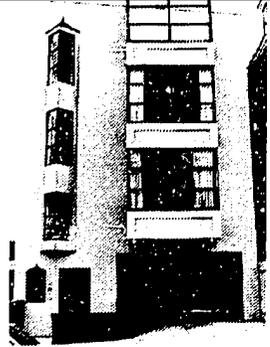




7950 48th Avenue, Sacramento
Purchase price: \$46,500

7801 Vallecitos, Sacramento.
Purchase price: \$43,715



2600 Sutter, second-floor unit,
San Francisco Purchase price:
\$185,000

CON KEYES / Los Angeles Times

CHALLENGE: Boastful Investor Accepts—and Wins

Continued from First Page

began calling sellers and Realtors. He made a point of calling real estate people who specialize in property exchanges—among the most creative-thinking types in the real estate field, he believes.

10 p.m.—We were both ready for bed. The room light was out. Allen recited his problems—too few classified ads in the paper, for one. "I could make excuses all day. It's just harder (in San Francisco), that's all."

10:12 p.m.—The phone rang. The owner of the \$158,000 condo in Diamond Heights area said, yes, a nothing-down deal could be arranged. An appointment was made for Tuesday.

"By the way, you wouldn't be the one that wrote the book?" asked owner Richard (Rocky) Lane. "Yes," Allen said.

Allen hung up and clapped his hands in obvious delight. "That's 10:12. Mark that down," he ordered me.

It was certain he would succeed. I couldn't have been more disappointed. It was too soon—his fortunes had changed too fast. There were still two days left.

TUESDAY, JAN. 13

6:45 a.m.—Allen was up for his daily running routine, with some cash to buy a paper. I didn't join him. (No shoes, you know.)

8 a.m.—The first to call in to the hotel was Lucille Meyer, a San Francisco developer who was selling property both for herself and friends. A morning appointment was made to see the properties, one a flat in the southern Pacific Heights area and the other a townhouse in Noe Valley. "You wouldn't be satisfied with just one (property), would you?" Allen asked me smugly. "Your editor would be upset." Allen clearly had turned cocky overnight.

11:30 a.m.—We arrived at Rocky Lane's office in Menlo Park to talk about Lane's \$158,000 condo in the Diamond Heights section of San Francisco. The setting was spectacular, a two-story Victorian mansion known as Bright Eagle—home, appropriately, of Bright Eagle Investments, which sells limited partnerships in real estate.

The place, as Lane would tell us, is 111 years old. The pool table is only a year younger. The firm had spent an obvious fortune renovating the mansion. Brass hinges on the doors cost \$60 each. Lane assured us that prospective investors never questioned the firm's integrity or competence when they see the place. I certainly didn't question its affluence.

We sat at a huge wood table in a massive high-ceilinged conference room. Lane, 28, a big man with an open-collar shirt and cowboy boots, did most of the talking. Before we knew it, the deal was signed.

Allen would assume an existing first mortgage of \$125,000 on the Diamond Heights condo. Lane would take back from Allen a second mortgage of \$21,000 and a third mortgage of \$12,000, both requiring 10% interest

payments only but due in three years. But Lane added one curious proviso: The purchase price would not be listed as \$158,000, but rather as \$173,000.

Why? That way, it would appear that Allen had made a down payment. And, as Lane explained, it would be easier to sell the second trust deed to some "little old lady" with money to invest. The addendum to the purchase agreement actually provided for a \$15,000 credit to Allen "for negative cash flow and cost of improvements."

To help with the sale of the second trust deed, Lane also requested a financial statement. When Allen hesitated, Lane suggested he just write something on a piece of paper. He didn't care whether it was accurate. "If you give it to me, it's OK," I recall Lane saying.

With the deal signed, Allen handed Lane a dollar bill and an autographed copy of his book. Inside, he had written, "Thanks a million."

(Some may wonder whether, by knowing of Allen, Lane offered him a better deal than he would to someone else. Last week, I called Lane. He said he had never met Allen before and had bought the book for a realtor friend. He never read it himself: "I don't think there's anything in the book I don't already know." Lane said the classified ad offering the condo for sale had run for two months. The "8% down" mentioned in the ad was merely to cover anticipated realtors' commissions, which were never needed, and other costs. A nothing-down deal could have been arranged with anyone, he said.)

