main loan programs. The first one is our most popular loan program, and this is what Tracy mentioned. We call this the AM rental coverage plus program.

31:01

Donald Klip

And what that means is that if the rental income of the property covers your mortgage payments, you qualify. No personal income is required, and of course, there's no U.S. credit required or residency. And our loan amounts are from \$150,000 to up to \$3 million. Like all of our loans, they're 30-year fixed. We have interest-only options available, and these can be closed in 30 to 45 days. I'm going to have a visual of this, of what I just said. Whereas if you're expecting to receive \$2,400 in rental income and your total mortgage payment is \$2,400, you qualify. It's as simple as that. And in a market where rental yields are going up, it's becoming easier and easier to qualify. The next loan program is called AM Investor+. This is a standard loan program that uses your income to qualify.

32:01

Donald Klip

What makes us unique is we allow your foreign income. We don't require tax returns, and you qualify using an income letter from your employer or your accountant. All of the other information is very standard. There's no U.S. credit or residency required. The loan amount is \$150,000 up to \$3 million. Again, 30-year fixed. Interest-only options are available and up to 75% financing for a foreign national. So here's a visual. This is a standard debt-to-income ratio of all banks and lenders in the U.S., which is if your income is \$10,000, so 43% of that is \$4,300. And if your total mortgage payment is \$4,300 and your gross personal income is \$10,000, you qualify. It's as easy as that. The next program is targeted at U.S. citizens living overseas.

33:03

Donald Klip

Many U.S. citizens, start to work overseas and then they stay there for a very long time. And in their mind, I don't think I can get a loan anymore. I've been out of the U.S. for so long, although I still file U.S. taxes. But yes, you can. So these loans are exactly like you would get in any bank in the U.S. You qualify on your tax returns, no U.S. residency is required. You have to have a U.S. credit score of 680 or above, which is very common for many people. And loan amounts, \$150,000 up to \$5 million for U.S. expats, and closing times, 30 to 45

days. The next visual is the same as the previous slide. The standard debt-to-income ratio of 43% of gross income. Now, this one I'm particularly excited about.

33:54

Donald Klip

We created this last year, and it's one of our popular loan programs. So we noticed in our conversations that a typical journey and this was my journey as well. In Asia, your child gets into a school, and what you want to do is you want to buy a condo near the school because maybe you don't want your child to live in the dorm too long. And when you go visit them, you don't want to pay the high hotel prices. So you buy a condo and your son or daughter stays there. When you go to visit them, you stay there. Now, the trouble is, no bank in the U.S. will lend to a student because he has no income. And no, the allowance you give them doesn't count. But, this loan program, this is what we do.

34:38

Donald Klip

As long as a student has an F1 visa, you qualify on the projected rental income of a comparable. And this allows you to help build the child's U.S. credit at a later date. And again, all the other points are very similar. So here's a visual. If the gross rental income of a similar property is, \$2,400, and your total mortgage payment is \$2,400, you qualify. And this is fantastic for families who want to buy homes for their kids while they're going to university. Here's our contact information. We are a U.S. headquartered firm. Our international headquarters is in Singapore. And that's how we met Tracy and Han. But we have offices and representatives all over the world. We like to say we're open 24/7, there's our Q.R. code. Please scan it, take a screenshot, and download the information.

35:47

Donald Klip

We're going to be around for a little longer, so I want to say a few housekeeping items. One, we're going to open up the very soon, but the copy of this presentation and this video will be edited and sent to your emails in about a week. So, please look out for that. With that said, let's open up for Q&A. I'm going to read the questions. Is it risky to buy properties remotely? Well, that's one for Han and Tracy, because they do it.

36:37

Tracy Pah

Yeah, Han, you can talk about it.

36:41

Han Teo

Yeah, of course, it is risky to buy properties remotely. It's just like, it's risky to take a plane, it's risky to cross the road. But I think eventually there are risks involved. But the question is, do you have the risk mitigation framework involved to mitigate the risk? We started this journey before we even bought it. We share with a lot of our close friends and families, so then obviously, everyone cares and loves us. So they will say all the risk that is coming, and we embrace all this sharing and concerns, like the typical, you buy ready, you cannot sell how? If you buy ready, then you cannot rent out how. All these kinds of questions.

37:24

Han Teo

But then we took time to slowly, one by one, address them and put in steps to mitigate. For example, if cannot sell how, the thing is, if we bought a place in a rural area, you drive half an hour or so, cannot see the next door, then there will be real challenges. But if you go to a

place where it's bustling, growing economy, thriving, people always come in, then when you put the house on the market and you want to sell it at a correct, attractive price, it will get sold very fast. Two, three weeks, or only one month at max. Then this is the type of market that we want to be in. So we go about addressing all the different risks.

38:09

Han Teo

There's a lot of things involved, and that's actually what we're not a shameless plug or whatever, but that's exactly what we share in our webinar, our course. We address all the risks. We ask people, what are the risks? They say, all of them, and then we have all the steps to mitigate the risk. So this is how we address the risk of buying properties remotely.

