KAREN LAINE'S
FAST TRACK FORUMLA
FOR BUILDING YOUR REAL ESTATE BUSINESS

Flip It Forward
Real Estate Program

VOLUME 1: FOUNDATION

The Fast Track Formula for Building Your Real Estate Business

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Preview of What You Will Learn

Chapters:

Tools:

- Create your team
- Calculate Your Cash Flow

You Will Be Able To:

- Understand your beliefs
- Set up your team
- Begin to take action

Introduction

"Ninety percent of all millionaires become so through owning real estate."
- Andrew Carnegie

"Buying real estate is not only the best way, the quickest way, the safest way, but the only way to become wealthy."
- Marshall Field

Congratulations on taking action and deciding to go through this exciting journey. It will be an amazing adventure. People can start with close to nothing and by following the program can become wealthy!

As Andrew Carnegie and Marshall Field point out, the vast majority of wealthy people didn't make their fortunes by pinching pennies; they built their fortunes by putting real estate to work for them. Real estate --just like money-- is a tool. It's a tool than anyone can use, regardless of their age, education, social status, or economic situation. Just like any other tool, you must choose to use it.

Participants have a leg up on almost everyone else in the US. Now that you have the Program information it must be used or it's useless. Real estate is an amazing wealth-building tool. History has already proven it.

It must be used to be valuable. It can't sit on the sidelines and wait for someone else to take the same available opportunity and run with it.

The ideas, tips, tricks, and strategies found throughout this book are generated through actual use. Theory can be learned anywhere. There will not be time wasted on theory. Theory is the stuff that sounds good on paper, but when it is actually executed it doesn't work the way it is supposed to.

Instead of theory, the information, tools and strategies that work to find properties will be given to you.

This is the best, most effective information on real estate investing available today. But if it sits on your shelf just taking up space, it won't do anyone good. The car can be given, but unless it is actually driven it won't go anywhere.

Congratulations again on the decision to get this Program. This information, along with the training will give the direction, confidence and inspiration needed to go out and start applying the program.

It was a smart decision to invest in this program. Now it's absolutely essential that it be put it to use. The knowledge and guidance needed to invest in the future will be found throughout the rest of this book. The information, team, and the motivation will be provided. Make today the first day of the rest of your life. Get out there and make this happen!

House flipping is defined as buying a property and then reselling it to another buyer in a short period of time; typically within a few weeks or perhaps a few months at most.

House flipping follows a basic investment strategy: buy low and sell high.

In order to buy low you need to locate a property that is undervalued, either due to the circumstances of the seller or due to the rundown or outdated condition of the property.

In order to sell high you need to correct the problem causing the undervaluation. This usually involves fixing or remodeling the property to increase its value so that you can resell it for a profit.

Sounds simple, but it's not for the faint of heart. Flipping, like any investment, carries a certain amount of risk. It also requires research and skill.

Opportunities

An investment, no matter how big or small, needs a smart beginning. Successful flippers know how to identify properties that will be profitable. Making money in real estate is not an easy task, and many people have made costly mistakes. This section will help you identify the right conditions for flipping.

Flipping can be incredibly profitable if done well. With the right property, conditions, and a smart strategy, flipping can become a money-making hobby, secondary income stream, or full-time profession.

KNOW YOURSELF . . .

Flipping is not for everyone. People who do well in this arena are entrepreneurial, driven, and flexible. You have to be comfortable with some risk, because flipping is not like punching in from 9 to 5 and grabbing a paycheck. As with all investments, there is the potential for loss, but if you do your homework upfront, you can avoid most of the potential money-traps that may come into play.

Having time to devote to the flip is very important. People with flexible schedules usually finish a flip in a short timeframe, whereas those with tighter schedules will need more time. The faster you can rehab the property the more money you will make.

KNOW THE MARKET . . .

You've probably heard people in the real estate business say, "location, location, location." It's true. Location can be extremely important when flipping. While the overall housing market may be down throughout the country, certain areas could still be hot. Within specific towns and cities, some neighborhoods may be better spots for flipping than others. You'll need to do your research to find out where to invest. When deciding on the right location, you need to be aware of city planning, changes to by-laws, politics, and upcoming events. A national perspective on real estate is not sufficient. All markets are local, and are affected by local factors.

Timing is equally important. You have to weigh market conditions against personal circumstances. The market might be stellar, but you might be in a situation that prevents you from devoting the necessary time to planning, budgeting, and renovating. Alternately, you might be in a great position to invest, but the market in your area may be down or over-hyped.

FINANCIAL CONSIDERATIONS . . .

HOW TO GET STARTED . . .

Be leery of so-called bargains. If an offer sounds too good to be true, it most likely is. If a house is priced at an unbelievably low price, find out why. Don't let the fantasy of a quick buck lead you to financial ruin. The same holds true for contractors: if a quote strikes you as unreasonably cheap, don't assume it's your lucky day. Always get references from contractors before you make any deals.

Be sure you have enough cash to cover any and all payments on the property: mortgage payments, property tax, realtor fees, lawyer fees, etc. Be prepared with sufficient reserves to own a property for longer than expected. Houses don't always sell as quickly as you'd like them to.

When inexperienced flippers get greedy, they often get in over their heads and stretch beyond their means. What looks like an opportunity can turn into bankruptcy if an investor tries to buy too many properties at one time. For example: don't rely on the profit from one house to pay for the repairs on another. Additionally, each home requires a lot of work and attention, so make sure to handle each deal in a timely manner before starting to move on to another property.

All investors want to make money on their flips, but seasoned pros know from experience that making a profit doesn't always happen. Losses can be caused by unexpected costs, poor planning, a bad market, or other factors. To improve those chances and avoid common mistakes, it's essential that an education on the entire process of house-flipping, as well as on the local market is acquired. Base decisions upon sound business principles and strategy rather than upon impulse.

Money and Wealth

People get into house flipping for various reasons, but one of their main goals is to make money. Before making a deal, have a fairly accurate idea of how much money can realistically be made. This is what is called a return on investment.

Return on investment (ROI) is expressed as a percentage. In house flipping, an ROI of 10% to 20% is considered decent. An ROI over 20% is considered good, while an ROI below 10% is probably not worth the time and energy.

In addition to knowing how much will be made, estimate how much will have to be spent to make it happen. Personal finances must be looked at closely. Speak with financial advisors. Determine how much can be invested.

Financial resources to comfortably handle the deal must be available; if not, then financing from other sources must be found. Consider joint venturing with a money partner, or perhaps look for a deal that is more in line with the available financial capabilities.

CHAPTER 1

Following a Success Formula

"If you want to be successful, find someone who has achieved the results you want and copy what they do and you'll achieve the same results."
- Tony Robbins

Throughout a person's investing life, they may invest tens of thousands of dollars on training materials and hundreds of thousands of dollars on consultants, mentors and trainers which may enable them to make millions of dollars on real estate and real estate improvements. These educational and instructional investments my bring a person success. What was the difference between those that were worth the time, money, and effort applied, and those that were worthless? It becomes obvious that the information that was worth the most was from someone who was actually successful, not at creating information, but doing investment in and profiting from real estate.

This Program was created by taking the best of the best, the things that had been proven to work and presenting the material in a simple to use, easy to understand format.

Long ago, Jim Rohn coined the phrase, "Success leaves clues." If you want what someone else has, then copy what they have done to achieve it. To achieve that end a specific outline of what and how to do it must be provided. Everything must be included. Little nuggets of information can't be left out. Nor could just the highlights be included. Essentially, the exact method used to find, fund and flip houses must be provided. That's the Program... and it works!

From Digging Ditches to Owning Properties

A contractor had a great workforce, great pricing, but always wanted to be on the investor side. He acquired some training and education. He was shown some of the back end part of the businesss, how to use other people's money, how to finance deals and how to fund deals. He really had a good overall taste of how the business worked.

A single family property was locked up. Someone sat down with him and said, "I think it's a $10,000 assignment." He was shown how he could structure a loan with his family members (which he did; structuring a private loan with a promissory note). His acquisition cost on that property came to $60,000.

He had help with the paint colors, the process and design. He deviated from the program a little bit. There were some things he didn't do that someone recommended he should do. He spent some money in places where he was told him he shouldn't. His total rehab expenses came to around $60,000, making his total investment about $120,000. Then, the property sat on the market for a little longer than it should have because he didn't price it as aggressively as was suggested. Nevertheless, within 4 months of listing it, the contractor walked away from the closing table with a check for around $35,000.

So rather than digging ditches and working as a contractor for the rest of his life, he is now on the other side. He is more of an investor. He went from digging ditches to cashing checks for $35,000.

CHAPTER 2

Mindset

"If you can dream it, you can do it."
- Walt Disney

Believe it or not, over 80% of real estate success comes from the neck up. The tools you need can be given, perfect training and information can be provided and hours can be spent in convincing a person that it can be done (regardless of excuses) but if the person thinks it can't be done, it's all wasted effort.

Believe that success is deserved. Believe that it can be achieved; then go out and act like it.

The #1 key to success across the board is not money, location, education, or anything else. It is the belief that success with real estate is possible and that it can actually be achieved.

Real estate isn't something to be tried. Flipping houses is not something to dip a toe in. Sure, there are strategies that require less risk, but regardless of what is done... real estate investors (at least those who want to be successful) are committed to their success. The problem with "trying" is that people tend to give up or stop with the first problem they encounter.

By taking the first step and having the information means that an opportunity has been seen and action has been taken. An indication of success is that the first step has been taken. Now that the first step has been taken...keep going. Each step brings the ultimate goal closer.

From Hesitant Student to Successful Investor

"I learned that courage was not the absence of fear, but the triumph over it. The brave man is not he who does not feel afraid, but he who conquers that fear."
- Nelson Mandela

A student from Anchorage, Alaska started to invest in real estate in her early 30's. She decided to quit her job as a mid-level manager for a communications company. It turns out she was like most people… entirely fed up with the corporate rat race. Her husband was a tour guide for hunters up in Alaska, which meant his business was seasonal.

She had some savings that she could rely on until she could find out whether this business was a go or no-go. She also placed a six-month time limit on herself to break ground in real estate. Needless to say, this was a rollercoaster ride.

She was very, very strong with her analytic skills and had no problem sitting home on a computer and pouring over spreadsheets. But she was absolutely terrified to talk to people.

Unfortunately, the Program says to go out there and actually make offers, which means talking to people. It took about eight weeks and a lot of love, cajoling, and pushing, to get her to the point where she was finally making multiple offers. (She was actually talking with people!).

She immediately did really well and completed two single-family wholesale deals. Then she did another single-family deal and became known as a serious player in her local market. The next deal after that was a rehab which she decided to hold onto rather than to flip. She leased it to a tenant-buyer and granted them a three-year option to buy the property.

Right after that she did a couple of flips, making $35,000 on the first one and about $45,000 on the second one.

Some markets are better than others throughout the U.S. Understanding that, she combined some of those funds with a 1031 tax free exchange and bought into multi-unit properties; including four 4-family, and three 4-family buildings. Within a year of working with the Program, she had earned around $125,000 in cash, had acquired $300,000 in equity, and shared approximately $3,500 a month in cash flow.

So where did she do this? Not Boston… not Massachusetts, not New England… not even close. She did it in Texas.

The reality is that the Program works in virtually every location. It works for people regardless of education, age, or other limitations. In short,if it is followed, it will get results again and again. The key is to know the Program, step-by-step, and follow it!

Have an Open Mind

"All men dream, but not equally. Those who dream by night in the dusty recesses of their minds wake up in the day to find it was vanity; but the dreamers of the day are dangerous men, for they may act their dreams with open eyes, to make it possible."
- T.E. Lawrence

An open mind is necessary in order to succeed as a real estate investor. There is big opportunity out there that can't fit into a narrow box. Believe success is possible… not for someone else, or even for the average Joe. Believe that the types of results talked about can be achieved.

To most people, the idea of making $30,000-$60,000 in a wholesale deal or flip is beyond the scope of reality. They don't see how it can be done, so they insist that it's impossible. There's not a lot to be done to convince that person. They've closed off their mind to accepting the possibility that it's even possible. Here's the reality: this is not impossible. In fact, it happens every day. Make the choice to do it; don't insist that it's impossible.

Have an open mind. Look outside the box to see that it is happening. Again, maintain the mentality that it's not impossible, that it only works for others, or that a person is too busy, old/young, poor, smart/dumb, etc. Embrace the reality that this is occurring, and approach this opportunity with an open mind, willing to step outside of the comfort zone and actually make something happen.

The most critical component of every successful real estate investor is an open mind. There is always something new to discover or try. When an investor thinks they have learned everything or that they have all the experience needed, they are finished in this business. There is always something new to learn because the market is always changing. To continue to be successful, keep an open mind and see the trends and changes that are constantly happening in the market.

Throughout this educational process some things will be seen that have been seen before. Those moments will be a great refresher. Several new tips, tricks, and strategies will be discovered that have never been thought of. Old or new, common sense or radical keep an open mind, keep working, and keep using the Program.

Logic Test

"Whether You Think You Can or Can't, You're Right"
-Henry Ford

Most of the success in life happens by being open-minded. Put a new concept into a "logic box" and ask if the idea follows some sort of logic. If so, it passes the logic box and usually is possible but may be difficult. If an idea graduates from the logic box, then the only way to judge it is put it in action. Anything in life can't be judged unless it is acted upon.

Buy a DVD workout program that shows how to eat right and measure carb intake and says to do 50 push-ups and 100 sit-ups every day for a month. Suppose that the buyer opens up the box and does 10 push-ups one day, eats a t-bone steak the next, then stops doing any exercises or proper eating. A week later someone asks what the buyer thinks about the program. They can't say that it doesn't work. They haven't earned the right to say that. It seems logical to buy a workout video that says if you eat right, keep your daily intake within 2,500 calories a day, and burn 3,000 calories a day by working out, you're going to lose weight and be healthier. The next step is to try it by following the instructions explicitly. Only, then can the buyer judge it. It's the same thing with real estate investment.

3-Step Approach

Start with the end first. That's the reverse of the advice received by a lost Alice from the Cheshire Cat, "If you don't know where you're going, any road will take you there." Use a three-step approach to make sure the way is not lost. Have a purpose; have a plan with goals; execute.

Step # 1 - Have a Purpose:

"I am here for a purpose and that purpose is to grow into a mountain, not to shrink to a grain of sand. Henceforth will I apply ALL my efforts to become the highest mountain of all and I will strain my potential until it cries for mercy."
- Og Mandino

It is time for a change in life.The 9-5 grind may be too much. A Mack truck may have driven through a person's life. Regardless of the force or twist of fate that brought a person to this point, today is the first day of the rest of their life. If nothing else is learned, remember that permission is given to be successful.If you don't learn anything else, walk away with one point: permission is given to be successful. More can be achieved than a person ever thinks is possible. With that in mind, identify where this information will be taken.

Keep coming back to the foundation when direction is needed. Essentially, know "why." Why is it important to learn how to flip houses? Is it money, confidence, meaning, opportunity, to prove it can be done? It could even be a combination. Regardless of what is the driving force, know it and never forget it.

KNOWING 'WHY'

In order to be successful, understand the motivation. Have a reason to be successful, something that's important. The answer may be, "making more money." And that is a strong motivation—but look deeper. Why have more money? What will be done with it? People like to play the "what would you do with a million dollars" game, and often they don't take it seriously. But in reality, it is a serious question. Clear, specific goals are needed. Without them, it can be easy to lose interest, lose motivation, and eventually give up.

With real estate investing, it is important to identify what kind of money is to be earned. It may be a lump sum of money, in which case venture into wholesaling and flipping. Or, if residual income is needed, look into rental or commercial properties that could house a number of families or businesses. These properties could be rented out. If directly managing the homes or rental units is not possible, then try going through a real estate investment group. They would be building or managing the property in exchange for a percentage of tenants' monthly payments. However, this kind of investment may have drawbacks, since the property may end up with bad tenants, or without any tenants at all. Each type of investment will have pros and cons—an investment team will be a huge help in evaluating these aspects and ultimately making the right choice.

Being smart about real estate can easily bring in money, especially in the right market. By investing in the right properties and knowing when to turn the property around, the ability to do exactly what is wanted with the real estate for a financial benefit is possible.

Step # 2 - Set Goals:

"People with clear, written goals, accomplish far more in a shorter period of time than people without them could ever imagine."
- Brian Tracy

Goals are absolutely essential in driving success. Setting real, tangible goals is literally the difference between success and failure. Write down goals and refer back to it often. An unwritten goal is nothing more than a dream. A goal is a written step-by-step process to help someone get from where they are, to where they want to be. The process for achieving a goal is very simple; write down the goal, establish a realistic time limit, then create a step-by-step procedure to accomplish the objective.

For some people, knowing what the goal is and how to plan for it might require help and guidance from somebody who's been there before, which is where the help of a coach or mentor comes in. The main point is, take a purpose, combine it with a vision, and break it into bite-sized chunks. Write it down, check it frequently, track progress and celebrate when crossing the finish line. There are a few other things to keep in mind when setting goals.

> Have goals for different time periods: All goals are not reached at the same time, so it makes sense to have goals that tie specifically to short and long term timeframes. Break goals into small digestible chunks (i.e. daily, weekly, monthly, yearly, etc.). It is important to identify what the end goal is and then put together a system that will help to achieve it. Start from the end, and then work backwards. This means figuring out the big tasks that need to be done, when to have them finished, and then break that into specific sub-tasks. For example, if identifying target neighborhood(s), the primary tasks would be going to open houses in that neighborhood, reviewing comparables, identifying the best streets, etc. Then break that into specific daily activities that help reach the goal (look at X # houses, call X # of agents, etc.).

> Use micro-goals. How is an elephant eaten? One bite at a time. Don't let the big-picture goals be overwhelming; making it hard to know where or how to start. The prep work and the micro-goals being broken into big-picture goals is how goals are achieved. Then the momentum necessary to cross the finish line will be there. For example, let's say a goal is to make 100 networking calls. Instead of being overwhelmed

by such a large number, start small. Set a goal to make one, and complete it… then work on making 5 or 10 per day. It's also a great idea to identify when to do this, not only in terms of when it is to be completed, but also the specific window of time needed to engage in that activity (i.e. 9 AM to 1 PM). Then schedule the time so that nothing else interferes. Average 10 calls per day, it will take 10 days. Make 20 calls per day, then it will be done in 5 days. Those numbers are a lot more manageable and achievable than trying to make 100 calls. The main idea is, although this will take effort, don't make a situation where it's impossible to achieve the calls and the action is dreaded.

> Set a routine. The more you can do to get into a routine, the more productive and profitable you will be. People strive for regularity. Most people live the same day over and over. They wake up, go to work, work, come home, eat dinner, watch TV, go to sleep, and repeat the same process over and over. Now, if destructive habits like these work against you, doesn't it make sense that a productive habit like finding deals, looking at houses, networking, etc. would actually work for you? It's important that you build a routine as quickly as possible. Think about it… when you create a schedule to set aside time to accomplish a task, you're more likely to actually complete that task, right? So it's important that you set aside time and proactively plan things, such as setting aside specific times to do your marketing, market research and analysis, and networking. When you create a routine - and stick with it – it becomes easier and easier to follow. At first this may feel a little awkward, but as you begin to see progress, it will become natural.

> Make decisions. We have all seen the person in the grocery aisle standing there, engaged in an inner debate over which bottle of Ketchup to buy. By the time they actually decide, they have wasted more time than the decision was worth. That's a quick example on how people can waste time dwelling on small, insignificant decisions. But we can do the same thing on the bigger ones. In today's real estate market, procrastinating or not making a decision is making a decision. You are delaying getting in the game. The primary reason people have for not getting engaged with real estate decisions is they are afraid of making a mistake. The more time you spend putting off a decision, the bigger it gets, the more you overthink it, become overwhelmed by it, and are unsure what to do. That's where the Program helps. The Program breaks the decision down into simple yes/no decisions, based on logic… not emotion. When it comes right down to it, your gut will let you know. The more confident you become in the numbers and economics of the deal, the better your gut will get on making decisions. For the time being, don't overthink. Give yourself a deadline for consideration, and then choose. If a deal doesn't seem right to you and your gut is telling you no, walk away. Our gut checks are usually right. Regardless of your decision, if you walk away… don't look back. If you

decide to go with it, don't look back. And whatever you do, make sure you make the decision… do not let anyone talk you into or out of a deal.

> Tell others about your goals. There is a lot of psychology behind this. If you make your goals public, it keeps you accountable. It also provides an opportunity for people to encourage and motivate you through your goals. But, if you don't share your goals, you'll find it's easier to make excuses, procrastinate, and/or ignore your goal.

> Stay focused. Let's talk about everything fighting for your attention. There's work, family, TV, internet, movies, friends, radio, cell phones, emails bills, newspapers… and that's just a fraction. You are facing more distractions than ever before. You need to put yourself in a place (mentally or physically) where you can block out the noise and focus on turning dreams into reality. The human mind does not permit a vacuum. In other words, if you don't do something to proactively fill your mind and time, your mind will reactively fill the void. Do not get distracted. Keep focused on the task at hand. As you start knocking out your micro-goals, you'll find you're getting closer and closer to actually reaching your primary goals, and that's when your life starts to change.

Step # 3 - Go Do It!

"Inaction breeds doubt and fear. Action breeds confidence and courage. If you want to conquer fear, do not sit home and think about it. Go out and get busy."
- Dale Carnegie

The #1 reason why most people fail to act is they are afraid they will make a mistake. Here's the simple truth: you will make mistakes. There, you have permission. You're not going to be perfect at executing on the Program. But the Program is there to help streamline the process and help you avoid the ugliest and nastiest of the mistakes that you could make. However, if you wait until you perfectly understand every subtle nuance of the Program or wait for the perfect market conditions, or for the stars to align… you'll be waiting a long time. Ask any farmer and they will tell you, "I would rather see a crooked furrow than a field unplowed." The same holds true for investing in real estate. Perfection is the enemy of "good enough."

Don't be afraid of making a mistake. They are going to happen. Life is imperfect, but more times than not, things work out as they should. It all just comes down to getting out and doing something. As Will Rogers points out, "Even if you are on the right track, you'll get run over if you just sit there."

The third step is to actually do it and execute on the goal. If you miss one of those three steps, then your chances of success are definitely stifled. But if you commit to those three components and follow through—the only one holding you accountable is yourself—then success is almost guaranteed.

If Your Goal is to Unload Debt: An Example

Let's say you're a newbie investor who just wants to pay off $30,000 in credit-card debt. That is your purpose. You're wondering: Is that realistic? What kind of a timeframe could you expect?

It doesn't always happen, but you can make $30,000 in one deal. Write down: "My goal is to relieve myself of $30,000 in credit card debt." Then put a date on it: "I will achieve that goal within 3 months." That is a specific goal that you can write on sticky notes and post around your computer and mirror and look at every single day. It's a goal that your subconscious mind needs to begin to absorb. What is achievable is the decision you make to reach that goal.

Any goal is possible. It has to be tangible and make sense to you. So $30,000 in 3 months is definitely a doable goal for anybody who commits to the process.

With the goal, you need a plan. Using this example of making $30,000 in 3 months, the most efficient way to do that is to learn how to do quick-turn real estate with no money down. Wholesaling is the ability to identify a piece of real estate, control it with a contract, and sell the value of that contract to somebody else.

What is your plan to do that? You have to study and learn how to do it. You commit to your education (including reading this book), the process, and the formula, which requires that you make the necessary amount of offers in order to be successful. Make a conscious choice to put the plan into action.

There is a Japanese proverb that says, "Vision without action is daydream. Action without vision is nightmare." Without action, you will never climb your $30,000 mountain. Don't waste another minute. With a goal like this, you cannot afford to wait until tomorrow. Get out and start making things happen.

Execution

"Nothing can stop the man with the right mental attitude from achieving his goal; nothing on earth can help the man with the wrong mental attitude."
- Thomas Jefferson

When you have a clear, definitive plan that you have attained from people who have been there before, execution is simple. "If you want what I have, you've got to do what I do"—a very flip phrase in and of itself, but an absolutely accurate one for people who want to be successful. If you're shown how to do it, the question is will you do it? If the answer is, "Yes, I will do it," then do it. That means actually making the offers, actually talking to other real estate investors to build a database of buyers to sell properties to, and actually doing the legwork to learn your market inside and out. That means driving your neighborhoods and finding out the value of properties in your neighborhood by talking to real estate agents or going online to Zillow or any other free websites.

It's very easy to read this information; it's very easy to learn theories; it takes a lot more to step out of your comfort zone and do it. If you can't find that within yourself, then let somebody else help you get there (again, we'll talk more about your coach and mentor later).

Paper Trading

"When you are not practicing, remember, someone somewhere is practicing, and when you meet him, he will win"
- Ed Macauley

If you're somebody who would rather practice before you enter the real world of flipping, you can. There is a way to go safely through the motions until you are comfortable getting into the game, without using any of your own money or trying to find a funding partner. You can start off in this business by doing what I call paper trading.

Paper trading is when you look at a property and say, gee, let's see what happens if I buy this thing for X amount of dollars and I put X amount in. You don't actually do it; you make an estimate on paper and then you watch another investor go through the cycle and make $20,000-$30,000 at the back end. Some people practice a similar paper-trading process with stocks before they build enough confidence to use real money.

What Are Your Priorities?

"Action expresses priorities."
- Mahatma Gandhi

How bad do you want it? The proof is in the pudding. Your priorities dictate the truth of how badly you want something in life. They don't lie. List your top three priorities in life. When several people wrote down their lists, many wrote health down first, because they thought it was the right thing to say. That's all it was. They put money second and relationships third. At the time, several were several pounds overweight. Money was really their number-one priority. It obviously wasn't health.

You've got to set your priorities straight. They don't lie. If you're broke and say your priority is money, you're wrong. It's not really your priority because, if it were, you would have money or at least be on the right path to gaining money. When you set your goals, set your priorities. Right in the beginning, start with the end game. Start off with setting your goals down, and saying, what do I want? What makes me happy? How am I going to get there? I think that financial independence is a big part of everyone's life. Everyone wants financial independence.

Believe That Financial Independence Is Possible

"I remember saying to my mentor, "If I had more money, I would have a better plan." He quickly responded, "I would suggest that if you had a better plan, you would have more money." You see, it's not the amount that counts; it's the plan that counts."
- Jim Rohn

You have to have a belief that it can happen. I mean if you walk into a boxing ring knowing that you're defeated, you're defeated. You can't do it. The mindset has to be that you're going to walk in physically and mentally prepared, believing that you can do it. If you don't believe you can do it, nobody else is going to believe it either. So, you walk in chin up, shoulders back, just owning it. Take ownership of that belief. If you don't take ownership of that belief, you're done.

Starting From Nothing Is Not A Disadvantage

"At least eighty percent of millionaires are self-made. That is, they started with nothing but ambition and energy, the same way most of us start."
- Brian Tracy

Many of us start from scratch in life without any financial support. Your parents may not have any money.You have to go out there and work and make your own way. You need the drive to say, "Hey, I can do it." Don't give up. And don't sit there and be like, oh, "I'm never gonna do this; I have no backing or support." You can do it.

You'll constantly be turning over rocks. That's what it's called. You'll constantly be looking for opportunity and constantly be knocking on doors. Please understand that the inner, mental-monologue that repeats thoughts of self-defeat and doubt over and over is not your friend. If you let it, it will churn out excuse after excuse… and if you believe even one of those excuses, it's that much harder for you to get the results you are looking for. Stop listening to the voice of doubt and uncertainty, and get to work.

Don't Let Others Bring You Down; Get In With The Right Crowd

"Mortals are easily tempted to pinch the life out of their neighbor's buzzing glory, and think that such killing is no murder."
- George Eliot

Sometimes you don't want to tell the closest people to you what you're doing, because they are often the first ones who try to bring you down. They are not going to bring you down because they don't want you to succeed. They are going to bring you down because if they don't, then the gap between you and them just gets bigger and bigger, and they don't think they can ever catch up to you, which makes them, feel less worthy or less capable. You know, misery loves company.

If you let them, they will hold you back. It's not to say they don't mean well. But they don't understand what you are doing. And, as the shaky logic goes, if they don't understand it, it can't work.

They will want to see you climb mountains. They also know that the bigger the gap becomes, the more they felt like crap. But they had the wrong mentality. Each of us can climb the mountain and put our hand out and say, "Come on." Then our friends can step on our shoulders, and they can climb the mountain above us. At that point,they can say, "Hey, I'm over here.

Now I'm the one on the bottom; pick me up." That's the mentality people should have. They step on our shoulders, we step on their shoulders, and we'll all get to the top together. But you don't often find that.
What you do find are the lobsters. It's funny, when a single lobster gets stuck in a trap, given enough time and ingenuity, it can often work itself out. If more than one lobster makes it into a trap, as soon as one has started to make its way out, the others will pull it back in. People are often the same way. As soon as someone starts to make a break for it, the others feel compelled to bring them back down to earth.

Don't listen to people around you who are going to pull you down; listen to people who are experienced and can pull you up.

The Company You Keep

"Avoid negative people at all costs. They are the greatest destroyers of self confidence and self-esteem. Get around the right people. Associate with positive, goal-oriented people who encourage and inspire you."
- Brian Tracy

It's common for people to be surrounded by negative people. Often, you are the common denominator of the five people who you hang around with the most. To illustrate this, write down what you think the annual income is of the five people who you hang around with the most. Just try to ballpark it within $5,000-$10,000. Then take the average of those five people's incomes, and then compare it with your own. In most cases, you will find that your income is within a couple of thousand dollars of the people who you're hanging around with.

So what does that mean? You're influenced by the universe you move in. If you choose—and it is a choice that you make—to expand your universe and do bigger and better things, by osmosis alone you will pick up the skill set to be bigger and better at the things you want to pursue in your own life. That's just a fact. It's the law of the universe. It's not up for discussion; it is what it is. Unfortunately, a lot of the people who bring all that negativity into our lives share our last name. So you'll have to go back to your own family and convince them that you're a real estate investor.

Attaching yourself to people who are doing this business is a good idea. Much of your success will come through your ability to network and make friends more than four competitors can. There are money lenders, real estate agents, attorneys, lawyers, financiers of bankers, and so forth everywhere around us. When you learn how to make friends with five people who had a financial income ten times the amount you make, it will immediately begin to change the income you're making.

Network with everyone. You don't have to drive all the time, hang banner signs, and look for real estate, because those properties end up coming to you! The difference between you and everybody else is that your net worth is in direct correlation to your network. It's not what you know; it's who you know, and what value you can bring to their table.

You have found a system… a program to get you the kind of results you want.

Anyone can do it. Follow the path of people who have made money and done what you want to do. It's not rocket science.

Collect Mistakes

"The successful man will profit from his mistakes and try again in a different way."
- Dale Carnegie

You have to make mistakes. Mistakes are a necessary step in bringing you to the next point of understanding. In real estate, collect as many mistakes as you can. The more mistakes you make, the more you know what not to do. However, it's best to learn by observing other people's mistakes rather than by making your own. Douglass Adams said, "Human beings, who are almost unique in having the ability to learn from the experience of others, are also remarkable for their apparent disinclination to do so."

Be a big fan of collecting and learning from other people's mistakes, which means asking questions all the time. Talk to people who are doing what you want to do, going where you want to go, and getting the results you want to achieve. If you want to be the fittest guy in the world, guess who you should be asking how to do it? The guy who's been there. You don't ask a guy who is chubby, go to someone who is fit, thin, and has energy. Definitely collect mistakes—preferably other people's mistakes at their expense, not yours.

Experience is a very cruel teacher; the lesson only comes after the test. The thing is… this is one test where it's a great idea to cheat by observing your neighbor, in fact… it's encouraged. One of the fastest paths to success is knowing what not to do.

21 Days Make a Habit

"We are what we repeatedly do. Excellence then, is not an act, but a habit."
- Aristotle

Allow your mind to absorb all the information it possibly can to make positive changes, and then act upon your newfound purpose to develop new habits.

Research has shown it takes 21 days to create a new habit. That means this can literally be the first day of the rest of your life. So… let's talk about how you can use the next 21 days to transform your life and put yourself on the launch pad for success with real estate.

For example, for each of the next 21 days:
- > Talk to a different broker.
- > Assess a new property
- > Make an offer
- > Look in the mirror and say, "I'm a full-time real estate investor; I'm powerful, strong, money-oriented, and a go-getter, and I'm going to kick ass today."

Guess what happens after 21 days? You're a full-time real estate investor. If you believe it, the rest of the world will begin to believe it. For some of you it's the hardest thing to act as if. When you deploy those techniques in your life, you cannot help but be successful.

Top Excuses or "Yeah But's"

"He that is good for making excuses is seldom good for anything else."
- Benjamin Franklin

You will hear countless excuses why people just can't be real estate investors. "Yeah, I'm interested, but I can't do this because ____ [insert your favorite personal excuse]."

For example: "I'm too old," "I'm too young," "I have no money," "I'm not smart enough," "I don't know how to talk to people," "I know nothing about real estate," "I've invested in real estate in the past and it didn't work," "I've invested in trainings in the past and they didn't work," "My family says I'm crazy if I get involved in real estate," "People tell me that real estate is a scam," "People with money must have written somebody off," "My father was an engineer (construction worker, garbage man, etc.), and that's all I'm ever going to be," "Yeah it'll work for you, but it'll never work for me," "This is not the right timing," "I'm waiting for the market to bottom out before I do anything," "This won't work where I live," "I don't have enough time to do this," "I've analyzed hundreds of deals and I can never find a good one; there aren't any good deals out there—I've tried," "my health is bad," "my English isn't every good."

There's a laundry list of yeah-but's. Let's address the five excuses heard the most often.

"I'M TOO OLD"

"I'm too old for this." Here's the story of a retired 76 year-old truck driver named Jim. He wasn't the strongest person in the communication department. His motivation was that he didn't want to have to continue to drive a truck part time or do odd jobs, because he wanted to spend time with his grandchildren. Jim committed totally to the process and the program. In four months, he did three wholesale deals and walked away with about $25,000 cash in his pocket. With that money, he was able to take his grandchildren to Disney World that year. What a great success story.

"I'M TOO YOUNG; I DON'T HAVE ENOUGH EXPERIENCE."

Another example involves two "virtual real estate investors": one was a 15-year-old boy from upstate New York named Richie and the other was a 16-year-old girl from California named Katie.

They located properties on the Internet by scouting deals in Freddie and Fannie (HomeSteps.com or HomePath.com) websites where government agencies list their properties. These two teenagers made offers on properties, controlled the contracts using their parents' information and approval, and then wholesaled the properties throughout the United States. They learned the skill set. Because these kids were so Internet savvy, it was easy for them. The younger generation understands and comfortably uses one of the most powerful real estate investor tools in the marketplace. Because they know what the Internet can do for them, they never have to leave their home to do a real estate deal.

Katie's mother was a real estate agent confined by a real-estate-agent's mentality: "You can't do this," "You can't do that," blah, blah, blah. Katie just wasn't buying it. Her mom had taken her to enough trainings and seminars, and she had seen enough people speak, that Katie thought outside the box. It was amazing to see Katie begin to show her mother what she could do with a computer. Katie was a bright, young girl who harnessed the power of the Internet to make money in real estate. She didn't have to see a single property that she flipped.

"I DON'T HAVE ENOUGH MONEY"

This excuse is really simple to address: read this book, and then still try to tell me that not having money is a challenge. Having no money cannot prevent people from success in real estate.

"I DON'T HAVE THE TIME"

Time is always a challenge. "I'm too busy to do real estate," or "I just don't have the time to do it." is often heard as an excuse. The answer to that is: Turn off the TV. Give yourself half an hour a day, 45 minutes a day, or an hour a day. Get up an hour earlier. Go to bed an hour later. And don't make excuses. People will always find time for the things they want. It doesn't matter if you already work 90 hours a week—you will learn to find the time for whatever it is when you truly want to commit to your success.

"Turn off the TV and stop watching reruns." Reruns never put any money into your pocket, neither did the New England Patriots or the Boston Red Sox. A Red Sox game goes on for four hours. Do you know how much money you could make in real estate in four hours?

If turning off the TV isn't the answer for you, then allocate your time. Get up earlier. Donald Trump sleeps four hours a day. He does more between 4:30 and 9:00 than most people do with their whole day. You will find you're more productive when others are asleep, the world is quiet, and your mind is peaceful. Depending on your personal preferences, it might be a different time slot for you.

"I'VE DONE IT BEFORE, AND IT DOESN'T WORK" OR "IT'S A SCAM"

The people who say real estate investment doesn't work are the people who never tried it the way that we're teaching it. It's easier to say, "It doesn't work," than putting in the effort to find out if it does. You'll even find attorneys who will tell you that what we teach doesn't work, or that it's a scam. Those are the attorneys who haven't done enough research to understand what I do. They're comfortable doing things the same way they've always done them and don't want to learn new things.

You'll find this excuse comes mostly from the people you surround yourself with. This is why it is absolutely essential that you find a group of people who are on the same path, on the same journey as you; and start to reinforce the fact that real estate investing is legal. It's not a scam. You can do it; people are doing it all over the world. If you choose to participate, you could be successful. Or, continue to feed your negative mind and choose not to be successful. You make the choice—and either way, you're right.

"IT WORKS FOR YOU IN YOUR AREA, BUT NOT IN MINE"

Every person is in a market that has unique circumstances. Regardless of where you live, properties are being bought and sold and good deals can be found everywhere. People are people, and people sometimes have serious problems. Real estate investors help people solve those problems.

The techniques taught in the program work everywhere. But if you sit on the couch and you say, "It doesn't work," before you've even tried, then congratulations, it doesn't work. The program works in small communities, large communities, and metropolitan communities. People will buy and sell houses and commercial real estate from now until forever. Forever is a very long time, and there are a ton of opportunities in forever. If you're not in the game trying, you're going to miss out on every single one of them.

There may not be a lot of homes within a quarter mile radius of where you live. That's okay, just go a little farther out. You might have to drive three hours one way, just to attend a real estate club meeting or spend six hours on the road for a two-hour meeting, till 1-2-3 o'clock in the morning— to meet someone who could help you out later on with a deal.

A BLANKET STATEMENT TO ALL THE EXCUSES

Remember Henry Ford's quote: "Whether you think you can, or think you can't—you're right." You choose to be successful; it doesn't just happen to you. You can find all the reasons why something won't work, or you can find all the reasons why something will work. Decide which reasons suit you best, and make a choice.

What kind of a person are you going to choose to be?

Change can begin now if you will let it. So… who do you want to be? Do you want to be a person who's stuck and full of excuses? Or do you want to be someone who accomplishes what they've set out to do?

You are not too young; you are not too old; you are not too fat; you are not too thin, you are not too black; you are not too white; you are not too anything to be successful. From this moment on, all of your past is forgiven. Today is the first day of the rest of your life. Choose today what kind of a life the rest of your life will be. You will need to be committed 100%. Success is around the corner.

CHAPTER 3

Know Your Market

The most important rule in real estate investing is to know your market. Properly applying this rule will help you avoid very expensive mistakes, find the diamonds in the rough, and help you get the most out of your time, money, and effort.

Let's use an analogy that almost everyone understands… cars. Suppose you plan to buy a 2006 Toyota Camry. You want one with air-conditioning, navigation, power locks, CD player, and so on. You do your homework and find it's selling for $10,000 at one dealership, $9,300 in another, and $11,500 at another. Then you look in the classified ads and find an owner selling exactly what you want for only $5,000.

What do you do? You jump on it.

But if you hadn't done any research and your neighbor said, "Hey, I've got a 2006 Toyota Camry fully loaded for $5,000." You just might say, "Let me think about it," because you wouldn't have any clue that it was a great deal.

When you know your market, you can land deals quickly, because you know the value of houses and how much they are normally selling for.

Again, the number-one rule in real estate is to know your market. You also have to have a plan for the properties you are going after and how you are going to make your money. This section, will show you how to do that.

It is important that you know your market. When you know the market, you can easily spot deals. If you were looking for a 2-bedroom, 1-bathroom home, and you saw prices ranging from $299,000 to $330,000, and then all of a sudden you saw one listed for $220,000, you'd be are all over it. But if you only looked once every three months for a property and you saw something for $210,000, you wouldn't even realize that there was a potential $50,000 profit right under your nose.

Market values change constantly, so you have to study up, and stay up, on the price trends in your area. What's good information now might be outdated in six months.

The kind of information you want is:
> What kind of properties are selling
> Where properties are selling
> Size of houses - number of bedrooms and bathrooms, total square footage
> Number of days on market
> Asking versus selling price
> Desirable features
> Top real estate agents

Real estate values are relative, because the market is dynamic with prices rising and falling constantly. Don't use a real estate agent as a shortcut for not doing your homework. Great properties don't last long on the market, so you don't want to lose the sale simply because you were unprepared.

The Cost of Not Knowing Your Market

The folllowing example happened to someone who invests in real estate all the time. The house in question was on a block where properties were about 15 percent lower in value than houses just up the street. The investor was only willing to bid $115,000 for the house. The other investor involved bid $130,000 and won the deal. When the house was finished, he probably had spent $30,000 in repairs. When he listed it for sale, the asking price was $200,000; but it was on the market for four months, and the price has dropped to $180,000. That doesn't leave much profit. He won the deal, but he paid too much. Knowing your marketplace extremely well protects you from overpaying.

