

The Advanced Teachings of Mrs. Langerhorn: 19

By Klarise Yahya, Commercial Loan Broker

Note to the Reader ... These are not the notes of our conversations that were published earlier under the title “Mitochondria Learns to Invest”. These are the papers Mrs. Langerhorn left me after she passed away. They are her advanced teachings, and as such they overlap and reinforce her earlier principles. I hope you gain from them as much as I did. The earlier lessons are incorporated in the book “Stairway to Wealth” available at LuLu.com

The Inspection Report

Everybody gathered in the kitchen of the front unit. There were no chairs so we just stood near the counter so there'd be a place to write. The appraiser didn't want to stay around – there was no reason for him to do so – so he said his good-bys. That left the termite guy, the building inspector, Ben, my husband, and me.

The termite guy said he found insect damage and took us outside to point to areas he considered suspect. We took his word for it as neither my husband nor I were willing to climb to the roof or crawl beneath the building. In later years I often thought that he knew we weren't going to personally inspect the areas where he said he found termites and that built his quote around that knowledge. He bid \$2,853 for repairs. We said we'd get back to him and he left, but not before making sure we each had one of his cards.

Ben stuck closely to us. I'm sure he wanted to know everything so he could report to Mrs. Mehatabel.

The building inspector was next. We returned to the kitchen. He began by observing that the buildings were older than either my husband or I and that problems were bound to appear over time. Then he paused and looked at each of us, waiting for that little bit of wisdom to sink in. When he was comfortable that we expected the worse, he continued. “Not everything is equally bad”, he said. “The health & safety items should be repaired before anybody moves in. Non-urgent items are things that should eventually be corrected but aren't necessary for the units to be habitable.”

My husband was sanguine, but I was apprehensive even though he'd told me two or three times that the property's condition was not our problem. We didn't own it. Mrs. Mehatabel did. Any serious difficulties she would have to take care of (or we'd adjust our offer to reflect the necessary corrections). I knew what he was saying was right, but after all the time we'd put into the units so far, I just felt committed to the purchase.

The inspector first went down his list of non-urgent repairs, and there seemed to be a lot of them. One that I thought a little scary was that he said the water pressure was low. I

thought it was odd that he thought this was a non-urgent item. He said people could get along with the present water pressure, but that one day we'd have to re-plumb. I panicked over that and insisted that he tell us how much it would cost. The inspector was reluctant, but after clothing his estimate in layers of weasel clauses, he mentioned a price that was a lot less than I'd expected. He said that he thought that most folks overestimate the cost of re-piping. There was only minor settling of the foundation and the floors remained level. The inspector asked us to come with him to one of the bedrooms where he pointed to the upper right corner of the window and drew our attention to a crack in the plaster extending out at about a 45 degree angle. Next, he pointed to the lower left corner and we all saw a corresponding crack at about a 45 degree angle extending from that corner. The inspector then pointed to the window's opposite corners where we saw similar 45 degree cracks. My husband and I just looked at each other. I had no idea what they meant, but I hoped he did. The inspector traced the lines with his finger, from upper right to lower left then from upper left to lower right. "These are the characteristic X-shaped cracks of earthquakes", he said. "First, the quake moves the structure this way, making this crack," he indicated one axis of the X, "then the other way". He indicated the other axis.

We looked at each other with alarm. Neither my husband nor I wanted to deal with earthquake damage. We were suddenly grateful we'd hired this guy!

Then the inspector said, "But look at this". He opened the lock on the double-hung windows and easily slid the windows up and down in their tracks. "Even though at least one earthquake came through here sometime in the past, the windows still slide smoothly. I checked the doors, and they swing smoothly as well. So the earthquake came and left, leaving only the characteristic "X" shaped cracks but not damaging the structure. Looks like you've got a well built project, here." My husband and I smiled at each other. We always knew this would be a good investment. "So once I noticed the cracks", he continued, "I went under the units and saw that the building was bolted to its foundation. That was nice to see".

The inspector took us outside to look at the fuse box. He said that the wiring was old and was nowhere near current standards. "This is the only serious health & safety issue I could find", he said. "The plumbing is usable, the structure sound, and the roof is Watertight", he smiled, "at least until the next rain".

I asked him about the price to rewire, but he refused to make an estimate. He insisted we call some electrical contractors and get bids.

Finally, the inspector took us outside and had us walk to the back of the lot, by the fence. He knelt down and pulled out some grass by its roots creating a small bare place. He scraped up a little dirt and put it in the palm of his hand. Standing up, he turned to my husband and said, "Feel this". My husband did so, but he clearly had no idea of what he was doing. The inspector said, "It's dry". Then he turned his hand over and brushed the soil from his palm.

We followed him to the rear of the units where the process was repeated. This time it was obvious that the dirt was wet. It wasn't mud, but it was wetter than "moist".

The inspector pointed at the clump in his hand and said, "The rear of the yard is dry, but here it's wet. It looks like you might have a drainage problem". He looked at me. "I have no idea – none – what it might cost to cure this item. It's not a health & safety issue, so it's not urgent. But, in a perfect world, we would have drainage away from the structure." He continued, "You may not have to re-grade the lot. It could be as simple as installing a French drain."

Of course, I asked him what a French drain was and he said it was a small trench filled with gravel that would drain water away from the structures. It's normally created pretty close to the foundation and can often be incorporated in flower beds so it's unobtrusive. The inspection was nearing the end. He talked a little more about the host of non-urgent items and promised to write up his report and send us a copy. We said our goodbyes. Only Ben remained with us. My husband turned to him and said, "Well, what do you think?"

Ben was noncommittal. He said he'd tell Mrs. Mehatabel what had happened; then he asked to see the inspector's report when we received it. My husband said he'd be happy to show it to Mrs. Mehatabel, but he wanted to negotiate only with her. Ben accepted that, shook our hands, insured that the units were locked, and left.

So, it turned out that the units needed a lot of small repairs but were fundamentally sound. We would get quotes for the repair of the electrical system. My husband observed that, yes, the plumbing and drainage may not be health & safety issues, but they were potentially costly problems. We expected to negotiate a discount in the purchase price at least equal to the cost of repairing these three items.

If we negotiated a fair price, the money we pulled out from refinancing our first units would be enough to buy these. My husband and I were so excited!

Klarise Yahya is a Commercial Loan Broker. If you are thinking of refinancing or purchasing five units or more anywhere in the U.S.A., Klarise Yahya can help. Find out how much you can borrow! For a complimentary mortgage analysis, please call her at (818) 500-9966.