38:40

Tracy Pah

If I were to add, because like earlier, I shared U.S. information is very open. So it's very easy for us to do a lot of research upfront to find out things from median income to crime rate to natural disasters. Risk identification is just about finding out the risk. Finding ways, you can first use to avoid the risk. If you can't avoid it, how can you mitigate it? You can't mitigate it, how can you ensure and protect against it? So it's the same as project management anywhere. And that's the kind of data we use to choose the right markets to ensure that we get a strong tenant population. We get a growing population and stuff like that. That's how we mitigate the risk.

39:24

Donald Klip

Nothing in life is easy. I think if you sign up for their webinar, the journey won't be easy. They're very super friendly and very upbeat, but the journey, like any journey, is tough. And now they've got into a good routine and they feel more comfortable about doing these things. And you're just talking about identifying markets. There's so much information out there and the U.S. has something for everybody. They've got lower price units, higher price units. But if you think about capital appreciation, like Tracy said, we've all been lucky. Interest rates have been low, everything's gone up. So have you been smart by doing? The rising tide lifts all boats. But capital appreciation is a hope. Rental income is math. If the numbers work, that's how you do it.

40:27

Donald Klip

So that's kind of what I wanted to say about that. What drives property prices are just a few things. It's population growth. That means are people moving to that city and why? That could be a university, it could be a new car manufacturing plant. So those are things you need to research. Another factor is schooling. And does it have good schools? If I can't afford to live in California, I looked at the cost of living in Texas or Ohio or Michigan, and the first thing I'm going to do, like we all would, crime rate in that city and, the best high schools in that city. So these are some of the things that, if you think about it as a business, if you were opening a restaurant, you'd have the same thought process.

41:16

Donald Klip

So that's kind of the mindset. And the U.S. has tons of information. Okay, next question. Hi, Han and Tracy. How do you manage the properties from Singapore?

41:29

Tracy Pah

So in U.S., I'm not sure if you're from Singapore, but I know in Singapore, there is no such culture as a property manager. So in Singapore, I think the real estate agent acts as the property manager. This means they are the ones that handle communications with your tenant and stuff like that. But in U.S. property management, I think it's the same for some other countries. U.K., Australia. Property management is a profession where they need to be qualified. Property management companies are set up solely to manage properties for investors.

42:03

Tracy Pah

So they do everything for you, from getting it turned, doing the repairs, doing the leasing, screening your tenants, putting the tenants in, getting the lease signed, collecting your rent every month, sending it to your bank account every month, and then collating the bank statements for you every month, every year, so you can check. So I guess, for starters, that is the best way to say how to manage your overseas properties. Find a good property manager, one that you can vibe with, one that you can trust, and then get them to manage the properties for you. Normally, it varies from state to state. It could be 8% to 10% or 8% - 12% of your rent every month to them, but they are your hands and legs. And us being in a twelve-hour time zone difference, we don't want tenants to be calling us during their day, which is our middle of the night, to say, "Hey, the toilet bowl is broken", "Hey, my shower water won't come out." We don't want to handle all these things. So, having a property manager can help you handle everything on the ground. All you need to do every month is to collect rent and also check your monthly statements. Just make sure they got everything correct in there.

43:12

Donald Klip

Yeah, I can add to that a little bit as well. Even if you get a handyman who comes to your house to hang paintings or fix something, you may not like the job they've done. So you get another guy. So it's like having your own business or a restaurant. Like, if you have a chef, you have a waiter, you have some other stuff, those components are your team. They're your staff, almost. And it takes a while. You never get it right the first time. Maybe you do. Those are components of being a real estate investor. We actually have property managers as partners that we can introduce you to. Han and Tracy have one that they're comfortable with. So this is a trial and error process.

44:03

Han Teo

I would like to jump in on this question also. I would want to share that most of us, like what Tracy said in Singapore, there's no such thing as a property manager. But when we invest in the U.S., because we're riding on their existing infrastructure, the U.S. is very big. If I live in California, I don't only invest in California. I, as a U.S. citizen, have the option to also maybe buy in Florida or buy in New York or buy in Michigan. For a California investor, they don't fly over there to do it. They use existing property management companies to manage their property. This is a known infrastructure for the locals to ride on. What they do is out-of-state investing like that.

44:57

Han Teo

So then what we do is we're just taking this way of investing and we put a steroid, take it 12 hours time zone apart and maybe 10,000 miles apart. We are just riding the same infrastructure and then using the property management. So it's not something that's new that you have to go there and reinvent the wheel and to teach and to come up with all the processes. You just go there, find, go shop for it, find, interview, vet them, and use them. Like

them? Continue using them. Don't like them? Change. That's all. I just want to say it's not something new and innovative. It has been here for many years already.

45:37

Donald Klip

I'm going to jump around to some of the easy questions to answer and then go to the longer ones. Can a non-U.S. citizen buy real estate in the U.S.? Are you both a citizen? They're both Singaporeans. And again, this is sort of the common misperception. Did you know that over the last ten years, foreign nationals have purchased, on average, \$100 billion worth of real estate each year? Let me say that again. Non-U.S. citizens have purchased, on average, \$100 billion right. So, yes, the U.S. is a free country. Anybody can buy it. Tracy, unless something's changed since the last time we spoke, I'm assuming they're still Singaporean.

