



# RV PARK MONTHLY

October 2012



The RV Park Home Study Course includes a manual, due diligence manual and 24 hours' worth of material that will teach you how to BUY, SELL, OPERATE, AND TURNAROUND any RV Park.

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## *Memo From Frank & Dave*

It looks like the RV industry hit bottom in 2009, according to recent articles by stock researchers. The stocks of Thor Industries (the nation's largest RV manufacturer) and Winnebago have been increasing due to continued better earnings which began in 2010. So why are RV's selling in such a lousy economy and with high gas prices? We think the answer may be in sheer demographics. The baby boom is aging and reaching retirement age at a giant volume every day. These new retirees are going to do what they've always planned of, regardless of gas prices. The economy doesn't matter much, as these folks don't have jobs. They are out to have fun, and their biological clock is ticking. You can imagine what the industry would be like if you combined that demographic with low gas prices. That's why RV Park investing is still a good contrarian bet.





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## **I've Been Sued. Now What?**

**by Kurt Kelley**

Being served with a lawsuit is no fun. For many, it's scary and confusing. A lawsuit (aka: Petition/Complaint/Claim for Relief/etc.) is a legal document that outlines someone else's complaints against you. It's a one sided story that may not have any basis in reality. Take a deep breath. Don't panic. Here's a plan.

**First**, realize that you only have a certain amount of time, often 20 days, to respond with a written Answer to the Court from the time you are served with the lawsuit. If you don't respond on time, a judgment based solely on the Plaintiff's alleged facts can be entered against you, no matter how inaccurate, unfair or slanderous their allegations are. Once the Judgment is entered, it is expensive, difficult, and time consuming to challenge.

**Second**, even though the allegations may be personal and completely false, resist the temptation to call the plaintiff or his lawyer directly and argue about it. Everything you say to them can be used against you later. Instead, contact them via counsel hired by you or your insurance company. Furthermore, don't talk to anyone about your lawsuit except for your defense team. Your employees should be strictly instructed to do the same. If someone calls wanting to talk about the lawsuit, politely tell them that they must refer all inquiries directly to your counsel. What your representatives say can't be used against you.

**Third**, notify your insurance agent. You may have insurance coverage that would not only pay the claim if you lose, but also pay the entire legal defense bill. The cost to defend a claim can exceed the cost of the actual damages alleged. If there is no insurance coverage, then hire legal counsel yourself. Experienced lawyers who specialize in your business or this type of lawsuit should be your first choice. If your insurance coverage is something less than complete, ask your insurance agent if you should hire counsel directly in addition to the insurance company's supplied counsel.



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**Fourth**, don't take the lawsuit personally. Turn it over to your defense team and let the pros handle it. Thousands of lawsuits are filed every day. We only hear about a small percentage of them. Many are completely baseless. Operating a business in the U.S. today means you'll likely be sued by someone some day for something. Once your counsel files your Answer in court, the real business of litigation starts. Only about 3% of lawsuits make it to trial. The other 97% are handled by Summary Judgment, mediation, arbitration, and/or settled prior to trial. Trading information with the other side, the Discovery Process, is often the most time consuming and complicated part of the whole lawsuit. Good record keeping pays big dividends during Discovery.

So, if you are served with a lawsuit, relax, take a deep breath, have a glass of wine, then pull out this article and follow the steps until your representatives take over. You're now a member of a large and non-exclusive group of lawsuit Defendants. Welcome to the club.

Kurt Kelley  
President  
Mobile Insurance  
Kurt@MobileAgency.com

## RV PARK TRIVIA

- ✚ Did you know that the most expensive RV in the U.S. is the Platinum Plus model at \$2.5 million? There's also a \$3 million model, but it's not available in the U.S. yet.
- ✚ There's roughly 13,000 RV parks in the U.S.
- ✚ The first indoor RV Park just opened in Williston, North Dakota. The rates are \$1,300 per month.





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## Credit Reports....No Maserati's please!

Over the years, I've worked with all kinds of investors...from those just starting out with their very first commercial investment, to CEO's of Fortune 500 companies developing large parcels of raw land into mega malls. One thing holds true...most of them don't know the first thing about their credit reports or how to use them.

Recently, I had a client I was working with to refinance a number of properties for. We were inches from the closing when the lender contacted me to inform me that they had declined the transaction...

Dumbfounded, I asked 'why?'....The lender had to pull credit right before the transaction closed, as is customary, and found my stellar client's score had dropped from the 700's to a 569!

In speaking with the client it became clear that he had maxed out his credit cards and gone over-limit on another project not realizing it would affect the loan. He had millions in the bank but not a clue as to how to use credit properly.



### What's Your SCORE?

Average US Credit Score is 678

Excellent: 750 and up

Good: 720 - 749

Fair: 660 - 719

--- 678

Uncertain: 620 - 659

Poor: 619 or lower

Fortunately, after a bit of research, I was able to repair the credit and proceed with the transactions but it isn't always an easy fix. Sometimes a credit mistake can haunt the client for years. Most transactions will remain on your credit for up to 7 years!

'I don't need to show you my credit, this is a commercial property!'....If I had a dollar for every time I've heard that in my career. To some degree that is true, commercial mortgage loans rely to a great extent on the property itself for cash flow and the borrower's PFS (personal financial statement) however, the lender still wants a snapshot of who they are dealing with and a tri-merge credit report is their best ally. Whether recourse or non-recourse loans, a lender may ask for a credit report at any time, so it is best to keep the credit well-tuned while going through the process.



