

Don DeRosa's

Real Estate Investing for The Real World



Volume 2, No. 5

Mold and You: An Unlikely Partnership?

Housekeeping ain't no joke. Louisa May Alcott

There are some mistakes you just don't want to make twice. You've heard the stories. There was plenty of equity, and the deal looked good. Renovations were underway. Then you discovered . . . The MOLD. And that's when you started to hear music from an old horror movie. You followed your contractor's advice, scrubbing with bleach. You thought it was fixed. But a buyer backed out when an inspection turned up mold inside the walls. Now you're going to have to tear down the drywall you just put up. Your \$5000 remodeling job is now \$20,000. Goodbye to that trip to the Grand Canyon this summer!

Fade to two years later. You've found a house with plenty of equity. There's a second mortgage, but you think you can short-sell it. The deal looks good and you're ready to buy. But then you see a spot of mold under the carpet. The horror-movie music starts again and you run like the wind. You're too smart to go through that again!

But wait a minute. Are you sure that moldy house is a bad deal? What if you can provide documentation that the house has a mold problem? Once that happens, the bank will be required to disclose that fact to any potential buyers, and it knows it won't be able to give that house away. You'll be able to short-sell that second loan for pennies on the dollar. If you can keep remediation costs down, that house could be a great investment!

Like everything in real estate, though, you've got to become educated. If you don't know what you're doing, mold can be one of the biggest profit-eaters out there.

So let's get educated. What is this mold stuff and why is it bad? And more importantly, how can it help you?

Let's start with the basics. Mold is a member of the fungi family. It's not a virus or bacteria. Mold has been around since the beginning of time, and it will be here long after the cockroaches are extinct. And it's pretty much everywhere. It's an essential part of most ecosystems, contributing to the decay of leaves and other organic matter. Without mold, you wouldn't have good topsoil for your garden!

Here are a few more key facts you need to know.

1. **Mold can cause health problems.** Problems arise when mold comes indoors and begins to grow quickly in a closed environment. When that happens, the level of mold – and reproductive spores – increases. Then, people with allergies or suppressed immune systems can suffer a variety of symptoms including sinus infections, headaches, and even migraines.

2. **You can't tell if it's toxic by the color.** There's been a lot of publicity about a particularly nasty variety called "black mold." That's *Strachybotrys chartarum*, and it – as well as some other toxic varieties – can cause respiratory failure and even death. Still, just because mold is black doesn't mean it's *Strachybotrys chartarum*. In fact, although mold comes in just about every color of the rainbow, every kind of mold will turn black eventually. And some non-black molds are very toxic. So the fact that you've got mold that looks black doesn't necessarily mean anything.

3. **It's not just live mold that's a problem.** Excessive mold can cause symptoms even after it's dead. So it's not enough to kill mold. You've got to remove the accumulation of mold, too.

4. **Mold needs three things to thrive.** Whatever its variety or toxicity, all molds require three things in order to grow: Moisture, the right temperature, and food. If you want to get rid of – or better yet, prevent – an excess of mold, then eliminate one of those three ingredients.

Unfortunately, it's just about impossible to eliminate food. Mold likes gypsum board and just about everything else that's porous. And mold likes exactly the same temperature range that we humans do. That leaves one thing you can control: moisture. To eliminate excess mold, eliminate moisture. That means fixing roof leaks, plumbing leaks, and high humidity, among other things.

5. **What you can't see is worse than what you can see.** By the time you can see mold, there's a lot of it. And much of it is hidden. In fact, if you have a spot of mold the size of a quarter on the bathroom wall, it's pretty likely that you have a patch of mold that's ten feet by ten feet inside the wall!

At this point you may be asking, "Gee, Don, do you have a point here? So far mold sounds pretty bad!" Just where is this opportunity you're talking about?

Let's go back to that horror movie and change a few facts. You're considering buying a house that's got a second mortgage of \$30,000. The house has been vacant for two months and the electricity has been turned off, so the humidity in the house is around 80%. You can smell the mold! You have the house tested by someone who knows what they're doing. You present the information to the bank, complete with pictures. Now the bank will have to disclose the mold to any future buyers. If it was a mold-free house, you could get the bank to take \$10,000. With the mold, you can get it to take \$1,500. And if you remediate before you renovate it will just cost a few thousand dollars. That means more money in your pocket! So sometimes, you can actually make *more* money than if the house is mold-free!

What about disclosure? Just like the bank, you will have to disclose the mold problem to prospective buyers. But if you remediate properly and get it tested afterwards, you can certify that the house is free of excess mold. Disclose? You should brag! It's one more feature that sets your house apart from all the others on the block.

Remember, you want to make the proper remediation before you do any of the remodeling. Don't put up drywall until you've got a certified-clean house.

It's true that proper remediation is expensive. So are the initial tests you'll need to document the mold. But there's a way to reduce the cost of remediation without compromising quality, and that's to become a certified mold inspector yourself.

Recently I spoke with a certified Microbial Remediation Specialist. While most programs only give classes to home inspectors, we have developed a class that is specifically designed for real estate investors. Programs like this can give a real edge to savvy investors. If you would like a FREE copy of my interview with this remediation specialist, you can email me at info@donderosa.com.

If you take the class, you'll learn to test for mold using special equipment. So, you'll know how to prevent mold, how to find it (and you *will* find it – remember, mold is everywhere), and how to fix it. You can even do inspections for other investors and create an additional income stream!

So next time you walk into a house and detect that musty smell, don't run away. See what it would take to fix it. The answer may put you one step ahead of the competition.

###

Don DeRosa was recognized as one of the nation's top 21 real estate investors in the New York Times bestseller The Millionaire Real Estate Investor. Don, who is a full-time investor, trainer, and mentor, offers a complete system to build and run a thriving real estate business. For more information on Building Wealth with Real Estate, visit www.donderosa.com.

Synopsis. Mold is everywhere, but when it's indoors it can cause serious health problems. Still, there's money to be made from moldy houses. By proving the existence of the mold you may be able to short-sell for next to nothing. You can then remediate before you renovate for just a few thousand dollars and then prevent additional growth. If you become certified as a mold remediation specialist, you can drastically cut even the costs of testing and remediation. And that means more money in your pocket.