

business

## Mobile-home millionaires

By Tom LaRocque Special to The Denver Post

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"Mobile-home millionaire" may sound like part of a Jeff Foxworthy redneck joke routine, but the term defines the aspirations of hundreds of real estate investors.

Mobile homes offer ample opportunity for real estate investors to start small. Many owners of multiple mobile-home parks began by buying a single home. Many did so with a credit card, according to Doug Ottersburg, a New Mexico entrepreneur.

"That's how I bought my first home," he said, speaking to a crowd of 300 at a Colorado Association of Real Estate Investors meeting in Aurora last month.

Denver's economy is not necessarily in decline, but with the wave of home foreclosures in the area, "a lot of people will be looking for more-affordable

housing," he predicted.

Scott Van Ramshorst of Castle Rock started small, buying and rehabbing individual mobile homes five years ago. He later founded American Family Communities, which owns four mobile-home sites in four states, with a total of 300 homes. Along the way, he found several small investors who helped his business grow.

"Now I like to buy parks between 50 and 150 homes," he said at the CAREI meeting.

"Seller financing" is key to ascending in the mobile-home food chain. The game essentially is to buy homes from financially troubled sellers and resell them at higher prices by extending credit to the buyers. Many successful entrepreneurs operate like a bank, holding a portfolio of homebuyer loans that yield multiple streams of income.

Some trailer tycoons lease mobile homes rather than sell them. Some buy or build communities of owner-occupied homes. Some communities are subdivisions, where residents own the lot as well as the mobile home, while others are "land-lease" communities where the lots are rented.

Flipping properties can be profitable, but "buy and hold" works best in the long run, but also comes with landlord-like responsibilities.

"It's a

very management-intensive business," Van Ramshorst said.



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Real estate investor Robert Raskin likes to buy and resell mobile homes with minimal improvements. (Post / Brian Brainerd)



Buyers of used homes can start small and expand as financing allows. But the process isn't without work and headaches. (Post / Brian Brainerd)

Some of the biggest headaches stem from the seller financing model widely embraced in the industry. When borrowers don't pay, the seller must repossess the property. Usually the owner leaves without an argument.

"If I'm lending money to someone, typically it's because no one else will. It becomes a question of how much risk am I willing to take," he said. "Don't get the idea that you can acquire this huge loan portfolio and just watch the checks roll in."

Van Ramshorst's interest in mobile homes began just five years ago, when he attended a talk by local entrepreneur Robert Raskin, an owner of Mountain High Homes Inc., which flips mobile homes with

minimal improvements.

"My aim is not to do any rehab work at all," Raskin said.

But sometimes a little sweat equity is unavoidable. Raskin has bought mobile homes for as little as \$3,000 and as much as \$18,000. In reselling them, he hopes to get double or triple the price he paid, which is made possible by financing the purchase. His average selling price is \$15,000.

But nonpayment of notes is a problem, he said. The lender gets stuck with a nonperforming asset, plus the cost of renting the lot underneath it, which typically costs around \$500 per month.

Mobile-home landlords may endure a negative image, which Ottersburg rejects. "What's wrong with providing a decent, clean place to live at an affordable price?"

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Partnering is another key to success in mobile homes, as evident in ads placed by Drew Dolan.

"I have 10 older mobile homes in a Colorado park. Free lot rent while you fix them."

The ad refers to 10 homes at a site with 70 homes in a Fort Collins park that he also owns. Their disrepair ranges from slight to severe. Most were abandoned by the owners and legally acquired by Dolan.

His offer might go beyond free rent during repairs, he said. To an enterprising partner, he might turn over the title to some or all of the properties. "I'll trade away the homes themselves to someone who can get them generating the monthly rent for me," he said.

The seemingly charitable terms stem in part from what Dolan says is his biggest ongoing headache: finding reliable repair crews.

"I don't do these things myself," he said. With dozens of homes, there's not enough time.

Since 1994, Ottersburg and his wife have bought and sold hundreds of mobile homes and operate several parks near their home in Santa Fe and in Albuquerque. He also sells training course materials.

"When times are good, it's a good business," Ottersburg said. "When people think times are getting bad, it's a great business," he said.

Ottersburg and his wife bought a home for

\$12,000 borrowed at 8 percent interest.

They sold it to a buyer with some cash on hand but a spotty credit history for \$24,900. The couple accepted a \$3,500 down payment and financed the purchase, loaning \$21,400 to the buyer at 15 percent interest.

For the next seven years, the Ottersburgs received monthly checks for \$413, more than offsetting their own lower-interest loan payments of \$382, which ended after just three years. In the end they'd invested none of their own capital and netted \$24,442.

Investors should quickly reinvest their profits, he advises. The down payment they received was quickly leveraged to purchase more properties. Ottersburg, author of a set of training material called "Secrets of a Mobile Home Millionaire," said his net worth is "a good seven figures."

Land banking can turn out to be a profitable exit strategy in mobile-home investing. It refers to investing in property expected to gain value as a city's need for land expands.

Now standing on a plot once occupied by Ottersburg's earliest mobile home parks are a Wal-Mart and a Target store.

### Manufactured, mobile or modular?

"Mobile home" is a common industry term, but as a legal matter it is nearly outdated. It refers only to units built before 1976. That's when the U.S.



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Department of Housing and Urban Development started regulating their construction and safety.

The preferred term now is "manufactured home" - not to be confused with a "modular home," which is assembled at its destination in compliance with local building codes.

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