46:32

Han Teo

Yeah, we are pure Singaporeans. One passport only.

46:39

Donald Klip

Do you have to go back to the U.S. to open a bank account? No, there are services let you open a bank account remotely, especially if you're going to set up an LLC. Yes, there are banks will allow you to open the bank accounts remotely. I think it's best to contact us, and we can kind of go through some of those options. How long is the pre-approval letter for? That's a really good question. A pre-approval letter is basically a letter by the lender that says based on the information that you've given, you're pre-approved. So when you use that to go look for a house and you show that to your realtor, listen I've been pre-approved and they're like ok and once you find the house and you're in contract, then we can start the loan process.

47:28

Donald Klip

A pre-approval is usually good for about three months unless the borrower's financial situation changes or other situations. As an expat, I don't receive a W2. Does that impact the rate? No. These U.S. expat loans are exactly like if you were going to a bank in the U.S. Now the question is the bank in the U.S. going to spend the time to help you? Because it's a complicated situation. But the answer is no because you're working overseas. Why would you have a W2? Unless you work for a U.S. company and that's kind of their policy, so it doesn't affect the rate.

48:20

Donald Klip

Let's see, can you rent the property out to your children and still take advantage of the tax advantages?

48:26

Donald Klip

Yes, and we refer our clients to tax accountants that specifically help overseas borrowers and foreign nationals. And again, I can't even tell you how many strategies the U.S. has to make your life easier to be a property investor. You can set up an LLC, put the properties in the LLC, which we can get into the pros and cons, but you can deduct a lot of expenses in the LLC because now you're in the business of earning rental income. So as a business, you need to go fly there to see your income-generating asset. So there's a lot a lot of tips and strategies.

49:15

Donald Klip

The next one is the interest rate for all four packages; I mean these things are moving around quite a bit. I would say they're probably high 7 to 8, but it really depends on LTV and loan amounts. But those are 30-year fixes. They've come down. So, just to give you an example, if you're a U.S. citizen with perfect credit, twelve months pay stub work in the same company for 20 years in the U.S., it's 7% for a U.S. citizen. And with an incredible amount of underwriting, they go through your credit card statements, and it's painful. Ours, not much more than that, and very little documentation because it's based on the income of the property.

50:03

Donald Klip

This seems too easy. What's the catch? Actually, nothing is easy in life. Tracy and Han are just very optimistic people. Like any start-up, it's tough. But it only gets easier because you make some mistakes. You learn. So, U.S. Citizen, living overseas for 20 years plus, no U.S. credit anymore. Which program would you apply for? It depends, actually.

50:32

Donald Klip

You know, you may have credit that you don't even know. I'm a U.S. citizen. I've been away for a very long time. And I was even surprised I still had credit. So it's best you speak to our loan officer. We can kind of talk about which program is best for you. I'll reach out to you directly to kind of answer those questions.

50:57

Donald Klip

What are the current interest rates for the first loan program? It's about 8% for a 30-year fixed. And as a U.S. real estate investor, I think the focus isn't about the rate, it's about the profit. If you can get 12, if you can borrow at 8 and get 12, you make 4. Okay, fine. It's not as good as if you can borrow at 2 and make 12. But you know what?

58:27

Donald Klip

You're getting a 12% rental yield. You know what happens next year, like Han's slide, oh, my rent is coming up. What's my new rent? Oh, well, it's no longer \$1500. It's \$2000. And you know what happens a year from now? Interest rates go from 7 to 6. And so you refinance again at 30 years at 6. So now you've gone from a 15% yield to 6. So, you're now net 9. So it's all about making the numbers work. Sorry, to answer your question, it's about 8%, give or take. 30-year fixed for 75% loan to value.

52:06

Donald Klip

Wonderful presentation.

52:07

Han Teo

For now. Interest rate moves. Yeah, if the interest rate moves, then it could be better.

52:14

Tracy Pah

Maybe I want to chip in a small one on this. I agree totally with what Donald is saying. We shouldn't only look at interest rates alone, because a lot of our friends tell us, hey, the interest rate is so high in the U.S., not a good time to buy. But I can tell you from our real experience,

right during COVID, when interest rates were very low, the competition was crazy because everybody was buying and all the properties were selling overvaluation. So what happens if you bought during the low-interest rate time, you have been stuck buying I mean overpaying for your property just to get that low rate. But ever since interest rates have gone up, we found it so much easier to get undervalued properties.

52:57

Tracy Pah

Just two months ago, we closed on our last deal and we got it more than \$50k undervalued. Even with the 8% interest rate, because we got it so much undervalue, the mortgage payment is much lower and the deal still makes us about 9% cash-on-cash return. So you got to calculate the numbers and look at it as a whole. As people say, Singapore's interest rate is very low. Last time during COVID was what, 1%, 2%. But the property price is so high that even 1% is a lot. It's the price-to-rent ratio, Because the U.S. has a very, I'll call it high rent-to-price ratio, means the rent divided by your price is high. Your rent is higher compared to your price.

53:39

Tracy Pah

So even with the high-interest rates, because of the low property price and the relative higher rents, as long as it can cover your cash flow, just like what Donald said, you lock in the house first at an undervalued price, interest rates can change. It's called marry the property and date the rate. Interest rates can change. When interest rates change, then you refinance now, but you have already locked in the property at undervalue. So I think this is a very common question we get about high interest rates being a bad time to buy. So I just wanted to share our personal experience. That is actually a very good time.