HOW TO RESEARCH THE MARKET

How do you learn your marketplace? There are a variety of tools.

THE INTERNET

The Internet is one of the most wonderful tools for investors. Free Internet data allows you to get a bird's eye view of the values in your area.

Websites are a great beginning step to familiarize yourself, street by street and block by block where the activity is going on. Find out which neighborhoods are moving properties quickly. Those are the ones you'll want to zero in on.

Websites like zillow.com and trulia.com estimate property values. Zillow.com, for example, will show which neighborhoods in your area have sold the most properties within a recent period of time. It will also give you the sold and listed values of those properties. Zillow also provides the sale price of comparable houses sold in an area.

CLASSIFIED ADS

Online classified ads also give you a feel for your real estate market. Most local newspapers are posted online. You can subscribe to them through RSS feeds.

REAL ESTATE AGENTS AND BROKERS

When you look at online sites, you will see which real estate agents are advertising, listing, and selling the most properties. Find out which real estate agents and brokers are investor friendly and get to know them. In the next chapter you'll learn how to build a power team.

MLS LISTINGS

You can sign up with a real estate agent's online e-zine to receive multiple-listing-service (MLS) listings in your inbox on a daily basis. Study the listings to learn the prices people are asking, and what kinds of real estate are actually selling. Identify the markets where there is a steady supply of properties which need repair are being sold.

NETWORK, NETWORK, NETWORK

Network with other people who are doing what you are doing. Learn the core foundation of analysis and then take that information into the marketplace and find people who are doing this business. Surrounding yourself with people you want to be like helps you do the things they do. Real estate investment clubs are a good place to find experienced investors who can teach you the dynamics of your local neighborhood markets.

NEIGHBORHOOD RESIDENTS

Talk to family, friends and neighborhood residents. They know their neighborhoods. They might be able to tell you what's going on—what has sold, who wants to sell, and how much they want.

30 DAYS TO DISCOVERY

Communication with everyone you know about what you are doing will enhance your knowledge of the market. It may take you thirty to forty-five days to really learn what's going on in your specific market regarding the true values of real estate.

If you are really serious about this, spend at least half an hour every day just looking at the market. Watching that half-an-hour sitcom on TV is not going to get you anything. If you really want to have the success you are looking for, you have got to put your time in. There is no shortcut to time and market mastery.

Doing this for thirty minutes a day for twenty-one days in a row helps to develop a habit. The more time you put into it, the faster you will reach your goals. Each time you find a deal that doesn't work brings you that much closer to finding one that does.

CHOOSING A NEIGHBORHOOD

Do not drive more than an hour to reach a property, though you might need to go farther out if you live in a rural area. The important thing is to choose a sustainable area where properties sell within sixty days. You don't want a stagnant area where properties sit on the market for more than a year. Ideally, you want a market where the average "days on market" is forty-five days or less. This is an indication of a hot, healthy market.

Focus on the kind of properties that people are buying, whether it is single-family houses, townhouses, condos, or multi-family buildings (up to four units).

KNOW THE COMPS

When someone says "Know your market," it means that you have to know your comps—the prices that comparatively similar houses sold for in the area. You can't be in la-la-land, thinking that you're going to get $300,000 for a house, when the average house in the neighborhood sold for only $250,000. You have to know what the "solds" are. Your real estate agent can help you find out these numbers.

"Comps" compare the same kind of houses; such as a 3-bedroom, 1-bath house to another 3-bedroom, 1-bath house in the same area. It doesn't matter if the house right next door sold for a higher price, if it was a 5-bed, 2-bath house. You cannot sell your 3-bed house for the same price. You have to compare apples to apples and oranges to oranges.

In a typical market, a bread-and-butter home—3 bedrooms, 1.5 baths, with 1,800 square feet in a nice neighborhood—is worth between $185,000 and $255,000. That's the after-repaired value (ARV) or fixed-up value. Your exit number should be somewhere in that range. In your neighborhood, that same house might be worth $110,000 to $150,000. That might be where your exit number lies.

As you study the market, you will get to know the retail or ARV value of properties. You will use these numbers later to calculate how much to pay for your deals.

PROFITABLE PROPERTIES

When you're starting out, stick to properties that need light repair—new paint, new carpets, sanding, updated kitchen, updated bathroom, or landscaping. Avoid houses that need major rehab work—new foundation, electrical system, plumbing work or new roof—until you are more experienced.

These are the kinds of properties that sellers will sell below retail price. Houses that need cosmetic improvement do wonders for your return on investment.

Many bank-owned properties, also known as Real-Estate Owned (REO) properties, also offer good deals. Additionally, many homeowners get behind on their payments, usually due to job loss, illness, or adjusting monthly payments due to bad mortgages, and are willing to sell their homes as a short sale in order to avoid foreclosure. Learn to love buying REOs and short sales because of the large pool of great deals. More about short sales follows in Chapter 5.

CONSTRUCTION COSTS

In order to determine how much to offer, you will need an understanding of basic construction costs. Rehab costs vary from project to project, but after awhile, you'll feel comfortable with knowing the ballpark costs. Some basic ones are:

> Paint – interior and exterior
> Carpet
> Floor tile
> Granite kitchen
> Updated bathroom
> Landscaping

You'll need to know not only the cost of materials, but the cost of labor as well.

If you're a novice, you'll need to initially rely upon the experience of members of your power team, such as general contractors, subcontractors, and handymen in estimating these costs. Rehabbing costs will be covered more in Chapter 6.

Calculating Profits

Once you understand the market values and construction costs, you can evaluate real estate to know if you can potentially profit from it as an investor. The three key numbers you need to know are:

> After-repair-value (ARV) – what the property will sell for when it's fixed up

> Repair costs – how much it will cost to fix

> Maximum allowable offer – the most you can pay for the property to make worthwhile profits

From your market research and working with your real estate agent, you already know the retail or ARV value of a property. After consultation with your general contractor, you will also know the construction costs.

All you need to know now is how to calculate the maximum allowable offer—the highest number you can pay for a property.

Once you know all three of these numbers, you can tell if a property is worth buying and how much to pay. You can make a safe, educated assessment of the property's value, and you can figure out what your profit will be.

THE MAXIMUM OFFER FOR OWNERSHIP FORMULA

Many new investors go into a deal with the idea that "My profit is whatever is leftover at the end." That just doesn't work. You have to buy with your profit in mind. Otherwise, you will not make money, or worse, you will lose money.

The formula that follows won't let you down. You should rarely deviate from it. You can't buy on emotion; you have to buy based on numbers.

This is the formula for calculating how much to pay.

ARV – 20% (Your Profit) – 10% (Misc. Costs) – Repairs = Maximum Offer for Ownership

> *Profit:* 20% minimum of ARV.

> *Miscellaneous costs:* 10 percent of ARV.

> *Repair costs:* dollar value of the repairs.

> *Maximum offer for ownership:* ARV minus profit, minus miscellaneous costs, minus repair costs.

All these numbers are based on a six-month holding period, even though you typically should sell within a four month period. The extra two months are a safety cushion.

Let's suppose you're interested in a house with the following numbers:

ARV: $220,000
Profit: 20-33% ($44,000 to $72,600)
Misc. costs: 10% ($22,000)
Repair Carrying costs: $22,000

That leaves a maximum offer for ownership of between $103,400 and $132,000

MISCELLANEOUS COSTS

In buying and selling real estate there are certain expenses that must be paid which are not part of the cost of property. Allocate 10% of the ARV to cover these costs. They may include such things as:

> Lender costs and points
> Insurance
> Taxes
> Carrying fees
> Attorney fees
> Real estate commissions (for both buying and selling agents when reselling the property as a flip)
> Closing costs (for both buying and selling the property in a flip)
> Tax stamps
> Builder's insurance

THE UH-OH FACTOR

When calculating the cost of repairs, always build in a contingency amount of 10% to cover any unexpected expenses. So, in the example above, if the estimated cost of repairs was actually $20,000, you would add an additional 10%, or $2,000 to that, for a total of $22,000. Don't take unnecessary chances in calculating the cost of repairs. Learn to invest as a professional by covering all contingencies.

WORK ON PERCENTAGES

It doesn't matter what market you are in – whether it's New York City or Pine Bluff, Arkansas. These percentages work everywhere. If you buy it for the right price, you will be able to resell it and make a profit. In a typical market, you may make $40,000 on a deal, but put $210,000 on the table. You in Pine Bluff, Arkansas, may only make $15,000 on a deal, but you only had to put $130,000 out on the table.

Many students have doubted the formula. They say, "I've looked at 10 deals and haven't scored one."

Actually, that's a good thing. You've avoided a bad deal. You might have to look at fifty properties to find one that fits your criteria. You just can't question the formula. Be patient. A deal will come.

Ask yourself: "How bad do I want it?" and "What do I want?" Do you just want a deal or do you want the right deal? If you want the right deal, keep looking until you find it. You can also call a mentor to keep you focused on what works and away from the things that don't.

Know Your Exit(s)

The secret to surviving a plane crash is knowing the location of the nearest exit. That way, if the plane goes down, you know how to quickly move to the nearest exit and escape to safety. The same is true for real estate. In fact, it's the #2 rule in real estate deals: *Never, ever, ever, ever get into a deal…unless you know how you are going to get out of it.*

With every piece of real estate you own, you need to have multiple exit strategies. Work it so that you can do any number of things. You can wholesale the contract; close on the deal, rehab it, and retail it. You can close on the deal, rehab it, and hold it for cash flow. You can close on the deal, rehab it, sell it on rent-to-own. You can close on it, knock it down, and build a brand new house if you want to. Always have multiple exit strategies. If you go in to every deal with that mindset and put as many buffers up as you can, you will be much safer.

Know Your Deal and the Numbers

Once people know that you flip houses for a living, it's funny how many people start approaching you with "deals." These could come from friends, family members, team members or referrals… they all say about the same thing. The numbers change, but the presentation is almost always the same… "Have I got a deal for you!" They then explain how you can pick up this house for $100,000, you'll need to do $50,000 in repairs "Maximum" and then they say… You can flip it for $200,000, so it's worth an easy $50,000 to you. The questions you need to ask are:

> These values (purchase, repair, and resale) are based on what?
> What are the selling commissions?
> What are the carrying costs?

If you don't ask these questions BEFORE you get into the deal, it doesn't take long before this "perfect" deal leaves you wishing you had. Which leads to the #3 rule of real estate: Remove as many variables as possible and get answers to as many questions as possible.

Cashing Out: Different Phases

When people think of flipping, they often assume the flippers will buy fixer-uppers and put time and energy into renovations before reselling them. However, sometimes flippers buy homes, do no work on them at all, and then resell them months later for a higher price

In terms of planning it is important to know exactly when you plan to be cashed out. If you want to be paid immediately, then you may want to be a bird dog, which is when you find a property and hand it over to another rehabber for a fee. To earn more profits you may want to keep it and flip the whole thing yourself. Or, for long-term cash flow, you may want to become a landlord and keep the property as a rental unit.

Get Your Feet Wet With Wholesaling/ Bird Dogging

A newbie investor may want to wholesale their first few deals in order to gain experience. Wholesaling is easy to learn. It gives you a good solid foundation in mastering the principles of real estate investing, as well as granting confidence in calculating the numbers correctly, such as the construction cost, carrying cost, acquisition cost, exit numbers, selling cost, etc. When you run all those numbers correctly, you'll be able to build in the profit margin that allows you to leave enough meat on the bone to sell the contract to another real estate investor.

There are students and investors whose sole business model is to wholesale. An older student in Detroit wholesales anywhere from 50 to 500 properties on an annual basis at $2,000 to $5,000 per property. It doesn't matter who you are or where you're from, that's good money. His success comes from the systemization he has put into his business which enables him to make $2,000-5,000 on every deal.

Wholesaling is the least challenging way to invest. It's the foundation to everything you do. From there you can go anywhere you want to. But not only that, with wholesaling you have very little liability because you're usually not taking ownership of the property.

Wholesaling is truly a no money down way of investing. The specifics of wholesaling vary, but basically you control the property for ten to fifteen days. Within that period of time, you need to find another cash buyer who will come in and execute the contract. You never own the real estate, therefore you have no liability or property tax obligations. A portion of the profit goes to your bank account, and you give the other investor the lion's share since he is taking all the risks.

It doesn't matter how much time you have to devote to investing. If you do the work, you'll get the success. Whether you work for two hours a day or ten hours a day, if done consistently, you'll be successful. Of course, the more time you put in the faster your success will be achieved.

A bird dog will typically make a fee of about $5,000 on each deal. Then, after watching the other investor make $50, $60, or even $100 thousand dollars on those same deals, the bird dog's confidence level will go up and they will realize that they don't need the other investor anymore. The bird dog now becomes the investor and makes all the profit themselves.

The Relativity of Money (when to wholesale)

Why, as a seasoned professional investor, should you continue to wholesale? The answer is simple: you have your criteria that each property must meet. If there is not at least $50,000 profit in the deal then you shouldn't be interested in it. If the deal has a profit of only $30,000, it's just not enough to justify your time and effort. That doesn't mean that a novice investor wouldn't be tickled pink to go make 30k, especially if they only made $30,000 all year at their current job. If there's not enough profit to fit your criteria you can wholesale it to someone else.

It's not like you hit a point where you graduate and are not a wholesaler anymore. There are a lot of reasons other than the profit margin criteria that determine why you may want to wholesale a property. Sometimes you're just too busy to take on another project because you've already got so many deals in the pipeline.You don't want to run more than three or four deals at the same time. Sometimes you'll get good deals on properties that are too far away. You might not like to do deals that are more than a thirty minute drive, so you'll wholesale off the ones that are too far away.

Skipping Wholesaling for Rehabbing

Always plan for a 6-month holding period. You should do renovations that look high-end. It takes me about four months on average to get in and out of a deal. You can get in and out by wholesaling within thirty days and pick up a check for $5,000 to $10,000. Or you can do the rehab yourself before reselling and pick up a check $20,000 to $450,000 as long as you systematize what you are doing. For you to be able to do rehabbing, you need to have a money source if you don't have the cash yourself. You will also need the ability to accurately assess construction costs, hold the construction costs to the amount budgeted, and the ability to keep the construction process on schedule in order to have the completed project ready for retail in the time allocated.

That means that you will need to have management and oversight skills. If you don't have that ability you'll need to find somebody on your team who can do that for you. So if you're not detail oriented, then you'll need to have a detail-oriented person, employee, or partner as part of your team. You cannot do it alone; no one can. You've got to share that workload with people around you.

Not Landlord—CEO

Another exit strategy is to hold a property for its long-term cash flow generating capabilities by renting it to tenants. Some people call this "Landlording," though the term landlord might have a negative connotation. A landlord earns minimum wage, because a landlord does minimum wage work, right? A landlord gets a phone call at 4:00 in the morning because a Barbie doll was flushed down the toilet and plugged it up. A landlord gets called because the heat is not working, etcetera. So even if you get into the property with little or no money in the beginning, you know that you'll still end up working for peanuts if you are personally the landlord. An important principle to remember is to think like the CEO of the company, even if you are the only person in the company. Are you the CEO? The answer to that is "Yes!"

When buying property for cash flow or rental income, it's necessary to develop a system to do it for you. You'll need to understand how to analyze a property based on its cash-flow potential and how to increase its cash flow by increasing rents and/or decreasing expenses. You must be able to manage the overall running of the asset as if it were a business. Once you've developed that skill, you could build an empire that no one could ever take away from you, as long as you follow the process or the steps. You'll need to learn to delegate the landlord responsibilities to other members of your team. Tenants are tenants; you cannot control other people, but you can show them how to live within a system that you create. And if they do not live within that system, there will be consequences for their actions. As long as your system is documented, legal, and respectful then you can become extremely wealthy through cash flow.

It's Okay to Make Mistakes

You're going to make mistakes. You should be commended for making them, because you can check that box off as done. Learn from your mistakes, and move on to the next one. By following the program you should be able to avoid making the big mistakes, the $30,000-50,000+ mistakes. You're going to pick some of the wrong team members along the way, and you're going to have to learn that lesson for yourself. Or you can decide not to try, but that means you're always going to be on the sidelines watching. It's better to get in and mess a few things up. The biggest mistake is to never try at all.

Valuable Asset

When you learn the Program, you are very powerful and worthwhile to real estate agents, attorneys, brokers, and other investors within your network. It's a chain reaction: when you learn how to evaluate property using that information, you will bring value to the marketplace. You can put money in the pocket of a real estate agent, because you can take them to the closing table. You can put money in the pocket of a real estate attorney (if, depending on your state, you use an attorney), because that attorney gets paid upon closing.

As you become more and more successful in this business, you will no longer beat the street yourself. You'll no longer look at every piece of real estate that comes across your desk. There's just not enough time. But for now, as the new guy or girl on the block, you are a very valuable asset to investors, because you bring these good solid deals that you've run the numbers on. You show other investors the deals they want. You bring value to another real estate investor.

When you change your income, you change your outlook on life. You see the power of what real estate can do, and if you take the first step to learn the simple mathematical formulas to secure a solid real estate deal, then you have great value.

Your net worth is in direct correlation to your network. It's not as much what you know; it's who you know and what value you and they can bring to the table.

You need to have a good team to succeed in real estate investing. You're only as good as your team, so choose them wisely.

Your business is based on a team of people, going out every single day to make you wealthy. That's what they do. They do that for you, and you put money in their pocket. So it really is a win-win.

CHAPTER 4

Building Your Team

"The team with the best players wins."
- Jack Welch

A good team can reduce the stress and make the process smoother. They give you room for expansion, because your business becomes a well-oiled machine. The real estate agent brings you the deal. The contractor helps evaluate the rehab work. Once the deal gets accepted, the mortgage broker and escrow officers get to work. Your attorney looks at the documentation. Everybody has a role.

A weak team will kill your business. You'll lose money, time, and sleep. For instance, your inspector could miss a major problem with the foundation, or your agent could undershoot on the resale price, or your attorney could put the wrong date on the contract. Errors can upend what would otherwise be a sweet deal.

It's important to surround yourself with professionals who are successfully doing real estate investing themselves.

Here are the key members:

1. *Your Mentor(s)/Coach* – A trusted, experienced adviser. Most successful businesspeople have learned invaluable lessons through training from mentors.

2. *Real Estate Agent* – A person who represents buyers or sellers of properties and land, for a commission. Good agents know their market, can bring deals to you, and have marketing reach.

3. *Mortgage Broker* – A liaison between loan applicants and lenders. Brokers can find the best loans for buyers at the best rates, since they work with various lenders. Investors can use mortgage brokers to assess the financial viability of making an offer on the property, as well as to generate leads.

4. *Real Estate Attorney* – Assists with purchase agreements, titles, and complicated transactions. Important for contracts and understanding the applicable laws in every step of the process.

5. *Contractor* – Person or company that performs and oversees the construction of the property. A good general contractor is priceless to your flipping business. You want one who is dependable, finishes on time, and works within the budget.

6. *Escrow Agent or Title Rep* – A neutral third party who holds funds and documents in a real estate transfer. Essential for closing deals quickly; find one who will have your back.

7. *Accountant* – A person responsible for inspecting or keeping financial accounts. Be sure to hire a Certified Public Accountant who specializes in or is very knowledgeable of real estate. Important for tax write-offs.

8. *Insurance Agent* – A person who sells insurance policies. It's important to understand what kinds of accidents or disasters could happen to the property and get insurance coverage through a knowledgeable source to cover your potential liability.

9. *Supportive Family & Friends* – A network of people who care about you and your best interests. This is always important, no matter what you do.

OPTIONAL TEAM MEMBERS:

10. *Appraiser* – Determines the value of property or land. Useful for providing current, market-based price estimates before listing real estate for sale.

11. *Home Inspector* – Examines the condition of the home to ascertain what repairs will be needed and identifies maintenance, fire, and safety issues, as well as building code violations, etc. Investors can use a home inspector's observations to determine the extent and cost of renovations and determine whether they want to purchase the property.

12. *Property Manager* – Oversees the operations, landscaping, and maintenance of a property and handles terms with tenants, such as collecting rent and filing for evictions. If you don't want to or can't deal directly with the maintenance and rental of a property, it's great to have someone do it for you.

13. *Handyman* – A person who can do household repairs and minor renovations. A capable handyman is great for dealing with small building issues in a rental property.

14. *Virtual assistants* – Provide administrative assistance from a home office. They help you follow up on leads, phone calls, and emails and manage administrative tasks. They are usually self-employed, which saves you money on taxes and health benefits.

15. *Automated systems* – Websites, filters, call forwarding, automated email replies, and other such systems that reduce the need for human involvement. These systems lower your costs and streamline communications.

Be careful about overdoing the size of the team. The more people you have, the more coordinating you have to do. It takes time to put together a good team. However, don't think that you have to have every member of your team in place before you can get started. You can add and subtract members of the team on an as-needed basis.

Everyone Has to Eat

In working with your team, don't forget that everyone has to eat. That's why we are all doing this; it's a business. The real estate agent wants to eat; the construction person wants to eat; the attorney wants to eat. Everyone wants to eat. They want to eat lobster—they don't want to eat hotdogs, right? So try to make them happy by ensuring that there's enough money in the deal for everyone.

Remember to just make it easy to do business with everybody. Don't be a stickler; don't be hard to deal with; don't be the guy that gets sent to voicemail, because no one wants to deal with him.

When you call people, they answer the phone because you are easy to do business with and you're making people money. Don't be greedy; don't be a pig. The objective is for everyone to make money and be happy doing their job.

The Most Important Team Member

The most important person on your team is your real estate coach. The cost of learning the hard way is dramatically higher than the cost of learning the right way. The price of a coach can save you hundreds of thousands of dollars later.If you are truly serious about investing in real estate, you will have a coach. When you have a coach, it means you are dedicated to success. It means you are committed to seeing this through and that you know enough to want someone to watch over your shoulder and make sure you're doing it right.

Real Estate Agents

Finding Good Real Estate Agents
This sounds a little bizarre, but people will do business with the people they like. So find agents you are drawn to, providing that they have the skills and experience to help you become successful. Ask them lots of questions.

Find an investor-friendly real estate agent. A shortcut for doing that is to join your local real estate investment club. National real estate investment (REI) clubs are found all over. Use a search engine, such as Google, to find when and where they meet. Go to the meetings and talk to the members. You'll find real estate agents and brokers at those clubs who will have a mindset similar to yours. Make sure that they understand investing, not just retail transactions.

You need the type of real estate agents whose pride doesn't shine out of their bones and who understands that EGO stands for "ease God out." They need to be grounded; they need to be good people. They also need to understand that you are on a journey with this, and that they have an incredible opportunity to come in on the ground floor, to be at the beginning of something really, really, really good and big and fair and financially rewarding. If they can't see your vision, they're not for you. Remember it like this: SWSWSW, which stands for "some will, some won't, so what's next?"

DO INVESTORS NEED TO BECOME LICENSED REAL ESTATE AGENTS?

A lot of newbie investors ask if they should become real estate agents. They wonder if it is critical to have a license to invest in real estate.

The fast answer is no. And the next answer to that is every successful real estate investor has access to the same tools that a real estate agent has.

If an investor is also a real estate agent, then that needs to be disclosed when making an offer. It's as simple as that. So if you're not a real estate agent, you can have agents do the work for you.

HAVE A GOOD RELATIONSHIP WITH YOUR REAL ESTATE AGENT

You need to have a strong relationship with your agents, they represent you in making the first contact with a seller or buyer. When you present your agents with an offer at forty or fifty cents on the dollar, they actually present it to the seller, rather than dumping it into the shredder behind your back. That's because they know that your offer at fifty cents on the dollar is based upon completion of proper due diligence, taking into consideration rehab, marketing, financing, and holding costs - not just a low ball offer made in the hopes of getting a steal of a deal. They also know that if your offer is rejected by the bank that you won't get discouraged. You'll submit it again at the end of the month, the end of the quarter, or the end of the year, because those are the times when banks tend to be more willing to negotiate. Your agents know that you are running a business, not a hobby.

Good real estate agents understand market values and can keep you from spending too much on a house or selling it for too little. Never sign a contract of exclusivity with an agent until you know that person has the skills to get the job done right. When it comes to agents, everything is negotiable, including their commission. Building a good relationship with your agents takes time. They don't happen overnight. This isn't a get-rich-quick thing. It's a business.

Contractors

FILTERING CONTRACTORS

Choose a contractor who has insurance (worker's compensation and liability insurance), is licensed by the state and/or city as required, and who is bonded. Those items are a must. It is also very helpful if the contractor has a great positive attitude, has very flexible hours and can handle emergency situations.

There are contractors who will give you ten reasons why something won't work, and there are other contractors who will give you ten reasons why it will work. You want the person who figures out how to do what needs to be done. Do not consider, no matter what the price, working with a contractor who has negative energy. Doing so will breed negativity throughout the entire organization.

Working With Contractors

HOW TO FIND THEM

A good contractor in the flipping business is obviously a critical part of the team. The best way of finding them is through referrals. Everyone knows a plumber, electrician, carpenter, roofer, painter, or landscaper.

Reach out and talk to everyone you know, and you'll begin to build a database of referrals. Websites, like Angieslist.com, are good resources for reviewing the reputation and reliability of contractors in your area. You can use a general contractor (GC) to pull the permits to do the work on the house. He is responsible for the daily operation of the building while it's under repair. Most GCs prefer to use their own electricians, plumbers, and other subcontractors. You shouldn't allow them to do that because you can get better pricing if you get your own subcontractors. Never allow the GC or the subcontractors to pad the cost of materials. You should buy all the materials. When the contractors and subs give you their receipts, reimburse them for any of the materials they have purchased.

CONSTRUCTION KNOWLEDGE

If you feel that you do not understand general construction or specific rehabbing projects as well as you would like to, you could go to Home Depot and take some of their classes on basic home improvement. They're free. Learn how to fix a floor and install a kitchen. Good investors know the basics of construction. Take the kids with you on a Saturday afternoon and have a good time while you're doing it. Knowledge is power. If a contractor tries to tell you something, and you know for a fact that it's not true, then that contractor is not for you.

If a contractor tells you the labor is going to cost $5,000, and you break it down and discover that comes to $1,000 dollars day, you'll realize that he is way too high. Learn the basics of construction so you can get the right contractors around you.

QUALITIES IN A CONTRACTOR

In addition to the contractor who says, "Yes," you want to see their quality of work. You don't want perfection, and you don't want a contractor who has an ego. But you do want a contractor who listens, follows directions, and understands the power of repeat business. As a real estate investor, you can give your contractors multiple jobs. As soon as they finish with one house, they have the ability to roll over into the next one. Steady work at a reasonable price is more valuable to most contractors than the feast or famine experience they get with high prices. Tell them, "You can make a thousand bucks today or you can make $50,000 with me over eight months. You tell me what you want to do."

HIRING YOUR OWN SUBS

As mentioned above, you can work with a GC who pulls permits, but you will want to hire your own subs, such as electricians and plumbers. All of them report to the team.

You've probably seen the consequences of bad or untrained contractors. It's crucial that the rehab work is done right.

If you hire a guy off the street who said he knows how to wire a house and you do it because his bid is only 80 percent or 50 percent of the cost of a licensed professional, then you are just asking for trouble. If the house is not wired properly it could cause a fire. People could die. Do not let the greed of money be more important than doing business the right way. Don't do it.

It's dangerous in the end. Why would you want your reputation to be the lick-and-stick hacker in a marketplace, rather than being a reputable investor who puts a phenomenal house on the market at an incredible price and does it over and over again?

MORTGAGE BROKERS

Your mortgage broker should be the stealth mother in your business. When flipping you resell to a retail buyer. Let's say someone falls in love with the property at an open house and makes you an offer. Nine times out of ten, when buyers make an offer, they will include a pre-qualification letter from a mortgage broker. When you list a property, state that all offers are to be approved and qualified by your mortgage broker.

If your broker says, "Yes, the buyer is qualified to close and has enough money down," then you know you can bring that person to the table to close. But if your mortgage broker says, "No, they're only marginally qualified at best," then that's not the offer you want to take. You should take a qualified offer approved by your mortgage broker at less money than a marginal candidate for more money.

Bring a mortgage broker to every open house that you have. Let your mortgage broker qualify the people who come to your properties. Build that relationship with your broker. Explain to him or her the volume that you plan on doing and the fact that you can build a network.

Another reason to work with mortgage brokers is that they can be an incredible source of lead generation for potential houses that you can birddog. When someone is facing foreclosure they often try to sell it first.

If that doesn't work, they'll then try to re-finance it. Where do people go to re-finance? They go to the mortgage broker who got them their loan in the first place.

Since the homeowners are delinquent on their mortgage, it is rare that the mortgage broker will be able to help them refinance. Additionally, the house is usually upside-down, meaning that the owners have no equity. So what are they now? They are a short-sale candidate. If you do not know how to do short-sales then you can take this opportunity to your network of real estate investors and say, "Hey, I don't know how to work short-sales right now, but I found somebody who is motivated to do a short sale." You can then get paid a fee for bringing this lead to your investor friends and learn as you watch them complete the transaction.

One thing to keep in mind is that short-sales take a long time to complete. You're not going to close a short-sale deal in thirty days. But if you build a good relationship with mortgage brokers and another investors you can get paid finder's fees on short-sale referrals very quickly.

You should build great relationships with your brokers, not one but many. They all bring you deals and they tell you exactly what their opinion is and what's going on in the banking business. They don't get paid unless they sell bank-owned properties.

Asset managers don't get paid unless they sell their inventory. And banks don't have money to lend if their lending money is tied up in REO assets. Working with mortgage brokers is the first point of contact in building relationships with asset managers. As you build confidence with your brokers, they then introduce you to the asset management company. That gives you the opportunity to look at packages of five to twenty properties at a time.

Home Inspector

BRING IN THE HOME INSPECTOR

The home inspector does not complete an inspection until after the seller has accepted an offer. You can use your inspector to give you an idea of what the repairs will cost. Many times the best inspectors have been general contractors, because they will educate you.

Good inspectors can find things that other people may miss. Some of the things that they check are:

> Electricity
> Plumbing
> Heating
> Air Conditioning
> Vents
> Water
> General upkeep of the home, including the inside and outside structure

You can consult with a real estate agent about hiring an inspector. Or, if you wish, you can do your own detective work and find one on your own. Either way, having an inspector check your property is very important. They will be able to advise you of the condition of the home and whether or not it is worth purchasing. They are an independent party, with nothing to gain or lose, so their recommendations are usually worth their weight in gold.

Appraisers

Appraisers typically come into play because the bank requires them. Nevertheless, it's good to have an appraiser on your team to help determine whether a property is worth buying or not.

A mortgage broker will usually ask the appraiser for drive-by, ballpark appraisals. The appraiser's opinion will be based on the drive-by visual inspection and a comparison of recently sold properties. A full appraisal will cost between $300 and $500, so when buying investment properties to flip, don't pay for appraisals up front. In most cases a real estate agent can do the same thing for free.

Your purchase contract should contain a clause stating that the offer is subject to the property appraising for an amount equal to or greater than the offer amount. In most cases the appraisal will indicate that the property meets this condition. However, if it does not, then the buyer has the right to either drop out of the deal or renegotiate with the seller to get a price that meets the appraisal.

The point of flipping property is to resell it for more than what you paid for it. The difference is your profit. Buying a property without having it appraised is like jumping off a bridge with your eyes shut. Usually there will be water to cushion your fall—but every once in a while the bottom is nothing but rocks. If the property turns out to be worth less than what you bought it for, it will be very difficult to make a profit, and you may end up losing money.

Insurance Agent

You're going to need an insurance agent. Depending on the stage of a deal, you'll need builder's risk and property insurance. You must have the right kind of insurance. If you were to buy a standard homeowner's policy, and then during the construction process the house burned down, you wouldn't be able to collect on the insurance because it would be the wrong kind of insurance.

You'll need to carry a builder's risk policy when you are actually doing construction. With a builder's risk policy, the theory is that every day a contractor shows up and sees the property, he's covered, versus a vacant property where no one's there. You'll want to use an agent that knows the difference between these policies and can put you in the right policy at the right time. There is no point in trying to save a couple of dollars on the wrong policy and lose everything as a result. It's not worth it. Get the right guy and use the right policy… every time!

An Escrow Agent/ Title Company/ or Attorney

Depending upon the laws of the state where you invest, you will need either an escrow agent, a title company or an attorney to close your deals. In states that allow title companies to do closings you can save a little money, whereas in other states you may be required to close with an attorney and then have a title company issue a policy of title insurance.

Attorneys

Don't' be intimidated by attorneys. Interview them just as you would anyone else to learn what they can bring to you in the way of services. Let them know how you intend to conduct business and that you will be a source of on-going revenue for them. Be sure that they understand the special needs of real estate investing, rather than being a generalized attorney that does a whole lot of things where real estate is just another item for him. Attorneys understand gray areas of the law. Your purpose in working with them, other than as closing agents in states where that is required, is to ensure that everything you do is legal, ethical and moral.

CHAPTER 5

Why Real Estate Is a Great Investment

"Real estate is at the core of almost every business, and it's certainly at the core of most people's wealth. In order to build your wealth and improve your business smarts, you need to know about real estate."
- Donald Trump

In the last decade, the U.S. real estate market has been through a roller coaster of highs and lows. Many people have lost their homes, and now, many people are too scared to enter the market. Though a lot of people have been burnt, there are still a lot of people who are excited about investing.

There's a strategy for every season, and a strategy for every market. As long as you know how to play the game, you can win in any season, in any market. If you want to make money through real estate, right now is a phenomenal time in history to buy.

The sentiment is that the real estate market is bad. That's what the media and the everyday person are saying. It's a herd mentality. But when the real estate is bad, many people are motivated to get out of the market. You can find lots of short sale and bank-owned deals that can be scooped up for, say, $90,000, fixed up for $10,000, and sold for $150,000.

Most people don't understand that this is what you've been waiting for—a buyer's market—where properties can be bought for as much as 80 percent off, and where interest rates are near zero. This is the perfect storm of high inventory, low prices and low interest rates. It's the perfect time to buy.

If you could go out right now and buy a brand new Ford F150 pickup truck with no miles on it, that normally sells for $70,000, and get it under contract for $35,000; then turn around and resell it to someone else within 48 hours for $65,000, with no money out of your pocket – would you do it?

Or if Macy's had a 50 percent off sale on everything for two days straight, do you think people would be a lining up around the block waiting to get in?

Yet, when US real estate prices are 50 percent off, very few people are standing in line to buy.

Instead, people say, "Real estate is a bad market," "I don't have the money," "I'm too young," I'm too old," "I don't know how," or any number of other reasons why not to buy.

Well, if you want to learn how to buy real estate on sale, make tons of money and completely change your lifestyle, you're in the right place. If you want to get out of mounds of debt, save for your children's college tuition, plan your retirement, leave a legacy of wealth and become financially free, I will show you how.

It can be as easy as buying a pair of socks on sale at Macy's.

Anywhere there are people, there's a real estate market. People are still buying or renting houses because they need a roof over their head. The real estate market is the same no matter where you are in the world—as long as you have a buyer. If property is turning over, there's a buyer. If stuff is moving, you can do it.

Sometimes potential real estate investors say, "I can't make it in my area." Maybe there aren't deals in your town. If that's the case, drive half an hour to another location where property is moving. It doesn't matter if it's California, Texas, Arizona, New York, or Boston. As long as there are people willing to buy, you can do this. The only difference is the amount of profit you may make. If it's a market with $60,000 houses, you'll make a smaller amount of profit. If it's a market with $150,000 houses, you'll make a larger amount of profit. The principles used in the Program work anywhere.

What You Need

What you need is the education and action to put it all in place.

It will be uncomfortable at first, but if it was comfortable, everybody would be in this business. You're going to be uncomfortable at times. You're going to step outside of your comfort zone. But you have to get up off the couch, stop eating bonbons, and get in the game.

What You Will Get

This program will open your eyes to the fact that real estate is not an ugly word; real estate is a phenomenal empowerment when you know how to invest in it. Most of the wealth in this country and all over the world has been made in real estate. If you can learn the Program, you can apply it anywhere.

You have the insights and experiences of someone who has been there, done that, to show you the ropes and walk you through it, to show you how to get to the finish line, make money, and be successful.

Ways to Earn

With the Program, you can create cash four different ways:

1. Finder's fee
2. Wholesale rehab
3. Retail rehab
4. Cash flow properties

Real estate is a way to buy, hold, and flip all at the same time. A lot of people don't have money but they still want in. The best place for them to get started is with a wholesale deal. That's the no-money-down scenario, just find the deal. When you find the right deal, I trust that the money will come. It may be as little as a $5,000 finder's fee but you're making money. Do a bunch of them. Collect your fees and save up $50,000 or $100,000. Now you've got chips to go in and be a house flipper. After doing a few flips you'll have $200,000 saved up to start buying and owning.

When you start making checks of $3,000 or $20,000 or $50,000, your life will change. You will want more and get better at it. It doesn't really matter how you start. The point is to get in the game.

Aside from the obvious financial rewards that go along with real estate investing and flipping houses, there are abstract benefits to be gained when you embark on a house flipping adventure. Most people want to make more money. And it's possible, and it can be done full or part time. It can help you pay the bills and give you a way to have more time to do the things you really want to do. Creating wealth with real estate (specifically flipping houses) has been the source for that wealth for thousands and thousands of people around the country.

Most things in life have more than one benefit. The same can be said when it comes to flipping houses. Whether you decide to flip houses as a career, a hobby, or a second job, building a new skill set is similar to building a new house. The first thing you need is a good foundation. And the best foundation, in this case, is a solid base of knowledge. Whether you are doing this for a living or as a one-time deal, you will find that there are many little lessons to learn along the way. Knowledge is rarely a bad thing, and the lessons you learn while flipping houses are lessons that can be applied in many aspects of your life.

1. BUDGETING

There are few things that can give you a crash course in budgeting quicker than flipping a house. Contrary to popular opinion, the budget doesn't start once you own the house. In order to successfully flip the house you are working on, you will need to learn to budget BEFORE you buy it, or you will wind up flushing thousands of dollars down the toilet. You need to start with the end in mind. It is important you look at all the areas that will cost you money (acquisition, repair, holding costs, etc.) before buying, so that you can properly identify how much money is in the deal for you. Then, once you have identified the cost variables, you need to stick with your budget. Learning to set a budget and stick with it are both necessary skills for flipping houses. When carried over into other aspects of your life you will find that this is a very useful skill, which will have you looking at everyday purchases with new eyes.

2. MUSCLE DEFINITION

Who knew that flipping houses would be such an excellent workout? This is especially true for those who hold jobs that aren't necessarily dependent upon physical labor, but before you do, MAKE SURE YOU KNOW WHAT YOU'RE DOING. If you do some of the work yourself, such as heavy lifting or hammering, it can be a great physical workout. You'll probably discover that your labors will be rewarded in more ways than simply watching your project come together.

3. ATTENTION TO DETAIL

This is a huge benefit that comes from flipping houses, and you will get better with each new property you start. The real opportunity for wealth creation comes from the small details that others overlook. These details are not always expensive. It can sometimes be as simple as replacing the outlet faceplates, proper staging, new carpet or a fresh coat of paint. The little things often matter most in helping a buyer to see the potential in the house. It also conveys to them that the house has been well taken care of. It's details like these that make the whole Program work, it's what makes a house stand out. It's why your houses tend to sell faster than any other house in the neighborhood. You'll find that attention to detail is contagious. What will start as the little details in the properties you acquire, will soon spill over into all the other areas of your life... how you plan birthday parties and anniversaries, the way you organize your closet, etc. Details matter.

4. POSITIVE THINKING

Positive thinking is the most important power tool you can have. People who do flipping for a living (or even a hobby) have a special ability. You see potential and opportunity when and where others do not. Part of that is seeing things in a positive light. You should temper your positive thinking with a hefty dose of reality; nevertheless, you will notice positive thinking spilling over into everything you do.

5. JUST DO IT

The old Nike commercials had a point, and if flipping houses doesn't teach you anything else it should teach that nothing happens unless you make it happen. Procrastination costs you time and money. Every time you delay making a decision you risk losing the property to someone else. Every day that your house does not sell, you have increased carrying costs (maintenance, interest, etc.). You will find that your can-do, must-do attitude will also impact the rest of your life as well. You'll notice you'll waste less time doing unproductive things. You'll have a burning need to get in there, get it done, and find the next project. Procrastination is poison. If you try to wait to do things, they won't go away… in fact, they'll often get worse.

Why Real Estate May Be the Only Real Mainstay Market

"You can print money, manufacture diamonds, and people are a dime a dozen, but they'll always need land. It's the one thing they're not making any more of."
- Lex Luthor

While you watch businesses come to life, peak, and fall, you may be wondering if a business in real estate is worth investing in. Would this business crash and burn like the others? You wouldn't want to invest in something that wouldn't be successful.

