"A little knowledge is a dangerous thing... a lot of knowledge is much safer."

By Phyllis Rockower, www.realestateclubla.com

Even though you don't need a degree (either legal or brokers) to do real estate, it's important to learn the law. This is true for many reasons. First, you don't want to get sued or arrested. Second, you don't want your tenants to have the upper hand.

When dealing with tenants, they say that whatever you don't know about being a landlord, your tenants will teach you. That holds true for landlord tenant law. For starters, you should know every statute - what it says about deposit returns, evictions, non-compliance, and disposing of left behind furniture. You will always hear from a disgruntled tenant you are having a problem with that he/she is going to get a lawyer and sue you. If you are up on the law, you will be able to laugh at that. I can't tell you how many times I've heard that and then, if and when they go to an attorney, the attorney tells them I'm right.

You should also know municipal laws that affect your property, and criminal liability laws. What happens if one of your tenants is caught doing drugs in your property? You could be liable.

What are the laws regarding fair housing? What can and can't you do? What if your property manager screws up?

It's also important to know about lead-based paint laws, mold laws and how they will affect you. What about environmental laws and liability?

Another area, which is important to know, is tax law and entities in which to hold title to protect yourself. These are only a few of the areas that you need to be familiar with. If you take some time to be knowledgeable, I guarantee that you will save money in the long run.

More School of Hard Knocks Advice

1. Cross out any mediation clause in your Realtor contracts. If you get involved in an argument over deposit money being held in escrow if the deal goes bad, it can cost you more money to be right than the deposit itself. That clause forces you to go to mediation at $200 per HOUR. That is in addition to any attorney costs. We know first hand about this.

2. Get a contractor/handyman to sign a release of lien BEFORE he starts the job. If you have a dispute over work or money, he can hold up the sale. It doesn't matter whether he is justified at all.

3. Make your buyers inspect the house BEFORE you sign the contract. Don't give them any days to get out of the deal. Otherwise you waste too much time with all those days for this and that. You could still be advertising and showing the house and taking other possible contracts.
4. Don’t sign a contract to sell your house with an unqualified buyer. Get the right in your contract to be able to contact the lender yourself without any interference from the broker. That way you have a better - not absolute - chance to find out how good the chances are of them getting approved.

5. Do your homework about the comps - don’t take the realtor’s word for it. Act like an appraiser and physically look at the comps. Knock on doors and talk to the people to get information about their houses as compared to yours.

6. If you have a lock box on your house and it is not sold thru a broker, once you have the signed contract, take the lockbox off. I recently had an experience where the prospective seller went into the house and started fixing it BEFORE the closing - without my permission. On first glance you might say, so what. However, they could do a lousy job, do repairs without getting needed permits, or quit in the middle.

7. Make sure all the improvements are on the records and legal. Otherwise you will have to bring the illegal additions up to code (and maybe everything else). Believe me, you don’t want to deal with a city inspector.

8. Always follow up with prospective sellers until it closes escrow. Many deals fall out and little motivation turns into major motivation.

9. When you are going out to get a contract signed and the house is vacant, take your sign and a lockbox with you. They go on the property before the ink is dry.

10. If you have a signed contract and are not sure if you made a good deal, put an ad in the Sunday paper advertising the house. If you don’t get the phone ringing off the hook, maybe you’d better think again about following thru. (Of course you have weasel clauses, don’t you?)

11. Don’t wait until you have verified all the details before signing the contract. Get it signed and then do your homework. Again weasel clauses.

12. Before agreeing to a hard money loan, make sure you know what questions to ask the lender.

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