54:16

Donald Klip

One thing I'd like to add to that is, ok so if you think about the supply of all homes transacted, about 90-ish% are existing homes. So if you google existing home sales, did you know that 80% of those who have a mortgage have it under 5% and 40% have it under 3%? Now the way to look at it is like, oh my God, you know I wish I was one of those guys. But, if you think about it, if you need to sell your property now, you need money because if you want to buy another one, the interest rate is much higher. And new home sales.

55:02

Donald Klip

If I'm a developer, I'm like, well, I don't know if I want to launch a thousand homes in you know Texas because, at the current interest rates, nobody can afford to buy my homes. So they've slowed down, and it's turned into a situation where, like Tracy said, if somebody's selling, you have pricing power. So it's all these quirks about the market at the moment that make it a really good time because it's all about making the numbers work. Listen, I'm going to quickly go through some of these questions because there's a lot. I'm a U.S. citizen for many reasons, gone ahead and purchased a home, tenanted with cash. Can you cash out... well, that's exactly what Han does. So the answer is yes. For the AM rental coverage, how do you calculate projected rental income? Well, that comes in the appraisal.

55:56

Donald Klip

So every home purchase, and every mortgage in the U.S., we have to order an independent appraisal, which will do a value of the home and a rental comp. I already have bought and renovated the property, and it is rented. Can I get a refinance? Yes. Which is also what Han

and Tracy do. So you buy a home today for \$100,000. Well, let's just say \$200,000. And then interest rates go down. Next year, there'll probably be \$250,000. Then you refinance at \$250,000. I'm going to give you another mind-blowing statistic. If I were to say on average 50 states, all property prices are transacted. If I were to tell you that, on average, property prices in the U.S. were up 5% nationally, you wouldn't believe me, but that's a fact. And that's mind-boggling. And it's part of this; there's just a lack of supply.

57:08

Donald Klip

And that's on average in some parts of America. We had a lady talking about Irvine property, up 20% last year, and parts of Dallas up 20%. So property prices are still going up, even though interest rates are high. Now, what do you think is going to happen when interest rates start to come down? So, we all know the answer to that. Who pays the brokerage fee? So, it's standard. You go to the U.S., everything we do is U.S. standard. The Borrower pays the broker fee. And it's on your closing statement. So it's super transparent, it's super regulated. There's a line item on the closing statement that says broker fee. Han, you're based in which city in the U.S.? What is the profile of the tenant in your property? I don't know. That might be part of their secret sauce. You might have to sign up for that one.

58:08

Han Teo

Yeah, exactly. Donald, thanks for helping me take the bullet for this. So we are doing education and coaching for our students. We do have a framework, so we are not focused on only one city. We have a framework of criteria to go through. So it's actually not one city, but many cities.

58:26

Donald Klip

Can we say Midwest? Midwest yea? Can we say that?

58:31

Han Teo

Actually, I will make it even easier. It's placed where there is a high rent-to-price ratio. So when you invest, then you get more bang for your buck, for your rent. So it's not your gateway cities. These are the things I'll say. For tenants, we usually go for middle-class tenants, we try to avoid the low-income and the highest income. Because when you take the demographics chart, you want right smack in the middle. Because we want just one cookie cutter type of people that go to work nine to five, pay their rent, get their income, all these things. So we don't want it too exciting on both ends. We want people right in the middle where we get the highest volume and highest population. Anything you want to add, Tracy?

59:25

Tracy Pah

Yeah, maybe I'll chip in that in the U.S., every state has different laws for tenants and landlords. So first thing you need to do is obviously you need to ensure wherever you invest, your laws are friendly to you as a landlord right. So don't go for a high, don't go for where you like to go as a tourist. Really do it with data-driven research. And then after that, we mentioned around the midwest, around the south, I mean these are generally where we see there is a good rent-to-price ratio. So there are just too many cities that can work. In our class, we teach you how to find it so that you can choose the city that best meets your individual goals. Because some people are like, okay, I don't mind more vacancy, but I just want a lower cost property.

01:00:12

Tracy Pah

Some people are like, I want it to be as hands-off as possible. I want the best tenants in. I don't mind a lower cash flow, I pay a bit more. So it depends on what is your personal investment goal, and this is the principles we teach, which is to allow you to choose the right city. We just can't circle. It's just different for everybody.

01:00:34

Donald Klip

Wow, there's a lot of questions. Let me get through some of these. This is really important. So what you offer is very unique. How do we make money? Banks don't do these loans. I assume there's a risk premium. So there's a common misperception that if you need a mortgage, you go to a bank. Of course. But did you know that in the U.S., 70% of all mortgages are through wholesale lenders, not banks? So the JPMorgan, the Chase, the Wells Fargo, those are only 30%. Those guys are focused on U.S. citizens, primary residents based on income for the things that Tracy said, because those are regulated loans, they're heavily documented and they have a subsidized rate to promote these primary residents. Because they're wholesale lenders, they have to use a mortgage broker interface.