Unlike other businesses, real estate is typically a good investment to make, and may be the only real mainstay market. Even though the real estate market rises and falls, there are still many benefits to being in real estate.

You can expect that if something happens that causes the market to fall, it will eventually come back up. There is always a need for housing, and people are always moving to different locations. No matter what type of real estate you invest in, you can expect that someone will have the need to live in the property. Because real estate is part of the basic needs of individuals, it can be expected that someone will always be buying, and others will always be selling.

One of the best advantages of real estate is that it provides more stability than other commodities. No matter the economy, there will always be real estate selling. If the market is bad, individuals will be selling their homes to move somewhere more substantial. If the economy is good, then individuals will be buying homes that can offer more.

If you aren't certain about investing in real estate, you don't need to look any further than the economy, and how the fluctuation is always to the advantage of those owning property. No matter what the circumstances, individuals are always looking for a place to live. If you want to make sure that you are part of the trends in the market place, then investing in real estate is an excellent way to keep a stable income.

As with any business, the market is always changing. Even so, you can still benefit from real estate investing. In fact, when the economy is not at its greatest, real estate investors often get great deals on investment properties.

The market will rise, and it will fall, but the best thing about the real estate market is that you still have some stability, even with a downturn in the economy. Even when there are economic downturns, it isn't the end of the world. David Clayton Thomas sang about how "what goes up must come down," and that is true. Everything in life comes in cycles, including the economy. But what Mr. Thomas left out is that what goes down must also go back up. There must be a balance, always. Your job is to be prepared—and the best way to do that is to be informed.

CHAPTER 6

Getting Over the Fear of Money

"Our doubts are traitors that make us lose the good we oft might win, by fearing to attempt."
- William Shakespeare

If you are getting into real estate in order to make more money, it can be very difficult, stressful, and frightening to take the leap. For those already investing in real estate, you'll find that there are several financial unknowns. Whether you're a home owner or someone in the real estate business, there are several common financial fears involving real estate.

They say it takes money to make money—but if you don't have much to begin with, it can feel like a very big risk. And in a way that is true—one of the major components of the real estate business is risk. If you intend to own a home, you will have to take out a loan. If you are unable to pay taxes or the loan at any time, you will be at risk of losing the home. This is understandably frightening, but this fear may lead to the wrong loan being chosen. Determining how much risk you are willing to take with your loan will define what type of loan you should get.

Another related fear is the fear of investing in a property at the wrong time. If the economy is at a low, or if the market price is not good, investing in a certain property may result in a loss. This is a risk that many real estate companies will decide to take in order to sell a home. Deciding whether or not an investment is good for you will require some risk, and can cause fear if you are unsure about the economy and sale of the home.

The best way to combat this fear is with information. Your real estate team will be a big help, but it never hurts to do your own research. Investigate the market and the economy. See what other real estate professionals are saying and doing. If it seems like too much of a risk, you may want to wait on that property, or pass it up for one more likely to sell, even if it won't make as much of a profit.

Making money in the real estate business means taking risks. Whether you are a home owner or are in the real estate business, there will be several times where you will have to make logical decisions without knowing if there will be money to back up the decision. It is important to acknowledge these fears, so that certain boundaries can be set in relation to them. This way you will know when you are going too far with a purchase or investment, or when the fears are holding you back from making the right moves. By knowing the financial details of a home purchase, you can move past your fears and make the right investments.

CHAPTER 7

Types of Real Estate Investments

Real estate investments can generally be categorized with into two major types: commercial and residential. Most of what is taught in this book applies specifically to investing in residential real estate. But that doesn't mean the same principles and strategies don't apply to commercial. Each of these categories has specific guidelines which you'll need to consider. After you have determined what type of real estate you want to look at, you can determine what is available to you.

If you are looking at residential properties, then they will be divided by the sizes of the homes, or the number of bedrooms. Typically, this will be known as a single family or multi-family home. A single family home will be completely independent, and will usually be shaped differently because the neighbors can't cross the yard.

Commercial properties will range from office buildings to manufacturing sites. The difference between a business building and a residential building is in the size of the deal ($) and the government's regulations. Most likely, there will be zoning rules, and the lease will have different sections for things such as taxes and insurance.

If you are in the right area, you might have the opportunity to acquire a property that is both commercial and residential. Whichever type you decide to invest in, real estate can be more than an investment—it can be a fun hobby, or a rewarding career. The amount of money you make will largely be affected by the amount of time you choose to spend investing.

REAL ESTATE INVESTING: FULL-TIME OR PART TIME?

Unless you have a lot of money up front, it's probably not a good idea to abruptly quit your full-time job to become a real estate investor. It's important that you have that financial backup, because if you don't, you can dig yourself into a deep financial hole. You don't know how long it will take you to get your first real estate property. It may take several months before you get that piece of prime real estate that you've been looking for. Starting out part-time with real estate investing is usually the best option. That way, you won't create a burden that could drive you insane, or worse yet, into financial ruin.

Looking for property to use as a real estate investment takes time and research. The property may not be in the same condition or neighborhood, or have the same value as the listing claims. You will need to verify everything. Even though you can look at real estate properties online, you will still want to go in person to check them out for yourself—photos can be very misleading.

Take your time acquiring real estate investments. They are never in short supply. There is always an area where you will be able to find something to your liking. Doing this part-time allows you to test the waters to see if this is for you.

CHAPTER 8

Investing In Real Estate

So you've assembled your team, you've done your research, and you've mastered your fears. What's next?

You have probably heard it before—people often say that real-estate is among the best investments you could make. Usually, the value of real estate properties increases over time, so it should be simple to flip a property for profit—right?

It may sound easy, but beginners will usually find out that is not the case. It requires knowledge which can only be achieved through research, planning, and hard work. There are common mistakes in real-estate investing which could lead to serious pitfalls.

There will always be people who insist upon "learning the hard way" - learning by experience. But the school of hard knocks is not the place to learn about real estate investment. It's important to learn as much as you can beforehand. Buying real estate is a big investment, and your first mistake could easily be your last, if you're not prepared. If this is your first venture into real estate investing, you need to be aware of common beginners' mistakes.

1. *Know Your Exit Strategy:* Beginners usually follow the media, buy a property and wait for its value to increase. This could be risky. As mentioned earlier, real-estate investing requires research. Aside from that, you would also have to be prepared for the worst. If nobody bought the property, then you would have to think of other methods to generate income from it. You could lease it, or rent it, or think about other exit strategies.

2. *Know the Laws:* Before you make any kind of investment, you should be familiar with the laws applicable to the property. Different states usually have different laws governing property acquisition. There are legal procedures that you will have to follow to fully claim your right to the property.

3. *Emotional Involvement:* Another common mistake is getting emotionally involved with your first investment. Emotions may cause problems when making business decisions; for example, prospective buyers being rejected, even though they are offering the best deal.

4. *Build Your Team:* Before you start looking for properties, make sure that the real estate team is ready. Most people think that they could start investing on their own; this is a big mistake. A good real estate team and mentor will help you move quickly towards your goal.

Purchasing Undervalued Real Estate

Your first instinct, may be to get a higher priced piece of property. However, that is not always the best choice. It's best to buy undervalued properties; that is the simplest way to profit from purchasing property.

There are different reasons why a potential property might sell below its actual value:

> Foreclosed property
> Owner/Investor wants to get rid of it
> Property passed down from previous generation(s)
> Property is in bad shape and need lots of repairs
> Personal events in family where they can no longer take care of the property
> Excessive damage from inclement weather or fire

The reasons above are the ones that you hear about the most. If you can find a potentially undervalued property, it can work in your favor. However, you have to make sure that it will work for you.

Having undervalued property may not be in every investor's best interest. The property may require additional resources before you are able to increase its value and eventually come out with a profit.

Investing to Profiting: When and Why

Real estate investment doesn't have to stop at buying a home. There are several ways to invest, turn the property around, and profit. There is always a market for making extra cash flow through properties. All it takes is an understanding of the market, and knowing how to respond to what is available to you.

This is all part of the research, the learning process. Entering into a new market or a new career is very similar to travelling to a foreign country. Every niche in the business world has its own language, its own terminology, its own rules, in the same way that each country has its own language and customs.

Understanding the market is like understanding the country's customs and laws. You learn how things work in order to succeed. Learning the language is important to take advantage of opportunities. If you don't know the language, it won't do any good for someone to walk up and say, "don't stay at this hotel, it's awful and dirty." You won't know what they're saying, so you won't be able to respond and act on their advice. Similarly, if you don't know the language or terminology of the real estate investing world, you won't be able to recognize or take advantage of opportunity when it arises.

WHEN

The first thing to keep in mind, if you want to invest in real estate, is to find homes at the right time. There will be times when the market is lower than others. There will also be houses undergoing the foreclosure process, which will be sold at a lower price than others. These will be the best homes to invest in at the beginning. With a little work and a small investment, you will have the ability to turn them around and make a profit.

The time of year is also very important. Aside from market variation, there are practical considerations. If your plan is to 'fix up' a house before selling it for profit, depending on location and the projects you want to undertake, the time of year may make a huge difference. For example: it's a lot harder to build a deck or paint the exterior of a house in the winter if it snows regularly. These are all things to consider when choosing between different properties.

CHAPTER 9

Asset Protection

One of the ways that you can ensure protection of your property is by acquiring asset protection. Asset protection is a plan that is designed to protect your real estate and the things that you own inside of the real estate. You've already invested quite a bit of both your time and money in the project, so why risk losing it when a sue-happy tenant or contractor breaks a leg? If any type of financial disaster occurs, asset protection will ensure that you will have replacements and ways to ensure that the value of your property isn't lost, even if something unexpected happens. Typically, asset protection involves two distinct endeavors; adequate insurance and the creation of an artificial entity such as a corporation or an LLC to be the legal owner of the property.

If you are looking into asset protection for the first time, you may want to have a thorough discussion with an asset protection attorney. There will be an analysis of the amount of money that you need to protect, as well as how your properties are linked to the demographics of the area. Once these assessments have been made, your attorney will suggest the programs that may be best for you.

Profiting With Real Estate Investments

One of the most, if not the most important thing to know about real estate investments is to make sure that you will have a consistent cash flow. If you don't have a consistent cash flow coming in, then you'll have a difficult time creating wealth with real estate investing.

In addition to having cash flow, there are other ways that you can profit from real estate investments. This guide will explain some of them:

> Having rental properties and getting income from them is one of the best known ways to profit and keep a consistent cash flow going. The more rental properties you have, the better chance you have of creating sufficient wealth streams for you and your family.

> Have you thought about paying off your mortgage? Well, now may be a good time to start. The more you pay off, the more your equity increases. If need be, the equity can be used for other things.

> If you can afford to get a home equity loan, or home equity line of credit (HELOC), the money could be used for investing in other properties.

Keep in mind that you don't want to get in over your head with more debt, so only do this if you can make the loan payments without any problems.

> If you want to get a better price for your property, you may want to spruce it up a bit. Make some upgrades to it so that it will look presentable. This is a great way to increase value and prospective renters will also see the value in what you have accomplished.

Buying a Property to Generate Positive Cash Flow

Now, on to the part you've been waiting for. Where does the profit come in?

Well, when looking at real estate properties as financial investments, you will have to decide whether appreciated values or positive cash flow is your main goal, and there are some things you need to consider before you make that decision.

Since you will more than likely be looking at both single family homes and multifamily homes, it's important to understand the difference between the two. With the former, the value of the property usually increases quicker. However, since more expenses are attached, you may not be looking at the kind of positive cash flow that you want.

On the other hand, multifamily units (i.e., duplexes) can generate more positive cash flow. There are also fewer expenses involved, which is always good news. However, they may not appreciate quickly like single-family homes do.

Either way, you will need a reliable real estate agent that is willing to help you find properties that will produce the positive cash flow you want. Look at the property's balance sheets and see what you will probably spend on repairs, maintenance, fees, and other miscellaneous expenses.

In order to maintain a steady stream of positive cash flow, you need to have the right tenants, so take your time. You might consider taking classes for this, but be careful. There are some people who will spend lots of money on real estate courses that don't teach much of anything. If you choose to take such classes, see if you can find some reviews, or even speak to someone who took the class themselves. Were they satisfied that they got what they paid for? Many end up being back at square one, knowing little more than they did before taking the class. If this idea doesn't appeal to you, it might be more cost effective to find a good real estate agent that is willing to genuinely help you. Sometimes, you may be fortunate enough to find one that is also an investor on the side, and can speak from experience.

Calculating Your Cash Flow

It's always a good idea to take an accounting class, but especially when you are going into investing. Since a lot more money is involved than you may be used to dealing with, you may want to have a good handle on how to keep track of your money. Even an entry level course should prepare you for figuring out how much money you are making in profits or taking in losses, and what expenses can be changed to increase cash flow.

You might consider hiring someone else to do your accounting, but even so, you need to be able to know where the money is coming from and where it is going if you want to be able to make decisions on how it is spent.

Changing Negative Cash Flow to Positive Cash Flow

To put it simply, when you have negative cash flow, you are not making a profit; you are paying out more in expenses than you are taking in. That's not how you want to operate when you're investing in real estate properties.

Here are some ways that you can change the negative cash flow to a positive one:

> Implement a rent increase. Only increase it to the amount of the current market—don't overdo it, or you may not have any tenants.

> Make the tenants pay some or all of the utilities. This would relieve a burden from you, but again, be careful not to overdo it.

> Go over your property taxes to see if you can find anything that may have been missed before. Who knows—you may find out that you were charged more in taxes than you should have been. If things don't seem to add up, but you can't figure out what's going on, there are plenty of tax professionals that can go over your records with you.

> Contact your insurance company and see about paying more for your deductible. Then make inquiries about getting a better deal for coverage on the property.

CHAPTER 10

Using Real Estate Investments for Residual Income

There are several ways to make money from real estate. It all depends on what you are looking for. Whether you're looking for a one-time chunk of cash for another big purchase, or you want a little extra money to add to your yearly income, you can make it work with real estate investments.

But what happens when a property doesn't sell? The longer it stays on the market, the more you have to spend (this is from carrying costs –interest payments, maintenance and other costs associated with keeping the property). One of the questions we frequently get is how can you keep from losing money on your investment?

One alternative to flipping the property is to rent it out. There will likely be times when you either can't sell a property, or you don't want to. Maybe the market took a turn for the worse, and you want to wait to sell it when things start looking up. Whatever the case may be, when you are making passive or residual income, you make money by owning rental properties, without having to do the work on the property itself. Rental properties can help to keep money in your pocket. Eventually, you will make enough money from these properties so that you will not have to work a full-time job anymore. The key to building wealth is to stay with it and not get discouraged. There will be some properties that will generate income all the time, while others may be spotty.

Your goal is to make you and the bank happy by bringing in constant income and not having to work long hours for little pay. That will come in time.

Can You Be A Landlord?

That is essentially what you will be when you have real estate properties to rent out to prospective tenants, and property rental is probably one of the best ways to earn a residual income. But before you leap into the world of collecting rents and dealing with renters' issues, you have to know that you will need patience and understanding.

Along with that, being a landlord also means you will:

> Work together to solve problems regarding the property
> Learn to communicate effectively with your tenants

> Make decisions that are in the best interests of the renters and your investment properties
> Want to stay in it for the long haul, especially if you're looking to create wealth

Other than paying the rent, there will be other times that the renters will contact you regarding the property. Sometimes it may be regarding a needed repair; other times it may be regarding the tenants themselves. Of course, you may occasionally get a tenant who pays the rent late or who tries to skip out without paying at all.

However, once you are able to establish a relationship with the renters, they may find you easy to work with. In order for the cash flow to be consistent, you must be willing to have some type of communication with them, instead of just looking for that rent payment on the 1st, 3rd or 5th of the month.

It's important to:

> Be respectful to your tenants. After all, they are the ones who are helping you to create wealth (monthly rent). If they call you, return their phone calls as soon as you can. If repairs are needed in or on the property, get the appropriate people to do them.

> Let your tenant know that you care about them, and that you appreciate them selecting your property to live in. Remember, they can always find somewhere else to live, and make some other investor wealthy. Effective communication is the key.

Screening Prospective Tenants for Your Rental Property

After you decide on a property, the next step, of course, is filling it. Back in the day, you could put up a "For Rent" sign in the window or front yard of the property and get a decent tenant in no time. However, times have changed. Unfortunately, people are often not as trustworthy as they should be. Real estate investors now have to use modern technology and other tools to screen potential renters.

Along with the screening come legal issues that you, as a real estate investor, need to know about upfront before you start the process. That would include:

> How the screening is done
> Housing laws (both state and federal)
> Advertising without deception

It's a good idea to read up on the policies and procedures regarding this. Knowing the information beforehand can save you from potential litigation and shelling out thousands of dollars. If you are still not sure, hire an attorney that specializes in this area. It may be expensive, but it will certainly be less so than losing a lawsuit.

When a real estate investor or landlord wants to screen potential tenants, some of the things they should know about include:

> Employment
> Current income
> Credit history
> Previous rental history (including any evictions)

The prospective tenant needs to fill out an application. On the application, include a code of conduct that they are to adhere to should you allow them to rent from you. The code of conduct will also include what is expected of you, and what is expected of the tenant. Make sure it is explained in a manner that they can understand it. If you're not sure about the wording, seek counsel from a real estate attorney that specializes in this.

The application should be completed in full. Anything that does not apply to them should be marked with a dash or N/A (not applicable). Go over the application to make sure it is correctly filled out. Ask the applicant to provide you with character references that can be checked. Ask for a photo ID to make sure that the person is who they say they are. The ID, such as a driver's license, should be valid. Copy the driver's license number on the application.

Let the prospective tenant know that you will have a background check as well as a credit check done. This can help you to weed out any potential problem renters. They will have to give consent for the credit check.

Once you've found a prospective tenant whose application looks good, set up a time to meet with them in person. In the world of modern technology, face-to-face meetings can get pushed to the back burner. However, meeting them in person can show you their personality and if they are someone you would want to rent your property to.

One of the most important things that you must do is to follow the policies and procedures of the Fair Housing Act, or FHA. This helps to keep you in line as well as protect prospective tenants from being discriminated against due to race, religion, gender, disability, sexual orientation, etc.

Read over the policies carefully. You may have to read them several times to make sure you understand them and avoid unnecessary litigation. You must work to avoid the appearance of being biased in any way, shape, form or fashion.

Calculating Monthly Rent

Now, on to the exciting part: the money. While it might be tempting to just determine how much you want to make per year and divide it by the number of units, there are a number of things that factor into determining how much rent to charge, and you may need to charge less than you would like in order to fill the building. After all, some rent is better than none!

Foremost, you have to look at the supply and demand within the local real estate market. You may know of other real estate properties similar to yours, but figuring out how many there are can be important. You may have a tough time if you find out that there are plenty of vacancies for the renters to choose from. For you, that means that you will be facing steep competition from others who are trying to price rent competitively. This will obviously drive the price of your own properties down.

Do you have property in an area where it is booming, or do you have more people moving out? You will be able to provide good rental prices if the area is stable and on the upswing, but if people are leaving, you might have a harder time adjusting your price.

Once you have come up with a price for the rent and put it in place, you will have to work on maintaining a profit. Initially, you may not see much; as different things happen, such as inflation and the like, you may have more expenses and your taxes will probably increase.

You can counter that by raising the rent. Remember, though, that you must keep the tenants you do have so that the cash flow will continue to come in, and it’s much cheaper to keep a repeat customer than to bring in a new one. In order to do this, you must keep the lines of communication open with them. Can they afford higher rent? Obviously they want the best value for the least money, but you’re trying to make money as well. The more you know about your tenants; such as their jobs, their lifestyles, their family, etc., the better you will be able to judge what is a fair rent increase. Of course, there is always your bottom line, and if you find you must raise prices more than some tenants can afford, you might have to find new tenants. Though it may seem heartless to say so, that is the cost of doing business.

Having Repairs Done

Even before you purchase the property, you need to calculate an amount for ongoing repairs. Something will eventually need to be repaired. Tenants will break things, other things will deteriorate over time: that's just the nature of the real estate investing business.

Repairs may be one of the last things that investors think about, if at all. What's more important to them is receiving the rent payments on time, and paying the taxes and mortgage payments on time. Of course those things are important, but it's usually the little things that investors don't think about which end up breaking the bank.

As a real estate owner, you are obligated to make sure that your tenants are reasonably safe. First, before you rent a property out to a tenant, look at the property carefully to see if there is anything that needs to be fixed. A good rule of thumb is to ask yourself, "Would I feel safe living here?" If the answer is no, something needs to be fixed. Remember to be thorough: if your tenants are injured by something you overlooked, you will still be responsible.

Unfortunately for you, you are only human. There are things you are going to miss; namely, things outside your realm of knowledge. For example, if you don't know anything about electrical work, you might not recognize (or even know to look for) amateur wiring or insufficient electrical service to the house. There are a large number of contractors that make their living servicing and maintaining homes; electricians, carpenters, and plumbers to name a few. Unless you are willing and able to learn all those jobs yourself, you will have to hire professionals.

It is important to hire professionals (or make repairs yourself) promptly after problems are reported. Ask yourself "Would I be happy living here if my 'X' didn't work?" Put yourself in the tenant's shoes for a moment. Obviously, you would want repairs done as fast as possible.

An often overlooked concern is setting aside money for these inevitable repairs. You don't want to purchase a property that requires massive reworking and repair; that will not only cost you time, but setting aside too much money effectively cuts into your profits, which is why you are investing in the first place.

CHAPTER 11

Real Estate Myths

When you consider how many people have made their fortunes in real estate, it can seem like an almost glamorous profession. Are high-profit real estate deals only for the wealthy? Is it possible to buy with no money down? Do you really have to know the "right" people? Let's answer those questions by looking at some of the myths of real estate.

1. *The good real estate deals are reserved for the wealthy.* Of course money helps, but it's certainly not a requirement. Smaller deals, using money partners, and low-down deals are always available. Or, you can build up your down payment money over time putting aside $7-$10 per day for a couple years.

2. *"No money down" is the best way*. When you don't invest some of your own money, you have higher payments. You also spend more time finding suitable properties, and pay more for them (cooperative sellers naturally want more profit for their cooperation). So yes, there are zero-down deals, they just aren't always worth doing.

3. *You need a lot of experience.* Experience helps, that much is true—but you get it by investing. Start with common sense, be willing to learn the numbers, and you can start where you are.

4. *Good investors have a "knack" for making money.* Well, sort of. But more accurately, they just took the time and risk to understand their market and to continue their education.

5. *You have to know the "right" people.* This is another partly true myth. It's not impossible, by any means, to start out without the 'right' contacts. But it does help, so why not start the process? Talk to other investors, real estate agents, landlords, etc.

6. *Great negotiating skills are necessary.* Do negotiating skills help with real estate deals? Of course they do, but learn to run the numbers and make offers based on them. You can be the worst negotiator and still do okay if you understand the numbers correctly.

7. *Fixer-uppers are the safest way to go.* Poorly planned "fix and flips" have bankrupted even experienced investors. Most poorly purchased rental properties will only eat a little money every month, and grow in value over time. Fixer uppers are for making money faster, not more safely.

8. *You need to make lowball offers.* Low offers may help, but the numbers have to work, and you need a plan. You can offer MORE than the market price and still make money investing in real estate. Just learn how to run the numbers before you do any real estate deals.

CHAPTER 12

Common Mistakes and How to Avoid Them

It may be liberating, and even exciting to realize that you really can get into the real estate market without having wealthy contacts, or wealth in general, first—but don't make the mistake of assuming it will be easy, and don't make any of these other mistakes, either!

MISTAKE # 1

Failure to follow a successful pattern

If you want to go out on your own and learn the hard way, you would need a lot of money to do it. Real estate mistakes can be very expensive. Failure to learn the basics of real estate investing before beginning is a formula for disaster. Learn the basics first, then follow the formula to success.

MISTAKE # 2

Not using/Ignoring a coach or mentor

Using a mentor has been mentioned a few times. Your real estate coach can literally save you tens if not hundreds of thousands of dollars. But it's more than just the financial elements. Your coach is there to encourage you when you are down, kick you into action when you are not performing, and hold you accountable for your goals. Your coach is there to make sure you see the bigger picture and make decisions based on logic, not emotion.

MISTAKE #3

Not knowing your market

If you don't take the time to know your market before you get into a deal, you're not investing, you're speculating. It is absolutely critical that you spend time before you write your first offer, to understand where to invest. The market will dictate whether you succeed or fail. But you can increase your probability of success exponentially if you do your homework first. Do not get suckered into making a quick decision on a house before you understand what is happening in the marketplace.

MISTAKE # 4

Not knowing your exit

There are multiple ways to exit a deal. You need to know all of them, and the order in which you prefer to implement them. There are deals you will initially want to flip, but which end up becoming holds, and vice versa. It is important that you know multiple ways of penciling out each deal, just in case you end up needing to use another option. The worst thing you can do is to get into a deal without any exit strategy at all.

MISTAKE # 5

Not knowing your numbers

It's easy to tell which investors are going to be successful by the numbers they know. If you don't know the numbers of your deal (the average days on market, the after repaired value, your forecasted carrying cost, etc.), then it's trouble just waiting to happen. You should not be speculating, you should be investing. If you don't know how the deal pencils out, you won't know what your profit potential is, and you'll tend to go over budget. You can either keep your profits for yourself or you can choose to not budget, plan, or keep track of the numbers and thereby give what would have been your profit to your contractors and lenders.

MISTAKE # 6

Fear of making a huge financial mistake.

Everyone is afraid of making mistakes—especially a large financial one. If you follow the advice in the program, you'll still make mistakes, but they probably won't be the ones that bury you. Again, follow the program. Know the market and the property BEFORE you buy. Know your exit strategy.

MISTAKE # 7

Not evaluating properties.

Amateurs fall in love with properties. That's easily one of the biggest mistakes you can make. Don't fall in love with properties. Too many investors buy properties because they "look nice," or they are too lazy to run the numbers BEFORE they buy them. You are an investor. You need to know the property and neighborhood, as well as the ins and outs of the deal. If you don't, you're not following the formula… which means you may as well not use the formula at all.

MISTAKE # 8

"The bigger, better" syndrome.

Look, there is always something out there with more potential. But a bird in the hand is worth two in the bush. If you're always waiting for the perfect deal, you'll always be waiting. If it fits within the confines of the program, you should be able to make the deal work. Find a deal, get it done, and then move onto the next one.

MISTAKE # 9

Losing sight of your options

Once you get started building your portfolio, you'll wonder why you waited so long to begin. That's when you'll run into another common problem. Many investors fall in love with their property. They've seen how well it is doing and they like the money. Two big mistakes are made here: 1) Never fool yourself into thinking your property is doing too well to sell or trade up, the property you love may cost you something bigger or better; 2) Once you fall in love, you tend to not want to improve the property, which means you again limit your earning potential. Always keep an eye on the market. You want to own property that exceeds the market standard.

MISTAKE # 10

Not knowing what your end goal is.

Before you purchase any property, , determine what you expect from your investment. Understand the "Time Vs. Money" concept. The more you have of one, the less you need of the other in order to reach your financial goals.

MISTAKE # 11

Trying to purchase properties that the seller isn't motivated to sell

Many inexperienced investors try to purchase properties that are not on the market. This includes property owners who have the attitude of "Sure, it's for sale… for the right price." Unfortunately the "for the right price" part usually means it will make no financial sense for the buyer. If it doesn't pencil out correctly, if the numbers don't work in your favor… then DON'T BUY IT!!! Don't waste your time, move on to something that is for sale that you can make a killing on.

Signs to Look for in the Market

Finding "for sale" signs isn't enough when you are looking for investment properties. Real estate is a profession that works off of the flow of cash moving through the economy. If you want to make sure that you are getting the right deal, you will also want to make sure that you are moving into the right market.

You'll need to understand market trends and where the market is at any particular moment in time. Typically, there will be two markets to consider. One is a buyer's market, during which the prices of real estate will be lower. The second is a seller's market, which is when it will be better to sell your property home. These will be dependent upon the economy at the time and conditions that are linked to the different neighborhoods. If you link the different marketing trends to your investing, then it simply becomes a matter of time before you find exactly what you want.

CHAPTER 13

How to Avoid Potential Investment Dangers

One thing you don't want to do is to get in an investment deal that doesn't turn out right. After all of the work, sweat and tears you spend in finding a place, the last thing you need is a potential real estate nightmare. Here are some things you can do to help yourself steer clear of that:

> Make sure that you have the correct information regarding the property. Don't rely on the information posted in the listing alone. Go and visit the property in question. Verify everything.

> Walk through the property to ensure that it is what you're looking for. Don't settle for less than what you want. You will only end up being disappointed. It's ok to have a property which only needs small repairs or upgrades for your first few deals.

> Stay away from the ones that require extensive work until you have the knowledge and resources to complete them.

> If you have to get a mortgage loan, make sure that you can afford the monthly payments.

> Don't be so eager to get your first deal that you sign paperwork you don't understand. Ask questions so you thoroughly understand how this will affect you financially down the road.

Understand everything about the prospective property, the taxes, the loan and whatever else needs to be included. You want your first piece of real estate to be something that you can be proud of.

The Secret to Real Estate Riches Lies in Location, Location, Location

According to the old real estate saying, "*The only three things that matter in real estate are location, location, and location*." A ten bedroom, eight bath home with cathedral ceilings and a swimming pool is nearly worthless if it is sitting next to a garbage dump. On the other hand, a little one bedroom, one bath shack sitting in the middle of downtown Dallas would be worth a small fortune. Location is of the utmost importance

What is it that makes the location valuable? The answer is simultaneously simple and complex. The value is based on nothing more than desirability, which is a fluctuating and intangible factor. Property that is totally undesirable to one person might be the next person's dream-come-true. This phenomenon is true for real estate investors, home buyers, and renters.

The main point for consideration is the strategy for making a profit. Buying is only half of the equation. Determining whether the location is good or bad depends upon the profit strategy.

For example: If an investor invests in a property with the intention of waiting for the market to go up, then prime real estate is probably the very best choice. Locations that are near entertainment centers or developing areas would be best, because the likelihood that the property will increase in value simply by waiting is a pretty good bet.

On the other hand, if an investor's intent is renting for monthly income, then he might be better off looking into urban properties. Urban properties wouldn't be considered "prime" real estate, but they could be "prime" rental properties.

Then there are real estate investors who are handy with their hands. They can make repairs and renovations to rundown properties themselves, sell it for a great deal more than their purchase price, and make a very nice profit. The location that these kinds of real estate investors often find the best is in neighborhoods that are made up of mid-priced homes in working-class neighborhoods.

There are many factors that real estate investors consider when they are deciding which property to invest in. It's strange, but people will pay a lot more money for a small property in the "right" neighborhood than they will for a larger property in a less desirable neighborhood. However, one person's definition of a "good" neighborhood may not be anywhere close to another person's definition of a "good" neighborhood. Part of your job will be convincing prospective tenants that the neighborhood where the property resides fits their definition of "good."

Convenience is another factor when considering the desirability of the location. People like to live close to where they work and where their children attend school. Rising gas prices just might work wonders for real estate prices in inner cities, but then again, many urban areas are experiencing an exodus of people moving out to the suburbs.

When it comes down to it, if the location is desirable for the investor's purposes he will invest. If the location is desirable for a home buyer's purposes then he will buy. If the location is desirable for a renter's purposes then he will rent. So basically, you can roll all of the various factors for determining whether a location is good or bad into one simple word: desirability.

We are a nation of individuals. We all see things from a different point of view. Look around. There are people living everywhere. They live in big cities, small towns and in urban and rural areas. Who can determine what a "good" location really is?

There is a proverb that says, *"Beauty is in the eye of the beholder,"* and it definitely holds true for real estate.

CHAPTER 14

Conclusion

Microwave Your Wealth

If you want to be financially free and give more to your families and communities—congratulations; you will be shown how to achieve that goal. The numbers get bigger and you add more zeros, but once you know the program, it's easy.

Financial freedom doesn't have to take forever.You will be shown how to make money in record time. Once you understand the program to creating wealth, your profits will come quickly.

The crazy thing is that the program works in all markets. It works whether the market is up or down, big or small, near or far, and whether the deal is a condo, house, apartment building or commercial property. Once you learn the program, you can apply it to any kind of deal to microwave your profits.

What's Next?

In this section we have discussed why real estate is a great investment and the basics of how to get started.Myths and mistakes have been covered, hopefully, to lead you through—or around—any potential pitfalls. You should be able to set up a team, and begin searching for your first investment.

But the most important thing you should have learned is that you can do this. You've already taken the first step. In this section, the foundation has been laid for your success. Throughout the rest of this program, you will receive an outline plan to help you gain the confidence and understanding necessary to embark on your own investment journey.

FOUNDATION

VOLUME 2: FIND

The Fast Track Formula for Building Your Real Estate Business

Preview of What You Will Learn

Chapters:

You Will Be Able To:

> Find and Identify the Best Investment Deals
> Create a Marketing Message
> Create a Deal Funnel
> Determine a good deal
> Determine an exit strategy based on evaluation
> Negotiate a good deal
> Put your deal under contract

Introduction

This module is about finding properties, negotiating, and talking to motivated sellers. You'll find out how to identify key market drivers that show you what to buy, what price to pay, how to compare comps in the area, and how to use bird-dogging.

Without a deal, you're not flipping anything. The most critical part is to have the right kind of deal. If it's not the right deal, you can lose your shirt, your money, your investor's money, or your reputation.

If you're a first time real estate investor, you must know that everyone will evaluate you based upon your results. Everyone will look at your first deal—your investors, attorneys, real estate agents—they'll want to see if you can really do it. Because once you do it using the Program principles correctly, all you have to do is turn up the volume and you can do it again and again. So finding the right deal first is crucial. We designed the Program to help take a lot of the guess work out of real estate, because we know if you don't make money, you could be out of the game.

Finding the right deal is a critical component of the Program principles because it allows you to move one step closer to your goal of making cash—a lot of cash. In some cases, the right deal can make you the same amount of money that the average person works all year to earn. The average American salary is $30,000. One deal can generate more than that, but if you're not careful you could lose that, and more.

So how do you go about finding a property to invest in? Where do you start? Just one quick reminder, real estate is a game of who can be there the fastest, and who can do it better. When you are the first one talking to a home seller, and when you can fulfill their endgame of getting out of their house, you're in a great position. So, what's the endgame? Reverse engineer everything.

Everything you need to know to choose the best property will be discussed in this section. You will need to know when you've found a good deal, how much to offer, and how to find deals quickly—after all, the more you invest, the more potential you have to earn, fast!

The section entitled "Find" doesn't exactly send the right message. Find suggests that you are the one going out and doing the locating. And while that is part of the equation, it can't be the only part, or even the primary method to use.

Here's the reality… if you're busy finding, who is lining up the funding? Who is doing the rehab? Who is selling? You are only one person, and therefore you are the bottleneck. You are limited by the number of hours in the day. If you are the only one working on your business, you won't get much done.

You need to create a "finding funnel." One of the first things discussed in the "Foundation" section was that you needed a team. Each of the team members play a key role in the Program; however, each of them also plays a critical secondary role: finding properties.

Each of your team members talk to other people, drive up and down streets, go to meetings, etc. Each of these activities is a finding opportunity. Some of the best deals I have ever done have come from other people bringing them to me… and they may not even be formally on the "team." The garbage man, mail man, firefighters, cab drivers, UPS/Fed Ex, pizza delivery drivers… you name it, can be part-time team members. These are the people who are out every day talking with people and seeing opportunity. If you tell them what you are looking for, odds are, they will bring it to you.

Real Estate Agents and Real Estate Brokers

Mortgage brokers

When people need to sell a house, they often try to refinance the loan first. But if they are upside down on the loan, and they cannot qualify for a refinance, the mortgage broker cannot help them. You can offer the seller an alternative to buy the house directly. You can also talk to the homeowner about a short sale, if that's the last resort. You must network with mortgage brokers, because they are a great source for deals.

Real estate agents

You must have a real good real estate agent who understands what you think is a good deal. The real estate agents can bring you short sales, REOs, listings that fit your criteria. So, if you have not done any marketing, the easiest way to find leads is to just pick up the phone and call a real estate agent

Some real estate agents are also Realtors.™ These are agents who have joined the NAR (National Association of Realtors). The NAR was founded in 1908 and has over a million members today. Realtors™ are supposed to adhere to a higher code of ethics than regular real estate agents.

A good agent should know the real estate market inside out, and can give you key information in regards to buying a particular home. They will have access to a database of property for sale, called the MLS or Multiple Listing Service. With the MLS, they are able to search for properties based on key-words, such as "foreclosure," "fixer-upper," or "short sale," cutting down the time you would have to spend sorting through properties yourself online or in the paper.

They may also have access to "pocket deals," property that is currently for sale, or which is going to be for sale, but isn't yet listed in the MLS system. Of course, this would be a huge advantage for an investor, since it cuts down on competing offers. If you're able to see the property before it's listed, you could make an offer as soon as it goes on the market, and if your offer and negotiation skills are up to par, you may be able to complete the deal before anyone else has a chance to make an offer.

There are real estate agents called “selling agents” who represent the person selling their home, and then there are “buyer agents” who represent the person buying a home.

The person who works with you to find a home, the Buyer’s Agent, virtually does all the work for you. Unlike the seller’s agent, who is paid by the one selling the house, it is you who pays the buyer’s agent. The real estate market can be a complex place for someone who does not understand its many dynamics. It is important to find an agent from a reputable office in your area. If you have trouble finding one you can always look online for the “National Association of Realtors” to find a local realtor serving your area.

You may decide to check out several Realtors™ before choosing the one you feel comfortable with. When deciding on a real estate agent, you should consider things like their training, experience, reputation and their professional certification. A good agent will explain the options that are available to you. They will fill you in on all the things that are required of them and of you in order to get the house you want.

When you find the agents you decide to hire, they will give you detailed information on the current market conditions, financing options, and negotiation issues regarding your situation. During the buying process the agent will keep you informed of things as they move along. Keep in mind that the market changes, so you may need to be flexible. A good agent will stand by you and answer your questions. Remember, they get commissions with sales, so they want to make you happy because it makes them happy too. They will have a sale and maybe a good reference from their dealings with you as a satisfied client.

SHOULD YOU GET A REAL ESTATE LICENSE?

There are many reasons to get your license, but just as many not to.

1. Most real estate agents do not understand creative financing or investing in general. Many beginning investors read our literature then race out to make things happen. They’ll contact an agent only to be told that what they want cannot be done. It can be very, frustrating.

   It is possible to weed out and meet savvy agents, but it’s difficult to do if you rely on the phonebook or newspaper to find your agents. We’ve found that savvy agents usually frequent real estate investor club meetings. However, they need to earn a living from many sales, meaning many clients. Imagine that you are an agent, and you are your only client!

2. Once you have your own license you will have access to the Multiple Listing Service, which holds all the real estate listings. Each listing includes most of the information needed to get you started. You will find a picture, location, price, type of financing, listing agent's name, and other important information. It may even list the rental income.

3. Many organizations offer discounts to real estate agents and you may also have a few networking opportunities not otherwise available.

Of course, these aren't the only reasons for you to get a real estate license, but they are the most compelling. In essence, having the license gives you an edge on the wholesale market.

NOTE: There is one critical thing to be aware of: if you have a license you must disclose that you are an agent/broker on each and every deal you do, AND you have to adhere to different rules than the average buyer. This can be a compelling reason to not get your license. One possible solution is to partner with an agent… that way you get the best of both worlds (the inside track and no disclosure).

FIND

CHAPTER 2

Finding a Flip

Flipping houses is becoming increasingly popular. Unfortunately, this popularity may create a bit more competition, which may drive up price. However if you find a good deal and feel that the property is a good candidate for a flip you can ask yourself the following questions to help you determine whether or not the property really is a good candidate.

1. Have you had a qualified inspection and determined that there are only minor repairs that need to be made to the property and the landscaping? This is important, because every repair that needs to be made will eat into your budget. You want to complete the project with as little money invested as possible in order to get the greatest return on your investment. More detail about repairs, will be discussed in the "Fix" section.

2. Is the property suitable for the neighborhood? Is the property a three-bedroom house built for families in the middle of a retirement community, or is it a one bedroom, cottage-style home in the midst of family houses? If so, they aren't good candidates, and could cause problems when it comes time to resell.

3. Can the neighborhood bear the price you need to bring in from the flip? If you are creating an upscale home in a marginal neighborhood, you are almost guaranteeing a loss on your investment. You want to find a house in need of repairs,that is selling cheap, in a neighborhood of much better houses.

4. Can you make the changes you envision on your budget without significantly changing the structure of the house? This is a biggie, and one that often gets overlooked. Don't start knocking out walls or creating additions when flipping a house. That is something you should leave for the new owners. Make as few changes as possible, and only make changes that will improve the value of the home.

5. Can you improve the value of the home enough to make it worth your while in a short amount of time? This is another big deal when it comes to a house flip. Do you have the time to stick with it and the money to cover the carrying costs while you are in the process of making the changes?