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Whether you close accounts, go over limit, inquiry about a new car....all of these are affecting your credit scores and can turn a 'yes' into a 'no' very quickly in the lender's eyes.

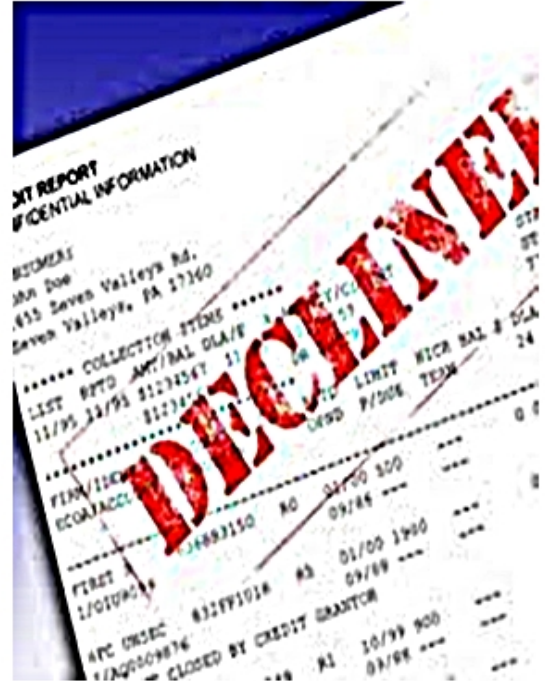
When you close an account, it narrows the field of available credit on your report so instead of having \$50,000.00 of good open available credit, when you close a credit card with an available line of credit for \$10,000.00, you have just reduced the available credit by 20%! When a creditor then looks at your credit, he then has to look at how much you are paying on in house mortgages, car notes, etc. If you've reduced that available credit pool by 20%, it makes you appear to be a much higher risk, whereas if you'd left it alone and simply not used it, you look like a client in control of their finances who doesn't need to use the credit card for \$10,000.00.

Over limits are a sign of someone who is overextended and cannot meet their day-to-day obligations. If you use a gas card and pay off the \$300.00 balance every month, that's one thing, but taking a \$15,000.00

Visa card to \$18,000.00 over the limit in one month is another, especially if you don't have the available cash to pay it off at the end of your shopping spree. The underwriter knows you aren't just looking to max out your 'frequent flyer miles' with that kind of expenditure so keep your splurges to a minimum while you are financing property.

Multiple inquiries are another definite 'no-no' and will fast-track you to the underwriters 'declined' pile. When you are in the process of refinancing with a lender, do not start a refinance on your beloved vacation home that is nearly paid off or look into purchasing the latest red sports car. It is a red flag to underwriters as well as another inquiry on your credit which can drop your overall scores.

Another thing...your 'free credit report' is not the same as a mortgage report (aka... 'tri-merge').





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There are three credit bureaus (Equifax, Experian and TransUnion) and all three must be present on the report for consideration which is why only your mortgage broker should pull a fresh report. Additionally, it contains information not included on the 'free report' and is much more comprehensive. I recently had a client pull her own credit from 'free credit report' only to find that we had to pull another one directly afterwards which likely cost her a few points on her credit.



Why does an inquiry cost you points on your report? Think about it...if you were lending money to someone, would you want to lend it to them only to find out they'd gone to 10 other people, borrowed the same amount from each of them, only to not be able to pay back anyone as they are now unable to make all of those payments? Of course not and neither does the bank. If you are taking out a loan on a \$5,000,000.00 property, the bank is committed to making sure you can make those mortgage payments and the system of 'checks and balances' available to them is the credit report. If you make one inquiry, it typically won't

affect your score much, if any. Making multiple inquiries is a sure way to drop your scores as you are now a higher risk to anyone who may loan you money as you appear to be looking for multiple loans...

The bottom line is...When you are getting a mortgage loan, don't make a move without checking with your loan officer first. It's best to close your loan first and go Maserati shopping second!



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# RV PARK MONTHLY

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## RV Parks for Sale

- Moab, UT
- 110 Lots
- Cap Rate is 12.0%
- \$4,200,000



For more information, contact  
Steven L Weinberg of  
The Brokerage Real Estate at  
800-945-0255

- Fort Bragg, CA
- 73 Lots
- 65 Acre(s)
- \$1,995,000



For more information,  
contact Lee Exum at  
707-964-8297

- Klamath, CA
- 105 Lots
- 26.9 Acre(s)
- \$1,399,000



For more information, contact  
Donna Zorn of Ming Tree Real  
Estate.com at  
707-951-0857

- Somewhere in CO
- 119 Lots
- 10 Acre(s)
- \$2,250,000



For more information, contact  
Steven L Weinberg of  
The Brokerage Real Estate at  
800-945-0255

- Lincoln, WA
- 6 Lots
- 22 Acre(s)
- \$300,000



For more information, contact  
Jack Morse of Windermere  
Real Estate at  
509-994-0030

- Cedar Key, FL
- 63 Lots
- 4.7 Acre(s)
- \$1,700,000



For more information, contact  
Andrew Beachum of Sunset Isle  
RV Park and Motel at  
704-231-0747