01:01:41

Donald Klip

So if you go to the U.S., 100% you would have to use a mortgage broker, which is us. So what we offer is exactly the same as you would find at a mortgage broker in the U.S. Except. the difference is that the type of client that you are is all we do. And so we understand the nuances of international borrowers. And the mortgage broker in the U.S., you're like 1% of what he does. So he may not even be motivated or understand your type of borrower situation. Is there a risk premium? I'm not sure how to answer that. Classic mortgages, you would never be able to get anyway because you're not a U.S. citizen. You're not there, you don't have W2 pay slips. So I guess there is a slight premium over existing U.S. citizen rate living in the U.S.

01:02:45

Donald Klip

But because the rental income is over the mortgage payments, actually lenders love these types of loans. And I wouldn't say they're undocumented. We do. There's some information that needs to be asked. I like to invest in commercial properties. Do you guys guidance us are the best areas to purchase, and help calculate the return on investment? Okay, so we write a lot of content on this. You probably read our newsletters, like which are the best states in the U.S., which are the cheapest states, which states people are moving to, and why. Last year, we wrote an eBook that was super detailed on population growth, rental income, and all those types of things. Han and Tracy have perfected their method. I'm sorry, I'm kind of stealing your thunder a little bit.

01:03:44

Donald Klip

Han and Tracy have perfected their way of doing things. But like anything in life, you have to do your research and there's a lot of information. We could guide you on what to do first and where to look for this information. And we're happy to do that. Some countries have a lot of issues with contractors. Bad quality, impossible to find contract due to resource. Yeah so, like Han and Tracy said, your contractors, your plumber, your electrician, a lot of these guys, you have to treat as your team. These are your kind of outsourced employees. Some you'll get right, some you'll get wrong. If you don't find a good one, there are others. But your property manager will be the one doing this. They're doing the bulk of this type of heavy lifting.

1:04:43

Donald Klip

I'm a Canadian citizen with a real estate license from Canada. Can you recommend both residential and commercial realtors? Yeah, sure. Definitely and everybody who's asked questions will be given a personal email after this. What are the tax implications for capital gains in America? What are the tax implications for rental income? Is it best to buy under a company or a personal name for legal, financial benefits? Okay, so tax implications, we prefer to have our tax accountant give you that advice. And so after this call, if you want to drop your email, we'll do that. Many, if not most, use an LLC to put the property under for financial and liability aspects of it.

01:05:38

Han Teo

Maybe I jump in over here on the capital gain tax portion. So there are a few ways to capital gains. There is a capital gain tax. Having said that, we all know that the tax code is written by the business people through the lobbyist. So there are ways to go around it. So there's one way you can take a look. The best thing is to talk to your tax advisor or talk to Donald's tax advisor. But you can take a look at the 1031 exchange. It's a rule that allows you to reinvest your money without being taxed upfront. You defer the tax into the future when you decide to quit the real estate games. That's one way. But I think there's another way to sort of avoid capital gain tax is by not selling the property, but you still get to monetize it. How? You call Donald. You get a loan through a refinance, and that's how you monetize it.

01:06:42

Donald Klip

What are the expenses or costs we expect to own a property in the U.S.? Do you guys want to take that?

01:07:00

Tracy Pah

It would vary, but the main ones, obviously if you want to start an LLC, then there are some setup costs. To start your LLC, get your tax I.D. going. Everybody will need a tax I.D. if they want to start earning U.S. rental income because they need to file income taxes in the U.S. If you're talking about operation costs, then you have things like your property management fees, property taxes, mortgage, your landlord insurance, of course, always set aside buffers for repairs, for vacancies, like in case you don't get it tenanted straight away. If you're buying multi-family or depending on what is your lease agreement, whether you need to pay for utilities or the tenant pays for utilities. So, these are the common operating expenses.

01:07:01

Tracy Pah

And then you talk about business like business overheads, things like your tax accountant, your U.S. phone line to get a U.S. number. These are the normal operating expenses that you will be seeing.

01:08:11

Donald Klip

Cool. The question is, are you all mortgage brokers or lenders? So, we're a mortgage broker. We're the only mortgage broker outside the USA. If you go to the U.S., you would have to use a mortgage broker. So everything we do is exactly the same. I don't want to get ahead of ourselves, but actually as of December, we have been approved as a U.S. mortgage lender. We haven't launched it yet, so with a balance sheet to lend on the programs that we

mentioned earlier. But America Mortgages is a mortgage broker. How many properties do you have? Can you do everything fully remotely? Yes, Han and Tracy do everything remotely. Do you finance multi-family apartments? What if rental income is equal to 25% of down payments? Can I use it as equity? Can you finance more than \$3 million?

01:09:16

Donald Klip

Well, these are the types of questions we like. So we definitely can do multi-family. The down payment depends on the property value. We have a specialist that handles this. We've actually financed as much as a \$112 million loan on a multi-family property. Ok back to the top. If you only have \$60,000 to spare, is it not enough to buy a two-bedroom single-family home in Houston, Dallas, Texas, or where will you buy it? Of course, maybe I won't use that wording. Of course, you can acquire maybe a not-so-nice home in the middle of nowhere for cheap, but you'll need to contend with no renters and hack and flip. What would you do if you have no interest experience in U.S. investing? It's kind of like any type of investing.