6. Is the property in a high demand neighborhood, city, area, etc.? A common mistake is buying in areas where it's hard to resell. It is often quite simple to find lower priced properties that are attractive at first glance; however, if you can't easily resell the property it really defeats the purpose of putting all that time, effort, and money into making the improvements.

7. Can you do the work or will you need professionals? If so, will it still be cost effective? Be careful that you do not overestimate your abilities. It is great to think you can put down a hardwood floor but the reality of doing it is quite another matter. Be sure you have a realistic understanding of the potential costs involved in the flip and whether or not the property will still be profitable in a worst-case scenario.

CHAPTER 3

How to Attract Deals

Marketing to Find Deals

Without marketing, you will not find a deal. You have to focus on marketing from the beginning. If you don't find a deal, you can't find the guys who will give you the money. If you don't have the money and the deal, you will not make money. You've got to know where to look.

Marketing and advertising will be covered a couple of different times throughout this course. Right now, we're specifically talking about the marketing and advertising methods you use to announce you are in the market to acquire properties.

How to Market:

BANDIT SIGNS

You should put up bandit signs all over the place. These yellow, plastic signs can say, "I Buy Houses," or "I Buy Short Sales," or "I Buy Foreclosures." They have a 1-800 number and a URL.

Be careful that you don't put them out in a town that bans them. Always be respectful of the town's sign ordinances. You don't want to upset any town officials.

You want to find great locations where during high traffic hours people are backed up and have time and an opportunity to read them. Scope out the best places. Drive around during heavy traffic hours and see where other signs are posted and whether you have an opportunity to actually write down the phone number.

FIND

BUSINESS CARDS

You can make them yourself on your computer and print them out on Avery Labels or you can order them in lots of 500 or 1,000. The more you buy, the cheaper they are. Actually there are a few sources you can use to get your business cards for free.

They need to stand out. Make sure your name, address, phone number, and what you do is all on the front of the card. Your title, should be in the center of your Business Card.

> CASH IN 2 DAYS
> I BUY REAL ESTATE
> PROPERTY WANTED
> FAST CASH FOR PROPERTY
> QUICK-CASH
> CASH NOW FOR HOUSES
> CASH-OUT NOW!

A short phrase like one of the catch phrases above should dominate your card. It should also be placed in your other advertisements (online, outdoor, etc.).

The whole idea is to get your name and number out there so that someone can call you back in the future. It doesn't matter if it's a landlord you give it to, who may want to sell in the future, or a seller who wants to think about your offer. You could get lucky and someone could give your card to a friend who wants to sell his property now.

Post your business card on bulletin boards at grocery stores, hardware stores, and other similar places. It may seem simple and a little hokey, but it only takes one card to make a lot of money. The goal here is to have lots of fishing lines in the water. The more you have, the higher the chance you'll have of actually catching a buyer/seller.

MAGNETIC SIGNS

You can get magnetic signs that stick on your car doors. A white background for visibility is best. Put your catch phrase on the top line and phone number on the bottom of the sign. When you go out to dinner, and feel embarrassed, just peel them off!

Magnetic Sign:

I BUY HOUSES

(614) 555-1212

REAR WINDOW STENCIL

Many real estate investors also use a stencil on their car's rear window to announce that they buy and sell houses.

Rear Window Stencil:
I BUY HOUSES
PHONE #

Keep in mind, if you use this strategy you will have people judge you by your car. If your car is beat up, old, and/or rusted out, you might not get many calls. Conversely, if you're driving a luxury car, people may think that you're going to take advantage of them. It's good to keep things in the middle of the road… nice but not too nice.

PAINT A SIGN ON YOUR VEHICLE

This is similar to the magnetic sign. However, if it's your work truck, or van, you might want to use a paint job that is more permanent and gets more visibility. The principle is the same as the magnetic sign, only it's a bigger and more permanent presence.

FLIERS

These are much different than business cards. Business cards cost more and are for handing to someone, whereas fliers are simply a standard 8 ½ x 11 sheet of paper, preferably in a bright color.

You can pile these up on the table at real estate club meetings or if they have a Buy, Sell & Trade Workshop, you can pass them out there as well. You can even post these on bulletin boards at grocery stores, hardware stores, and carry-outs. You can also staple them to front doors of boarded-up properties.

BUYING LISTS

You can buy lists from public information sources. Many companies offer them. Find them by doing an online search such as; "90-day late mortgage lists."

Learned which banks in your area are the best to negotiate with. If you know that XYZ Bank requires the seller be at least 90-days delinquent before they will consider a short sale, and if you know that XYZ Bank is very good at doing short sales, then you can request lists from the list providers that only include sellers that have a 90-day delinquent mortgage with XYZ

Bank in a specified zip code. When using these kinds of leads, network with attorneys and short sale negotiating companies, to do most of the work for you. Focus on an area of your market that has a lot of short sale activity.

WEBSITES

If you have a website, be sure to include your catch phrase, such as "I buy houses." Include the website's URL on your business card. List the reasons you buy houses on your website: divorce, death in the family, etc. Let the sellers know that whatever their situation is, that you can buy their house, fast, and with cash. People want to know that you can take care of their problem, and they want to know if you can do it quickly.

DIRECT MAILINGS AND MORE

Advertise via attorneys, classifieds, Craigslist, or wherever you can get mailing lists. Prepare a letter that says "I buy houses no matter what size, condition, or shape. I even do short sales. Call me for a free consultation today." Have it cover everything. So that when a guy gets your letter, after he's gotten a 90-day late notice from his lender, he'll understand that you'll buy his house even if he owes $200,000 but it's only worth $120,000.

THE INCOMING CALLS

When someone calls from any of our marketing sources, they get a voice recording that explains what I do, how I do it, and why I do it. It's almost like a job interview. I tell them that when we find the right deal, I'll pay cash for it. People love that because they think, "My house sucks and needs so much work." I tell them we can close on the day they want to close. In some cases I can close as fast as three days as long as they do a title search.

Within a 3-minute recording, I answer all the questions any home seller might have. At the end of the message, it says, "To speak with someone right now, press zero." and they'll be connected with one of my agents 24/7. During working hours, that goes right to one of our cell phones, because we don't want them to have our personal number. Or we can forward the calls to one of our acquisition agents.

The initial three-minute call filters them out, because if they like what they hear, they are going to press zero. We use services like www.ringcentral.com to filter calls.

ANSWERING SERVICE

If they call your number, you have to have an answering service or a filtering system where they can leave a message. If you're doing it that way, and you don't have a website to drive them to, you've got to make sure that you answer the phone calls, because people who have problems want help now. If they don't get it from you, immediately, they will call someone else who answers their phone. Don't learn this the hard way. A lot of times I was the second investor to call them back, only to be told, "You know what, we just met another guy who's going to buy our house." It's all about quick service. Once you meet home sellers and connect, they're loyal. When people call you, always get answers to the following questions:

> Name and phone #?
> What's the address of the property?
> What's it worth?
> What are you asking for it?
> Does it have an assumable loan?
> Why are you selling it?
> What else have you got (do you have any other properties)?
> Do you know anyone else who is selling a property?
> What is their number?
> Always ask where your caller saw your ad. You will want to keep track of your successes.

Where to Market:

NETWORKING EVENTS

Mailers are great for finding leads. You can also host events and pull a team together. It's like a network group, where you have an attorney and a closing company show up. You give them some cocktails and let them know what it is you are doing, and vice versa. It's an opportunity to pass out business cards. It's networking.

If you are a novice, don't act like someone you are not. An experienced person will sniff out in a heartbeat your level of expertise. So, if you are a beginner, say you work with a group that works with these investments and that you are the front guy for this group. Then say, "Here is my card, and this is what the group does, the group buys with cash." It's the group of investors that do this.

You can get some of your best deals from novice bird dogs. Never underestimate them. Put this little network group together where you get all kinds of people together, and let them know your goal, what

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you're looking for, what you are paying for finder fees, and allow them an opportunity to network with you.

HARDWARE STORES

Put up a flier or business card on the bulletin board of the store. The point is to clearly explain what you do, why you're doing it, and how people can reach you… ALWAYS include your name and number. Also, your fliers should say something like:

> I buy property.
> I buy real estate.

ADVERTISE IN THE NEWSPAPER

Advertise a 2-liner in the largest Sunday newspaper.

Now that you understand the importance of being the first one there and reaching sellers that don't have their properties for sale, this technique gives you the opportunity to receive phone calls from people who want you to see their property.

Sunday Newspaper.

- Dynamic: "CASH"
- 2 lines: brief & cheap
- 1st line can be bold
- Centered
- Be creative; Find an identity

Examples:

CASH IN 2 DAYS
For property 555-1212

CASH NOW
For Houses 555-1212

CASH-OUT NOW!
On Real Estate 555-1212

Sample ads:

CASH FOR PROPERTY!!!
ANY CONDITION – PHONE #

CASH IN A FLASH!!
BUY PROPERTY – PHONE #

CASH IN 2 DAYS!!
FOR PROPERTY – PHONE #

RAPID CASH!!
FOR PROPERTY – PHONE #

CASH NOW!!
FOR REAL ESTATE – PHONE #

ADVERTISE TO BUY IN YOUR CITY MAGAZINE

Use the same type of ad that you would run in the newspaper for the city magazine or city weekly. Most city magazines run once a month. Even with that, it's a good opportunity to pick up a couple of leads per month.

ADVERTISE IN YOUR LOCAL REAL ESTATE INVESTORS ASSOCIATION NEWSLETTER

Most of the larger real estate investor clubs publish a monthly newsletter. It is sent to all members. You'll find that there are as many who do not go to meetings, as there are who do. In other words, you'll not only reach the members at the meeting, but the ones you never see.

It's very inexpensive to reach all the right people.

For the size of a business card, you can advertise your desire to buy real estate. Be sure to use your *identifying name*, and phone number in the center of the advertisement and in bold:

CASH IN 2 DAYS
(614) 555-1212

"Is this CASH IN 2 DAYS?" He'll ask. You'll say, "Yes. This is CASH IN 2 DAYS!"

Who to Talk With:

REAL ESTATE INVESTOR CLUBS

Most investors think that the reason for the meeting is the guest speaker. Less than 50% of the reason for attending is because of the speaker. The

FIND

45 minutes before the meeting and time spent eating afterward with fellow members is time that should be spent networking. Not only can you interact with agents to find properties, but meet owners/sellers there as well.

> **REMEMBER...** reaching properties that aren't listed for sale gives you an "in" that no one else knows about, which means there's less competition and a lot more opportunity for upside.

TALK TO OTHER PROPERTY OWNERS IN CLOSE PROXIMITY TO YOUR RENTAL UNITS OR PROPERTY.

You won't believe how many properties right next door or across the street from properties you are buying are also for sale. The owner just doesn't know it yet. Just by talking to the owners around you, you can create opportunities.

ALWAYS ASK YOUR SELLERS IF THEY HAVE ANY OTHER PROPERTIES FOR SALE.

Actually, this is the most basic technique used by most salespeople, such as insurance and home alarm systems. Essentially,you are a sales person. You are a buyer and seller of real estate. Granted, I am a landlord much of the time, but investors like myself do a lot of buying and selling. I am constantly looking for good deals, networking.

> **REMEMBER...** you are in business for the long haul. If the seller doesn't have another property now, he may in the future. This way, you can be the first to make an offer.

UPS, FED-EX, ETC.

We've all met a Fed-Ex/UPS/DHL delivery driver. You know the drill: The delivery person will run up to the house and ring the doorbell. You answer the door. He sticks a contraption in your face to sign. You'll sign it, and he dashes away. He's in a hurry to make the rest of his deliveries.

In your office, the delivery person comes into the office five times a week for pick-ups and deliveries. Most of the time, the driver deals with the secretary, but often interacts with the entire office staff on a friendly and polite basis.

Now, here's a big opportunity. The delivery driver knows his territory (by the way, it is the same delivery guy every time). Use your common sense.

Don't you think that he knows when there is a going out of business sale? How about when a business is failing and the employees are worried if they'll receive another paycheck? Some of them are so good at getting to know people and businesses on their rout, they even know which *apartment complexes* are succeeding and which are failing. The staff of businesses tend to talk about everything, like when they're happy or sad, or even when they're worried about losing their jobs. You might even keep up to date on the occupancy rate of a nearby, failing apartment complex. Now, here is a guy who you can chat with about finding deals for you. Be sure he understands that you will pay him a finder's fee.

Depending upon your situation, you could use your regular courier service much in the same way that I use the deliver/pick-up services listed above. In fact, if your service runs city to city and you are able to do business in that other city, here could be an opportunity to not only extend your reach, but to expand with wholesale purchases!

You should be professional and courteous to your delivery people anyway… but if you see them as an ancillary member of your team, they become a valuable asset to you. So, just as a general rule, given what delivery drivers can mean to your business, be sure to *always be patient* and *show additional* respect to them.

RELATIVES

Many properties have been bought wholesale from relatives. In many cases, a relative is moving, getting older, or has investment property they are tired of. Let your family know what you are looking for and you may be surprised what arises. These are great opportunities for seller financing with no money down.

NEIGHBORS

Are you starting to see a trend here? Essentially, talk to everyone you know or meet about what you do. Do not underestimate the importance of networking. Let your neighbors know that you invest in real estate and are looking for property. They probably know someone who is looking to get out of their house, or looking to buy… really, your success is directly proportional to the size of your network. Another reminder… be sure to offer anyone who sends you business a finder's fee. But know the laws in your state pertaining to paying fees for real estate referrals. In some states it is illegal unless they are a licensed real estate agent.

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WHEN SOMEONE CALLS YOU ABOUT A BUILDING THAT YOU HAVE FOR SALE, ASK THEM IF THEY HAVE ANY PROPERTY FOR SALE.

This is an interesting turn on someone, but it can be a good option to pick up other properties, perhaps even in an exchange or swap. One way or the other, by asking this question it communicates to the prospective buyer that you do this for a living, which sends a signal that you know what you're doing. Additionally, you can pick up a few deals that no one would ever know about. The key is to ask. There is no harm in asking, and you may be one question away from getting a property.

CONTACT PROPERTY MANAGEMENT COMPANIES

Who knows of more properties than property management companies? This is an absolute gold mine. Think about it, property managers manage property for property owners. Most property owners are not happy with their property managers. The fees are typically high and there's only one person to blame -- the property manager.

The owner may tell the manager that he wants to unload the property. Rather than splitting the commission with another real estate agent, the manager has an incentive to encourage the owner to accept your offer. That way he'll get to keep the full commission. You can bet that your flier will be posted very near his desk. Make it bright so that he can't forget you.

CALL ON "FOR RENT" SIGNS

Choose areas that you are familiar with and want to buy in. Focus on rental listings in those areas and call the number on the "For Rent" signs. Most landlords find it frustrating when units are empty.

This could create an opportunity to catch owners at a vulnerable moment when they may consider selling. When you call, you will usually get the property owner to answer the phone. What makes this a good way of obtaining potential leads is that you are usually the first one to ask if they might consider selling.

You never know when you may run across an owner who is moving, tired of renting, or just needs the money right now. If you never ask, you'll never receive. The key is to ask the owner of the property if he/she is interested in selling the property.

ASK THE TENANTS OF PROPERTIES THAT YOU WANT TO KNOW WHO THEIR LANDLORDS ARE.

Tenants know who their landlord is. They usually have telephone numbers and email addresses. It's amazing how many houses you can pick up by talking with tenants. The fact is, landlords get tired of being landlords. If you can step in when they want to sell, and pick up their properties (and perhaps their tenants too) you are two steps ahead of your competition. Most people will never go to the trouble of picking up the phone or knocking on the door of a property they are interested in, if it is not already listed for sale.

FOR SALE BY OWNER (FSBO)

If someone is trying to sell a property on their own, they are probably trying to save money by not listing with a Realtor.™ If they don't know what they are doing, the property will sit for a while and will probably end up being listed with a real estate agent at some point. You never know when you may find one of these sellers just before they give up or when they get desperate and are ready to negotiate. Reach out to them. Talk with them about their house and the neighborhood. You'll get some very good information just by talking. What will make you successful is to do the things that no one else will do. You and your team can accomplish more in just a few hours of concentrated work, than most people will do in a month.

More on FSBOs

Another source of deals is For Sale by Owner homeowners. Google, "for sale by owner," in your area. Spend fifteen minutes a day looking at different websites for the market in which you want to buy.

You can also find for sale by owner properties in the classifieds of the newspaper or by driving around looking for FSBO signs.

When you find a for sale by owner sign take down the number, and call them. A lot of times they are doing it because they want to save some money on the real estate commission. So when you call them you say, "Hey, I can help you if I buy your house, because you pay no real estate commission." They love to hear that.

The other reason you see for sale by owner signs is because the homeowner couldn't get the price they needed if they had to pay real estate agent commissions. For example: if the house was worth $190,000 and they owed $190,000 then there is no way for them to sell at a price high enough to include the agent's commissions. So, they resort to selling it themselves for its market value of $190,000.

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As an investor, you probably wouldn't be interested in buying this property at its retail price. But, most of the time it's worth significantly lower than what they owe, so this could be another short sale that you pick up and you help them out at the same time.

CONTRACTORS / SUBCONTRACTORS

Contractors and subcontractors are great sources for leads–plumbers, electricians, painters, roofers, window installers, siding installers. The homeowners may find out that between painting, concrete, and floors, they may not have the money to rehab their house, and they want this problem to go away.

You may even want to call the local septic guys. A lot of times in rural areas when someone is about to sell a house, the first thing they do is make sure they have Title 5 passes, where they get verification that their waste system works correctly, because they are looking to sell the house. Usually a new septic system costs from $20,000 to $50,000. The sellers may not have an extra $50,000 to put into it. They decide they want to walk away from the headache, so you make them an offer to get them out of a bad situation and buy the house appropriately.

Painters are another great source of leads. I've talked with a lot of painters, and a lot of painters end up becoming bird dogs for us. The sellers say they're looking to spruce up the property by painting it because, from what they've been told, they're better off spending whatever it takes, because they are going to get the money back when they sell. A savvy painter will ask, "What you are looking for?" then pass the lead along to us.

You can do mailings to subcontractors and say, "Hey you know what, I'm a cash buyer; I buy homes and I pay referral fees to anyone who brings me a lead on a house which I end up buying. I want you to work with me."

By saying that you want to work with them, the subcontractors don't feel that they've lost their job. You've got to think of the end result with them.

For example: Let's suppose that they were going to bid $10,000 to paint the house. Depending upon how their costs are structured, they may make $3,500 or more in profit by completing the paint job. They wouldn't be very motivated to give you the lead unless you paid them at least that much. I pay my painters about $5,000 for the lead (if I close on it) and the painter doesn't have to paint a thing. Then, I'll give him first rights of refusal to do the paint work on it, too. That's a double win for him.

PROFESSIONALS

Another great lead source is professionals, like attorneys, financial planners and accountants. Let divorce attorneys know where you can be reached, what you're doing, and that you are a cash buyer. Those are the key words. You can say you are a cash buyer even if you use someone else's cash.

Financial planners and accountants also work with people who may need to sell their houses quickly. People go to them with financial issues and that can be a great lead source for you.

REAL ESTATE BIRD DOGS

Investment is the number one word for real estate. However, those who play a part in the investment will make a large difference in what is available to you.

One important person that is part of the real estate investment plan is the real estate bird dog. The main job of a real estate bird dog is to find property for those who want to invest. After they find a property, the investor will pay them a finder's fee. The bird dog will have no attachment to the property after it is found and given to the investor.

Offer a Finder's Fee For Every Deal That You Close.

People who bring deals to investors are called bird-dogs or scouts. If it's under contract, they're called wholesalers. People are motivated by money. While you're watching the furnace man, electrician, the septic tank guy (one of our favorites), or even the guy you've hired to clean out the basement, be sure and announce that you are in the market for more properties.   This also works well with your tenants. Naturally, add the part where you pay them cash for each deal they find and which you close. As a general rule, contractors, workers and tenants need frequent reminding of what you do. It's also a good idea that all contact regarding enlisting new finders be done in person. Face-to-face encounters are much more effective and convincing. They will consider this easy money and you will be surprised what comes your way. Just make it clear that the fee will only be paid if you buy. Our bird dog fees are structured on the size of the deal. We typically pay anywhere from $500 to $5,000 for a deal. For apartment buildings or commercial properties, we might pay tens of thousands of dollars.

Our Take on Finder's Fees

Simply state that you are interested in buying more properties in the neighborhood and if they are aware of anyone interested in selling to give you the owner's phone number. It is important to add that they should ignore properties with a real estate agent's sign in the front yard.

FIND

Where to Look:

LEGAL SECTIONS/LEGAL NEWSPAPERS

Foreclosures are listed in these newspapers. They are listed according to the county where the property resides, so get newspapers for your county. You can get on any number of notice of default (NOD) lists. If you have team members that are part of a title company, they can also provide you with the latest NOD/foreclosure listings. Properties are typically listed for five weeks before they are sold at public auction. Pre-foreclosure properties can be a great resource, just keep in mind… they are very public, so you will probably find a lot of competition for these listings.

Also, you'll find foreclosure listings, estate auctions, and private auctions listed in the Sunday paper and online.

Pre-foreclosures are properties that have reached the final stages before they get repossessed or taken back by the lender or bank. The owner is still in complete control of the property or home, although the bank or lender will repossess the home if the owner doesn't attempt to rectify the situation. Normally, if the owner makes things right with payment, the pre foreclosure will settle and things will go back to normal.

When buying real estate, there are several benefits to pre-foreclosures. Even though it is one of the best ways to buy property, many people miss out simply because they aren't familiar with pre-foreclosures and all of the benefits that come with them.

The best thing about pre foreclosures is the low prices. In most cases, the owner has no choice but to sell the house, and therefore will consider just about any offer that he receives. Due to this reason, you can sometimes find pre-foreclosures for sale at nearly 50% off market value. This is an ideal time to purchase, especially if you are looking to save a lot of money.

Along with the great prices you can get with pre-foreclosures, you'll also have the luxury of dealing directly with the owner. This is a great advantage, with buyers being in total control of pre-foreclosure sales. In the event that the home owner decides to turn down your offer and cannot find another buyer, he will lose everything. Even if you offer the owner a small price, he may still be able to make a little bit of money by accepting your cash offer.

SHORT SALES

Short sales are phenomenal. Short sales happen when a homeowner owes more than the house is worth, and the only way it will sell is if the bank agrees to take a lower amount than what's owed on the mortgage.

Learn to love short sales because you are not competing with anyone. There's a huge profit in short sales. Often, you are the only person making a bid, because most retail buyers don't want to sit around waiting for a bank to approve a short sale.

You can buy lists of homeowners who are up to six months late and who have stopped paying their mortgage. Those people are often very motivated to do a short sale because they can no longer afford the mortgage.

The first thing you tell these types of sellers is if they can get a loan modification and can afford to stay in the home, do it. Don't try to convince anyone to get out of their house. What goes around, comes around. You can help a lot of people stay in their homes.

If they want to sell to you, you've got to make sure that they have no other strong options and they don't want their house anymore. Sometimes people just want out or need to get out. You need to be sure.

Ask a buyer, "If you didn't have someone like me come in and buy your property on a short sale, what would inevitably happen to you?"

The homeowner might say, "Inevitably, my house will go into foreclosure and I will lose it."

That's the answer you want, before you agree to buy their home on a short sale. Homeowners must understand that when they go down the short sale road, there's a possibility that it fails and their house will get foreclosed – there is no guarantee that the bank will agree to do it.

A homeowner might say, "This will happen to me anyway. I'm going to get foreclosed on. I have not paid for six months; I lost my job. I've already borrowed money on my credit cards and borrowed money from my family. What I'm going for now is to prevent my credit from being destroyed any worse than it already is.

Someone with a short sale can qualify for another mortgage in as little as two years. But someone with a foreclosure might not qualify for seven years. So a homeowner who is facing foreclosure is motivated to do a short sale.

If a homeowner has other options, or is still in denial about foreclosure –you don't want to suggest it, because then you become the jerk. And if the short sale fails, they are going to blame you.

Before making a short sale offer be sure they are in the right place at the right time. They must realize they are on the foreclosure road and they must desire to prevent their credit from being further destroyed. If both of those conditions are met, then you can do a short sale.

Be sure to understand the laws of your state. The banks may come after the homeowner for the balance of the loan, even with the federal debt relief act on owner-occupied residences. If you don't understand the laws and you give homeowners bad advice, you can be in big trouble.

Make sure you are working with someone who can update you constantly on the new rules. Short sales require a lot of specialized knowledge. Make sure you are working with someone who knows the ropes. You need a coach and mentor to guide you.

Short sales take a lot of time and a lot of patience. We've seen short sales close as quickly as two weeks, but the average is around six months.

EXPIRED, WITHDRAWN, AND CANCELED LISTINGS

Another way of marketing for leads is to tell your real estate agent that you want all the expired, withdrawn, and canceled listings in certain zip codes every week. Once you get that list, send the sellers a mailing. Tell your real estate agent that if you buy any of the expired listings that you want him or her to list them for you when the rehab is completed. You want to make sure that everyone in your team is making money. That way, every time you call them, they'll answer the phone, because you are the moneymaker for them.

VACANT PROPERTIES

The boarded-up versions of these properties can be great finds. These are property owners who have totally given up. They abandoned the property, while protecting it as well. You'll find that once you speak to the owner, he'll be tripping over himself to get you to like him and to be your next best friend. Of course, once you make your offer, the friendship will end.

Most of the time, there isn't even a real estate sign in the yard. This is the easiest way to begin the process, so you begin there. Talk to the neighbors on each side of the building and ask, if they can put you in contact with the owner. If that doesn't work, leave a flier, or card, on the front door. It is possible that the owner will drive by occasionally and see it from the street.

Next, call the county tax assessor's office and, or, map room to find out who the owner is and where the tax bills are mailed to. If you get a name, call information and see if a phone number is listed. If not, mail a letter, or flier, to the owner's tax mailing address and, if different, to the address listed in the map room. Lastly, contact the city inspector who handles code violations for that area. He is probably the main reason that the property is boarded-up so tightly. He will gladly help you out.

> *The Map Room in Your County That Has All the Records.*
>
> You're going to find several neglected/abandoned properties. There's a simple, sure fire way of getting the correct information to research buildings that look neglected or vacant to find out where the tax bills are sent in order to contact the owner. You must have the address of the property. Keep in mind, these are properties that may have been listed for a long time and the owner may have decided just to auction the property off to get rid of it. These properties can be in rough shape, so have your repair hat on ready to assess the possible costs.

FIND FIXERS

Another strategy is to find properties that need rehab work. That's where you separate yourself from the other investors: if they don't need work, there'll be a much larger buyer's pool. The retailers and the end users are going to be in there. They are competing not only with investors but also with each other. When you find properties that need some work and fall through the cracks and sit on the market for ever, it's usually because the real estate agent does not know how to market them. The bank manager or asset manager doesn't know this. They assume that all real estate agents know what they are doing, but many of them don't and that can create great opportunities.

When you find properties that have been on the market for 90 to 120 days, the owners are frequently very motivated to sell. If its a bank-owned property, the bank asset manager can justify why he dropped it to 20% or 30% below what it was listed for, because it's been sitting on the market for so long.

You can make low-ball offers on bank-owned properties when they are first listed, but your chances for acceptance are not going to be as strong as after it's been sitting there for months.

PROBATE HOUSES

These houses were owned by someone who just died, and now they're inherited, or going to be! Every probate house that you will come across is literally a sale in the making. Those who inherit houses almost always want cash --today. They have in mind something that they want to buy. It's always the same.

You want to meet and build good relationships with the probate attorneys in your area. They're in the Yellow Pages under Probate Law. You can also find them online. One way or the other, you want to reach out to all of these attorneys and let them know what you do, and how you can help them. All these houses go through attorneys. Here's your shot to be the first one there. (Lawyers are like real estate agents. They enjoy a fast sale.)

DIRECT MAIL CHURCHES

You'd be surprised at how many parishioners make real estate donations to their church. Although many churches own real estate, they're quite finicky about exactly what real estate they want to own. Many don't want residential real estate. And often they'd rather have the money for a program they're developing for the church. When a property is donated to the church, your flier could be the first one called.

And that is exactly what I'm trying to do, be the first one there. Those are some of your best deals. People, churches, and business just want to cash out as fast as they can on unwanted properties.

DELINQUENT TAX PAYMENTS

Every few months, the county auditor will post all tax arrearages in the Sunday newspaper for the world to see, even if the unpaid amount is only $1, it will still be posted. The property owner's name and property address will be publicized for maximum affect.

Contact the owner and make a deal with him. Back taxes are truly a sign of financial difficulty. As stressed before, it is important that you are the first one there, and you'll usually end up getting a great deal. Here's your chance. The owner's name and address, of a property in distress, are handed to you on a silver platter. Send them a letter… let them know what you do, and just like that you could pick up a property.

TAX LIEN CERTIFICATES

Approximately 30 states generate Tax Lien Certificates. Simply, it is evidence of a lien. The whole idea is to buy these certificates with the intention of receiving a high yield when the certificate is redeemed. Just call the county property tax office for a list of the certificates that are currently available.

If and when the certificate is not redeemed by the owner of the property, the buyer of the tax certificate can engage the legal process applicable in that state to obtain the deed. Just as a side note, a *tax lien certificate takes precedence over all other liens*.

THE INTERNET

Go to SEARCH and type: City, State, Real Estate.

For example: Columbus, Ohio, Real Estate.

Focus only on the sites that actually have listings of properties for sale. In addition to the listing, you will see which agent/agency has the listing (they are the seller's agent). Search for agents who have multiple listings and reach out to them. Explain exactly what you are looking for (area, property type, condition, etc.). It is important to let the agents know that they can call or email you... even if it takes them six months to find something, because you'll still be in business and still looking for this type of property.

TENANT EVICTIONS

Find out when eviction court is held in your area. Get to hearings early and talk to everyone evicting a tenant and offer to buy their property. Think about this... here are landlords who are fed up with their tenants, and potentially tired of their properties in general. They may be ready to sell. There may never be a better time to talk with a property owner about getting out of the business.

CHAPTER 4

Buying Real Estate Portfolios

BUY THE PORTFOLIO OF A RETIRING/RELOCATING LANDLORD

You haven't seen motivation until you've met someone wanting to retire or relocate. They don't want to list with a real estate agent. They don't even like the idea of running an advertisement in the paper. It sounds crazy because they've worked these properties for twenty years, and all of a sudden, they can't stand them another second. You'd think they'd want to squeeze the portfolio for everything they could get, but you'd be wrong. These investors will even finance the whole shot with a tiny down payment. Retiring landlords typically have the properties paid off. Those who are relocating are typically desperate.

BUY THE PORTFOLIO OF A BANKRUPT LANDLORD

Just because a landlord is going bankrupt doesn't always mean that his properties are non-performing. However, in most cases it is, indeed, true. There are exceptions, believe or not. He could have mismanaged his money. Also, he could have mismanaged his property. In either case, you can profit tremendously.

Do you think you could manage those properties better than he could? More than likely you could. Typically when someone is not making one mortgage payment, they're not making any mortgage payments. If one is overdue, they're all overdue. When you encounter one property being foreclosed upon, be sure to ask what else he owns. If he owns ten other properties, you can buy all eleven.

BUY THE PORTFOLIO OF AN OUT-OF-STATE OWNER

Once in a while, the owner will advertise in the city where the properties are located. You can tell by the out-of-state phone number. Most of the time, however, they'll list it with a real estate agent. Each property will be listed in the MLS as part of a package, and will usually say: "Must be sold together,"

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BUY INTO AN EXISTING LANDLORD PORTFOLIO

These investors are the easiest to find. They advertise in the "Money-Wanted" section of the Sunday newspaper. Not all of the investors are in trouble. Some simply want to expand and don't have the cash. However, this is also where you find the investors who are in arrears on their mortgage payments.

Both those who want to expand and those in trouble are candidates for a partner with cash and credit. Rather than begin by acquiring properties one at a time, you can cash in on an existing portfolio. Further, after examining all of the properties, and providing that they've been bought at wholesale prices, you can buy-into a gravy train.

CHAPTER 5

Buying Unfinished Homes

Unfinished homes present a great way to save a lot of money.

Normally, unfinished starter homes leave the upstairs area unfinished. The question is, how much equity do you want to put into an unfinished area? Sometimes though, an unfinished home may leave the roofing, framing, plumbing, or electrical portions unfinished. Before you make a purchase, you should always decide how much money you have to finish what needs to be finished.

If the home you are looking at has plans for a garage, you can save thousands if you decide not to go with the garage. If there is another attached room that is planned to go onto the house, you can save just as much if you decide to forgo it. There are always ways that you can save money just by looking at the plans. Unfinished homes may have other planned on additions as well, in which you can save a lot of money just by leaving them out.

When builders acquire a piece of property that they plan to build a home on, they will do everything they can do to make as much money as possible on their homes. You might be able to get them to agree to some of these ideas, although they probably won't agree to all of them. Building homes can be a very profitable business - which is why most companies like to build their homes exactly as the plans call for.

When looking at unfinished homes, you also need to look at what banks are willing to accept. If you are planning to get a mortgage, most banks will require that the home is up to local codes and in livable condition. What this means is that there must be a living room, bedroom, and other rooms finished. If the home is lacking quite a bit in terms of being finished, most banks won't give you a mortgage.

Most banks are also known to turn down unfinished home mortgages that they feel will have trouble selling in the event that you default. Normally, the entire downstairs area will need to be finished, along with most of the landscaping. You might be able to do some of it yourself and save money, although in most cases the home builder will need to do a majority of the topsoil and grass just to satisfy the bank. Banks have strict requirements when it comes to unfinished homes, which is why you should always check with your bank before you invest in one.

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Buying an unfinished home provides an excellent way of get into the housing market. If you are interested in saving money, be sure to talk to the builder. This way, you can go over the plans and decide what doesn't need to be there.

CHAPTER 6

Real Estate Auctions

When real estate property values are down, the easiest way to unload a home is with a real estate auction. You can work a real estate auction as an independent auction company who obtains its own properties to sell or a partner with a real estate broker who provides you with properties to sell. The benefit of being an independent is a full commission.

Some states require that you have a real estate license. If you attend an auction, follow the guidelines of that state. You will more than likely invest some capital into marketing your services to home sellers or real estate firms. The most work you'll do is what has to be accomplished through advertising.

Working a real estate auction is really a comfortable way of selling properties. There is not protocol to attending, except for the real estate license, and it is up to you how much money you can make.

Depending on what part of a country you are from, you can be very successful at real estate auctions. But you may find that most of the time you won't be successful, because a retailer outbids you or the bank buys back the property.

An auction is held by banks that want to sell foreclosed properties. The property is sold to the highest bidder. A lot of these foreclosure auctions are held at the courthouse steps and sold sight unseen—you as an investor cannot inspect it before the sale. It's a very dangerous proposition, especially for a beginner.

Your competition at most auctions is the retail buyer who outbids the investor. For example: a retail buyer may bid as much as $120,000 for a property when an investor would have to stop bidding at $100,000 in order to make a profit.

The bank sometimes buys the property back. That's okay, because you will usually get a lower price by buying it as an REO than you would at an auction.

When you buy properties at auctions, plan on worst-case scenarios. Assume that the heating system is junk. Assume that the last owners wrecked the place. If the numbers still work, then buy it.

Once the bank buys it back, they take possession of the property. They evict the people who are in there, and then it goes on the market as an REO. Then the retailer or the investor can come in and do a thorough home inspection.

Tell the bird dogs that if they bid something that's good, you will pay them a finder's fee. In our experience, REOs usually beat auctions.

The popularity of real estate auctions are growing in the USA. Commercial and residential properties are available to upper and middle class people. No longer is being wealthy a prerequisite to bidding on property.

Why are real estate auctions so popular? This is something you should investigate before you commit to your first auction. Some believe that both buyer and seller benefit from auctions. The popularity a real estate auctions will sometimes drive up the sales price.

As the seller, you can determine the selling date of your home. This means, if you are currently sitting in a home valued at $235,000 and the opportunity arises for you to get your hands on another good deal, you can place your home in a real estate auction and know it will sell.

CHAPTER 7

Deals Create More Deals

Once you make a contract, whether it's an Option-To-Purchase or a Contract-To-Buy, you must draw other leads from it. Always remember to **Keep the ball rolling**. It is always easier to draw leads from purchase contracts that the start all over again without any leads.

Buying real estate at wholesale prices is truly an art. There are many ways to buy wholesale, and you can choose just one way if you so desire. However, whatever method you choose must be combined with networking for it to function effectively. Almost anyone can get lucky and fall into a few deals with just one way to buy wholesale. However, it will take effective networking to make wholesale acquisitions on a regular basis. This is an art, but it can be learned by anyone.

The most important thing that a door-to-door salesman does is to ask his contact if he knows of anyone else who might be interested in the product. This concept of getting more contacts will take networking to the outer limits. Networking is conversing with others in person, by phone, or via internet to obtain property. To stop at that point is wasting a valuable resource, further contacts. The goal is to get the ball rolling and keep it rolling, rather than continually getting the ball rolling again, and again, and again. It's unbearable to keep starting over.

We've all pushed stalled cars before. You'll remember that getting the car to move was a monumental task, but once the car got to about 5 five miles per hour it seemed effortless by comparison. Likewise with networking, once the momentum is achieved, investors are making a big mistake by losing that momentum and starting all over again.

It doesn't matter if the acquisitions are for your landlording portfolio, for flipping, or both. Properties are uncovered by the same acquisition techniques. In other words, the networking process remains the same. Acquisition is acquisition. Contacts are contacts.

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CHAPTER 8

Five Steps to Closing a Deal

Once you find a good potential deal, you will need to move through five steps to close it.

The most critical is to evaluate the property, to make sure you even have a deal. You need to know you will make a sufficient profit to be worth going through the rest of the steps.

The Five Steps to Closing a Deal:

1. **Run evaluators** – You will evaluate the deal for both flips and cash flow. *The Flip Evaluator* and *Cash Flow Evaluator* are explained below.

2. **Make yes or no decision** – Based on the evaluations, you decide whether the deal is worth pursuing. If not, drop it and move on to the next deal. If yes, move on to the next step in this sequence.

3. **Choose your exit strategy** – Decide if you want to 1) wholesale, 2) flip retail, or 3) cash flow the property. Your exit strategy is based on the profit-potential of the deal, which you will know by running the evaluators. You will know the exit strategy to use yourself or which another investor might use if you wholesale the deal.

4. **Make offer** - You make an offer based on the numbers you need to make the deal profitable. Before or during the process of making an offer, you may need to negotiate with the seller. You would need to justify any low offers to the seller, so the seller does not balk at your number. Negotiation will be discussed in a later section of this module. When you write up your offer, you will include contingencies, so you can safely back out of the deal if the property does not pass your due diligence process. More on contingencies later.

5. **Seller responds** – The seller can respond to your offer in one of three ways.

    > First, the seller can simply **reject** your offer. If this is the case, keep checking back. If it is still listed after a month, three months or even a year, resubmit your same offer. You can close many deals simply by resubmitting offers.

> Second, the seller may **counter offer**. If so, run the deal through your evaluators again to determine if you can make the numbers work by counter-offering their counter-offer. If you can reach a mutually agreeable number, you've got a deal. But if the numbers still don't work, hold off. Again, check back in a month, three months or a year and if it is still on the market, resubmit your offer. The seller may be much more motivated to sell at your offering price by then. More later about resubmitting offers.

> Third, the seller may simply **accept** your offer. If so, congratulations. You've got a deal that fits the success formula.

Here's more about each of these steps.

Run Evaluators

No matter who brings you a potential deal, whether it is a bird dog, a wholesaler or your business partner, you should evaluate it as both a flip and as a cash flow property. That's because someone could bring you ten great deals, but it could be the eleventh deal that works.

Typically, when you see a potential property, you should already have an idea as to whether you want it to be a flip or a cash flow property. But, always run a potential deal through both the Flip and Cash Flow Evaluators, so that you know that you have an additional exit strategy in case you end up holding on to a property longer than anticipated.

You may want to only buy cash flow properties, but the more you understand both types of evaluations, the better your overall success will be. This will also make you more useful in the marketplace. If you decide to wholesale the deal to other investors, they will ask you these questions. The more you understand the deal, the quicker you can flip it to other investors.

There are two formulas to use when evaluating a potential deal—The Flip Evaluator and the Cash Flow Evaluator. Your offers will be based upon the results of your evaluations. The Flip Evaluator builds in a profit margin and other costs to determine the highest price you can offer on a property and still make a healthy return. This is used when you want to exit as a wholesale or retail flipper.

The Cash Flow Evaluator tells you how much money you will make on your capital investment, also called return on investment or ROI. This is used when you want to buy and hold the property for cash flow from rental income.

As you go through the steps of making the offer and getting the deal under contract, you may need to go back and run the deal through these evaluators again.

These are the formulas for The Flip Evaluator and The Cash Flow Evaluator.

THE FLIP EVALUATOR

This evaluation is used for rehabbing and flipping a house to another investor or to a retail buyer. At first it may seem like a lot of math, but after a while, you will know this formula like the back of your hand. It should be the basis for all your deals. It's how you determine if you will move ahead with any deal, no matter which exit you use.