(Lane said he bought the condo in September for speculation and paid only \$122,500. Because a savings and loan firm had appraised it at \$165,000, however, he was able to get a loan for \$125,000 and pulled out \$2,500 in hard cash for himself. Despite the nothing-down sale to Allen, Lane said he still expected to get some cash—by selling the 10% second trust deed through a mortgage broker. He said he'll probably be able to sell it for \$15,000 to \$16,000 cash—a discount from the \$21,000 face value. Not a bad profit on a property he'd held for only four months.)

(As Allen would tell me later, a nothing-down deal doesn't mean the seller can't get some cash for himself. "It just means it's not (the buyer's) cash. It doesn't come out of your pocket.")

(As for his writing in a phantom down payment in order to help sell the second trust deed, Lane said, "I don't feel I'm taking advantage of somebody." The recent \$165,000 appraisal on the condo, he said, indicated plenty of equity to cover the note in case of foreclosure. Moreover, Lane said, the holder of the second trust deed could seek a deficiency judgment against Allen if he doesn't pay it off.)

8:30 p.m.—We had spent the afternoon proposing offers to two realtors who specialized in property ex-

Please see CHALLENGE, Page 4



1570 Newcomb, San Francisco
Purchase price: \$80,500
Purchased from a widow through
Burlingame realtor George Simpson

1. Because the property is free and clear of any debt, Allen will obtain a new loan from a bank for \$50,000:

- (a) Seller will receive \$45,000
- (b) Allen will receive a \$5,000 share of the loan in cash for himself.

2. The seller will take back from Allen a second mortgage for \$30,500 at 13%, due and payable in five years. No payments are due for the first year, and interest only is due thereafter. Interest on the first year is due on January 18, 1982.

Note: The notable feature of this deal is that Allen will pull out \$5,000 cash for himself. But Allen acknowledged that a bank would be worried that he will walk away from the property—refusing to pay either of his loans—after he receives his \$5,000 from the first mortgage. To satisfy the bank, Allen said he will probably have to use his equity in other property as collateral for the \$30,500 second mortgage, creating a so-called "blanket mortgage."

Allen will be obligated to make about \$300 to \$900 in mortgage payments per month.

1(a)
1(b)
2



1450 Via Loma, Walnut Creek Purchase price: \$174,000 Purchased from: Robert W. Laurence

CON KEYES
Los Angeles Times

1. Allen will assume an existing 28-year first mortgage of \$93,000 at 11 $\frac{3}{4}$ %.

2. Laurence will take back a second mortgage of \$63,600 from Allen. This trust deed requires interest payments only (at an 18% annual rate) but is due in full in two years. Laurence plans to sell the second trust deed at a discount, probably netting more than half the face amount in cash for himself. A mortgage broker would buy the note from Laurence and sell it to an investor, who would get a substantially higher yield on the discounted note.

3. Laurence will take back a third mortgage of \$12,180 at 15% due in two years.

4. Laurence will take back a fourth mortgage of \$5,220 at 15% due in two years. Proceeds of the note, however, will be assigned to a real estate firm as its negotiated commission. This is in lieu of a cash commission being paid by the seller to the realtor.

Note: In total Allen is obligated to make about \$1,800 in mortgage payments each month. He intends to keep the place and offer half ownership with nothing down to any occupant willing to assume the full monthly payments.

CHALLENGE: Buying Property Without Cash

Continued from Second Page

changes. And we took a break of an hour or so to see Holzhauser's son play varsity soccer. The game finished zero-zero in double-overtime.

We checked into another cheapie hotel—Alamo Gardens, on the East Bay. Our bill for one double and one single bed was \$26.65, which we split. The cash balance in Allen's pocket was \$24.03.

We spent the night discussing Allen's background and philosophy.

Born in the Canadian province of Alberta, he was president of his high school. As Allen describes his election, the opponent was "just some Japanese guy who didn't have too many social skills."