01:10:24

Donald Klip

It's whether it's a stock or crypto or whatever it is, there's a certain investing style that may not be suited for everybody. When I buy stocks, I can't buy value stocks. I'm not Warren Buffett. I have a certain way that I feel comfortable with. Forced appreciation is what Han and Tracy feel comfortable with, and so they've mastered that specific technique. Of course, there's always going to be renters that don't pay and all these types of things, but these are things that you could actually minimize the risk of by doing research. And that's just part of the process. It's not just about finding the cheapest home. It's about doing comparable, doing comp researches. It's like buying a stock. Would you buy the same stock if one has a lower PE and one has a higher PE?

01:11:24

Donald Klip

Each type of investing has its research that you need to do, especially if you're looking at rental income. And there are lots of cities in the U.S., honestly, that are just incredible investment opportunities. And these are all things that you should contact me. We have a lot of research on these types of things.

01:11:49- 01:12:04

Donald Klip

Cash out? Answered that. Definitely cash out. We do. It's what Han and Tracy do. We do that. I don't think I answered this one.

01:12:09

Donald Klip

So the question is the loans that you are offering are very unique. How does America mortgages make money from the loans? Is this just the standard trailing commission of 1% or 2% from the lender or the borrower? Banks don't give out some of these undocumented loans. I assume there's a risk premium. So as a mortgage broker, there's no trailing. Nowhere in the U.S. has this.

01:12:59

Donald Klip

It's a one-time fee paid out of escrow at closing, paid by the borrower. I'd like to invest \$500,000 in NNN commercial properties. We'll contact you directly about this. Do you guys

guidance what are the best areas to purchase and calculate the return on? Yeah, I think maybe Han and Tracy want to do this one.

01:13:36

Tracy Pah

I'm not sure if the question was for America mortgages or for us.

01:13:41

Donald Klip

Yeah, you have to do your research. The best areas to purchase depends on what you want. Do you want your budget? What do you want? What do you feel comfortable about? Some people will forego a little bit of return to be able to fly directly. Some people will want to forego a little bit of rental income. Maybe it's because it's near a school. So you need to know what your specific requirements are. Then, you go look and we can help you with that thought process. Do you help calculate the return on investment?

01:14:23

Donald Klip

Yes. We can give you the formula. It's fairly straightforward. I'll contact you directly, and we can discuss this. We went through that. I need some questions for you guys. I can answer this, but I'm going to let you guys answer this. Do you use an LLC as the legal entity to own properties? If so, do you have any insights on what state to incorporate the LLC, or do you own the properties in your names directly as individuals?

01:15:03

Han Teo

Yeah, so we do own an LLC to hold the properties. There are a few different schools of thought. Some like to do the multi-layer, one where they go set up one in, let's say, Delaware or Arizona. And those, because the LLC set up there has a bit of special protection, that's one way people do it, but that will add up on a lot more cost. And that's something that we probably would suggest only do it when your entity gets very big. It's become like a conglomerate. Like that, then you may need to pay a bit more to have this kind of added insurance protection. We do directly incorporate at the state that we do the business in, where we buy the rental properties in, because when you set up, then you become a legitimate entity within that state to operate.

01:16:03

Han Teo

It's not right to set up an LLC in a different state and then buy a property in a different state. Then you are not a legit entity that's doing business over there. You're not properly set up. Similarly, if you are from another state, your LLC is from another state, and you do business in a different state, then your tax reporting will be a little bit different. So, there will be complications involved. Not complications, but there will be a bit more steps to go through. To us, we are trying to simplify as many things as possible so we don't do all these things. So basically go decide on where you want to buy your properties and then set up, incorporate your LLC in that state, and then you can do business over there. I think I answered the three questions with that.

01:16:59

Donald Klip

And we just last week published on our newsletter a long explanation of LLCs, how to use them, and the benefits. So we'll make sure you get a copy of that. What are your fees and do you handle/assist with real property taxes that we need to pay in the U.S.? I'm not sure

exactly in terms of how to pay real property taxes. That should be paid out of your U.S. bank account so that we can advise you on how to set one up. So, in terms of fees, standard broker fees in the U.S., anywhere you go is 2%.

01:17:42

Han Teo

I think the property tax, what we understand or what we experience is the property tax, what they do is the lender will escrow, landlord insurance, and property tax. We are paying principal, interest, and escrow, which includes your property tax and your landlord, or your residential home mortgage insurance, whatever it is called. So, we pay for these four components every single month. And then a part of it will be P and I to pay off our interest and our principal. Then they will keep the escrow amount as it accumulates over the next few months. Then property tax usually, typically is usually paid twice a year, once at the start of the year, and once in the middle of the year.

01:18:30

Han Teo

And then the lender will then use the money in the escrow amount to pay off the property tax. That's what I understand, but I think there are arrangements. I'm not sure, but there are arrangements where you don't pay the escrow. You do the P and I only, and then you pay the property tax yourself. But that is not something that I've experienced before. But I heard of it before.