To run the Flip Evaluator on a potential deal, follow these steps.

1. Determine the after-repair value (ARV)
2. Minus 20% of the ARV for your profit margin
3. Minus 10% of the ARV for miscellaneous costs
4. Minus the cost of repairs
5. Arrive at Maximum Allowable Offer for Ownership

Here's an example:

ARV $250,000
- $50,000 profits (20% of $250,000)
- $25,000 miscellaneous fees (10% of $250,0000)
- $30,000 repair costs (based on 3 contractor's bid)

= $145,000 Maximum Allowable Offer for Ownership

For this deal, $145,000 is the highest number you can offer.

Here's another example:

ARV $400,000
- $80,000 profits (20% of $400,000)
- $40,000 miscellaneous fees (10% of $400,0000)
- $65,000 repair costs (based on 3 contractor's bid)

= $215,000 Maximum Allowable Offer for Ownership

Do you understand these numbers? You need to understand the formula first. Now, more about each step.

Determine the after-repair value (ARV) of the house. The purpose of this number is to determine the retail market value of the house after repairs are done.

You get the ARV figure by looking at recently sold comparable properties in the neighborhood. Not properties currently for sale – because those are what sellers want but won't necessarily get –only use properties that have actually sold for your comps, because that's what home buyers are actually paying. You can get the sold information--comps--through your real estate agent or even from online real estate sites. Make sure the properties you are comparing are as close to the one you are evaluating as possible. Ideally, they would be located within one mile of your property and sold within the last six months, so that the numbers are as close to what yours might sell for as possible. They should have the same square footage and number of bedrooms/bath and should be built in the same year. Take note of features, such as swimming pools or swamp coolers—you want your comps to have or not have the same features if possible.

Suppose that you find a house you think will work. You check the recently sold comparable properties in the neighborhood. In addition, you are familiar with your market, because that is part of the foundation steps of market research.

After checking the recently sold properties in the neighborhood you find that there are three comparable sales. One of them sold for $200,000, but it only has 1,800 square feet, whereas yours has 2,000 square feet; another one sold for $215,000 and is very similar to yours; the last one sold for $230,000, but it has a swimming pool while yours does not. Since the property you are looking at is most similar to the middle property, you determine that its ARV is $215,000. This is the first number to use in The Flip Evaluator.

Determine 20% for profit margin

The deal has to be worth the risk, not to mention your money and energy. Twenty percent is a healthy number to use. Of course, you can find deals with larger margins, but 20 percent is the minimum.

Are there exceptions? Yes, sometimes let the profit margin slide to 15 percent, if it's a quick and easy flip – paint and carpet only. You can also taken less than a 20-percent profit on a cash flow property because you knew that it was in a great location to turn into condo conversions at a later time.

But generally, you will want to have 20 percent or more profit to make it worth the risk.

Determine 10% for miscellaneous costs

This includes the costs of:

> Lender costs and points
> Insurance
> Taxes
> Carrying fees
> Attorney fees,
> Real estate commissions (for both buying and selling agents)
> Closing costs (for both buying and selling the property in a flip)
> Tax stamps
> Builder's insurance
> An "uh-oh" amount—the fudge factor for unexpected expenses or overruns

The allocation of 10% to cover miscellaneous costs essentially covers everything except the repair costs. I have done hundreds of flips and time and time again, I have found that using 10 percent of the ARV covers all these costs.

Determine estimated repair costs.

This number will vary from property to property. Some properties will need major repairs—requiring tens of thousands in rehab costs--while others will only need paint and carpet, just a few thousand dollars.

Based on your research, you will already have some idea of what the repairs will cost. You can also determine your repair costs by getting bids from three different contractors. Use these bids to determine a ballpark estimate of repair costs. Make sure you get three bids. The numbers might vary, but you will be able to estimate the costs based on their ranges.

If you cannot get three bids, estimate the numbers based on the information you can gather. You can get more detailed numbers later during the inspection period, after you have a contract in place.

You will use the estimated repair costs to plug into the Flip Evaluator formula. Whatever amount remains after subtracting the above expenses is your Maximum Allowable Offer for Ownership.

Wholesale fee

For a wholesale deal, you have to subtract one more line item from the ARV to get your Maximum Allowable Offer for Ownership. You have to ask yourself, "What do you want to make from the deal?" Add that

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amount into your calculations. As a wholesaler, you can negotiate a finder's fee from $500 to $10,000, depending on your experience and the profit margin.

However, an investor is not going to want to pay that finder's fee. The investor will say, "Take that cost out of the purchase price negotiations, not out of my pocket." So you have to leave a 20-percent profit for the investor after all is said and done.

Here's what the formula looks like:

1. Determine the after-repair value (ARV)
2. Minus 20% for your profit margin
3. Minus 10% for miscellaneous fees
4. Minus the cost of repairs
5. Minus the wholesale fee
6. Arrive at Maximum Allowable Offer for Ownership

Using the same example as above, here's how the numbers pencil:

ARV $250,000
- $50,000 profits (20% of $250,000)
- $25,000 miscellaneous fees (10% of $250,0000)
- $30,000 repair costs (based on three contractor's bid)
- $ 1,000 wholesale fee (based on your wholesale profit target)
= $144,000 Maximum Allowable Offer

This formula is a way to determine if there is enough meat on the bone to do the deal and still make everyone happy. If not, it's better to walk away.

You might say, "You're crazy! How am I going to possibly find a deal for that low of a price?" You are rarely going to find a house listed on the MLS for those kinds of low numbers, and when you do, you will be competing against other seasoned investors for the property.

However, if you resubmit offers after they're rejected and learn to negotiate with sellers, you will be able to secure lower prices on properties that fit these numbers. More on negotiation later.

THE CASH FLOW EVALUATOR

This formula is a way to determine if the property is worthwhile as a rental property producing cash flow. In this case, you or an investor would buy, fix and hold the property long term. The key to evaluating this type of deal is to see if the money you spend on a down payment is worth the cash flow return. In other words, you are checking the return on investment.

To run the Cash Flow Evaluator on a potential deal, follow these steps:

1. *Determine the total gross monthly rental income.* Do this by multiplying the gross rental amount of each unit by the number of units in the building. If the property only has one unit or is a single-family residence, then the gross monthly rent is simply the monthly rental amount before any expenses.

2. *Subtract 5% for vacancies.* Multiply the gross monthly rent by 5% and subtract it from the gross monthly rent.

3. *Subtract monthly operating expenses.* These include:

    > Repairs
    > Mortgage payment
    > Property taxes
    > Insurance
    > Water
    > Sewage
    > Property management costs (Assume that the property management costs for smaller buildings with four or fewer units will be approximately 8 percent to 10 percent of the gross rental income. The property management costs for larger buildings with five or more units will be approximately 10 percent to 15 percent of the gross rental income.)

Whatever remains is the monthly net profit.

4. *Determine annual net profit.* Multiply the monthly net profit by 12 to determine the annual net profit.

5. *Calculate your return on investment (ROI)*
    1. $\text{ROI} = \dfrac{\text{Annual Net Profit}}{\text{Cost of Investment}}$

For example, let's say that you have four units renting for $1,000 each. The gross monthly rental income is $4,000. (If it's a single-family residence, then it's just that one rent.)

$4,000 Gross monthly income
\- $200 Vacancy (5% of gross income)
\- $2,087 Mortgage Payment
\- $100 Expenses (water, sewer, taxes, insurance, etc.)
= $1,613 Monthly net profit
$1,613 x 12 = $19,356 Annual net profit

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Investment amount $60,000 = 20% down on $300,000 purchase.

$$\text{ROI} = \frac{\text{Annual Net Profit } \$19{,}356}{\text{Cost of Investment } \$60{,}000} = 32\%$$

In general, we're looking for a minimum ROI of 20%. Anything above that is outstanding. Anything below that is not worth doing the deal.

Make a yes or no decision

Based on the previous two steps, you decide whether this is a deal worth pursuing. If yes, move on to the next step: choose an exit strategy.

If not, drop the house and move on to the next property until you find a real deal. Do not get discouraged if it's not a deal. It's better to walk away from a bad deal than to lose your shirt trying to make a bad deal profitable. Sometimes it takes fifty bad deals before you are comfortable with what you are doing and can spot a good deal. The formulas are deal funnels. Pick only the best ones.

Choose an exit strategy

If you decide the property a "Yes," you will then need to determine which exit strategy to use. As mentioned earlier in this Program I'll go into each of these strategies in much more detail throughout this course and online. For now, there are three primary potential exit strategies you can use:

> Wholesale
> Retail Flip
> Cash flow

Wholesale is when you put the property under contract so that you control the contract, and then sell the contract to another investor. The new investor then closes on the property. The investor may decide to fix and sell the property at the retail level, or simply hold it as a long-term cash flow property (now you know why you need to run a potential deal through both types of evaluators – Flip and Cash Flow). You can generally make $500 to $10,000 on this type of exit.

Flip is when you plan to buy it, fix it, and then sell it to a retail buyer, meaning a regular homeowner, paying market price. You can generally make $20,000 or more with this type of exit.

Cash flow is when you fix and hold the property for long-term rental income. You make cash flow for as long as you hold the property. The Cash Flow Evaluator helps you determine how much return on investment you make with this type of deal.

Make an Offer

When a property fits the criteria you established and you've decided it's a go, make an offer. Your real estate agent can guide you through the process of signing a contract and submitting the offer.

For most deals, especially when dealing with FSBO sellers, you should identify yourself by writing your name, followed by the phrase, "and/or assigns." This means that you can "assign" or transfer the contract to another buyer. If you are wholesaling the property, this enables you to sell the contract to someone else who will close. Even if you plan on rehabbing the property yourself and then flipping it, circumstances may change and you may end up wholesaling it instead. So making the contract assignable allows for this additional exit strategy.

However, you may not be allowed to assign the contract then make offers on short sale or REO (bank-owned property). Check the fine print for the bank's requirements. Some REOs also require minimum holding periods (also called a seasoning period), where you cannot resell the property for a specified length of time. The bank may prohibit you from reselling the property for six months, or up to an entire year. There are several advanced strategies on how you can still assign these contracts, but you will need to be very careful using them. For deals like these, you will definitely want to proceed with caution and discuss it with your coach.

CONTINGENCY CLAUSES

Contingency clauses are one of the most important elements of your offer. They help increase your chance of success by creating ways for you to get out of bad deals *before* they cost you money. We highly recommend that beginning investors use contingencies for their own protection.

A contingency can be anything that allows you to gracefully bow out of the agreement. Some of the more common contingencies are, "subject to acceptable financing," "subject to approval of buyer's partner," "subject to acceptable home inspection," or any other points that allow you to back out of the deal. This gives you time to thoroughly complete your due diligence before pulling the trigger on the contract. There are times when words like "home inspection" can be too intimidating and feel somewhat intrusive. You will want to gauge when to use it, and when it may be more beneficial to say "subject to acceptable due diligence." Regardless of which contingencies you use, make sure you have enough to get you out of the

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deal if you discover something you don't like or didn't account for, but at the same time don't use so many that they become too overwhelming, causing the seller to accept someone else's offer.

Once the property is under contract, complete all your inspections and other due diligence before your contingency dates expire. Contingencies for home inspection, due diligence, or partner approval generally give you five to ten days to back out of a deal if the listed contingencies are not acceptably met.

"NO CONTINGENCY" OFFERS

Sometimes, students say that if they include contingencies in the offer, they will lose the deal, especially in a highly competitive situation. If the deal is that sweet, the best offers are "all cash" with "no contingencies." But if you choose this type of offer, make sure you know exactly what you are doing. Check with your coach.

If another buyer comes in with an all cash offer and no inspection contingency, there is not much you can do. It simply means they are more experienced, or else they don't know what they are doing and will lose money. Don't worry. You will gain experience with each deal. It's better to pass and not gamble. Just go to the next deal. You are not a gambler. You are an educated and calculated investor.

JUSTIFY LOWER OFFERS

When you are bidding low on a property, put together an informed offer supported by evidence. Don't assume that the real estate agent will handle that for you, because he or she might not build your case as well as you can. Be sure to attach a contractor's bid so that the sellers understand the costs involved in rehabbing.

We suggest attaching photos that show deferred maintenance or a structural issue the seller didn't notice. Send the photos electronically, so that they don't end up as black squares on a fax. Make sure your offer also includes comps of similar properties.

Also explain your offer in terms of exit strategy. For example, if your plan is to purchase the house, fix it up, and rent it, show the broker what market rents are and why you determined that the property was only worth 40 to 50 cents on the dollar.

A lot of uneducated investors don't understand the offer process, and they just submit lowball offers on bank-owned properties, then they wonder why their offers are always rejected. The two most common reasons that banks reject offers are: the investor does not justify why the offer is so low, and the offers are not made at the right time of the year.

Based on the information that you provide, the broker should understand that you are a professional with solid, realistic numbers, not some Mickey Mouse real estate investor trying to lowball this business.

The Seller's Response

Once you've made your offer, the ball is in the seller's court. The seller can respond in these three ways.

1. *Reject your offer* – If this is the case, don't get discouraged. Move on to the next deal; but track the property. You can resubmit the same offer after thirty days, three months, or even an entire year, providing that it hasn't yet sold. You can get a lot of deals through resubmitted offers.

2. *Counter offer* – This means they ask you for another number, lower than their original asking price but higher than your offer. In this case, go back to step 1 and evaluate the deal again. If the numbers don't work, don't accept it. You can always make your same offer again in thirty days, three months or a year – if it's still on the market.

3. *Accept your offer* – Congratulations. You have a deal under contract.

If your offer is either rejected or countered then the key to success is: follow up, follow up, follow up. Do not lie to yourself by trying to make the deal work better on paper. When you run the deal through the evaluators, it takes the guess work out, it removes all of the emotion from the equation, and allows you to make a smart choice. One of the biggest mistakes beginning investors make is going back and second-guessing their numbers. They try to convince themselves that they ran the numbers wrong the first time. So they "sharpen the pencil" and make some cuts, just to turn around and get into a deal they shouldn't have done in the first place. Remember: Deals you don't do, don't cost you money.

Once your offer is accepted, your deal is under contract. The next step is to run the numbers one last time. But this time, run the evaluators with final contractor bids.

FINALIZE ESTIMATED REPAIR COSTS DURING INSPECTION

Once the property is under contract, you will have five to ten days to do inspections. Use this time to get more detailed prices on the rehab costs. If you did not have a chance to get three contractor bids before you made the offer, be sure to do it now. This is critical, because unplanned rehab costs can kill your profits.

Remember that a member of your team will be a general contractor who can help you assess these costs. Nevertheless, make sure to get bids from three contractors, so you have a basis of comparison. In the rehab module, I'll go into more detail about how to get bids from contractors. Suppose one contractor says that the repairs should cost $30,000. You bring in another contractor and ask, "What do you think?" The second contractor says, "Yeah, you have $25,000 to $30,000 in repair costs." The third contractor says something similar, so you estimate the total repair costs to be $30,000.

In your deals, if you anticipate that your offer will be accepted, call your electrician, painter, plumber, etc. and give them a heads up that you may need their services soon. and ask them, "Hey what does your schedule look like for the next week? I may need you on a last minute basis."

Once you receive firm bids on the repair costs compare them to what you had estimated the cost to be. If the bids turn out to be significantly higher than you anticipated, such that the deal no longer makes sense, you can use the contingency clause to back out of the deal.

CHAPTER 9

Negotiation

Many people are not used to negotiating when money's involved, yet we live in a world of negotiation. If you and your significant other are debating what movie to see, it's likely that the winner is the more powerful negotiator. Negotiation is a skill that must be learned to be successful in real estate.

Everything is a negotiation. And when you understand that concept, the idea of going in and showing that a house is only worth 40, 50, or 60 cents on a dollar is a no brainer. It's comfortable.

There is only one real price on a piece of property. The real price is the price that a buyer and a seller agree upon. Everything else, including sales comparables and appraised values, are estimates or approximations based on some existing evidence, but they are not real value. It's only what one person is prepared to pay and another person is willing to accept.

To negotiate a good deal based on the Flip Evaluator and the Cash Flow Evaluator, you have to know the seller's motivation. That's critical in every negotiation. Regardless of whether the seller is a homeowner or a bank—as long as you understand their motivation, you can learn to negotiate successfully.

Figuring Out Their Motivation

It's critical to determine the seller's motivation in order to negotiate a deal well. Has there been a divorce, a foreclosure, a death in the family? What is prompting that homeowner to want or need to sell? Once you have that information, you can see if there is a possible win-win scenario in which the seller gets the stress of the sale over with, and you get a deal that you can make money on.

If the seller is a bank, the asset manager's motivation is to clear the bank's inventory of REOs or short sale properties, so the bank can concentrate on its main business of lending money. The more you understand the seller's position, the better you will be able to negotiate the deal.

Negotiation Tactics: Be a Good Guy

Before motivation is discussed, let's first establish some ground rules on etiquette.Don't just walk into someone's home and make them an offer at 20 cents on the dollar. You've probably already had a few phone calls with the seller. You've begun to build a rapport. You've been able to explain that your goal is to give the homeowner the best possible price you can, based on market research and the amount of work that is needed on their property.

You should build a relationship with the homeowners which allows you to ask leading questions that help in the negotiation process. "Mr. and Mrs. Jones, I can see that this was a wonderful place to grow up, and I'm sorry for your loss. I can see that there is a lot of love in this house, but you know things have changed over the years. Do you agree that this house needs a lot of love and attention?"

In negotiation, always tell homeowners that your goal is to give them fair market value. Oftentimes the seller has a number in his head that is not based on reality. Your job as an investor, negotiator, and ethical individual is to gently show them why you believe that their number is not accurate.

Sometimes it doesn't work, but if you don't continue to show up and try to build the relationship in order to make the offer, you'll never know. There is nothing in this market right now more powerful than what is called *seasoning*—giving something time.

You can say, "If there's anything I can do, Mr. and Mrs. Jones, please reach out to me; please call me. Let me know if I can help you in any way. If you have any questions with regards to any other offers or any other information that is coming at you with regard to your home, please call. I am a full service real estate investment company. I can answer your construction questions or any questions relating to the selling of your home."

Sellers want good service. You want the sellers to tell their friends about you, saying, "They are good guys. They gave us some tips to not only help us out but to see what we could do to get the most money for our home." When it comes time to make the sale, you want to be the first one in, not the sleazy guy who comes in unannounced and bids them down without a care.

If you know your market, you can show homeowners sales comps so they understand the reality of the market in their neighborhood. When you know your market, you become incredibly powerful at doing business in it.

Practice Negotiating

Many people are not comfortable negotiating when money's involved, even though we live in a world of negotiation where we unconsciously negotiate in every other aspect of our lives. Good negotiation skills can be learned by anyone and are essential to be successful as a real estate investor.

> ***A Negotiating Story:***
>
> I challenge my coaching students to negotiate one purchase a week. I don't care what it is. It could be a cup of coffee, negotiated from a $1.50 down to a dollar. Doing this helps you to develop a mind set of not accepting what someone tells you a thing is worth. When you grasp that concept, you can negotiate with confidence and from a position of strength.
>
> It takes practice. I never had the guts before to say, "You know what, that coffee is kind of old. How about you sell me that cup for a buck instead a buck and a half? You're going to throw it away anyway if you don't sell it." And the guy looks at me like I'm freaking crazy, then he says, "That's fine. Give me a buck."
>
> I learned the power of negotiation in small increments and then built it up. I rented a car today. I immediately asked, "What are my discount deductions today?" They said, "We didn't know that we would give you a discount today." I said I usually got a 10% or 15% discount when I do a car rental. "All right," the clerk said. "Let me look in the computer and see what I can find." And you know what? I got a discount. That's how I do business. So we have to ingrain that into every student.

RESPECT THE HOME

The property you're considering was someone's home. It's very important that you keep that idea in the front of your mind. Be respectful of the property and situation.

You could say something like, "Will you agree to $70,000? It's probably the best price that you can get for this property, Mr. and Mrs. Jones, considering the amount of work here. Also consider the fact that similar properties have been selling for this price in the last thirty to sixty days. Will you agree that that's a fair price? Will you also agree that it would be great to get this headache off your hands in the next 21 days? I will pay for all closing costs. I will pay for all the attorney's fees. All you need to do is come to the closing table, where I can write you a check for $70,000."

FIND

It's a good way to do business. Take care of somebody else. What goes around comes around.

UNENTHUSIASTIC HEIRS

Here's an example of a situation you might encounter with motivated sellers.

A family is left a piece of property by a deceased family member. Now they've inherited a house they don't need. Let's say the heirs are two siblings, a brother and a sister. And the house has been in the family for decades. Maybe it didn't get a lot of TLC all those years. Now this house has been passed down, and the siblings are, unfortunately, looking at the fact that they have to pay taxes and insurance, as well as, let's say, fixing the roof or some other big-ticket item. The siblings, if they don't plan on living there or can't afford the taxes and other costs, become highly motivated to sell that property as quickly as possible.

Someone in that situation will understand the power of an all-cash offer, because it means that the sellers won't have to do any repairs before they can sell. Additionally, there is no permission needed from a bank to buy the property, so there won't be any financing delays preventing a speedy closing. As an investor, you can make an all-cash offer based on the formula that you lay out, and you can close in as little at two or three weeks. The comfort to negotiate at 30 to 50 cents on the dollar becomes a reality when cash can be offered up front.

Banks in the Pressure Cooker

When it comes to banks and foreclosures, the timing of offers and reoffers is crucial. A bank cannot continue to loan money if it doesn't unload its inventory of REO properties (Real Estate Owned, or bank-owned properties). It is always important to make your offers to banks at the end of the month, end of the quarter, or end of the year. That's when they feel the most pressure to clean up their books by liquidating assets to improve their bad debt ratio. Keep in mind that banks are in the business of lending money, not managing property that has become a non-performing asset on their books.

Depending on the amount of debt that bank is holding, the asset manager may say, "We are holding too many houses; we've got to release some of them to make sure that our lending ratios are in line." That's not to say that you have to wait until the end of the month, quarter, or year to make offers. You should always be making offers. But follow up by resubmitting your rejected offers at those critical times. If you consistently do that, the number of accepted offers on bank-owned properties will increase.

Negotiating REOs

How do you get an REO? You have to be the best bidder. That's all there is to it. Whatever you do, don't get caught up in a bidding war. You've got to follow your formula to establish your price cap. Separate yourself from the pack by offering all cash (instead of trying to get the bank to finance the deal), and by waiving the home inspection. However, we do perform a home inspection; we just don't use that term. We call it a 3-day due diligence, a creative way of saying home inspection.

LOOK FOR REO HOMES THAT FAIL FHA REQUIREMENTS

REOs usually get picked up quickly. But if a sale falls through because the home wasn't FHA approved, the house can sit on the market a long time, causing the bank to get anxious. That's when you can snag it at a good price with cash. You want to make sure that you are familiar with FHA rules. When a house is noncompliant it can be a strong negotiating point for you.

I recently submitted an offer on an REO house. Another investor submitted a higher offer so the bank awarded the contract to him. However, that investor thought he would get financing, but there was no way that was going to happen because the house was not FHA approved (Federal Housing Administration). The deal fell through, and the house went back on the market.

What a lot of people don't understand is that when a property comes back on the market like that, the motivation to sell increases. Bank asset managers and real estate agents have an emotional side, too. They get frustrated when the deal falls apart. So the more times a property comes back on the market, the more motivated the seller becomes, and the better the chance is that the investor may buy it for a great price.

> ***A Story of a Good REO Deal***
>
> There was a bank-owned property that I had made an offer on through a broker friend. Using the system we described of coming back at the end of month, quarter, or year. I put in multiple offers. The end of the year rolled around, and I went to put my offer in again. The broker preempted me and said, "Look man, I think they're really motivated. Just do the best you can. Be respectful of what they need, but go for it."

FIND

It was a single-family home that had been originally listed at $220,000 and reduced over time. On this offer, the broker and I went back and forth with the bank seven times. I only raised my bids by $500 to $2,000 at a time, and I watched the bank drop by $5,000 or $10,000 dollars at a time. The bank dropped from their initial price of around $120,000, while I came up from $80,000. We met in the middle at around $97,500.

I was able to buy the house at a low price because it had flown under the radar. When a house sits on the market for such a long period of time, the assumption is there's something wrong with the house and that's why it hasn't sold. It languished on the market for 18 to 24 months.

The bank wanted too much money for it in the beginning. The bank started out trying to sell it at a retail price, but the market got worse and worse. The retail buyers who had been making offers on it were gone by the time the pricing came down to reality. Because I followed the process of following up with the banks at the end of the month, quarter, and year, I was able to get in there when the bank became motivated to sell.

Then I made three phone calls and wholesaled it for $115,000. So that was $18,000 in profit for me. I had some good fun with the broker, going back and forth with the bank negotiations. The investor I wholesaled it to put about $20,000 into it and sold it for $185, so he made about $50,000. A nice property came back on the market, and the bank was relieved of an asset that was killing their ratios. My broker made a couple of bucks on the closing. And the new homeowner moved into a beautiful house.

You can change your strategy at any point. You can make $50,000 by doing the rehab or you can make the easy $5,000 to $20,000 to bird-dog or wholesale. In this case, I decided to go the easy money route. It was still a sweet little deal.

CHAPTER 10

Conclusion

The key to success in real estate is not just about investment—it's about finding the right investment, and making it fast. At this point you should feel comfortable distinguishing between the different types of investment properties, as well as how to go about looking for them. Knowledge is a powerful tool, and throughout the rest of this program you will learn exactly how to operate it to build your own success!

Now that you understand how to analyze and negotiate deals, it's time to talk about money – about how to finance your deals. Once you've got your deal and cash backing, you are truly in the game. You don't need to have your own money to get involved in real estate. You'll be taught where you can find investors and financial partners in the next module. Let's get to it.

FIND

VOLUME 3: FUND

The Fast Track Formula for Building Your Real Estate Business

Preview of What You Will Learn

Chapters:

Tools:

> Buying Tips
> Blowing Up Bills With Balloons

You Will Be Able To:

> Understand Lending Terms
> Find a Partner
> Manage Your Funds

Introduction

Now that you have laid the foundation, and identified a deal… it's time to determine how you are going to fund the transaction. They say it takes money to make money. As impossible as that may seem, there are a lot of options for financing an investment property. You don't have to be wealthy to get started.

More important than any other part of the real estate business are the financial arrangements that make it possible. Take lots of time to become familiar with the various financing options that are available to you.

The first thing you will want to familiarize yourself with, are loans. Everyone knows about loans—many people have student loans, car loans, home loans, etc.—but there are several types of loans available for property investment, and if you don't get the right one, you can end up paying more than you need to.

A DENTIST'S INVESTOR STORY

Even people with money can be intimidated by money.

I worked with a dentist and his wife who made very good money, but they wanted to buy real estate to prepare for retirement. I coached them through a $1.7 million acquisition for a self-storage facility.

As the closing date got closer, they couldn't come up with the money for the down payment. I had taught them how to raise private money by putting together a package to attract investors. Money always follows a great deal. But they still couldn't get over the hump of raising money, because they were too scared to approach people.

Long story short, I took them to the edge of the proverbial cliff and pushed them off. Once airborne, they raised $300,000 in 24 hours, enough for the down payment. They picked up a 142-unit self-storage facility, walked into approximately half a million dollars in equity, and generated $17,000 a month in positive cash flow. They were a very happy couple, to say the least.

I was also happy, but for another reason. When I started coaching the dentist and his wife, she said to me, “If this doesn’t work, I’m going to find you and pin you down to repay the training money we’ve spent with you.” So she had obviously been exposed to a lot of trainings that didn’t work. I’m glad I didn’t have any dentist drills used inappropriately on me.

CHAPTER 1

Deals Attract Money

Just like the dentist couple, many students say, "I don't have money to invest in real estate!" They're not alone. The single biggest hurdle that I see with people who are trying to get into this business is that they do not have any money and are worried about how to do real estate without it. However, I want to make sure that everyone understands that it's the deal that attracts the money, not the other way around.

I'm going to blow you out of the water here. The truth is that money always comes after the deal. I'll show you how to find money in this chapter. From hard money lenders to private investors, you'll have access to all the money you ever need for your real estate deals.

This goes back to the fundamentals of finding the deal. If you know how to find and evaluate a deal and you actually have a good deal in hand, then the money will follow. The opposite is also true, if you can't get the money, you probably don't have a good deal. That's because lenders are very skilled at analyzing deals. If they think the deal is too risky, or won't generate the rate of return they require, they simply won't loan you the money.

I meet people with money all the time – professionals and executives who have money to invest. When they find out what I do and the returns I get, they say, "I have money. I want in, I want in." I tell them, "That's cool, but it's the deal that matters. What I'm really looking for is the deal." Money is easy to come by. The deal is not.

Here's what real estate investors understand: You do not need money to find deals. All you need is time and knowledge, and someone to show you what a deal is. Once you find a deal, you will find the money.

An Example of a Relentless Bird Dog

I had a friend who wanted to do real estate deals with me, I said to him, "I like you, so I'm going to give you this advice: go find value and bring it to the table. When you find value, we'll do a deal together."

I explained: "The biggest thing for me in real estate investing is finding the deal. That's it. It's not about access to money—which a lot of people think is the key—because money comes out of the woodwork easily. The hardest thing to find is the property that's worth $500,000, but which you could pick up for $200,000. Everyone is looking for those kinds of deals to scoop up. They don't last long."

I leveled with my friend. "Listen, you've got no money; that's okay. You can still make money in real estate. You can be a bird dog. Find the deal, tie it up, and I'll pay you for the contract."

He kept coming back saying, "I got a deal, I got deal, I got a deal!"

I looked through the numbers and said, "It's not a deal, it's not a deal, it's not a deal."

He's lucky I liked him. If it was someone else, I would have told him to take a hike, because if you don't know what you're doing, leave me alone. He probably came up with fifty deals that weren't actually deals in three or four weeks.

He was just relentless. He's got crazy energy, and he wouldn't give up. I think he knew he was getting closer and closer. He didn't get discouraged. Other guys have tried to run a few deals by me, and when I said they weren't deals, they stopped trying.

Sure enough, a deal finally popped up that had enough profit to make it interesting. That's when my friend and I started doing business together. It was the first deal he brought to the table, and he knew this was the real thing this time.

A guy had left a two-unit building and moved to New Hampshire. It was empty. My friend tied up the deal. I bought it for $160,000 and sold it to another investor for $200,000, who fixed it and sold it for again. I paid my friend a bird dog fee of $5,000. It's funny, he still thinks I took advantage of him, but he learned that's the way it works in the business with bird dogs.

Everything else we have done together is a result of learning to work together on this first deal. My friend quickly learned to follow the Program, and we continue to do deals together.

Find Unconventional Lenders

So how do you find money? You probably won't get money from a bank, because banks still use traditional criteria. There's a whole section on that later in this module.

The banker is going to say to you, "What have you done before? Sorry, you do not have experience. You can't get in."

That's such a stupid thing, and if the bank is the only place you are looking, you will never do a deal. If you found a property that's worth $199,000, and you could get it under contract for only $120,000, you'd get your eyes to open up. But you probably still won't get a loan from a bank.

Bankers and mortgage companies are institutionalized, conventional lenders. They invest primarily in the individual and less on the deal, unless it's a commercial deal, which is based on cash flow. That's why they pull your credit and check your net worth and income.

Professional real estate investors rely on unconventional lenders, called hard money lenders and private investors. They invest on the deal, not on the individual. They don't need to pull your credit; they just want to see a proper return on the money they have in the deal. Their loans are secured by the property, not by your income producing ability from the job you have.

There are so many people who have money, but don't know how to find a deal. You can find these people by advertising on websites like Craigslist. You can also find them at your local real estate investment club, also called a REIA group, where you can find like-minded people in your area. You also find them by talking to people, like attorneys, financial advisors and contractors. Never underestimate the power of word-of-mouth connections.

Private Investors

Nine times out of ten, the newbie investor's first source of funding is a friend or a family member. How do you get money from friends and family and feel okay about it? You present your now-educated perspective. You show them what the returns will be on their money, and tell them the loan is secured by a note on the house.

Even if your family or friend is lending you money, treat it like a business deal. You don't want Thanksgiving dinner to be awkward. The meal won't taste the same if you owe someone at the table a lot of money, or worse yet, if you lost their money on a bad deal. Consult with your attorney and make sure you do everything squarely. Make sure you protect your private investor by securing the loan with the property itself. Do the right thing.

If you go to a family member and you want to borrow $100,000 to do a deal, you need to know what that family member wants as a return on the investment. Does the investor want 8%, or 12%? Or would 6% be sufficient? If you think about it, your investor is probably only getting 0.3% or less from leaving the money in the bank, which means if you offer 4%, it will probably make him or her pretty happy.

When you talk with potential investors it is important that you show them comps and potential profits. They also need to be assured that their money will be secured by the real estate, in the form of either a deed of trust or a mortgage (this is determined by state law, some states use mortgages and others use a deed of trust). Your attorney will prepare all the documentation to secure their loan.

After they do their first successful deal with you, they will tell their friends what you did for them and their friends will want you to use their money for deals too. Before you know it, you'll have access to all the money you'll need. Though it goes without saying, if you don't do what you said you would do and your lender losses money or doesn't make the expected rate of return, it will come back to haunt.

Don't let the investor take over the deal or force you to deviate from what you know. If they ask for too much of a return then find another investor. Life is too short, and the opportunities in this business move too quickly to get stuck working with someone who doesn't understand what you do or who thinks they could do it better.

Remember that money is a tool. Use it wisely. Follow the formula. Do your homework. Make good business decisions and more times than not, you'll come out on top.

CHAPTER 2

Hard Money Lenders

Hard money lenders are basically lenders who see opportunities to get phenomenal returns on their money. They lend on the value of the deal. They do not depend on your personal credit. They want to make sure you have what it takes to close the deal.

Hard money lenders are in business to lend money. If they don't lend any, they don't make any. They are willing and eager to lend money – on the right deal. It's not hard to get money from hard money lenders, as long as you bring them the appropriate deal.

This goes back to the fundamentals of finding the deal. If you used The Flip Evaluator correctly, your numbers will be right. There will be enough profit in the deal. That's the number one thing hard money lenders are looking for. If they see it, they will lend you money.

HARD MONEY LENDING CRITERIA

Typically, hard money lenders will loan up to 60% to 65% LTV (Loan-to-Value), based upon the property's ARV valuation. This means that if the ARV value of a property is $100,000, a hard money lender will usually loan up to $65,000. Some hard money lenders calculate their maximum loan amount differently. They will loan up to 80% of the purchase price (not the ARV value).

In either case, you will be expected to provide a down payment of around 20% of the purchase price and the cost of any rehab expenses if they exceed what the hard money lender will lend. This ensures that there is a 35% equity buffer to protect the hard money lender in case you mess up the deal. That equity buffer is the lender's guarantee that if all else fails, the property could be quickly sold at a fire sale price and the lender would still get back his original loan amount plus any associated selling expenses.

Since the hard money lender bases his loan on the property's value he will have it professionally appraised by a conservative appraiser prior to granting the loan. Do not be surprised if the appraiser determines that the property is only worth $90,000 when your due diligence suggests that it's actually worth $100,000.

Here is a typical example of how a hard money loan may be constructed. Let's suppose that you find a property on which you calculate an ARV of $100,000. You've negotiated a purchase price of $55,000 and your contractors have submitted rehab bids that total $15,000. Applying the Flip Evaluator formula we come up with the following results:

ARV	$100,000
Less 20% Profit	$ 20,000
Less 10% Misc. Fees	$ 10,000
Less Cost of Repairs	$ 15,000
Maximum Offer for Ownership	**$ 55,000**

Since the seller has agreed to sell for $55,000 this property appears to be a great deal. It fits the Program. The Maximum Offer for Ownership in this example is $55,000. Obviously, if you get the property under contract for less than that amount, then the deal is just that much better.

However, after you talk to your hard money lender you are informed that the hard money lender will lend up to 65% of the ARV (a maximum of $65,000), but that you are expected to come up with a 20% down payment, based upon the purchase price of $55,000. The hard money lender won't lend unless you have some "skin in the game" to prove your commitment to the deal. That means that you would need to come up with $11,000 ($55,000 X 20% = $11,000)

What do you do if you don't have $11,000? This is the point where many beginning investors get discouraged, give up, and walk away from the deal. Don't do that.

GAP FUNDERS – USE OF PRIVATE LENDER MONEY

This is where your private lenders can be extremely valuable. In the section on private lenders I used an example where you borrowed $100,000 from a family member. Many of us don't have family members with that kind of money, but they might have $11,000 that they would be willing to lend. Unlike banks, hard money lenders don't care where you get the $11,000 needed for the down payment. You could borrow that amount from a friend or family member, secure their loan with a second mortgage (the hard money lender will require the first mortgage position), and now you can complete the deal with the hard money lender. When used in this fashion, your private lender is often referred to as a Gap Funder. They provide the money to bridge the gap between what you have (nothing) and what the hard money lender requires you to have. In some parts of the country this is also referred to as a Bridge Loan.

Now our money picture looks like this:

Cash Requirement		Source of Cash Funds	
Purchase Price	$55,000	Down Payment *(Gap Funding)*	$11,000
Rehab Expenses	$15,000	Hard Money Loan	$65,000
Misc. Fees	$10,000	**Total Cash Available**	**$76,000**
Total Cash Needed	**$80,000**		

At first glance it appears that you don't have enough cash to complete the transaction. You need $80,000 but you only have $76,000. You are $4,000 short. That's okay, because the bulk of the $10,000 in Misc Fees is not needed until you resell the property to the retail buyer. The real estate agent's commission will come to $6,000 and the closing costs will come to about $2,000. That means that of the $10,000 allocated for Misc. Fees, $8,000 will be deducted from the proceeds of the sale at closing. So in actuality, you only need $72,000 to do the deal (buy it, rehab it, and $2,000 for misc rehab or other non-selling expenses). So you will have more than sufficient cash to do the deal. The key to making it work is using the Flip Evaluator correctly.

There are two scenarios in which a hard money lender may lend up to 100% of the purchase price and the rehab costs without requiring that you come up with a down payment.

The first scenario is when the hard money lender is also a Gap Funder. In other words, he may enter into two different agreements with you, one to provide a hard money loan up to 65% of the ARV, and a second agreement to provide the gap funding. This type of gap funding is typically extremely expensive. The gap funded portion may carry an interest rate of 15% in addition to requiring a 25% interest in the total profit of the deal. It's expensive, but if it is the only way that you can get the deal funded, you would still get to keep 75% of the profit, and that is better than nothing.

The second scenario in which a hard money lender may not require a down payment is when you negotiate a really good deal. For example, a hard money lender may say, "This thing's worth $200,000 and you have it under contract for only $100,000, and it doesn't require any rehab expense." In this case the hard money lender might give you 100% financing to buy it, because he figures if you screw up, he could get his $100,000 back by foreclosing on it, and he'd still have another $100,000 in equity. He can't lose.

Hard money lenders are practical, worst-case scenario types. They make sure they are covered and can make money no matter what happens.

THE COST OF HARD MONEY LOANS

Hard money lenders charge a tremendous premium when you borrow money from them. In addition to their interest rates of 10% to 20%, they also charge 1-4 points. A point is a percent, so 1 point is 1%, 2 points is 2% and so on. Points are charged as a type of loan origination fee. One of the reasons that they charge points is that hard money loans are typically loaned out for very short periods of time. Frequently you will pay back a hard money loan in 90-days (after you fix up the home and resell it to someone who will live in it). In that case, even though the lender may charge you 12% as an annual interest rate (1% per month), you will have paid it back in only 90-days. So the lender won't actually earn 12% interest, he'll only earn 3%. So, to compensate for the low earnings on the interest charges, he will also charge you points. Many times hard money lenders earn more money off the points than they do off the interest charges.

In the example above, let's suppose that the hard money lender charged you 4 points and 12% interest. If you had borrowed $65,000 and paid it back in 90-days then you would have paid a total of $4,550 ($2,600 in points and $1,950 in interest) to the hard money lender. But you would have made a total of $15,450.

That's how hard money lenders conduct their business. Because of them, you can go out and buy properties rehab them, and make a tremendous profit when the deal fits the Flip Evaluator formula.

Hard Money vs. Partner Loans

If you used hard money in this deal it would cost you $4,550 in interest and points, but you made $15,450. Sure the lender made a lot of money, but that enabled you to make even more. Your other option is to partner with someone on the deal. That may sound great at first, but let's look at how that impacts the numbers of the deal.

If you partner with someone, they will typically want 50% of the deal's profits. That means you don't have the traditional interest expense, but you have to split the profits down the middle. In the above example, the total profit came to $20,000 (without any financing expenses). Splitting that 50/50 with a partner means that you would walk away with only $10,000.

So would you rather make $15,450 or $10,000? It really doesn't matter which route you take, as long as there's enough money on the table to make it interesting for everyone. It's up to you how you want to carve it up or which funding source is the easiest for you to obtain.