After a year at Ricks College, a Mormon school in Idaho, Allen went on a 2-year Mormon mission to Tahiti, where he learned French and Tahitian. Upon his return, at the age of 21, he studied one semester in France under the sponsorship of Brigham Young University. He thought he might want to be a French teacher. Without any clear goals, however, he sought his MBA at BYU. "It was really a way to waste two years till I decided what I wanted to do."

His real estate interest was sparked when he glanced through a book off his brother-in-law's shelf: "How I Turned \$1,000 into Three Million in Real Estate in My Spare Time," by William Nickerson. Allen began writing down goals, and his first was to have a net worth of \$100,000 by the age of 30. "I tried to pick the biggest figure I could imagine."

His net worth today is \$1 million, he said. He has about a dozen properties. But his seminar business, he acknowledged, brings in more money than real estate.

The seminars took off in the spring of 1979 when a Reno, Nev., marketing outfit approached him about promoting them for a cut of the gate. His firm, Investment Seminars Inc. (a subsidiary of Robert G. Allen Associates) sponsors a seminar sequence that begins with one free lecture and continues with a \$395 weekend course and a \$195 advanced seminar. His firm takes in between \$2 million and \$3 million yearly in revenue. Allen nets \$400,000 a year for himself.

I asked Allen about his next goal. The key date, he said, is May 20, 1983, his 35th birthday. "I'll be shifting gears. Business won't be so important then. I owe some time to the Lord."

Allen is a lay counselor to one of the bishops on the Mormon Church. I asked him why he had to set a date for focusing on the Lord. "I decided in my mind that I could go through my whole entire life pretending that He was first and deluding myself. So I said to myself . . . I should set a date when He will definitely be No. 1."

Back to business, I asked how he would handle the enormous mortgage on his properties—especially since the rents wouldn't be enough to compensate. He said he would run advertisements offering half-ownership with

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CHALLENGE: Nothing-Down Real Estate Deals

Continued from 4th Page

nothing down to tenants who would make the payments. In the first year, for example, they might have an option to buy out his own half-interest for \$6,000.

In short, he would get \$6,000 with zero investment. "It works so well," Allen said.

(Last week, Allen told me he will soon run the following ad for the Diamond Heights condo: "NOTHING DOWN: Why rent when you can buy? I will immediately deed to you one-half interest in beautiful two-bedroom condo with view. You make monthly payments. No qualifying. Option on 100%.")

WEDNESDAY, JAN. 14

It was a busy day. I told Holzhauer who I was. Then we had photographs taken of Allen.

By the time the day was over, we had driven 240 miles and Allen had obtained agreements on another five properties—written purchase agreements on two single-family homes in Sacramento and a four-bedroom townhouse in Walnut Creek plus verbal agreements on the flat in San Francisco' southern Pacific Heights section and another home in Sacramento.

Total value of all his deals, including the Diamond Heights condo, came to \$642,215. He wasn't obligated to make a cash down payment on any. (The next day, verbal agreement would come though on a seventh place, a \$80,500 home in San Francisco.)

To be sure, the enormous mortgage payments on many of the properties presented major risks. Major loans would come due within two to three years, and Allen would have to pay up somehow—refinancing, sale of the property, or from his own pocket. But Allen figures that, with the property increasing in value, an 80% conventional loan on his property in three years will cover 100% of his current obligations.

420 Las Palmas, Sacramento Purchase price: \$35,000



CON KEYES / Los Angeles Times

But if interest rates skyrocket in the meantime or home prices fall, Allen could find himself in deep trouble.

Allen concedes that, for many, the risks can be frightening. "The word 'mortgage' in French means pledge until death," he said last week. "Real estate has its severe psychological hangups for people. They just don't have the experience . . . I'm scared every time I sign a mortgage. It's just something I'm born with . . . I just reconcile that by knowing I've made so much money."

5:15 p.m.—In the car, Allen suggested we stay in a more luxurious hotel that night. Probably tired of my face, he also chose not to share a room. "I think we'll call it quits," he said. He gave the remaining \$20 to Holzhauer for his gasoline tab. I returned his wallet.