01:18:56

Donald Klip

I think I'll add to that. That's the fantastic thing about us mortgages. The property tax and any insurance are added into to the mortgage payment and the mortgage company pays it for you. How much does an independent appraisal cost and is it for both the value of the property and rental appraisal? Yes. Assume \$500 to \$700. How many properties do you have, Donald? Well, that's kind of a personal question. What are your initiation expenses? I found between high setup costs and higher interest rates that non-bank sources are just too expensive to use. Yeah, let me explain. 70% of all mortgages in the U.S. are through wholesale lenders. So these are banks that don't take deposits. And it's all about making the numbers work. There's no difference from what we're doing than in the U.S.

01:20:07

Donald Klip

So it's all standard practice. Let me just take a step back. My co-founder and I, founded this company, most people who open any type of business, you are addressing a problem that exists and you're trying to fix it. You want to open a burger restaurant, you say, well, in this neighborhood there's no burger restaurant. So that's a problem. So I want to fix it by opening one. The problem that we identified is that it was difficult to obtain a U.S. mortgage overseas. The fact that we're able to do this is because there's a lot of hard work. We took four years to get to this level. And quite frankly, banks around the world are not wanting to lend. So it's a misconception actually most mortgages in the U.S. are through what they call non-bank sources.

01:21:04

Donald Klip

I'll give you an example. The biggest mortgage lender in the U.S. is called Rocket Mortgages. You could google them, but they're not a bank. They do so much mortgage business, more than any traditional retail bank with deposits. So Pennymag, Rocket Mortgages, these are all wholesale lenders. These are all non-bank sources. And in terms of too expensive to use,

obviously, Han and Tracy, you have to make the numbers work, so you have to do some homework. And this is stuff that we can also help you with. Please email me. Ah ok I think. Tracy and Han, do you do the property fixing upgrades yourself, or do you do it remotely via a contractor?

01:22:00

Han Teo

Do you want to say, Tracy?

01:22:03

Tracy Pah

No, we do it remotely. We don't fly there and fix up our properties, so we do it remotely. Your property manager can do it for you. If it's a very very major renovation and it's out of the expertise of your property manager. There are a lot of general contractors you can get. How do you watch over them? It's just like how you watch over any project going on. You need to have a timeline and a contract. Week one, finish what? Week two, finish what? Have photos, have video calls with them, and go through the progress. Maybe every week or so, you go through the progress and then split your payment into payment milestones, progressive payment. So that's how you manage your risk. I think it's probably the same as managing any project that is overseas or remote. So, just manage your risk. And yes, we don't fly over to do it ourselves. We use technology. Technology is so good nowadays. We can video call, photos, and everything.

01:23:09

Han Teo

I think ultimately it's what kind of lifestyle that we want. I think there are a lot of types of investments, crypto, REITs, stocks, and all those gold forex. I think we pick this asset classes because we have a vision of our lifestyle, we want to retire early, we want to travel the world, and we want a type kind of time freedom that allows us. So we deliberately designed this whole thing such that we can remotely obviously there are some people want to roll up their sleeve and go and do all the hard work and save the money, but as I mentioned, we designed this way, so we came up with the processes to make sure that it is remote. So we have boots on the ground that can help us to verify certain things.

01:24:05

Han Teo

We have different layers of checks, independent from each other so that not everybody is trying to work for one person, but everybody is working for themselves and me so that I can always ask one person to check on the other person's work to get all these things done and things like do we want to fix it ourselves? I think there's a lot of things. First, I mentioned I don't travel the world. I don't want to fix things myself. But secondly, I don't have the know-how to go and do it myself. I can google, and I can try to frame the question after I google to find the solution.

01:24:37

Han Teo

But in the end, that is just me trying to vet the contractor to know how competent is he when he described to me how he's going to solve the problem at hand. That's just a long answer for this thing. Basically we deliberately designed this whole process to allow the lifestyle that we want.

01:25:01

Tracy Pah

Yeah, and it's not sustainable to keep on flying there to fix it. Imagine you are scaling to 5-10 properties. It cannot be that you're flying there ten times a year to go and fix things. And as we said, there is expertise involved. Things like electricals, how do you rewire stuff in the house? That's clearly not our expertise. So we might as well pay the pro to do it. At the same time, we always have an eyes-on, hands-off approach to know what's going on.

01:25:32

Donald Klip

Yeah, good.

01:25:35

Han Teo

One more thing. Sorry, I forgot to add one more thing. That's the most important thing. When we select our cities, we deliberately project numbers to be able to pay for all these intermediaries to help us solve the problem without us doing it ourselves. Similarly, when we do our due diligence on the specific asset itself, we also cater for buffers, for contingencies. We allot all this amount so that if things happen, we know that this is the amount that we are going to reserve basically to go and pay for all this work to be done. So we are not at a borderline whereby we need every dollar and every segment. So we buffer all this into our projection, our performance. And when things happen, we are like, okay, call and get someone else to go and settle it. We budget for all this insight.