HARD MONEY RATES IMPROVE WITH DEALS

The more deals you do with the same hard money lender, the better the terms you'll receive. Once you have proven that you know what you are doing, the less risky you will be viewed, and the more likely you will be to receive lower interest rates, lower points, and perhaps a waiver for a down payment requirement.

WHERE TO FIND HARD MONEY LENDERS

To find hard money lenders go to places where like-minded people are, such as a real estate investment clubs (REIA). You can also Google "hard money lenders (your city)" There are also several online sources such as ScotsmanGuide.com which offer contact information for hard money lenders.

You can also find hard money lenders by taking to attorneys, mortgage brokers, loan officers or financial planners. However, do NOT ask your real estate agent about hard money lenders until after you have done several deals with them. Inexperienced agents may see this as a sign that you do not have your own money, and they may shy away from working with you.

How do you choose which hard money lender to work with? You probably won't. Nine times out of ten they're the ones doing the choosing. They will choose to lend money to you if you show them a deal where all the numbers meet their criteria. If the deal is good, they will lend, if it's not, they won't.

COMPARE HARD MONEY LENDERS

Just like you would do when getting a contractor repair bid, always get three quotes when looking for a hard money lender. Compare their terms to see which one works best for you. For example, one lender may offer 13% interest with a 1-point fee. Another may offer 12% interest with a 2-point fee. Others may have a higher or lower loan-to-value or down payment requirement.

Do not do business with a hard money lender who asks for an upfront fee other than for points. Upfront or processing fees are typically charged by brokers who are merely middlemen who pass your loan request on to the actual hard money lender. In some cases it may be okay to do a deal with a broker – providing that you've evaluated the deal and it still makes financial sense. But the broker's fee should be paid by the hard money lender, not by you.

SHORT-TERM LOANS ONLY

Hard money loans are best used for quick rehab flips. Because of the high interest rates, they should only be used for short-term loans of no more than one year. If you haven't sold the property by then you'll need to pay off the hard money loan and replace it with a cheaper loan, such as a traditional bank mortgage loan.

Your exit strategy may be to keep the property as a long-term rental unit. Banks don't give mortgage loans on houses that need major repair and they don't lend for repair costs. In this situation you could buy the home and fix it up using a hard money loan. Then, after the rehab is completed, refinance the property at a much lower interest rate with a traditional mortgage loan to pay off the hard money lender.

CHAPTER 3

Partnerships for Investment

You don't have to do investing alone. I've already discussed the importance of building a real estate team, but there are many other people who would also like to get into the real estate market, but who don't have the proper resources to begin the process. Building partnerships is a great way to start building your business.

One of the benefits of having a partner is that the workload can be shared. It also helps prevent things from being overlooked. If you decide to team up with a partner, be sure to clearly delineate each person's tasks and responsibilities and how the profits will be split.

Forming Partnerships

There are two forms of partnerships that you should never do: never enter into a partnership on a handshake; and never enter into a general partnership agreement. Always have your partnership agreement prepared by an attorney. From a legal perspective there are four types of business structures to consider: a general partnership, a limited partnership, a corporation and an LLC. Of these four, as already mentioned, never enter into a general partnership. For simplicity sake an LLC is probably the most flexible and easiest to use. However, a good attorney who practices business law will not only discuss your business model, but will also have a frank discussion with you regarding the payment of Federal taxes.

The entity structure you choose will be designed to protect you from potential law suits, but the IRS does not tax each of the entities the same way. Capital gains taxes, ordinary income taxes, the methods you choose for writing off expenses and claiming depreciation deductions, the number of each type of deal you plan to do per year, IRS dealer status, and a host of other tax issues will be reviewed by your attorney before he or she makes a recommendation on how you should structure your partnership.

Your attorney will help you with these issues. However, you and your partner, or partners, must sit down together and very clearly determine the role that each partner will play, their specific duties and responsibilities, what assets they bring to the table (money, equipment, property, etc.), how much salary each will be paid (if any), and how the profits will be divided. All of this should be formally written into the Operating Agreement of your LLC, or into the By Laws if you use a corporation.

Partnerships are not for everyone. Many investors prefer working alone with their team members. If you are considering the creation of a partnership it might be a good idea for each of you to form your own company first (your own LLC or corporation), and then join forces in several joint venture projects to see how you work together. If you don't work smoothly together then each of your companies can easily go their separate ways. However, once the formal partnership if created is can be extremely difficult to split it up if things dong work out.

Promises and Follow-Through

If you choose to work with a private money partner as an investor, rather than as a lender from whom you borrow money at a specified interest rate, it is crucial that you never promise anything to them in the way of what they may expect as a rate of return. Real estate is an investment opportunity. As is true of any type of investment, the investor could lose the money invested. There simply are no guarantees of a profit. Obviously, you'll need to show the investor that your proposal is based upon sound business principles. Show the investor the results of your due diligence review of the property's condition. Show the rehab estimates from three contractors. Show the comps of recently sold properties in that area. Show how much the investor is likely to make and the timing of when the profits will be generated. Then let the investor decide if the deal makes sense for them to invest in, but be sure that they understand that this is an investment and that there is always the remote possibility that they could lose their investment.

CHAPTER 4

30-Second Pitch and Property Package

A 30-second power pitch, sometimes called an elevator pitch, is a short, verbal presentation about what you do and why the listener may want to invest with you. If they are interested then follow it up with a written presentation package showing all the details of what they might expect from investing with you.

After showing them the package you could say, "These are the kinds of deals that we typically do. Is this the kind of deal that you would like?" If they say no, then you ask what kind of deal they would like. Then go find that kind of deal for them.

For your presentation package use a binder with your company name on the cover and include the following information:

> the numbers for the deal
> the cost
> the carrying cost
> construction cost
> projected sale price
> projected profits
> returns to the investor
> the timeline
> photos of the property as is
> colored schematics of how you're going to upgrade it
> neighborhood information, pulled from a business bureau or chamber of commerce website
> school statistics
> rental statistics

Remember: you're not begging for money; you're showing an opportunity. Act like a professional and look like a professional.

A Pitching Perspective

Let's say you're a young, 20-something, looking for private money. You want people to take you seriously when you try to raise capital. How do you get people to part with their money and trust you to do a deal?

When pitching to lenders, your education, passion, and commitment as an investor are more important than anything else. Show them that you know what you're doing. How would the lender know that? From the analysis you show in your presentation package.

You can create a bright future together. You might say something like this:

> "You have a ground floor opportunity. I want to build a long-term relationship with you. This is going to be the first of many deals that we do together. I am very, very confident in knowing that I can bring you a continuous stream of qualified deals, that we can do together. I am prepared to give you the lion's share of all my deals, to show you that I am capable of doing what I say I can."

FUND

CHAPTER 5

Website for Investors

As you continue in this business, you will come across many properties that you will not be interested in acquiring. Perhaps they are too far away from you, perhaps they are not the type of property that interests you, or perhaps you are too busy to tackle another rehab project at the moment. Regardless of why you may not be interested in it, the property may still be a good deal for someone else.

These are properties that you may wholesale flip to other investors. One of the best ways of attracting other investors is to create a website where they can leave you their contact information as well as indicate the types of properties they are interested in. This way you get to network with lots of other investors.

I use my marketing techniques to find good deals. Then if I don't want to do it, I contact the investors on our list and let them know that it is available. The more investors you have on your list the greater the likelihood one of them will want to buy it from you.

You can create a proprietary website to gather the information on other investors, or you may simply create a Google Form and embed its link in a Craigslist ad (check out YouTube for instructions on creating a Google Form). The important thing is that you gather the contact information for other investors in your area and create a list of the types of properties they want to buy.

FUND

CHAPTER 6

Bank Financing

You will get to the point where you will not need a hard money lender one day. And they served their purpose. It is ideal to be able to go to a bank and get phenomenal interest rates and not use hard money lenders anymore.

When I did some of my first deals, I got denied by banks many times. So I did it myself and pulled it off. After doing that a few times, the bank said, "Now we want to work with you." So now you got three deals to yourself, you've got good credit, and you're getting 5 percent interest rate on a bank loan, versus 15 percent for hard money. That adds a huge value to your bottom line.

Your Credit Scores

Before you apply for a bank loan you should review your credit report to check for errors. The interest rate you pay on a bank loan is closely tied to your credit score. Minor errors can cause your credit score to drop enough that you could be forced into a higher interest rate loan than necessary. Major errors can cause your loan application to be rejected.

Cleaning up Credit

If you find errors on your credit report you need to get them corrected immediately. If your credit score is low you might want to consider working with a reputable credit repair company. In most cases they can help you outline a plan to improving your credit score by as much as one hundred points in just a few months.

As you know, not everyone who applies for a loan will qualify. If the bank isn't confident that you'll be able to repay the loan, you won't get approved. There are four main things that lenders look for to help them determine your creditworthiness.

1. **Down Payment Money** -- Lenders require you to have enough money for a down payment. Depending upon the type of loan you need, the amount of the down payment required can be quite substantial.

    <u>*VA Loans:*</u> If you have been in the military and are buying a home in which to live as your primary residence you may qualify for a VA loan without any down payment.

<u>*FHA Loans:*</u> Though they are somewhat difficult to get, if you can qualify for an FHA loan you will only need a 3% down payment.

<u>*Conventional Conforming Loans:*</u> Most bank loans are of the type that are called "conforming loans" because they must conform to Fanny Mae or Freddie Mac guidelines in order to be securitized, bundled, and sold on the stock market. Conforming loans typically require a 20% down payment if the property is your primary residence and up to a 25% down payment for investors.

2. **Two Years of Steady Employment** -- The lender wants to verify that you can hold a job in order to make the loan payments. You'll qualify if you've changed to a different job in the same field during the past two years or if you've only had one job that has been held for two consecutive years.

3. **A Good Credit Score** -- A lender will be much quicker to give a loan to someone who has a good credit score. A good score is considered anything from 600 and above.

4. **Debt-to-Income Ratio** -- According to current Fannie Mae and Freddie Mac guidelines, your mortgage payment (included the monthly pro-rated portions of property tax and hazard insurance, and HOA fees for condos), cannot exceed 28% of your gross income. This is called your mortgage debt-to-income ratio.

If for whatever reason you do not meet all of the four items above, don't panic. That just means that you do not qualify for a conforming loan, but there lots of are other loan options you may want to consider.

CHAPTER 7

Learning the Banker's Language

> **Mortgage Payments:** Strictly speaking, the mortgage payment contains two components: the amount paid each month toward the principal (the outstanding loan balance), and the amount paid for interest. More commonly, however, to term "PITI Payment" is used to refer to the mortgage payment (Principal, Interest, Taxes, and Insurance).

> **Mortgage Interest Rates:** When it comes to getting a mortgage loan, I know interest rates play a very important part. A good lender (bank) will inform you of all your options. These may include Fixed Rate Loans, Adjustable Rate Loans, loans for various Amortization Periods (such as 30-year, 15-year, or 10-year amortizations), and Negative Amortization Rate Loans.

> > *Fixed Rate:* is one where the interest rate remains the same throughout the duration of the loan. Fixed rate loans are also considered to be "Amortized." This means that as long as the borrower pays the payment on time every month, then by the end of the loan time period, both the interest and the principal will be totally paid in full and the loan will be paid off.

> > *Negative Amortization:* is a loan where the payment is less than the full interest and none of the principal is covered. When this occurs the unpaid interest accumulates and is added to the principal. That means that the loan will never get paid off. This type of loan is a debt time-bomb waiting to detonate if the length of the loan is for any appreciable period of time. However, if an investor knows that he will sell the property in a relatively short period of time, in perhaps a couple of years or so, then these types of loans may serve a useful purpose by ensuring a positive monthly cash flow.

> > *Adjustable Rate:* When the market interest rates are low, a lender will try to sell you a loan where the interest rate can change as the market changes, according to terms and limitations contained in the loan documents.

> **Private Mortgage Insurance:** If you do not have a sufficient down payment saved up you can purchase what is called private mortgage insurance, or PMI for short. It is a type of insurance program that will pay the lender up to 20% of the home's purchase price if you should

default and the lender ends up foreclosing on the property. The way it usually works is that the borrower would get two loans, one for 80% of the purchase price and the second mortgage for the difference between the 20% down payment normally required and the actual amount of the down payment. The insurance premiums are added into the monthly mortgage payment. Once the borrower has 20% equity in the home, the MPI is discontinued.

> **Closing Costs:** Closing costs consist of the various fees that are charged for the process of buying the home and typically include things like the fee the lender charges for processing the loan for the home, points, the fee for the paper work charged by the title company, a mandatory inspection and assessment fees, appraisal fees, survey fees, title insurance fees, and fees for the local governmental office for recording the deed and other miscellaneous fees that are required to seal the deal. These fees usually remain within 2% - 3% of the price of the home, but in some circumstances can be as high as 6%-8%.

I recommend you get a "Good Faith Estimate" of closing costs from your lender before you commit to the loan. This will give you a ball park figure of what you can expect. Don't forget that real estate practices and fees vary from state to state.

CHAPTER 8

Creative Acquisition Strategies

The Truth about Rent-To-Own

Most of us are very familiar with the term "rent-to-own." Businesses such as Prime Time and Rent-A-Center have built an empire with rent-to-own merchandise, although the buyer normally ends up paying double what the merchandise is actually worth. But did you know that investors can use the Rent-to-Own concept to sell houses? Renting with this method will usually generate higher-than-market rental rates. Many tenants feel that rent-to-own is a better alternative than renting an apartment. If they have bad credit and can't get approved for a mortgage, then rent-to-own could be the only way for them to buy a home.

Get the Option to Purchase

Many students want to know the easiest, least risky, lowest cost, and most fun way to start investing. The Option to Purchase is by far one of the most gratifying and easiest methods to make money known to real estate investors (second only to inheritance).

With the Option to Purchase, you can flip any real estate entity: land, houses, farms, multi-units, or commercial buildings. When you use an option to tie up a property you have what is called, "equitable interest" in it. This is a legal term that basically means that you have certain rights to the property as if you were the owner, even though you are not the owner. For example, the property cannot be sold to anyone other than to you. If the property goes up in value (appreciates), before you buy it, then the increase in its equity above what you have agreed to pay, is yours. However you don't have any of the headaches of ownership. You are not responsible to make the mortgage payment, pay the property taxes, pay for insurance, utilities, or maintenance or repairs; and you have no responsibilities to any tenants that may be living in the property. Options are a tremendous way of controlling property without the responsibilities of ownership.

To enter into an option you would sign an Option To Purchase agreement and give the seller what is called "option consideration." Consideration is most commonly given as cash, but it can also be anything else of value (car, boat, marketing services, or a pocket knife). In most states whatever is given must be worth at least $1.00. You may think of consideration as a form of down payment, because if you do not exercise your option and buy the property then whatever was given as the option consideration is non-refundable. That's why when I acquire option rights I typically give only $1.00 as the consideration. It would be a good idea to record a "Memorandum of Option" or a copy of the option agreement at the county recorder's office. This will act much like a lien against the property ensuring that the seller cannot go around you and sell the property to someone else for a higher price without your permission.

Options always specify a date by which you must purchase the property or you will forfeit the right to buy (and you will lose whatever you paid for consideration). The time frame is negotiable, but it would generally be a minimum of ninety days. It is not uncommon for the seller to grant up to a year or more, especially for commercial property. But what if you don't end up buying it? The most you could lose would be whatever you gave for consideration, in our case that would be only $1.00. You could probably afford to lose $1.00 without having to declare bankruptcy.

Once you've acquired an Option To Purchase you can advertise the property in an attempt to sell it to someone else. Know your state laws in this regard. Oregon, for example, has passed a law prohibiting holders of option contracts from reselling either the contract or the property to a third party.

Providing that it is not illegal to do so in your state, it is usually not hard to resell these properties, especially if you are willing to take your profit in the form of a promissory note at closing. This helps facilitate the quickness of the sale. In fact, if you put a one-year balloon in your note you will have the best of both worlds: a quick sale and cash in a relatively short period of time. Once you understand how options work, you can use them to control single family homes, raw land, or commercial property.

BE ADVISED:

Check to see if advertising the option in the newspaper is legal in your area. Some states require that you must be on the deed to advertise or that you enter the option with the full intent of buying it yourself. Generally speaking, I strongly recommend that you ***discuss this with your attorney*** (just make sure it's a real estate attorney, most attorneys will not understand the nuances of real estate or options.

Assignment of the Option to Purchase to You

There may be times when you find an investor who has used an option to control a property which you want to acquire. There are a number of ways you could handle this transaction:

> The investor could exercise his option and then resell the property to you at a wholesale price.
> The investor could enter into a joint venture project with you and the two of you together may exercise the option and then resell it to a third party buyer and split the profits between you.
> The investor could sell the option to you for a cash payment now, whether or not you resell the property to someone else (not a wise thing to do).
> The investor could grant you an option on his option, in which you only pay him a finder's fee if you either exercise the option to buy the property yourself, or resell the property to someone else (a wise approach).
> The investor could share his option with you for a 50/50 split if you find a third party who buys it (a very wise approach).

Lease with the Option to Purchase

With the Lease-Option, you lease the property for a specific period of time. You have the option to purchase the property at anytime during that period for a designated price. Most of the time, a portion of the rent payment is credited towards the purchase price. This helps you build up the down payment. If you don't close the deal, those credits are lost. Also, in most cases, the option expires when the lease does.

Sandwich the Lease with the Option to Purchase

Sandwich Leases are where you sign a lease with the owner/manager for a low lease amount and then you sub-lease to someone else for a higher price.

EXAMPLE

> You lease the property for $500 per month
> You sub-lease to someone else for $700 per month
> You net $200 per month
> Repairs belong to the landlord and/or tenant

The Sandwich Lease with the Option to Purchase is different in that you have a lease option on each end, rather than a lease at each end. In essence, you're not satisfied with the $200 per month. You want to make it better.

Here's How It Works:

> You sign a lease with the Option to Purchase a single family house
> Your rent is modest ($475-$575)
> It is a 3-5 year lease
> It has a good purchase price
> It allows a sub-let
> You are allowed $50-75 per month credit towards closing
> Don't install any appliances (They only break down)
> Sell on a Lease with the Option to Purchase
> Your tenant puts down $2,500-5,000 on a new lease option
> This is applied toward a full retail price
> The tenant's lease option is good for 1 year
> This way you can sell the house up to 3 times!
> The tenant's monthly payment is at least $200 more per month than yours
> The tenant is responsible for all repairs and all utilities
> If the tenant defaults on the lease, he loses his option fee and monthly credits
> If the tenant doesn't buy the property, he loses his option fee, and monthly credits

CHAPTER 9

Never Say You Can't

If at the end of this section, you're thinking: "I can't learn how to work deals with investors, I can't ask, I don't know what to say. In situations like that my knees turn to jelly, my butt quivers, I go into hot sweats, then I turn into a pile of mulch on the floor. How am I ever going to raise money?"

Our advice would be for you to find someone you can team up with who won't turn into mulch when standing in front of a private investor. Start leveraging what you're good at. If you're an incredible analyst, if you've got that engineering mentality, go find a salesperson, someone private investors in such a way that the investors will eagerly want to lend money to you.

Your situation or circumstances do not matter. Your investor could be your friend, a family member, or someone you meet at a real estate investment club meeting. Never give up based on the thought, "I can't." Because if you say, "I can't," then you're correct. If you say, "I can," then you're also correct.

George Carlin said, "Most people work just hard enough not to get fired and get paid just enough money not to quit." You are on your way to break out of this mentality forever. You've laid the foundation, and paid your dues in time and research—now get out there, and make it happen!

VOLUME 4: FIX

The Fast Track Formula for Building Your Real Estate Business

Preview of What You Will Learn

Chapters:

Tools:

> Rehab checklists
> Color palettes
> Camera, tripod

You Will Be Able To:

> Understand rehab
> Create bragging rights for buyers
> Work with your contractor
> Know the key areas of rehab

Introduction

Even when you tackle home improvement projects by yourself, you don't have to do it completely on your own. Some jobs may take two or more people to be accomplished. Thus, asking for some help, maybe from your family or friends, will make your project safer and easier.

Another reason to get help is that most home improvement projects involve a range of knowledge and skills, from design and construction to wiring, plumbing, and finish work. I often suggest that you hire a professional for certain parts of the job. For example, when remodeling your kitchen, you might want to install the flooring and cabinets yourself but bring in a plumber for the installation of new piping.

Be realistic about your skills. Never try to take on work that you won't be able to complete or which may end up looking unprofessional. Avoid intricate work that requires a high degree of craftsmanship, unless you're competent at the job.

Any home remodeling project, whether it be a simple replacement of fixtures or a major addition, involves at least some pre-planning, including a determination of the budget and arranging for the financial resources.

Be aware that home improvements can sometimes be like a Chinese puzzle with interlocking portions that must proceed in exactly the right order. If you are not absolutely comfortable with a project, then hiring a contractor to do the job for you may end up actually saving money—after all, if you do something wrong, you'll have to pay for it twice.

Regardless of whether you do it yourself, or hire it done, planning is the key. This workbook will help you plan your project, including budgeting your funds, choosing a contractor, and step-by-step DIY instructions for many common remodeling projects.

FIX

CHAPTER 1

Planning for Success

Do Your Research

The most important part of real estate investing is, knowing your market, your competition, and your customer. This knowledge doesn't come overnight, but it does come. I recommend that you have a real estate agent show you a house that sold within thirty days of being listed. Then compare that house with a house that's been on the market for ninety days and ask yourself, "Why hasn't this one sold? What's different about it?" That's where you get most of your education. The answers that you come up with are going to be the same answers that prospective buyers will notice. So it's important that you look with your own eyes. Go to open houses. Make that part of your lifestyle. I still do it today. It's something that never goes away. The one thing I can tell you from my experience is that your market is always changing. If you keep doing what was hot ten or twenty years ago, you'll end up with forest green walls, oak cabinets and brass fixtures, and a house that won't sell.

If you go to an open house in an area where you are doing a rehab, don't pretend to be a buyer and snoop around. Approach the real estate agent and say, "This is a really nice home. I'm working on one around the corner. I wanted to come in and see what you guys are doing. Do you have any buyers looking for houses in this neighborhood other than this one? I'm right next door."

It's a better approach to have, and you are marketing for free. If your home is in the same price point, and it's two blocks from this one, who better to go to than the person sitting there every Sunday collecting data from people looking for the same criteria? It's a good way to educate yourself and get your product out there fast.

The benefit to the real estate agents, of course, is that they have another potential house to sell. You can also say, "If you know of any other fixer-uppers, I'm interested, because that is what I specialize in. Don't hesitate to call me." It's a great way to network.

Know Your Market

You have to rehab according to the market you are in. It goes back to knowing your market and establishing your price point. If your plan is to sell the property for $200,000, you have to see what buyers expect to get for that amount. If you go out there and see everyone is doing granite, then you should stick with granite.

See what others in the market are doing and educate yourself by talking to real estate agents and looking at other houses. What things are appealing to homebuyers? Use other people's knowledge to find out. Then put those things into your homes.

Even more so than most fields, your reputation follows you in flipping. Treating the property with care and conducting yourself in a moral way is both the right and wise thing to do. You want people to associate your homes with quality and your business with integrity. This is the best way to get referrals, and build trust.

The basics of remodeling on a budget aren't difficult; they're just not used enough. A little planning can go a long way, while still allowing you to achieve your remodeling goals.

Set Up Your Systems

It is typically a good idea to rent a dumpster and have it delivered before any major demolition starts. In addition, if contractors or other professionals will be involved, it is best to set up a meeting to discuss logistics, the work that needs to be completed, daily schedules, and ground rules such as use of bathrooms, working hours, and so on. Since you are the primary person involved in the planning, be sure that you get the cell phone or other contact numbers for all the key players.

Is a building permit needed?

Some home remodeling projects may involve structural adjustments or elaborate re-workings of current electrical and plumbing systems. These types of jobs are among the most difficult and dangerous.

So, before you can start a large rehab project, most cities will require that you obtain a building permit. It is the permitting and inspection process that ensures that the home improvement plans meet the city's building codes, and that the work is completed properly. If a permit is required, be sure it is clearly understood who is responsible to obtain it. Will it be your responsibility or will it be your contractor's responsibility.

Budgets & Schedules

You must know what your repairs are going to cost, before you get started. You already know the big numbers—maybe $6,000 on the kitchen, $5,000 on plumbing, $3,000 on electrical. Then give yourself a budget for appliances and a budget for fixtures. When you go to a lighting store, you might have a $500 budget for lighting. To stay on budget you might have to spend $20 for each fixture in the bedroom so that you'll have $150 for the dining room.

You'll also have an "uh-oh" budget. When I calculate our budget I always include an amount for miscellaneous expenses. Rehab projects always run into something unforeseen.

You can't rest all your hopes on one house. Plan to do multiple houses. It's better to pass on a deal than lose in a deal. Of the ten deals that come my way, I might do three. I only jump in when I feel confident and comfortable that there's enough money there.

Creating Your Budget

Budget! Make sure you have factored in all the costs. Also, don't try to cheap out on some parts of the process. Good work doesn't come cheap. You have to be willing to pay for quality.

The extent of the repairs you do will depend upon the condition of the home and the neighborhood where it's located. You certainly want to significantly raise the value of the property, but you also need to make sure it fits in. If it looks way nicer than all the others on the block in a blue-collar area, it probably won't sell well.

The first step is to research costs by making a list of prices of the products you plan to install and/or purchase. You can get the sample prices by looking on the Internet, or by contacting:

> kitchen and bathroom showrooms
> home improvement retailers
> appliance stores

If you're unsure of which products you might ultimately choose, write down the range of prices for those items. Ask contractors for bids on the project based on your selection of products and finishes. Examine the bids to ensure they include enough details on items that can affect the cost. There should be a list of all the functional components -- framing material, drywall, and plumbing and electrical systems, and details on what type of fixtures and appliances will be included.

FIX

Cheap Repairs Can Equal Big Profits

You want the most profit you can get from your investment properties. Is there any way to improve your chances, without investing a lot more? Fortunately, there is. Even a person not very skilled in carpentry, plumbing, and other traditional trades can improve the salability of a property with modest effort and a few common tools.

Since a home inspection will almost always be done by your buyer, take the opportunity to make those inexpensive plumbing repairs BEFORE showing the house. Some of the more expensive ones might wait, to be used as a bargaining chip. But fix that leaky sprinkler head that sprays the sidewalk and replace that dripping bathroom faucet.

The cost of replacing the carpet throughout an entire house, or even in just one room, can be expensive. But getting it cleaned costs very little. Repair any small damaged spots in the carpet or try to cover them with furniture. You'll need to make full disclosure of the problems when you receive a firm offer. But these small blemishes needn't be the first thing potential buyers see when they walk in. Replace those old welcome mats and the small entrance rugs with new ones.

New screens are low priced and can make the exterior look fresh and new. To save even more, you can remake the screens with mesh and rubber kits, provided the frames are still in good shape.

Replace any cracked or broken windows. You'll usually have to do this anyway as part of closing the deal. Of course, all the windows should be cleaned thoroughly to give that shiny new feel. Even a brand new house that's dirty will fetch a lower price.

Replacing defective or worn air conditioning and heating ducts can get very costly. If damaged ductwork is exposed, or in an unfinished room, patch it with silvered duct tape to give it a professional look. Replace old filters to give the appliances a newer look and the air a fresher smell.

A bit of spackle and a coat of paint doesn't cost a lot and doesn't take a lot of effort. Be sure the work is done carefully, though, or it can come out looking worse than before you started.

Remodeling budgets fall into three general categories:

> mechanical (electrical, plumbing and heating/cooling)
> labor
> materials

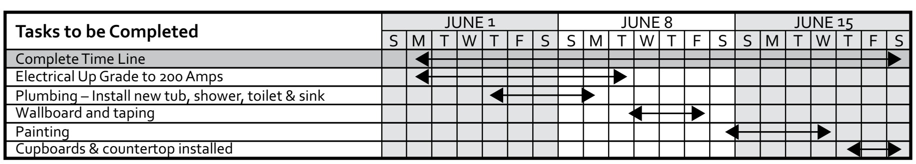
Each category typically accounts for twenty to twenty-five percent of the total budget. You also should set aside ten to twenty percent of the total budget to cover unexpected construction costs, price increases for materials, or project changes.

Staying On Your Budget

Once the project begins, keep track of budget changes and decide whether you will increase the total cost of the project or scale back in another area to stay within the budget. Inexperienced investors often exceed their budgets because they ask the contractor to add little projects that are outside of the original bid estimate. Avoid using the words, "While you are here, you may as well...." Using that phrase can cost you big time.

Consider and Make a Timeline

Another key for proper planning is to allocate sufficient time to get the work done. Then, set specific milestones for completing the work phase within the framework you've determined. You might want to develop a chart similar to the one below to show the sequencing of each task and the specific start and completion dates assigned to each one. This will help you stay on schedule.



This is an example of a simple scheduling chart. It will show you which projects can be worked on simultaneously. You would need more detail than what is depicted here, but this will give you an indication of how such a chart could be devised.

Diminishing Returns

There is never enough time or money to do everything to a home that could be done. Your goal is to make it as nice as possible within the budget you have to work with. There comes a point of diminishing returns in every rehab. That's when you have to make the judgment call that it's good enough. Focus on the major points that will make it sellable and then let the new owners do the rest.

How do you know when you're reaching that point of diminishing returns? You have to know your market. You have to know what the other houses in the area are like. You need to know when to stop.

The single most important thing you'll need to know is what the property can sell for in its neighborhood after it is rehabbed. If the other houses have sold for $150,000 then that's all you can sell this one for, regardless of the fact that you've spent $200,000 in buying it and fixing it up. It's a numbers game. Only fix the things that will allow you to stay within your rehab budget.

CHAPTER 2

Working with Contractors

As a general rule, if you have time and a little know-how you can save money by taking care of the simple improvements yourself. In other words, if you want to get your hands dirty… do it. Just focus on the things that can be easily fixed. I'm to the point now, where I manage the deals. I walk through and make sure that everything is happening according to plan and on budget. That said… there are simple things that I will sometimes still do.

Whether you're planning a new kitchen, revamping an outdated bathroom, building an addition for a growing family, or simply getting new storm windows, choosing a competent and reliable remodeling contractor is a key step to a successful and satisfying home improvement project. Hiring a good contractor is not as simple as making a phone call and picking the first person to call back. Most investors find that home improvement companies vary widely in terms of cost, professionalism, availability, and expertise in a particular area.

Taking the time to research and choose the right contractor can easily save you hundreds, if not thousands of dollars and countless headaches.

Let's dive into creating a scope of work and budget with a contractor. This will keep you on budget and on schedule. We'll also talk about the Design Formula, so you wow buyers into paying your asking price.

Getting Contractor Bids

Always have three contractors look at everything you do. I'd rather spend time upfront getting proposals, than spend dollars down the line and have to change contractors. I'm not trying to make contractors scrimp to the bone. I just want them to know that there are others who can also do the job.

Make sure your bids are pricing apples to apples. If your communication is not clear, you might have one contractor submit a price of $9,000 for the entire job, while another contractor may price it at only $8,000, but his bid may not include $1,500 in materials or supplies that were not discussed. Make sure that you thoroughly understand what is and is not included in each bid you receive.

Use independent contractors. I don't want the guys with twenty company trucks and fifty people wearing company shirts. Their business is based upon working with people who are remodeling their personal homes and who are willing to pay retail prices. Typically, they will charge about twenty percent more. My business is a wholesale business. I buy real estate at wholesale prices and I buy wholesale carpentry, wholesale electrical, and wholesale plumbing. I give contractors volume in work, because I do lots of jobs with them. When contractors understand the power of volume, they want to work for me.

Scope of Work

After I've walked a house with my home inspector and gotten a ballpark scope of work, I bring in contractors one at a time. My goal is to get an idea of how long it will take to do each project and then come to a schedule and a price. Even when I've been working with the same contractors for years, I still use the same process, because it educates everyone in the process and the job goes more smoothly.

Here's what I do. I walk through the house with each contractor and ask, "What are your thoughts? I'm thinking about this. What do you think?"

As they walk me through, I start making a list.

I might say, "So you want to replace the cabinets—which means taking all the cabinets down and putting up new ones as well as installing neutral countertops and a backsplash."

"Exactly," the contractor will say.

"How long will it take you in hours to physically remove those cabinets?"

The contractor gives a number.

By asking for the exact number of hours required for each task in the rehab, we can create a tight construction schedule. You are also helping the contractor to see the project through, because a lot of contractors don't have that vision.

A lot of contractors will say, "I don't know how long the job will take me," or they give you a vague estimate, like two weeks. You can help them get more clear by asking how many people it will take to complete the work.

The contractor might say, "After we remove the cabinet and prep everything and do some joint compound work on the wall, we're talking three days."

"How many people do you have doing this?" I ask. "Do you have enough manpower to get us through the job in the one-month timeframe I have?"

"Oh, yeah, three guys will be working."

"Does that include you?"

"Yes, that includes me, plus two guys."

Three days with three guys. We write it down, and then go into the next room.

When I break it down with them, step by step, I'm assisting them to be more comfortable about the job. They know exactly what the job scope is, which saves time and money.

Maybe I'll say, " I want the carpet ripped up and all the staples on the edges picked up and the space prepped for a new carpet. How long will that take?"

"That will be one of my guys, yeah three hours."

"Okay, great." Write that down.

By the time I've walked all through the property, I have developed a very detailed scope of work with the number of man hours required, and I give that to the contractor.

"Given the scope of work, here is what you have estimated for total man hours," I say. It's a great way to create a schedule.

By listing each task and the hours, I have also made the blueprint for the contractor to price the job. For many contractors, pricing is the hardest part. They don't know how to price a job, so they either overprice or under-price it. This helps them to price it accurately.

The last thing I want is to enter into a relationship where the expectations are not met and someone is upset—whether it's me or them. I want our contractors to make money, and I want to make money too.

This is a great formula that I came up with to keep everything in line and itemize everything item by item, hour by hour. It's not an exact science, but boy, it's usually ends up within $500 of the total price.

Choosing the Right Bid

After you get three bids, choose the one who will get the job done within the schedule and budget you established. This is based on talking to them and using your intuition. Don't just choose your contractor by who submitted the lowest bid. A cheap contractor who can't get the job done will cost you more in the long run.

Sometimes, you might get two contractors who you really like, but you can only choose one. Tell the second guy you are planning to do a lot of business and promise to give him the next job. You build a relationship of trust, and everybody gets to go to the prom one time or another.

Ask to SEE a Copy of the Contractor's License and Certificate of Insurance

Most states require a contractor to carry worker's compensation, property damage, and personal liability insurance, but many contractors still don't have it, or have let their policies lapse. If a contractor doesn't have the necessary coverage, you could be held liable for an injured employee or for damage to a neighbor's home, even if that damage is caused by the contractor.

Always Investigate Local References

Don't be afraid to call a contractor's references and ask specific questions like: "Were you satisfied with the work?" "Did they start and finish on time?" "Was there ample communication between the contractor and homeowner?" Sometimes a contractor will think he did a great job on a project and use the customer as a reference. You may find, however, that the customer feels differently about the quality of the job.

That's why it's important to be cautious when you hire someone. Home improvement and repair and maintenance contractors advertise in the Yellow Pages, in newspapers, on the radio, and on TV.

However, don't consider any ad an indication of the quality of a contractor's work. Your best resources are friends, neighbors, or co-workers who have had improvement work done. Get written estimates from several firms. Ask for explanations for price variations. Don't automatically choose the lowest bidder.

Most Importantly: Ask yourself, "Do I feel comfortable working with this person for the duration of the project?" The key to a successful relationship with your contractor and a successful project is communication. If you don't feel comfortable communicating with a contractor, it is likely that problems could arise.

Color-coded check list

As you go through the house, list every task that needs to be done and color code it by subcontractor. Each room has a to-do list with colored highlights. Red is for the general contractor, blue for the plumber, yellow for the electrician, etc.

Send the complete work list to all your subcontractors. This way, the plumber can see that the contractor is putting in a new kitchen sink so the plumber knows to work with that.

Schedules

I know how long a job typically takes, because of experience. If you're a beginner, sit down with the contractor you choose and figure out the overall construction schedule. Ask which subcontractors can co-exist with each other. For example, you could have the electrician, landscaper, and plumber working at the same time. But you can't have the framer and electrician working at the same time. You have to do the framing before the electrical wires are laid.

Once you create an overall schedule, everyone knows what needs to get done when. You can stay on top of all the subcontractors, making sure they don't get overpaid, and that they complete the work.

Contracts

Put as much protection in the contract as possible. We don't pay a contractor for what he hasn't done. If the contractor wants fifty percent of the job upfront, he's not your guy. He's probably trying to finish another job before yours and needs your money to pay his men.

I tell him, " I haven't done business with you yet. You don't know me. I don't know you. I'm not in love yet. I'm still just holding hands. You do some work, I'll give you money. You do some more work, and I'll give you some more money. If you show up when you say you're going to show up, then I'll give you more money. Prove to me that you're the guy I want to do business with."

There is a disbursement plan along with the scope of the work and the contract. Your contracts will break down the work and payment schedule, which the contractors sign. As they execute each assignment, they get paid. When they complete the next part of a project—for example, installing the kitchen or a bathroom—they get paid. When they finish the last project on the list, and we walk around the job and everybody agrees that it's complete, they get their final payment. The contract also gives them a bonus if they finish on time, and invokes a penalty if they are late.

Material costs

I keep material costs separate from labor costs, so the contractor or subcontractor can't pad the costs. I pay for the materials and they invoice us separately for labor. If I've never worked with a contractor before, I buy the materials with my own credit card. That way, I know where the money is going.

If I have an established relationship with the contractor or subcontractor, I ask them to give us their receipts and I reimburse them. I don't pay beforehand.

Sometimes the contractors will wonder if they can trust us to pay them. The truth is they have leverage over us, but I have no leverage over them. They can put a lien on the property if I don't pay them. But if they take $8,000 and don't get the job done, what am I going to do? Chase them around? Bring them to court? The court date will be six months down the line; they won't show up, and the court date will be set back for another three months. That sucks.

How does a disbursement plan work?

Let's say a subcontractor needs to put in the heating and air-conditioning. The total job cost is $8,000. Maybe the subcontractor has said he has a three-guy crew and they need two weeks to do this.

Then I ask how much it will cost him to have three guys going for a week. He might estimate that his labor cost is $3,000 for the week.

I would say, "Great. Let me pay you that $3,000 when you are done. If you want $1,000 upfront for that week, thirty-three percent of your week's labor, I'm okay with that. But I'm not going to pay for a job that's not done yet."

A lot of contractors respond favorably if you pay them as soon they finish work. Don't make them wait. If they did the job, pull out your checkbook and cut them a check. Don't make them wait until the end of the month; don't make them wait 30 days. If they did the work, cut them a check. And if you do that, they will stay loyal to you.

Show up on the job site

We recommend that you stop by the job site nearly every day to check in on your general contractor (GC) and subcontractors.

I like to show up on the job site to see how they manage it. Is it neat, with everything in order? Is it messy, with tools and materials all over? If a job site is a mess, then I don't want to work with them. It's a big deal for me to be able to walk onto a job site that is clean, where everything is organized, where everything is in its place. If everything is piled on top of each other, that's how their mind is going to work.

If it's your first experience with the GC and you see that everything is disorganized, you've got to point it out. They could be a great carpenter or a great general contractor, but disorganized. Tell them to clean up at the end of the day. Let them come up with the scope of work for what they will do that day when they first arrive. You'll get much more productivity that way. That's something that I keep an eye on all the time. That's for everything, not just the GC, but the electrician, the plumber, and everyone else.

FIX

CHAPTER 3

Remodeling for Maximum Profits

My design formula has made me A LOT of money. The key is to find out who's the best in your market and then outdo them. It's easy. If the best house in the market is right in front of me, it's like cheating. I go into a rehab and knock it out of the park with design. Design is cheap if you know what you're doing. I know how to pick colors. I know how to put cabinets together. I always do something unique to the place—what I call "give people bragging rights." Everyone who buys a house wants to call up their friends and brag about some feature in it: "Oh, you're going to love this house. I've got an iPod station in my kitchen."

The key to making this work is to use your Flip Evaluator Formula correctly. Once you know all the rehab costs, including what you have to do to the house to give it some bragging rights, and once you know the ARV (retail) market price, then just work backwards by subtracting all your costs to arrive at your maximum offer for ownership amount.

The final part of the formula is to undercut the price of the best house in that market. So if the best on the market is selling for $300,000, redesign your property to blow that one out of the water and then price it at $299,000. That's it. I cut right to the front of the line.

Bragging rights

I try to give retail buyers an end product that gives them bragging rights, because it makes our property better than someone else's. That can be anything, such as a flat-screen TV, an iPod docking station with speaker integration, or wainscoting on the walls. When you are showing off the place in your open house, plug in your iPod to highlight the speaker system.

Those little features give you the edge. Other examples: we like to put a small designer writing desk in the kitchen, where you can put your laptop, or maybe a cooking island in the kitchen.

One of the bragging rights I almost always use is a flat-screen TV. They used to be just for the guys, it's a 50-50 now. I like to place the TV in an area where it can be seen from multiple rooms; ideally from the living room, family room, and kitchen.

Another of the bragging rights items to include in the kitchen could be a wine cooler, an island, tiled backsplash or pendant lights. Do the same with the bathroom: nice tile, double sinks, a good mirror, a good vanity and granite vanity top all earn bragging rights. The guys don't really care, but they are happy that the girls are happy. They'll say to the girls, "Are you happy, honey?"And the girls will nod. That's the formula.

You've got to stay ahead of the market and put the whole package together. If the market calls for certain kinds of appliances, then use those. In some markets, they leave the refrigerator out. If that's the case, then putting in an appliance, if you have the budget for it, will make your house stand out.

Landscaping can also earn bragging rights. People like the privacy of a yard. Sod is ideal when you have the budget, because it provides instant gratification. It makes everything look fresh.

PRIORITIES FOR BRAGGING RIGHTS FEATURES

Maybe you only have the budget to do one or two bragging rights features. What's the priority?

The most important is paint color. That's number one. I always use two colors per house (one is reserved for accent walls). Next, focus on the kitchen. Make sure it's set up nicely. Third is the master bathroom. Set your priorities in that order. In terms of special features, the one that gets the most bang-for-the-buck is the flat-screen TV. Lastly, you might consider a whole-house audio system. I'd start with the basic package (speakers in the kitchen, living room, master bed, master bath, and out doors. If the buyers want to upgrade they can make that decision later (In the next module, you'll see how to create a win-win-win for you, your electrician, and the home buyer).

> ***Bragging Rights Features***
>
> When I do a property where I know I'm going to make $50,000 to $60,000, I don't have to install an iPod system, but doing so would only cost $2,000. You know what I would do? I would put it in. I want to be known as the person who's doing the right thing, giving people extra amenities, giving people bragging rights.

Colors

THE BEST COLOR PALETTE

The best color palette to use is earth-tones. Potential buyers walk in and say, "This just feels right." Those colors work for nearly everyone.

You're not customizing and designing for your own home, you're doing a simple design that would appeal to the masses, to the people who are buying homes.

OVERALL COLOR SCHEME

For the overall color scheme, the easiest way is to select two colors per house. One color is the primary color used in the entire house. The other color is for accent walls. These tie everything together. You can use most any neutral color, but don't use white.

FIX

CHAPTER 4

DIY Guide for Key Projects

Contractor or DIY

Before beginning a DIY (Do It Yourself) project, it is wise to ask yourself, "Am I capable of performing this home improvement project myself?" One thing to remember is that even a simple replacement of bathroom or kitchen fixtures requires some background knowledge of safety factors. Even something as simple-sounding as wallpapering or interior painting are areas where do-it-yourselfers may find themselves in over their heads. Before tackling any form of remodeling plan, invest some extra time into reading some home improvement books or watching videos produced by professionals. There are also many home-improvement stores that offer free in-store demonstrations of basic remodeling techniques.

CHAPTER 5

Conclusion

In this section, I have covered quite a few home-improvement tips. You've learned to find the right investment property, how to finance the purchase, and how to improve the property. Home improvement can be one of the best ways to increase your profit on a flip, and though it isn't always easy, it's well worth the effort.

You've made quite a bit of progress on the road to success already—now, I'll move on to the fun part—how to make a profit!

VOLUME 5: FLIP

The Fast Track Formula for Building Your Real Estate Business

Preview of What You Will Learn

Chapters:

You Will Be Able To:

> Follow through on your exit strategy
> Market your property
> Negotiate a good deal
> Know how to identify great tenants

Introduction

Now that you know the basics, it's time to get down to the details. You've no doubt heard the saying "time is money." When it comes to real estate investing and flipping properties, this is especially true. To make the most of your investment, you will need to know how get in and out of your property as quickly and efficiently as possible—and in this section, you'll be provided with the guidance you need to do just that.

CHAPTER 1

Your Exit Strategy

Three Exit Strategies

When you're first getting started, you may want to start with wholesaling. But as your knowledge and confidence grow you may move on to retail fix-and-flip transactions. Lastly, you may end up buying, fixing, and holding the property for long-term rental income.

As a refresher, let's go over a few of the traditional methods you can use to exit from a deal. The three primary ways are:

Wholesaling: The first way you can flip a house is through wholesaling. Wholesaling involves finding a home for sale then flipping it to an investor for a fast, yet small profit. To do this, you'll need to know the real estate investors in your area, the types of homes that flip the best, and how to fund your property so you can flip it to them. If you live in a large metropolitan area, you'll find that the wholesaling method of flipping houses is relatively easy to accomplish.

Retail Flip: This is what most people think of when you say house flipping… you buy a house in bad shape, do the repairs to fix it up, then turn around and resell it to someone who will live in it. There are many houses in need of repairs out there, and several ways that you can quickly flip them to produce a profit. All you need to know are the techniques that will get you the most money in the least amount of time.

Cash Flow Properties: Using this method, you will rent properties to tenants to create a monthly cash flow. Using the Cash Flow Evaluator, you will know what kind of income you can generate before you even do the fix. Although the money is less, it adds up every month. You can easily make back your investment in a few years. Anything beyond that is pure profit. Over time, your tenants pay down your mortgage, while giving you cash flow. In twenty to thirty years, the building will be paid for – entirely by your tenants. You can pass the building on to your heirs with little or no taxes, to create generational wealth.

The "buy and hold" method of gaining wealth with real estate can be very rewarding. Even if that is not your primary focus you may find a property where the numbers are just too good to flip. In that case, hang on to it as a rental property. Review the parts of the Foundation Section that discuss how to select a tenant and/or property management company.

Capital Gain Versus Long-Term Cash Flow

In determining which exit strategy to use, ask yourself: "Do I want to flip the property and have the profits be taxed as ordinary income (the highest tax bracket), or do I want passive income from long-term cash flow on a property that I buy and hold?" In addition to the other factors, the exit strategy you choose will depend on which stage of growing your wealth you are at. For instance, when you do a wholesale flip, you make a quick cash return ranging from $500 to $2,000. When you flip a property to a retail buyer, you may make $20,000 to $50,000. And when you buy and hold a property for cash flow, you can make from $200 to $5,000 or more per month, depending on the property and rental amount -- for the rest of your life.

Stick to the Formulas

With cash flow properties, you may not need to get financing from a hard-money lender. Instead, you will probably be able to get financing from a conventional bank because the property generates income. If you work the formula and the evaluators (Flip Evaluator and Cash Flow Evaluator), and keep your numbers conservative, it's hard to mess up.

Ideal Scenario: Flip and Cash Flow Properties

Occasionally you may buy a property with the intention of flipping it then change your mind and decide to hold it for cash-flow. Before doing so, however, you should run both the flip and the cash flow evaluators to ensure that the numbers work both ways. While it sometimes makes sense to turn a projected flip into a cash flow property, it usually does not work the other way around.

How to do an emergency transition from a flip to a cash flow property

Ok, maybe you messed up. You intended on flipping a house, but now you can't sell it at the price you need. You're stuck with it. Instead of paying mortgage for an empty house, you've decided to rent it out. People make mistakes. Sometimes you make mistakes, sometimes you don't.

How do you make the transition into a cash flow property?

First, make sure you run the numbers. Let's say you've invested $200,000 in acquisition and repairs. Maybe your mortgage payment is very small, like $800 a month. But the ARV valuation of the property may be as much as $300,000.

Calculate how much the mortgage payments would be based upon the retail value of the house at $300,000. Then add monthly pro-rated property taxes and insurance. If the total came to $1,900 then you would have to rent it out for $1,900 just to break even. You'd have to charge even more in order to make a positive cash flow. Make sure you account for the total value.

Sometimes the market rent is less than the PITI payment (Principal, Interest, Taxes, and Insurance). For example: if the PITI came to $1,900 but the market rental rate was only $1,600, some investors may be tempted to say, "Well, I'm only going to be losing a little bit of money each month so I'm going to hold onto it until the market goes up and I can sell it for more."

Unless you have some information indicating that the market is going up, don't count on it. Maybe you found out that an Apple computer factory will be built in your backyard, or Google or some other large employer will be coming to town. That would cause a spike in the demand for housing, causing prices to go up. But unless you know something like that will happen, don't plan on the property going up in value. Never try to predict the market based on hope.

Losing $300 a month comes $3,600 dollars a year, which is $36,000 over the next 10 years while waiting for the market to come back. Next thing you know, you've lost $36,000 in addition to paying expenses, managing, dealing with tenants, aggravating yourself. You'll say "Why did I do this?"

I would rather take a small loss now – maybe $5,000 or $10,000 and say "I'm out of here."

There's no point in having a cash flow property that doesn't cash flow. You've got to move on. If it doesn't work, it doesn't work.

Use this as a learning experience. Ask yourself, "Where did I go wrong? Why didn't it sell at the price I thought? Did I overextend? Did I get my ARV values wrong?" Maybe you thought you could sell it for $300,000, but then learned that it's only worth $275,000. Or maybe you thought you'd spend $40,000 fixing it and you spent $65,000. It's one or the other. Find out what you did wrong, learn from it, and then cut your losses.

Regardless of which exit you choose, you will need to find buyers. Whether the buyer is a retail home buyer (flip exit) or the buyer is a tenant (cash flow exit), you need to find the right people. It's critical to market the property effectively, so you find the right buyer and exit quickly.

FLIP

CHAPTER 2

Marketing Your Property

Path to Payday

Having a buyer is what leads to your payday. Do not underestimate or neglect the significance of your buyer. Grabbing the buyer's attention is the most important factor in bringing money to the table, closing the deal, and ultimately allowing you to change your lifestyle for the better. Finding the right buyer is the prize. It starts with the neighborhood you select, the house you buy, the upgrades/repairs you make, and the method you use to help the world know your property is for sale.

This section outlines the various marketing strategies you can use to attract the right buyer. It is about what you can do to get your properties noticed. It is about how you can appeal to buyers in the local market, even if you have never flipped a property there before.

The Right Mindset

The very first thing that was covered in the Foundation Section was your mindset. It is absolutely critical that you have a positive mental attitude when you approach your marketing. But I'm going to share one of the biggest secrets to my success, and it's largely what makes the Program work as well as it does... Marketing is not something you start when you are ready to sell your house.

Marketing is the force that should be driving every one of your decisions... from deciding in which neighborhood to buy, all the way down to what color(s) you paint the walls. It is all done in order to attract the most number of potential buyers and to receive the highest selling price possible.

The mindset that you have when selling a house is important. If you cut corners, buyers will know and you will have a hard time selling the property. But it is easy to sell something that you are proud of.

If you truly believe that you have done the best that you can and have stayed within budget, then you can sell that property with pride. Our 'secret sauce' is to let a great product speak for itself. Once you have had one successful deal, then you can do it again, and again, and again. This is how you build your empire and become the CEO of your own company. This will also lead to branding yourself and the quality of work that you do.

Brand Yourself

I have branded for myself with a reputation for creating interesting properties. When a one of my houses comes on the market, people are intrigued to see what it looks like. They have come to associate my properties with reasonably priced homes which have great designs.

Buyers know they will find my signature components throughout the house. For example: a plasma TV mounted over the fireplace, dramatic splash lighting on walls, the suede paint on an accent wall, and all the other little details that make a house feel inviting, attractive to buyers, and well... distinctly mine.

Other builders in my area have tried to duplicate my style. They can't because they don't see the whole formula. They only see a few of the amenities, but completely ignore the other parts of the equation. As a student, you have the complete program, which means that if you follow it, you can create houses that people will go out of their way to see.

Engage in Whatever Types of Marketing Your Budget Will Allow

If you are not marketing, you are not doing business. If your budget only allows email marketing, then that is what you must do. Do whatever types of marketing you can afford. But don't get stuck thinking that you can't afford to market. Marketing doesn't need to be expensive. I'm going to show you a few of my favorite methods for getting people in the door. A lot of these are free or low cost; often costing only your time.

Do not show an unfinished product

Before I get into outbound marketing methods, it's important to lay out a very important rule. I have a strict company policy to never let potential buyers into a property prior to its finish date. The reason that I do this is because construction is construction. I NEVER show a house under construction, because I am the only one who knows what the finished product will look like.

It's like seeing a rehearsal for a movie. A bunch of actors all sitting around a table reading lines, no special effects, no soundtrack... it's just not the same as the finished product. Your property is exactly the same. Without grass, landscaping, design repairs, or the final polish, it is difficult for buyers to see their dreams coming true in that house. It is hard for buyers to get past the debris, nails, contractors standing around smoking cigarettes, coffee cups on the floor, open walls, open plumbing, etc. Even when they come back to see the finished product, they'll still remember the way it looked when it was under construction.

BUILDING A SENSE OF ANTICIPATION

Another reason for waiting to show a finished product is that it builds a sense of anticipation. It's like a kid opening a Christmas present. The child has waited for a long time to open the present and is excited to see what is inside the box.

This is the same feeling that I want to evoke in buyers. When buyers open the front door to a finished product, it is like opening the best Christmas present ever. When I finally unveil my product, they immediately envision all the things that they could do in the space, such as host family dinners or entertain friends. For buyers, this marketing strategy builds the sense that "This could be the one." Building anticipation is an important part of marketing.

A Couple Who Could Not Wait to See the House

I remember a property that I rehabilitated. It was a cool, split-level, three-bedroom house, overlooking a pond. The house originally had only one bathroom, so I added a bathroom on the first floor. I gave it a kitchen to die for and opened up the space. I mounted a TV on the wall, painted and put in finishing touches.

The final product looked phenomenal. One couple in particular loved my designs and had been chasing them for quite a while. They couldn't wait to see the final product.

The couple asked if I had any inventory. I mentioned this split-level home and told the couple, "Look, feel free to drive by the place, but you can't go inside." It was early in my investing career. When they knocked on the door, one of the subcontractors let them in –he did not know any better.

The couple was immediately put off by the way the property smelled because the previous owner had five dogs. The place was a bit dirty, and the outside yard had been trampled by the dogs.

The place was already under construction, but the subcontractor tried to describe to the couple how the finished product would look.He told them, "We're going to have a swimming pool wall over there and a TV mounted on the wall over here."

It just did not work. The couple walked away and did not bother coming to the open house to see the finished home.

The good news is that the couple ended up buying a condo from me a year later. I learned my lesson and made sure not to let buyers into a property before it was finished. During the last three weeks of construction, buyers were hanging around outside of the house, trying to peek in the windows. But I kept shooing them away. When they finally came to see the finished house, they grabbed their checkbooks to put down a deposit.

Visit the Competition's Properties

Part of knowing your market is completing a competitive analysis. When you first start out in the business, it may be helpful for you to visit other rehabbers' properties so that you get to know the local market. When I first started, I went out every weekend and visited the open houses in the neighborhood.

I didn't clandestinely spy on the competitions' houses. I would go in and say, "Hi, how are you doing? I have a house around the corner, and I wanted to see what you are offering. Are you getting offers on your property? What is it about this place that buyers seem to like? Is it that the price is right, or do they love the fireplace or dishwasher?"

And to the real estate agents that were hanging around the place, I would say, "Hey, Mr. or Mrs. Real Estate Agent, you have so many buyers walking around. If this property does not work for them for any reason, bring them by my place."

It is amazing how much information I got, simply from talking to people. Also, these conversations help give a personal feel to the business.

Using Ghost Marketing in Place of a Finished Product

As one of my students, you can use any of my finished products, and market it as an example of your own. Because we all use the same program… your design features will be similar to mine, there is nothing illegal or unethical about doing this. You would be simply "ghost marketing" the finished features from a similar property. It's a benefit you get by being part of my team. Because you're following the program, photos of the interior of your houses will look remarkably similar to photos of my houses.

Stick to the General Program, Even if the House Has Custom Features

The closer you follow the Program, the more likely you are to be successful. Also, by following the Program, you know what your exit numbers need to be. Remember that if you spend more money than your budget allows, it does not mean that you will get more money for the property when you sell it.

This is why I give you a general program to follow. You can pick from five to ten of my concepts to use for your properties, each of which are based on color pallets and other design features. I have done the work for you, so you do not have to. That way, your properties have unique variety, but you are not changing the overall Program.

Marketing Online

There are many ways to market your property for free. For instance, there are free websites such as Craigslist.com or Backpage.com that are basically online classified ads. In all your marketing resources, make sure you use great photos as much as you can.

> ***My Take on Online Marketing***
>
> I had a really nice house that I rehabilitated. I ended up selling it because of my aggressive online marketing efforts.
>
> One of my buyers was a woman living in Manhattan and running a business out of New York City. When I met her she was in the process of selling her apartment in Manhattan to move back to Massachusetts where she had lived ten or fifteen years earlier. Unbeknownst to us, she had already signed a contract for a 1,100-square-foot condo in Charlestown, a suburb of Boston. Because she was a traveling businesswoman, she wanted to be close to the airport. And that condo was.
>
> Well, she saw some online photos of our house. After seeing the photos, she came from New York to Massachusetts to see our house in person. The moment she saw it, she fell in love with it, and ended up doing the deal with us even though our house was twenty minutes away from the airport, while the condo was only ten minutes away. She was willing to compromise on the distance because she loved our house so much. And it all started with the photos that I posted online (I'll cover more about photos later… there is a HUGE difference between good and bad photos, and the solution is so easy it will make you smile).

Another Take on Selling Online

One time, while I was selling individual condos in a six-unit building, I sold a unit sight unseen to a woman because she adored the photos that I had posted online. This buyer lived out of the area, but after seeing the online photos of the property, she sent her real estate agent to take a look at the unit to verify that it looked as good in person as it did in the online photos. When the agent confirmed that the property was as great as the woman originally thought, she went ahead with the purchase. The woman knew what the unit looked like and that it was close to the beach. She knew that these condos were going quickly, so she jumped on the opportunity. When I finally met her and asked her why she would do that, she responded that she had fallen in love with the photos.

In fact, I sold three of the building's six units right off the bat and the rest were sold within the following two months. The power of amazing photos is incredible! I cannot stress that enough.

QUICK LIST OF ONLINE MARKETING RESOURCES

Here's a quick list of online marketing resources you can use:

> Social media (Facebook, Twitter, Linked In, etc.)
> Video marketing (YouTube)
> QR codes
> Craigslist.com, Backpage.com and other free websites
> Email
> Your business website
> Newspaper ads online

I'm not going to cover each of these in depth, but I will outline a few ideas on how you can use these tools to help drive buyers to your property.

Social media as a marketing tool

Social media such as Facebook, Twitter, YouTube or others are powerful tools. Once you can afford to, I recommend finding someone to add to your team who understands these tools and can employ them. That way, you are not spending your time marketing through these channels, which can sometimes be quite time-consuming.

Video Marketing

Video marketing on the Internet is also a large part of the business today. Show videos; let people see what the room looks like. Just make sure that you use high-quality videos.

QR-code marketing

QR codes are square, squiggly images that look like barcodes, and people can use their smart phones to scan them. Once they scan a QR code, the smart phone can pull up the company website or images of the house. This is a trendy, high-tech option, and it may be useful to add someone to your team who knows the ropes of QR codes.

Going live on the MLS and other websites

The day after the broker open house is when I go live on the MLS, Craigslist.com, etc. Also, many people do not realize this, but on the backend of MLS.com, you can open up, what I call, the 'flood gates" to make sure that an MLS listing is reported on other real estate websites, such as Zillow.com or Realtor.com. Some real estate agents may not know this, so you may have to point out that feature.

Email

Email blasts are a great way to reach out to people about your property. Building a database of professionals and homebuyers is another key foundation to marketing.

As soon as I have a property ready, I send email blasts to all our "team members." In addition to agents in the area, I contact my mortgage broker, who is tapped into a network of people who are looking for properties.

I also reach out to potential buyers, who have expressed an interest in receiving updates from us, via email marketing blasts. I have a database of people who may at some point respond to an email and say, "Yeah, we want to buy a nice home."

Newspaper Ads Online

Whenever you are writing something about one of your properties, it needs to be unique, different from everything else… it needs to stand out. So, let's start off by talking about what everyone else does (what you should not do) and then expand into what you should do.

> *What your classified ad should not say*

If your ad simply reads, "Friend, I have a 3-bed, 2-bed, 1,800 square-foot home, located in nice neighborhood for $249,990." Guess what? Buyers will not search out that property because you are just another cow in the herd. If you have learned anything from this course, it should be that whatever you do, you need to stand out in a market. Your house will be better than any other house in that neighborhood, there will be "bragging rights" throughout the whole house… you don't want to undercut all your hard work with a substandard ad. You need to use creative copywriting.

> *Creative copywriting*

How do you separate yourself from the herd? How about a classified ad that reads, "Most beautiful house ever seen – $1"?

If you saw that ad, would you click on it to try to find out more about the property? The answer is, "Yes."

Once a buyer clicks on the ad, they see the photographs of a real, finished product. And because your photos have pizzazz, you attract buyers. The typical buyer is a visual buyer.

My First Ad

I have always tried to be creative from the very first ad that I put out for a property I had under contract. The goal was to sell the property to another investor because I was still building my network of wholesalers. My ad in the local paper read:

"Boy, she's ugly! You make her pretty and she'll make you money. Multi-family asset. $50,000 will enable you to start cash flowing. Call me now. First come, first served."

It was different; it stood out from everybody else's. And it got a ton of responses. I began to build a database of wholesalers from that ad.

This is the same concept that you should use for retail buyers: Create an ad that stands out from the rest.

> *Call to action*

In marketing, you always have to create a call to action. Marketing real estate is no different. For example you can write, "Don't waste time looking at everybody else's properties. I have the one that you've been looking for. Your wife will cry tears of joy when she walks in the door. Call me now!"

The key here is "Call me now" – it tells the reader what to do next. Another call to action might be to attend an open house:

Be creative with it. Have fun. The buyer will think you're either a lunatic or a genius. But if you get the right person to call you, or come to see your property, it does not matter.

Marketing Offline

NEIGHBORS

While rehabbing a property, I always get tons of potential leads from the neighbors in the area. I cannot tell you how many times someone has said something such as, "I'm trying to get my brother to buy that house."

I also offer incentives to people in the neighborhood to bring us a buyer. It may be tickets to a sporting event or a gift certificate to a local restaurant.

FLIERS

I also distribute fliers throughout the neighborhood to let people in the area know about my property. I circulate the fliers throughout a couple-block radius of the house that I am selling. The fliers do not have to be as dramatic as the online ads. I include a rundown of what I am going to do to the property, as well as a projected listing price. The flier just needs to include the company name and something such as, "Renovating, 123 Main Street. The finished product will be high-end quality, consisting of new bathrooms, a new kitchens, etc."

WORD OF MOUTH

Word-of-mouth buzz is a powerful marketing tool. When you speak about your property, remember that you are doing the neighborhood a service by removing an eyesore from the community.

Word-of-Mouth Marketing Around the Neighborhood

I was talking to some guys that I knew from a mutual friendship, and I was telling them about a short sale that I was doing for a retired man who had fallen on hard times and was trying to avoid foreclosure.

FLIP

I mentioned the street that the short sale property was on, and one of the guys said, "Look man, I know that house. I grew up near that house. I have great memories of it." He said, "The place that I live in right now is too small for my wife, our two kids and me. I would love to get into that house!"

So, I was able to close the short sale because I found this buyer through word of mouth. And not only that, I was also able to sell the buyer's house, too. It was a win-win situation all around.

CREATE "BUZZ" THROUGH PRIVATE OPEN HOUSES

You can also throw a private open house for the families in the neighborhood. This helps create a lot of buzz. People are always curious when they see lots of people going in and out of a house.

MARKETING TIP: IT'S A BANNER DAY

Something else that I do to advertise our company is placing banners on the sides of my trucks and park them right in front of the house.

Test Marketing

To help us figure out which advertising media attract the most buyers, I ask everyone who comes to the open house how they heard about me. I may get different answers in different markets.

I may also do a 'split test' by posting ads in different places. Then I find which placement is most effective by asking my clients how they heard about me.

Marketing Strategy: Broker Open House

As mentioned earlier, I always run an open house for real estate professionals – or an open-house caravan, as it's sometimes called – prior to listing the property for a certain price on the MLS. I invite real estate agents and brokers, closing attorneys, mortgage brokers, or any other professional who can help to sell the property. I also do this prior to holding an open house for the general public. The open house allows us to get feedback from local brokers who know the marketplace who can give us an idea on how to price the house.

Brokers and agents come in and ask, "How much is the listing price?"

I take a humble approach and respond, "How much do you think it should be?"

Each person can write down what they think the property price should be on the back of their business cards. Then they drop the cards into a bowl. Next, I have a drawing, and the winner gets a $25 gift certificate to the restaurant that is sponsoring the open house.

This allows me to get the pricing feedback that I need, and it lets the local professionals know that I respect their neighborhood.

Not only do I get pricing information from broker open houses, but real estate professionals see our product and try to match it up with one of the potential buyers that they have in their databases.

I always feed our guests by getting restaurants to sponsor the event at a highly discounted rate in exchange for passing out their cards and marketing for them. I say, "Come and eat."

And the professionals come in and say, "It's a beautiful home. I know a buyer who will want this."

I like to peg the house on the lower end of the range of suggested prices. So if the suggested prices are between $675,000 and $750,000, I might peg it at $690,000. Real estate agents then know I'm not greedy, that it's a good price for their clients, and they hustle to make offers quickly.

Marketing to Impress in Swampscott, Massachusetts

> I once bought a property in Swampscott, Massachusetts, even though I had never done a deal there before. The thing about Swampscott is that it is an upper-middle-class neighborhood, and the people in it support their local industry professionals. They are a close-knit group, and outsiders have a hard time winning them over.
>
> However, I went about my business with this property as I normally do. I put together a broker open-house. I knew of a broker who owned a well-established real estate firm in the area, so I invited her. I also invited real estate agents, mortgage people and others from the industry. I had attractive invitations printed up and I attached images of the house to them. Then I hand delivered the invitations.
>
> I emailed the real estate professionals that I wanted to invite, made some phone calls and even had water bottles made that had my logo on them. I had the open-house catered. It stood out, and people noticed.
>
> Well, the owner of the Swampscott brokerage firm does not visit open houses very often. She is too busy and not easily impressed. However, it was a true compliment to my business formula and marketing efforts

that the owner of the brokerage firm did come to my open house.

> She said that it was my sophisticated marketing presentation –from beginning to end – that enticed her. She said that she had not been impressed like that in the 30-plus years that she had been doing this. The broker ended by saying, "Welcome to the neighborhood!"
>
> In the end, my efforts paid off, as one of the real estate agents from the broker's office brought me a buyer… All because I followed the formula.

INVITATIONS

As mentioned above, one of the important parts of throwing a broker open house is to make really nice invitations that do not cost a lot of money. You can even print them yourself using an inkjet printer and high end paper.

On your invitation, include a description of the property, the address, photos, etc. At the bottom, simply write, "listing price to be determined." Do not forget the photos!

The key is in the details. I use a wax seal that makes the invitation seem important (which it is!). I prefer not to use plain white paper, but when it comes down to it, it's the quality of the printer that matters.

I also have a team member hand-deliver the invitations.

Then I follow up with an email that has the invitations attached as a PDF or JPEG file. A good-looking invitation tells someone that this is going to be a nice home.

Lastly, I follow up with a phone call to each of our invited guests. So it's a three-point touch. You hand-deliver the invitation, follow up with an email and then follow up with a phone call.

An Agent With a Marketing Plan

Finding a real estate broker or agent to list your property will be the easiest thing you have ever done. Finding a real estate broker who can sell your property may be more of a challenge.

A good broker should have a variety of marketing strategies ready to share with you and execute. A good broker will post your property on all the online services available. A good broker is prepared to run an open house to market your property. He or she will market your property with signage, through networking events, through radio, or other strategies that the broker has at his or her fingertips. If a broker has a good, solid marketing plan for your property, then you should give him or her the opportunity to execute it.

FLIP

CHAPTER 3

Staging (for photos, open houses, and showings)

Reasons to Stage Your Home for Sale

If you've ready to sell your property, you should make sure that you take full advantage of home staging trends. There are several advantages to home staging, which I will take a look at below.

One of the best things about staged homes is that they typically sell in less time. This is great news for sellers. Research has shown that a staged home can sell as much as 40% faster than other homes on the market. Staged homes also tend to sell for more money. Homes that have sat on the market for a long period of time will normally get lower offers due to the fact that home buyers will begin to think there is something wrong with the home. Staged homes, on the other hand, typically don't sit on the market for long at all. This means you won't waste time second guessing, and ultimately lowering, the pricing.

Contrary to popular opinion, staging isn't just for the inside of the house. In fact, how your house looks from the outside, a.k.a. "curb appeal," is absolutely critical. The outside of the house is the first thing potential buyers see when they pull up. A staged exterior will also draw viewers. When home buyers first arrive at the home, they instantly make up their mind whether they should get out and look around, or drive off. If the yard is staged with flowers, manicured, and properly taken care of, chances are that buyers will want to see more. If you entice your buyers by showing them how nice the home is outside, they will surely want to know what the home is like on the inside as well.

Once buyers have stepped inside, they will know within a matter of seconds whether or not they like the home. To get the buyer's attention, you'll need to stage your home to the buyer's liking. You don't want the buyer to feel rushed or to get the wrong impression, which is why you should always set the stage and entice buyers to take their time to get a good look at the home.

Buyers love to see kitchens, living rooms, and bathrooms that are staged… these areas are absolutely essential to flipping your property. You want people to see themselves living there. You want the staging to tell the story of a typical day. You want them dreaming about coming down for their morning coffee, or sitting on the balcony and watching the world go by. If you paint the emotional picture for them, the property becomes a part of them, and necessary for them to complete their mental vision.

Another benefit of staging your property is staged homes will also attract more real estate agents and get more advertising. If real estate agents love your home, they will want to show it off. Real estate agents know that a staged home will sell faster and for more money, which means less work and higher commissions, and that means they will advertise your home more than others... and that's perfect for you. This way, a little home staging will give you a lot of extra benefit and exposure for the cost of a few mirrors, pictures, paintings and knick-knacks (all of which you can use over, and over, and over).

TIPS ON HOW TO MAKE A "FIRST GOOD IMPRESSION"

It almost goes without saying, but the details are what will get your house to sell. That's why before I put anything on the market, I use a quick punch-list of items to check/do. So when someone sees the house, they don't see flaws, they see opportunity. The little details are the things that will add to or take away from the buyer's experience. The trick is to identify the things that are distractions and either minimize or eliminate them altogether.

Outside

1. Mow the grass and trim the edges
2. Weed the garden and grass.
3. Clean the driveway.
4. Trim the shrubs and trees.
5. Power wash the house from the outside.
6. Clean and sweep the garage.
7. Stage the porch, deck, patio, balcony, etc. (if applicable)

Inside

Kitchen

1. Clean the water taps, they must sparkle!
2. Polish the counters and cabinets.
3. Clean the floor. If it is a high-gloss type flooring, make sure it shines.
4. Clean and polish all appliances inside and out, most notably the refrigerator, oven, and dishwasher.

Bathroom

1. Sinks need to be cleaned thoroughly. Water attracts dust and detracts from the bathroom's overall appearance.

2. Take care of the vanity unit. If it is made of high gloss material, polish it well.
3. Clean the toilet.
4. Scrub the bath tub thoroughly to remove any stains.

Throughout the House
1. Turn on the lights
2. Make sure the curtains and drapes are washed and drawn back to let in natural light.

How and What to Stage

One of our marketing techniques is to put special touches on an empty house, so it looks like a home. You need to put furniture and furnishings in it to make a house look like it might when someone is living there. It gives the potential buyer a sense of what a house could look like, rather than just staring at blank floors and walls. Essentially, you're making a house look like a home. But most stagers will furnish an entire house, whereas I do just enough to take outstanding photos.

The goal is to use the staging to create a beautiful story in a home without spending a lot of money on furniture and other expensive items.

For example, I might put a plasma TV above a fireplace and decorate the walls around it. Then I will take a zoomed-in photo of that space. Or I will stage a kitchen with flowers, a fruit bowl, and attractive lighting. Then I take five or six photos of the kitchen from different angles. Or I might take photos of landscaped yard or decorated accent walls. I am able to create a story about the house's elegance, without spending too much money.

I do light staging, not full staging. Light staging consists of candles, some faux fruit, soap dishes, olive oil bottles in the kitchen, cookie jars, and things like that. Faux fruit bowls on the kitchen table or counter just add color. I like the reds, greens, oranges, and yellows. I put yellow lemons, green apples and pears, red apples, and maybe some oranges.

I used to use real fruit at the open house. Then I'd come back a week later and find fruit flies all over the place. Now, I just use plastic ones. You buy them once and you'll have them forever.

You also put candles in the right places. There's a cool, artificial candle that I picked up from Restoration Hardware that has a flickering feel. It looks like a candle, but it has a battery. So you don't have to worry about the wax melting, or causing a fire. They come in different sizes, and I use them throughout the houses (primarily in bathrooms, kitchens, and fireplaces).

I also turn on the fireplace (if I don't have candles in it, of course). Night is when you'd notice the flickering of the candles when you take pictures. But it's great for the open house too. You can have real candles, too, but be careful with fire and matches. That's why I like using fake candles. Light real candles only if you're in the house. Just make sure that you're not violating any city or county fire codes. I buy candles with a scent that most people like – such as vanilla or pine.

If you have the budget, you can do full staging if you prefer. But I've been very successful doing just light staging. Doing a full stage is rare. If you're in a price point that requires it, and in a market that requires it, then do it. But make sure you account for it right from the beginning.

ARTWORK ON WALLS

I also put artwork on the walls. Be careful when you're doing that, that you're not poking holes in the walls. Be respectful of the walls that you've just fixed. They're brand new and they're clean. Sometimes you might end up leaving the artwork if they're only $20 or $30 pieces. Use the smallest nail or wire brad possible so as to not leave a large hole in the wall if you remove the artwork.

Special Features for Bragging Rights

Another critical component that I use in every single house I do is the flat-screen TV. I'm always looking for a place to put it up. The most obvious and easiest place is above the fireplace, if the house has one. I will put the plasma there.

You have to know the dimensions of the TV, if you're going to do this. Don't put a 60-inch TV over a 44-inch mantle. That's a no-no. I've found that a 42-inch TV works with most houses.

Granted, there are exceptions. If the house has a humungous fireplace then you'd need a larger TV that's proportional. The rule of thumb is that the mantle should be wider than the TV. There are pictures posted on the online education center to give you some examples.

TV's are heavy, so check with your contractor to verify that the TV mounting bracket has been secured to something solid.

FLAT SCREEN TV

It doesn't matter if it's an LED, plasma or an LCD, just put up a flat screen TV.

It doesn't even have to be the best flat screen TV. As a matter of fact, I never use the best TVs for medium-priced houses. I stick to the entry level flat screen. If the home buyer wants to upgrade it, they will. You know what they do? They take the lower grade flat screen and put it in one of the kid's rooms. Then the guy says, "I want to have 1080p" or whatever the latest one is. They'll go get that little slimmer one.

That's okay. Just by providing a TV, I have given them a vision that they never had, or the guts to do it. Most people adore it. But it's just a flat screen TV over a fireplace.

TV Connection Technicalities

When hooking up the TV, always check with an expert in the field. It's nice to find an electrician who understands TV connections because the companies that sell TVs charge more money. Since your electrician's already there, he can do it for you.

You may even want to do it yourself. For those of you who do not know the technicalities of hooking up a TV, here's what I do. Instead of paying for cable or satellite, I connect a DVD player to the TV. In fact, these days, a lot of TVs have USB drives on the back of them. You could prepare a commercial about your business, such as "I buy houses," and download it to a DVD or flash drive. Then set it to repeat the commercial in an endless loop during your open house.

But the key is that during the construction stage you have your electrician install a power line and an HDMI cable. You don't want the buyer to be surprised by finding out that you didn't wire it correctly. That could be a big problem. I like to install two HDMI lines, and two Cat5 lines, or Ethernet cables, for the Internet connection. Cat5 wire is very inexpensive. Since you're going to the trouble of snaking electricity to the TV, you may as well run all the wiring that might be needed.

If you use Cat5 wires, you can have an infrared station, so all your wires can be hidden.

If you get a technical person as a buyer, they're going to go like, "Oh my goodness! You've got Ethernet going to it… that'll allow me to have an infrared station." An infrared station is a remote control device that lets you keep all your cables and boxes out of sight. And that's what people love when they walk into one of my houses – that I've considered the buyer's needs, wants, and dreams. That's one reason why other people don't mount a TV in their existing home; because they think it's ugly to leave all the stuff – the DVR box, the cable box, the DVD box, and all the power cables and connecting cables cluttering up the fireplace mantle. So you're taking all that into consideration, and you're going to put all the peripheral stuff in an inconspicuous place, such as a closet nearby or a piece of furniture to put it in.

Turn the TV on for photos, showings and open houses

One of the key things I do is to turn on the TV during open houses. When it's playing, people say, "This is awesome!" I didn't use to turn on the cable/satellite TV, because of the cost. It was a pain. But then I realized how powerful it was to run the TV or audio systems during open houses. As I mentioned earlier, you can also just hook up a DVD player or run information off of a USB connection.

Negotiating for the TV

Just because I mount the TV, doesn't mean I give it away with the house. The people are floored by the fact that the TV's in there. It gets buyers thinking… we could watch movies/TV here, sitting on the couch, eating popcorn and curling up. It gives them the tools to imagine. But those tools aren't necessarily included with the house. That could be a negotiable item. During the open house, I'll disclose "TV not included." When I get offers, the buyer may name any price, but the offer will usually say, "We want the television." So you can use that as a bargaining chip. By the way, I can't think of a single time I've ever pulled a TV out of a house – it's always been thrown in as part of the negotiation.

WHOLE-HOUSE AUDIO SYSTEM

I put an integrated audio system into the house. It fits in an iPod or a smartphone cradle. I come in with the basic package, which includes a speaker in the kitchen, living room, master bedroom, and master bath. I just want to give them bragging rights.

The home buyers say, "Well this is incredible! We're actually walking in here, plugging in our phone, and listening to our iTunes player." It's a very cool feature for the open house too, when people are walking through and just showing that off.

Most of the time I use the basic package… remember, the buyer can upgrade it if they want. They can always go in and say, "You know it would be nice if we had one here, and one there, and one in every single room of the house." But that's not what I'm doing, because you probably won't get your money back if you go all out on that. The only time I will make an exception is when I am working on an upscale house, or if it is standard in the other houses in the neighborhood.

BUY THE HOUSE, GET THE ELECTRICIAN FREE!

I've found in the past that every time I sell a house, I get a thousand phone calls from people that just don't know how to use this very simple stuff. And then I'm running in there and telling them, "Okay, this is 'Play', and this is this, and this that, and the HDMI you plug into your DVD player."

Most people just don't know this stuff, right? The cable guy usually does it for them. So now what I do is a nice little added package, I say to my electrician, "Do me a favor. I want to pay you for an hour of your service, in addition to the install time." When the homeowner buys the house, give them a one hour consultation with the guy that installed all this stuff. Our electrician loves it because he gets an extra hour out of it (minimum). The client loves it because they say, "Are you kidding me? We're going to get a tutorial from the guy who put it together?" They love this. They talk about the customer service. Plus our electrician is VERY happy, because most of the time, the buyers hire him to do additional stuff.

Now, it's important to tell the buyer that it is only one hour, because if you don't tell them "one hour," they're going to pick his brain for fourteen hours, right? "Well, what about the lights? What about extra speakers? And what's Blu-Ray? Etc.?"

So I tell them (and tell them in a nice way), "Listen, it's a one hour free consultation. If you decide to keep him for two or three hours then you'll have to pay him for the extra time.

One quick note… whole house audio is NOT surround sound. I do not get into surround sound theatre, unless I'm in a market that requires it.
I don't do it; let the buyer do it.

FLIP

CHAPTER 4

A Picture is Worth...

One of the foundations of my marketing is outstanding photos. People shop with their eyes. Think about it. How many times have you bought something that turned out to be terrible, but you bought it because the image of it looked great?

By taking outstanding photos of a house, I put it in the best light possible. I want photos that show the design, beauty and warmth of a home, so it stands out from other properties on the market.

I want photos that tell stories about a place--stories that help homebuyers see the character of a home. I want them to feel inspired to view the house in person and maybe live there.

These photos become the centerpiece of all my marketing, from fliers to online ads to websites. It's a stellar way to market any property.

Stories Tell, Photos Sell

You've finished the rehab. You've put bragging rights into this house. It's time now to interpret those stories and bragging rights with photos, because pictures are what sell. It is critical that you take the right pictures. Don't dismiss this.

People shop with their eyes, and their eyes are usually sitting in front of a screen online, doing a search. So the #1 thing for me is taking pictures and telling that story as much as I can online, so others can see it.

Photos for Websites

Your photos will tell the story of your house. You've got to take at least twenty photos for websites. Some websites will allow you to post more. Focus a majority of your pictures on the kitchen. Also create a nice series of photos in front of the house, and the back of the house, if there's a yard.