01:26:32

Tracy Pah

I think since we're on this, I saw that there's another question to ask. Are you worried that contractors will take advantage and overcharge you for materials? So actually you can just go to Home Depot or Lowell's website and search how much it should cost. Don't be afraid to negotiate. Let's say you go on to Home Depot. Home Depot is like their courts or their Harvey Norman like that. There's a shop that sells a lot of home supplies. So, it's all online. You can go to their website online. Let's say you want to buy a refrigerator. You go online, you see, oh, refrigerators cost, you can get a lot at maybe \$400. And then the contractor comes and charges you \$1,000 for the refrigerator. You can just print screen, show him, and say, hey, "Home Depot is selling for only \$400. Why are you buying it at \$1000?" And don't be afraid to do that. They are more than willing to listen to you and negotiate on your terms. You can even say, "Yeah, I say Home Depot has this new model. You just go and buy this one." So, it is very flexible. So that's why we always say, eyes on, hands off. It is not everything off, and let them just do everything and slap you an invoice at the end of it.

01:27:48

Donald Klip

Another thing that people do is you can buy the refrigerator, have it delivered, and then have your handyman actually take the refrigerator, pay him a little bit of money, open the box up, throw it away, and put it in the kitchen. It's so transparent.

01:28:05

Tracy Pah

So many ways to do it.

01:28:09

Han Teo

And I want to add that, yes, we definitely worry about this. Yes, there are always contractors that will possibly cheat you, but I think you can always get referrals because. Let's say you ask me like, hey, I need someone to do painting and I refer to someone to you. I wouldn't

refer just anyone to you. I refer someone that I trust, that I have worked with, and I'm comfortable with giving you. If anything happens and things don't go well, you will blame me. When I refer, I will call the person and say, "I'm going to refer someone to you." And then I will of course tell them, please take care of this person.

01:28:55

Han Teo

If this goes well, I can always have trust that I can refer the next person to them. So I think this is a thing that we do try to advocate in the sense that do try to verify. You can do Google reviews. Google reviews can only go so far but really talk to practitioners, talk to people in the city who are doing the same thing as you, and then ask them who they're using. Then with that, I think it doesn't eliminate the risk, but it reduces the risk. So that's what I want to add. Thanks.

01:29:28

Donald Klip

Okay. So another question is, do you have to file 1040-NR tax forms? It seems like you're quite informed, so you are required to pay U.S. tax. But the amazing thing about the U.S. is that as a foreign national investor, you get the same tax benefits as a U.S. citizen. We have amazing tax advisors to refer to. And I think one thing I'd like to add is with the right CPA education and structure, it's possible to not pay taxes. There are just so much strategies out there to work for you. How does refinancing work in terms of timing? Is it realistic to refinance over twelve months, etcetera, in costs, for example, if my financial situation changes or the Fed reduces interest rates quickly by 1.5% over the next twelve months?

01:30:29

Donald Klip

Okay. Refinancing, most loans will have a prepayment duration, which we help you negotiate. It's usually two years, but you can buy that down. And these are all things that we can help you analyze and structure the right program for you. U.S. Fed funds rate, people think mortgage rates are fed funds rates. They're unrelated. Fed funds rate is the rate that banks borrow from each other for short-term liquidity. Now, it's somewhat correlated to mortgage rates, but it's not a driver of mortgages. This is what Han does. And Han and Tracy buy, refinance a bit of strategy. But refinancing is a big part of what we do.

01:31:31

Han Teo

Donald, I think there's one question, how fast can they refinance? I think there was one question. Since you're on this.

01:31:36

Donald Klip

So these take 30 to 45 days. If you use bridging loans, they're much faster if time is sort of the priority, and those can be done in a matter of weeks. But any standard loan takes about 30 to 45 days.

01:31:52

Han Teo

I think what the person is asking is, after they buy I believe all the cash, how long does it take for them to be able to do a cash-out refinance?

01:32:05

Donald Klip

You probably need to hold the property for six months if you want to use a new value. I think we're done. We've answered all the questions. So why don't we do this? We'll do a closing. First of all, from America Mortgages and Global Mortgage Group, I want to thank everybody for tuning in. It was a lot more sign-ups and engagements, which we really like. And I want to thank Han and Tracy for joining us. I encourage everybody to sign up for their webinar. I've joined it. I've learned a lot. These guys have a great strategy and they're super friendly and approachable. So with that said, I'm going to leave Han and Tracy to send this off in the right way.

01:42:25

Tracy Pah

Send this off. Hi, thanks so much, guys, for spending your time with us today. I know that it's a very new topic in a sense that even when we started, we did not know. Even up today, we don't know anybody else from Singapore doing U.S. real estate investment on this kind of scale, to make it your core business and also to gain financial freedom from there. So obviously, when we started, we received a lot of negativity from people doubting us. So the fact that you have bothered to spend your time here to listen to us, we appreciate that.

01:34:10

Tracy Pah

Again, we do have the free webinar coming up on 31st January, so feel free to join us again where we can share more information about U.S. real estate at the same time. Any questions you have, just feel free to email us at admin@bitesizedinvestments.com or on any of our social media, Facebook message, Instagram message, anything. So we are really happy to grow our community and to connect with more like-minded people like us. So, thanks again so much for being here.

01:34:46

Donald Klip

So with that said, for those of you in Asia, have a good evening. For those of you in Europe, thank you for waking up and listening to us. And for those of you in between, thank you for this engagement, and look forward to hearing from all of you.

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