Exterior Photos

One of our major rules of thumb is never shoot a picture of the exterior of the house unless there's a lot of blue sky. That one subliminal element makes people smile or frown. I've seen pictures on the MLS and websites, where people post photos of a home when it's raining out. It looks gloomy and dark. If you took photos of the same house – one set with beautiful blue sky, and another when it's raining and gloomy—viewers will think they are two different houses. People will say, "I like that house better"—the one with the blue skies. To get a beautiful exterior shot with a wide angle lens, take a photo where 70% is the house, and 30% is the blue sky.

> ***Chasing Blue Skies***
>
> Sometimes I have to laugh at myself saying "Oh you're chasing blue skies today." When I see it's a beautiful sunny day out, with a blue sky, I'm ready to take photos.

Interior Photos

I don't want to turn anyone into a photographer, but if you're going to take photos yourself, you will need a tripod, a regular camera with a 3-second button or a plunger. If you want to get a little more sophisticated, you can also use a wide angle lens. I'm not a photographer. All I do is put the camera on a tripod and use the three second button. I take a picture.

During the rehab I created a kitchen that has cabinet lighting, pendant lights, and recessed lighting. Guess what? That picture's going to look really, really nice. I use that lighting to enhance the natural lighting which comes in through the windows. A good time to take interior photos is around sunset, because more of the natural light streams into the rooms.

Take a picture of your flat-screen TV – it's a must. There's got to be something on the screen, you cannot have a black TV. There's got to be color. Color makes your things look good.

When you're taking pictures in the bathroom, show three to four pictures if you can. It's a little tough to take photos of the bathroom with a tripod, since the room is small. Using a three-second or ten-second delay button can help by giving you enough time to get out of the picture. Make sure that your reflection does not appear in the mirror.

Camera Tips

I'm not trying to make you become a photographer. But I am giving you four basic tips – camera, tripod, take the flash off, and use the three-second timer or a camera plunger.

You don't need to buy a $1,000 Nikon camera. You can take great pictures using a $100 Cannon. The reason I suggest using a tripod is that a lot of cameras don't have stabilizers built into them. So if you take the photos quickly, the photos turn out blurry. Using a tripod helps to prevent that, especially when coupled with the use of a three-second delay button. That gives the camera time to stabilize after you push the button. If you want to get even more sophisticated, you could use a plunger, a cord that trips the shutter without you having to touch the camera.

Make your pictures interesting. Don't take pictures straight on (particularly reflective surfaces like glass, mirrors, TVs, etc). For example, if you're shooting the TV, shoot it from angles; don't shoot smack in the center of it. Shoot everything from an angle. It just gives it depth when you're shooting from an angle. Come sideways, go to the left, go to the right, then go to the middle.

Getting Great Photos Inexpensively

If you are not the best photographer, one way to get great photos is to hire a photography student. You can pay a student significantly less than you would pay a professional photographer, and still get great photos. Let the student know that it is a wonderful opportunity for him or her to make a quick $50 – or however much you want to pay – while building his or her portfolio. You can find student photographers by posting fliers at local universities or by posting an ad on Craigslist.com that calls for photographers to help with a "real estate photo shoot."

Putting Photos Online

One way that you can post listing information about a property and multiple photos all in one place on free websites, such as Craigslist, is to create a separate PDF document. This will make your ad stand out from the rest and look professional. This PDF or JPEG file should contain the property address, listing price and perhaps a map, along with your photos. If you have a website you could also include your URL address or a link to your website

Also, it is important to put quality photos on the Multiple Listing Service (MLS). I make sure that any real estate agent that posts one of my listings on the MLS uses my photos. This way, I can be sure that only quality images are posted online.

CHAPTER 5

Selling Your Property

A huge reason for working with your team is the massive amount of information they have at their disposal. Professionals know market trends, houses in your neighborhood, and the people most likely to buy there. These people also know how to reach the largest number of people who may be interested in the house. Real Estate Agents are trained in areas like screening potential buyers and negotiating with them. If you want to sell a home without a real estate agent, you will have to do a lot of homework beforehand.

Real estate agents can suggest prices that are based on a variety of information. This includes recent listing and selling prices for similar properties in the neighborhood. If there aren't any recent sales, then, it's better to order an appraisal. Another person's point of view will help you begin thinking of your house as a commodity, with positive and negative selling points.

Setting Your Selling Price

Once you've completed the updates and repairs to the property, it's time to put it on the market. Because you followed the formula, and started with the end, you have a good idea of the ARV (after-repair value) of the property. While that is an important first step in determining whether you would acquire the property, if you are going to retail it, you need to keep in mind that your buyer will likely need to get an appraisal.

When you acquired the property, you wanted the appraisal to come in low. But when it's time to flip the property, well… you want that number to be as high as possible. You definitely want it to exceed the amount your buyer has offered. There's a certain psychology behind this… think about it, if you bought a property for $100,000, and the appraiser said it was really worth $150,000, you'd think you got a screaming deal. Alternately, what if the appraisal came in at only $100,000? You may still want the property, but you'd be paying the full market value. So, make sure you've done everything you can to increase the property's value by doing high quality work. When the appraiser comes, be sure to point out the improvements you made to the property to increase the perceived value of the property you are selling.

The appraiser will use three comparables (comps) to determine the retail value of your home. When you bought the property, you wanted the three lowest comps to be used in the valuation. Now, when it's time to sell, you want the three highest comps to be used. Do everything you can to make it easy for the appraiser to realize that your property now fits into the upper-echelon of comps.

It is important that when you set your price, you don't price yourself out of the market. I recommend that you find at least three similar homes in the same area that have sold within the six months, preferably within the last three months. This information is available in the county records, or from a real estate agent with access to the MLS (Multiple Listing Service).

It is almost certain than none of the comps you select will be perfectly comparable to your property. In that case, start with the selling price of each of three somewhat similar comparables. For example: suppose that one of the comp properties sold for $140,000 but it lacked a second bathroom (and your home had one). If the value of a second bathroom is $15,000 then you would add $15,000 to the value of the comp property to see what it would have sold for if it had been configured the same as yours. Similarly, if the comp property had a paved driveway but your property did not, then you would subtract the value of the paved driveway (perhaps $4,000) from the comp property's selling price. These two adjustments would give you a comparable sales price of $151,000. The goal is to account for the differences between your property and the comparable homes.

Do this with all of the differences between the subject home and each comparable. Let's suppose that the adjusted sales prices of the three comp properties were $151,000, $162,000, and $149,000. Add these three figures together and divide by three. The indicated value of the subject me would be $154,000.

Determining the retail value of a property is not an exact science. If you could only find comparables that were sold six months ago, you would have to estimate the appreciation in the area. If one of the comps sold with seller financing, you would have to decide how this affected the price. Despite its many flaws, this is the most accurate method of determining the value of a single family home.

When it comes to buying a home, most potential buyers will use the listing price as the number one factor to determine which homes they will look at. If the price is too high, most buyers won't even consider looking at it; which is why you want to determine the listing price carefully.

If you select the correct selling price (not necessarily the lowest price), you'll experience a much faster sale. Setting the right listing price attracts more potential buyers to your property. You'll notice an increase in response from realtors, and receive more calls about the property. The listing price is very important. It may ultimately determine whether or not you sell your property.

Negotiation

Whether you are buying or selling real estate, you will want to ensure that you have all the facts straight. If you are working with a negotiator, make sure that they have your best interests in mind. Sometimes, negotiators try to sell someone on a deal just so they can receive a commission quickly. Both buyers and sellers should walk away from the negotiation process feeling like they won. This starts with having the right information and ends with making and signing the right contract

Once a buyer wants to see more of your home, chances are you have found the individual who will buy it. You should never make the buyer feel pressured, but instead make him feel that you are interested in his thoughts and opinions. Practice the give-and-take principle. Give-and-take is part of the bargaining process. It gives both of you room to negotiate. As you and the buyer make proposals and counter proposals, you are inching closer to agreement. Then at some point, one of you will yield no further. Develop the extra sense to know when to stop negotiating. If you show a buyer that you care, you will go a long way in establishing trust -- which will help you sell your home.

REAL ESTATE NEGOTIATION SECRETS

Real estate investors use powerful techniques to get what they want. Why not do the same when you buy your new home? When you bought your home, you offered less than you were willing to pay, right? That's the most common negotiation technique. For experienced investors, however, that's just one technique among the many more powerful ones. What else can you do?

1. When buying a property, offer an odd amount, like $161,793. This gives the impression that you know something the seller doesn't. When selling, this tip can work too. They may think you have a good reason for that particular price.

2. Play dumb. Ask questions, talk slow, ask for help, and never show off your real estate expertise. Buyers are afraid to budge if they think a smarter person may be taking advantage of them.

3. Use the "limited authority" ploy. Say "I'll have to check with my wife (or partner)." It's easier for buyers to accept that you can't do something, rather than that you won't.

4. Refer to precedent. "My father sold his house this way." If the offer is at all unusual, buyers will feel more comfortable if they know it has been done that way before.

5. Ask for things you don't want. This lets the seller win concessions when negotiating. If you can say, "I guess I don't need the refrigerator, if I can get my price," you're more likely to get your price.

6. Be reluctant. "Well, I don't know…" Reluctance gets the buyer looking for ways to motivate you, and lets him feel like he's won something when you settle the point.

7. Make the offer their idea. "Are you saying you'd like a later closing, and lower earnest money? Well let's do it your way, then. I just need…"

8. Get a yes before the offer. "What if you got your price, but I got my terms? Would that work for you?" Even with a few changes, it will be hard for the buyer to say no to an offer he more or less already agreed to.

9. Flatter the seller. Flattery has been proven to be worth an average of $1,962 in real estate negotiations. (That's a joke, by the way, but you know if he likes you, you'll probably get a better deal.)

10. Pass over problems, and return to them later. Agree on every agreeable point first. It will feel like the property is sold then, and it will be difficult for a buyer to lose the deal over an issue or two that you need to go in your favor.

What Keeps Homes from Being Sold?

This is a basic checklist you should refer to when you show a property to prospective buyers. You need to take care of these things so that you do not put them off, and lower your chances of actually striking a good bargain:

> **Clean:** Any property that is dirty or feels cluttered has much less chance of getting sold fast and for a good price. More and more people these days are looking at optimizing the space within the property.

> **Light:** Make sure that you have your curtains drawn to let in enough natural light. Use natural light as far as possible. Artificial lighting can

be used to enhance the interiors of the property, but just relying on artificial lighting gives a gloomy impression.

> **Clean yard:** Make sure your yard is clean and tidy as well. As with beds and closets, this too plays a major role in forming a good impression.

> **Be Accessible:** You may have a very erratic schedule, but you must make sure that you are available for prospective buyers whenever they call to ask you things about your property. This is one way in which you can ensure your property gets sold quickly. Unreachable owners lose prospects just be being inaccessible. Keep your agent or realtor abreast of your schedule.

> **Smell:** Make sure your property does not stink under any circumstances; it's a major put off.

> **Check Regularly:** You must inspect the property to ensure that everything is in place, especially the above items. Do a regular check-up, at least once a week. Clean floors and bathrooms, mow the yard. Make sure everything looks vibrant and happy, and, because you followed the Program, it will practically sell itself!

What to Do When Your Home Isn't Selling

When you sell your home, the process is almost like going to a job interview. Selling a home involves presentation, which is one of the key factors that determine the outcome. Buyers in today's market look for good presentation. Many of them will base their final decision on it. Buyers look for homes that are in perfect condition. Anything less than perfect will look bad.

Most homes have some truly outstanding features. You should always do your best to highlight the best features of your home, instead of just hoping that the buyer understands what they are. The ideal way to bring out the best features of your home is to use the proper lighting.

When a potential buyer pulls up to your home, the first thing he will see is the lawn. If your lawn is trimmed and well taken care of, he will get a good impression right off the bat. If the lawn is a wreck, he may immediately pull away. To give the best impression to the buyer, you should put some thought into how things look. You could plant flowers around the walkway and throughout the yard. This will make the house look great to a potential buyer.

The front door should be in great shape, as well as the entry area into the home. You can add some plants, paintings, and rugs to ensure that your buyer gets a good impression. When the buyer walks through the entry way into your home, you should make sure that the view he or she takes in is a good one. Your biggest goal when showing your home is to ensure that the buyer is pleased.

Subtle staging can go a long way. You don't need to fill a house full of furniture, but you can add various elements to make it feel "lived in." Pictures on walls (and other small details around the house) help potential buyers envision that they could live there. People buy with emotion and then justify their purchase with logic. So when you stage, you want to provide a positive emotional experience.

91 Tips for Selling a Property!

Sometimes selling a property can seem like an overwhelming task. Throughout my investing career I have seen a lot of scenarios and situations. Some of the greatest lessons I've learned about real estate investing have come with a pretty hefty price-tag. I've compiled a list, below, which contains a number of tips on ways to make your property move. If you try to do everything yourself, you'll end up overworked, and making more mistakes than you should. The Program says you should use your team, so I obviously strongly recommend doing just that.

These tips can help you map out a selling strategy for your house. They're broken into categories, based upon the various stages of the Program. Some of these tips may apply to you and your situation, others won't.

> Category 1: Knowledge is Power.
> Category 2: Know Your Area/Community.
> Category 3: Know Your Property.
> Category 4: Getting Serious and Getting Ready.
> Category 5: Getting the Word Out.
> Category 6: Showing Your Property.
> Category 7: Negotiations, Settlement and Contract.

CATEGORY 1: KNOWLEDGE IS POWER

Tip 1: Before anything else, work with your team.

You may not be a real estate agent, but you need to think like one. When it comes to flipping properties, the whole goal is to quickly sell the properties you have purchased. Selling properties is rarely, if ever, a one-person job. You'll need to talk with your team about the property and help them know what separates it from the others. Agents and brokers love to be able to offer/talk about something that no one else has. Your goal is to get out of a deal as quickly as possible… and get paid for doing it.

Tip 2: Be a listener, and be a GOOD one.

Hold casual conversations with at least 3 real estate agents who work in the area where your house is located. Be attentive to what they say about location.

Tip 3: Basic rule: don't get locked out of the market because you've overpriced your property!

Continue building market knowledge. Make it a daily habit of reading real estate ads. Be sure to focus on the average selling price of houses similar to yours. You may even want to drive around those houses and judge for yourself whether or not the price they're asking is justified.

You'll find that other sellers will have grand illusions as to what their houses should sell for. They have emotional ties to their property and, as a result, have listed their house for more than it is worth, which means you (equipped with comps, ARV, and a best-in-class house) can price your property right, and get it to move.

Don't fall into the trap of trying to match the higher priced homes. These sit and eventually get discounted. Stick with your information, the formula, and the guidance of your team.

Tip 4: What are the ads saying?

Get a feel of *how* real estate ads are worded.

> What are the key words and phrases?

> What ads caught your attention?

> Why?

> Does the ad sound credible?

> Does the ad provide adequate information to provoke interest, or does it leave the reader indifferent?

Tip 5: Play detective

Do a bit of detective work: Keep track of real estate ads that appear only a couple of days (try to understand what made these houses move so fast) and ads that seem to be online or in the paper forever (try to understand what prevents these houses from selling).

Tip 6: Stick to the Program!

The Program works. It works for me, for my students, and it can work for you too… but you have to follow it. Don't buy in slow markets, don't buy emotionally, repair/update only what needs to be done, stick to your budget, price it right, and get in and get out.

Tip 7: Realistically speaking, my property is really worth…

Set realistic goals: if other properties like yours in your area are listed for $250,000.00, don't think that you could make a lot more just because the property has a rose garden and the house next door doesn't. There are things that are worth the premium (kitchens and bathrooms), and things that are interesting, but won't typically impact the price of a home (a built-in sauna).

Deviating too much from the mainstream can work against you. The goal is to get people to look at your house. So you need to price it within the range of others in your area. Price will typically be the first thing a perspective buyer uses to determine whether or not they will look at your property. Don't stop buyers from calling you because your price is too high.

Tip 8: Play the real estate game seriously.

Bear in mind that the "no risk, no gain" philosophy may not always work in real estate. Real estate is a smart, serious business. It's better to have brains than guts! Feed your brain with information you will need when you finally do sell your property. Immerse yourself in the Program, talk with your team, and get out and make it happen. You miss 100% of the shots you don't take.

Tip 9: Get only enough to get you started.

Too much analysis leads to paralysis. Arm yourself with adequate knowledge and then get moving! Don't let fear or over-confidence immobilize you. If you want to sell your property successfully, fear, arrogance, and procrastination have no place in the grand scheme of things. If you spend too much time thinking about a deal, it will probably be gone by the time you finally decide. The Program is designed to help you quickly determine whether you want a property, or whether you should keep looking. Don't second guess a decision once it has been made.

CATEGORY 2: KNOW YOUR AREA/COMMUNITY

Tip 10: Good schools?

Determine what's special about the community your property is in, then devise an ad that might attract the attention of the target audience. Maybe the area has a lot of young families… so you should write an ad focusing on a young couple with school-age children. Find out how many private and public schools there are, and how near they are to your house.

Many times, good schools are the deal clinchers. For young families, schools may be a top priority. If the schools in your community have won any awards or achievements, mention them to your buyers.

Tip 11: It's the fitness thing, you know.

Do an inventory of the community's attractions. How many parks or tennis courts are there? Is there a fitness club or YMCA nearby? All these facilities may play a major role in the decision to buy, especially if the buyer is a fitness freak.

Tip 12: And what about concerts and that sort of thing?

Don't overlook the entertainment factor: how many restaurants and movie theaters does your area have? What about concert halls and other cultural activities? Young couples, especially those with no children, like to eat out often. A community filled with various cultural activities can be a huge factor, not only for them, but also for their children.

Tip 13: Will I fit in the area?

The ethnic factor: if the area has a strong multi-cultural presence, this might be an attraction for prospective buyers. The desire to feel "at home" is a strong motivator. Buyers may ask if there is a sushi restaurant in the area, if there are any Jewish Synagogues nearby, or if there are meeting places where members of ethnic communities can mingle and share views, cuisine and stores about "back home"?

Tip 14: Is there a doctor in the house?

Does your area have a good hospital? If so, what makes that hospital a plus factor? Families that have aging in-laws or young children want to know if they can get medical help immediately in case of an emergency.

Also, if the area hospital is known for a particular specialization make sure you let your buyers know.

Tip 15: How is the transportation system?

How far are the major highways from your property? Where is the next largest city? How developed is your area's public transportation system? Proximity to a subway station is typically seen by many as a benefit because downtown parking can be expensive.

Tip 16: No gossiping allowed!

If you're selling a condo or a duplex, the next owners are usually curious about what kind of neighbors live in the same building.

Show your neighborliness, but don't gossip about the people who live next door. Chances are prospective buyers are only interested in finding out if the neighbors are quiet or rowdy. They're probably not interested in your neighbor's alcohol problem.

Tip 17: Help, my car's been snowed in!

How efficient are the city's services? Does the area have enough firemen, snow removal trucks, and garbage collection systems? What about facilities for recycling waste material? The more you know about the community's services, the better you can capitalize on these selling points.

Tip 18: Cavities?

Is the city water fluoridated? You'll be amazed at how some parents make a big deal of this. Studies have revealed that cities where the water has been fluoridated have a lower incidence of tooth decay among school-age children.

CATEGORY 3: KNOW YOUR PROPERTY

Tip 19: Getting to know your property.

Okay, you have a good understanding of real estate, you know the community, and now it's time to know the property like the back of your hand.

Every property has defects, some are hidden and some are visible. Get a pencil and paper and take a tour. Write down all the weaknesses that could potentially be spotted by buyers when they visit. Go around the property several times to make sure you've covered everything. You want to discover the defect before the buyer does. Spare yourself some embarrassment. Don't underestimate the buyer's ability to see through walls!

Tip 20: Did you say an in-ground pool?

If the property comes with a swimming pool, mention it! An in-ground swimming pool adds a lot of value to a house, but only if it is in good repair with no large cracks. Make sure the pool is clean. No one likes to see a pool with dead leaves or other debris floating in it. If there's anything that can be disconcerting it's a pool with no water. Be sure to have it filled. A pool isn't fun without a heater. Let your buyer know that the pool's heater is working.

Tip 21: Put romance back in their lives…

If the property is in an area with a colder climate – Minnesota for instance -- a fireplace would make a good sell, so don't forget to mention it. This particular detail can go into the ad, or you can surprise your potential buyer when they come to visit. It's all up to you. Find out what the real estate agents say about fireplaces.

In warmer climates, a fireplace is not something you'd think a house should have, but in upscale, gated communities, homes often have nice fireplaces in the living room or basement. Why? Ambiance, that's why.

Tip 22: See, this garage door is really simple to operate!

Check the garage door mechanism and verify that it's working properly. You'll want to demonstrate to potential buyers that your garage is in tip top shape.

You may also want to show them any maintenance records (garage doors usually need to be inspected and lubricated once every two years, depending on how old your garage door and mechanism are)

Tip 23: I never promised you a rose garden.

Check the front and back yards. Are they well-kept or do they look like they've been neglected for the last six months? Is the grass healthy and green and well-manicured?

I will sometimes get the front yard and interior of the house looking amazing, but leave the back yard for the buyer to customize. Buyers usually anticipate doing some yard work. But if they see that the yard needs major attention, they may get discouraged.

Tip 24: You'll have a roof over your head for the next 25 years.

Make a list of major and minor renovations you've undertaken. Keep this list in your pocket so that when you give the house tour, you can mention these renovations.

Like: I've added a new roof. And then give them the details… it has a 25-year guarantee, etc. The more details which make them feel safe and secure, the better it is.

Or perhaps you might say: "I decided to install whole-house audio." Or, "These kitchen cabinets and drawers were given a face lift, plus I added the granite countertops." The more things that you have to make them feel special (I call them bragging rights), the better. Granted, you don't want to go overboard, but focus on the things that matter to most people.

Tip 25: Wow, a home spa!

Pay attention to the bathrooms. Make sure they have good lighting, squeaky clean faucets and a shiny, sparkling bathtub. A stained bath tub is unsightly. A bathroom that smells and looks clean can be a persuasion point.

For couples just recently married, the whirlpool or spa might just bring you closer to finalizing that deal. One thing with house hunters: they start with a budget in mind, but watch how they're easily swayed to stretch that budget a little more when they see amenities that they otherwise would not have thought about previously.

Tip 26: A house that's safe and sound.

Buyers are likely to ask you about insulation and energy efficient systems in your house. It is always to your advantage if you can speak knowledgeably about the "inner character" of your dwelling. The old installation materials of older houses were declared a health risk by the US and Canadian governments many years ago, and house builders have switched to safer insulation materials.

Make sure you mention this if you do know, especially if you're dealing with a buyer who happens to be a lawyer.

Tip 27: What? No hot water?

If you had the water heater checked, say so. Water heaters, in order for them to work efficiently, have to be inspected regularly. Over time, water heaters get an accumulation of sediment in the bottom and need to be drained or replaced.

Tip 28: Someone forgot to look up…

One of the most important elements of selling a house is the lighting. You will find hundreds of examples of houses that have excellent potential – large backyard, nice French bay windows, a second floor landing, hardwood floors, etc. The only thing wrong is the entire lighting system. You know the houses I'm talking about… the lamps and chandeliers looked like they've been there for decades.

I always suggest reevaluating the lighting in a house. It's often outdated, and rarely provides adequate light. This is one of the elements that if it's not right, the buyer won't be able to articulate that it is the lighting, they will just know that something didn't feel/look right.

CATEGORY 4: GETTING SERIOUS AND GETTING READY

Tip 29: Time to go "pro"

Earlier I provided tips on getting to know your house and going around inside and outside to see what needs to be improved.

Now it's time to closely inspect your home for hidden defects. It's time for a professional inspector. Get him to examine those details that can make or break a deal.

One is the electrical wiring. A fire caused by faulty wiring is serious business. Instead of enjoying the cash from the sale of your house, your hard-earned equity is going towards paying for damages and lawyers' fees.

Tip 30: The radon test?

Experts love to mention the radon test. If you run a radon test in your house, it can be a huge plus in the eyes of many buyers. The longer the radon test is run, the more accurate are its results. High radon levels can be fixed. Once the problem is corrected, do a retest and share the improved results with your buyers.

Tip 31: This isn't a multiple choice test.

Have the professional inspector provide you with a well written report. The fill-in-the-blank form or check box type of report may be accurate, but a written, detailed analysis looks better to buyers. It demonstrates to them that you've done your sacred duty as seller.

Tip 32: The well's run dry.

If the property has a well, as many homes in rural areas do, have it inspected. If you have a written report, show it to the buyers.

Tip 33: What's that smell?

If you have a septic system, have a percolation test performed. If repairs are necessary, complete them before you sell, or disclose them to the buyers.

Tip 34: Actually, now that you ask…

Show all repairs in a written report to all prospective buyers. This will eliminate unpleasant surprises later that might delay the sale. Disclosing all house defects and problems will help reduce the time or process leading to the final sale.

Non-disclosure can even cause a re-negotiation of the sale price if the buyers discover the defects themselves. If there is anything you don't want, it's being forced to re-negotiate the price down because of non-disclosure of a fact that you were legally or ethically required to disclose.

Tip 35: Show that you mean business!

When the professionals have done their inspections and all reports are in your possession, make copies. You'll want to have many copies of each report readily available without having to search for them when needed.

Show buyers that you're acting conscientiously and being considerate of their concerns. This will clearly indicate that you're a serious and professional seller. Make sure the dates are clearly visible on each and every report.

Tip 36: If I were buying this property…

After you're satisfied that the professional inspectors did their job correctly, act like one. Take a hard look around, and ask yourself: if I were buying this house, what sticks out? What would keep me from buying it? More than likely you took care of these things when you were fixing the place up. But it's good to take one last look, after everything is done.

Tip 37: Is there an expert around?

You already know this, but after you've asked the question in #36… determine if any of the repair items fall into one of the three "must fix" categories.

> Legally required repairs;
> Little things that make a BIG difference;
> Big things that make a HUGE difference.

Tip 38: It's the law, sir.

Fix all the houses' problems which the law requires you to. These are usually environmental in nature or hidden hazards that can cause health problems for the buyers or their children. Examples are lead paint, asbestos, black mold, and radon gas.

Tip 39: We are different.

Little things that make a difference are those tasks or jobs that you've somehow delayed or never got around to doing.

Remember that what may be petty to you may not be petty at all to your prospective buyer. No two people think the same way. Selling and buying a house are two different perspectives, two different people, and two different mindsets.

Tip 40: Did you inherit these doorknobs from your grandmother?

Don't overlook old doorknobs or plates on light switches. If they look lifeless and worn, replace them to liven up the living areas. Use white or neutral colors.

Tip 41: That noise is driving me nuts!

It's important to sit in the house before you list it, and just listen. Is there a leaky faucet, does the hot water heater pop, what house noises do you hear? You can be sure that minor things like leaking faucets can make buyers hesitate, because they demonstrate a homeowner's negligence regarding basic maintenance.

Tip 42: Is this door going to fall on me?

Does your house have doors that sag, don't close properly, squeak or have a knob missing? Fix them. You don't want anything to interrupt the story your perspective buyers have going on in their heads.

Tip 43: So, how many insects do you have here?

What about broken screens that have ugly-looking holes gaping at you and your visitors? A simple thing such as broken screens can be a huge turn off so show consideration for your buyers by taking care of these minor fixes.

Tip 44: For you or the buyer?

Little repairs that may potentially annoy you or your buyers must get fixed. Getting small, minor jobs done will help increase your chances of selling your house.

Tip 45: Hold your horses!

Here's what some experts are saying about major repairs. If it's going to cost you an arm and a leg and substantially reduce the profit of your home, think twice.

For example, your house costs $200,000.00 before you repair it. You're thinking of selling it for $250,000.00 – to make a neat little profit of $50,000. Repairs will cost you $30,000.00 which reduces your profit to only $20,000. Are the major repairs worth that measly profit?

Tip 46: I wish you hadn't done that…

Undertaking major renovations may come out of the goodness of your heart, but have you ever thought of looking at the other side of the coin?

What if the potential buyers don't particularly like the renovations you've done, and would have preferred to renovate the house themselves?

When an individual goes out looking to buy a house, that individual is not just buying a physical piece of property but is also thinking of making his future house an extension of his personality and his lifestyle. Don't make any updates that are out of the ordinary.

Use the house and the space it has to offer to appeal to the largest audience possible.

Tip 47: Bring in the team.

Some of my students try to do everything themselves. Though that can save a little money, it nevertheless costs you time. Let's face it, if you're following the Program, you won't buy a house with insufficient margin to cover repairs and still give you a tidy profit. Do not try to cheap your way through this process.

Cutting corners can end up costing you a lot. The $500 you saved by doing it yourself can cost you $5,000 or more if you did it wrong. Our whole philosophy is to let others worry about the repairs. If there's stuff you love to do… do it, but make sure you're good at it. And then give everything else to the team. You went to the trouble of building the team, so you might as well put them to work.

Only have people on your team who understand your business: buying and selling houses. You want to use their insight to help you see what should be fixed and what should be left alone.

They can help you save precious dollars. Show them all of the inspection reports. With the contractor's opinion and the home inspection reports in your possession, you should be able to decide what to fix and what not to fix.

CATEGORY 5: GETTING THE WORD OUT

Tip 48: Get the word out!

Okay, you've had your house inspected and you've done your own inspection. It's time to let the word out.

You can announce the sale of your house through word of mouth, online, working with agents, putting an ad on your paper, etc.

It's time to talk to everyone about it. Tell your colleagues at work that you're selling your house. Make a note of the questions they ask. Their questions can serve as an accurate indication of what prospective buyers are also likely to ask you.

Tip 49: Reach out far and wide!

Your announcement can be published in the national and local community paper. The more people you reach, the more prospects you have. You may also announce in trade papers that are published by real estate associations or the housing authority.

Use as many resources as you can. You have no idea how much more successful you will be in selling when there is a larger audience involved.

You may be slightly inconvenienced by the number of inquiries you'll get, but if you want to sell the house in a hurry, it's a question of statistical proportions. The more you spread the word around in the media, the more people you'll reach; the more you reach, the more who'll show interest, the more who'll show interest, the faster your house sells, and the faster you get paid.

Tip 50: Word of mouth is just as powerful as advertising

Have your team tell their families and friends about your property. After you've told them, follow up after a week and ask if they had any questions about your house. As you build your brand, people will begin to anticipate your next listing... you can even build a waiting list.

Tip 51: Can the company help me?

Talk with the HR departments at some of the bigger companies around your property. They may be hiring someone from out-of-state who needs a place to move into; or they may have been approached by the human resources department of other companies who are desperately looking for houses for their expatriates or returning executives.

Tip 52: Ah, the old reliable…the bulletin board!

Go one step further: use the public bulletin board to post your house sale. Don't forget to leave tabs with your telephone number that can be torn out of the main sheet so that people can call you or pass them on to their friends. Be sure that your ad includes a color picture of the property.

Tip 53: Work with the Location

Think about the house and neighborhood. The price of your house must realistically reflect its location. When writing the ad, it's important that you brag about the location. Include all the things you discovered while researching the area.

Tip 54: Have you been negligent?

A professional inspector and a final personal inspection by you just before putting the property on the market can make a lot of sense. Price, like location, must reflect a house's condition.

Tip 55: How much do I want?

This is the # 1 deciding factor in the sale of a house. Price must have a direct correlation to all the other components for a successful sale. If your house is overpriced, you won't have any offers.

Tip 56: Will the buyer ask for flexibility?

The more terms you have on the property, the more potential purchasers you reach. Your flexibility is dependent upon how you bought the house. If you used all of your own money, you have options (such as owner financing) that you might not have if you used an investor partner or hard money lender.

Tip 57: Is this a good time to sell?

You started off by following the Program. That means you have the right market (a neighborhood where houses sell in forty-five days or less), and the right house (the type of house that has been selling in that neighborhood). So, if you've followed the Program, it'll be a good time to sell.

Tip 58: The truth will come out…

Be honest. Don't say the house has 2,500 square feet when it only has 1,800. Don't say there are three full bathrooms when there are only two full bathrooms and one half-bath (this is one time where 2 ½ doesn't round up to 3). Don't say the house is in a quiet neighborhood when in fact the property is located near a university campus where the buyer will hear students partying all night. If you mention that your house has an alarm system… it had better work.

Tip 59: Umm, how will I word this ad?

If you aren't good with words you may want to copy the style or content of ads placed in the local newspapers by other sellers. Don't reinvent the wheel. If it works, use it.

Tip 60: Can you just state the bottom line please?

When you're ready to write out an ad, clarity and brevity must be your parameters. If your price is reasonable and you put the ad in the right strategic places, you'll get calls.

Tip 61: Do your thinking before picking up that phone

Don't do what many people do. They call the classified ads department of their local and regional papers and craft the ad with the person in the other line. Don't waste time by composing the ad while you're on the phone. Instead, figure everything out in advance. And when I say everything, I mean it. When you call the classified ads person, you should already know what your ad will look like, what it will say, where to put it, what abbreviations to use and whether or not it should have a border (experts say you don't need a fancy border for your ad to catch the readers' attention).

Tip 62: Wait and see.

Be careful about how long you want your ad to run. An ad that's been around too long will give readers the impression that your house is not selling because of major problems. It will also tell them that maybe buyers are coming to see the house only to walk away disappointed.

Some experts say a five-day ad is sufficient. If you don't get a sufficient number of serious callers, cancel the ad, wait a few weeks, and start all over again. Review the ad's wording. Perhaps there's something in the ad that didn't sound right.

Tip 63: Where should I publish?

A lot of this should be passed to one of your team members (the real estate agent). But you want to verify that it's happening correctly. Have the ad posted on the MLS as well as other online sources. Make sure you are listed in a wide variety of places. Pretend you're the buyer looking for a house. Where would you most likely look? That's the section where you should place your ad.

Tip 64: One is enough.

Writing an ad can be fairly simple. You don't need to write different versions of the ad for each website, and a different version for the newspaper. Have your agent make a first pass at writing the ad, then add highlights or features you think will be most important to your buyers. If you aren't getting calls within a reasonable amount of time, then review the ad and make any necessary changes to catch the eye of buyers.

Tip 65: Online

People start their house hunt online. So it's important that they can find you, and that the pictures you post are exceptional (post as many pictures as you can… I typically will post at least twenty if the site allows it). Good pictures often make the difference between whether your house gets seen or passed over.

Tip 66: Do you want to write a house story? Try the home section, not the classified ads

Think twice, even three times before you get that pencil or word processor moving. Avoid too many flowery words. People are not looking for something to captivate their hearts or memories. They're looking for a house to live in. The dreams and memories will come later. At this point, buyers are only interested in finding a physical structure which meets their needs. More often than not, they will judge the house by the pictures you post. So don't lose a lot of sleep over the words.

Tip 67: What should I say?

Word your ad so that it answers the buyer's questions, such as: the property's location, who is selling it (for sale by owner, no brokers or agents please – or the name of the listing agent and brokerage), a brief description of the property and its features, and the price.

Mention that you'll take the best reasonable offer, and include your area code and telephone number. These are the only points that buyers are initially interested in. Other details like amenities and extras can be discussed face to face or during a follow-up telephone call.

Tip 68: This is EXACTLY how I want it

If you're listing the house yourself, position the ad's contents as follows: the property's address or location in the top left-hand corner and the words, "BY OWNER" in the top right-hand corner.

Indicate the type of dwelling (i.e., single family residence, condo, duplex, cottage, etc) on the next line.

Include a brief description of the major features on the following line.

Then state your starting price, e.g. "$150,000 or best reasonable offer" on the next line, to be followed by inspection times (e.g. Sat-Sun 10-5).

On the ad's bottom left-hand corner, include the words: "HIGHEST BIDDER with your telephone number beside it.

Note: your ad is meant to give you as many callers as possible. Details about the property can be provided to them on the phone if they request them.

And to play safe, email or fax a copy of the ad exactly as you want it to appear in the paper. You could be dealing with a new ad sales rep who doesn't understand what "flush left" or "flush right" mean.

Placing ads should be done by your agent. You have other things you can and should be doing with your time.

Tip 69: Screen calls.

Thanks to technology this is increasingly easy. You can set up a Google voice number that forwards to your cell phone… but only during the times you want. You can set it to send calls to your voicemail between 5 PM and 8 AM. You can also use an answering service. Or, as I suggest… you can use an agent who will do all of this for you.

By the time you add up the time and money you will spend by doing all the work yourself in order to avoid paying the agent's fees, you will find that you rarely save money.

Tip 70: Add "Or best reasonable offer"

It's not so much the description of the property that will get you a sufficient number of callers; it is the price that's stated in your ad.

If it is within the buyer's price range, they will call. If not, they'll go on to the next house. So make sure you don't omit this detail, but add, "Or best reasonable offer."

Tip 71: It's my favorite day of the week!

If you're advertising in the newspaper, pick the days you want your ad to appear. The approach is to reach as many people as possible. Bear in mind that unless people are really looking for something specific in the paper, they don't normally read the classified ads during the week. They are typically more relaxed during weekends because they have more time and are therefore more likely to read the classified ads on the weekends.

Tip 72: Would you repeat that please?

Review your ads both on and offline to ensure all details are correctly listed.

Look at your phone number and make sure it was listed correctly. Do not forget to include your area code. The same city may have multiple area codes. You could lose hundreds of potential buyers with this omission.

Tip 73: How do I sound?

Rehearse your lines. You'll want to give the impression that you're a serious seller, so you expect the same from them as buyers.

Don't panic if you're getting too many calls or none at all on the first day. Take a deep breath and get ready for the avalanche. While having an answering machine is a good idea for the sake of filtering serious callers from the frivolous, it's perfectly alright for you to take the call yourself if you feel like it.

Tip 74: Take it down

Use your team, but get feedback. You'll want to see a report on who has called on your property. It will give you an idea whether or not your ad worked, how many people have seen the house, and any questions prospective buyers have asked. This will give you an idea of future questions, and you'll know what you may want to address in future postings.

Tip 75: Are you a (phone) grouch?

When you answer calls, come across as friendly. It doesn't matter if you're buying or selling, talking with team members, or recruiting new ones. The impression you DON'T want to give is that of a tired, harassed investor. Practice basic courtesy. Be professional. And sound like one!

Tip 76: Let's get serious here.

If you get twenty-five calls by the third day, your posting worked. But, getting twenty-five calls just means that twenty-five people read your ad and dialed your number. Don't expect twenty-five buyers. Callers and buyers are two separate people.

CATEGORY 6: SHOWING YOUR PROPERTY

Tip 77: It bothers me…

When buyers come to visit, make sure there is nothing about your house that will distract them. Make sure the entrance door is clean, and if it's winter time, make sure the snow has been cleared.

Ensure that the entrance way is well lit and welcoming. Make sure the A/C or heat is on. If people are uncomfortable in your house, it will destroy the story they tell themselves. The temperature is one of the factors that can kill a sale.

Tip 78: Dust collectors.

Be careful to clean the house. Pay particular attention to areas where dust settles (corners, baseboards, etc.) and make sure they are clean. This is one of the things you follow up on each week as you (or a member of your team) go through your properties.

Tip 79: Surround yourself with beauty.

Buyers want style. You stuck to the Program, using recommended colors and upgrades. The simple beauty of the house will shine. Still, you want to make sure the house is interesting to walk through and people can envision themselves living there.

Tip 80: I knew you'd ask that!

Putting up signs to answer frequent questions can save you time. It's also an efficient way to let you give the tour without being interrupted too many times.

Signs can include things like: condo fees are $150.00 per month, appliances, fixtures and draperies are included with the sale, garage and garden equipment are included, there are 8 phone jacks on the first floor and 3 on the second floor, there is a wireless connection, shelves are included, etc.

CATEGORY 7: NEGOTIATIONS, SETTLEMENT AND CONTRACT

Tip 81: Can we talk about your price?

You can be 99% sure that buyers will negotiate to bring the price down. It's interesting what kind of arguments buyers will come up with to convince you to lower your price. "But the backyard needs a lot of tending"; "The kitchen tiles are not in good shape and we'd have to replace them ourselves"; or "But your house is near a cemetery (or a prison or a quarry)," etc.

Don't let buyers beat you up. Know your numbers, especially the lowest amount you are willing to accept. If their offer is within your acceptable range, take it. Otherwise, be firm with your price.

Tip 82: It doesn't hurt to be honest.

When negotiations begin, remember that honesty is always the best policy. There is this great temptation to get greedy, causing you to bid against your buyers. Don't. You may end up still owning your house months later because the bidders couldn't keep up with the price.

Tip 83: My property is your home now

Once you've found a buyer and all the terms have been negotiated to both parties' satisfaction, the next step is to transfer ownership of the house. Get the paperwork started with your team members. Your closing agent or attorney is probably the best one to do this. Don't do this part yourself. There are people who specialize in making sure the transaction is properly documented... USE THEM.

Tip 84: How quickly will he settle this matter for me?

After you have chosen your settlement agent, get the name of the settlement agent of your buyer and give it to agent. The two agents will then work together to contact the banks, arrange for title searches and title insurance, draw up the sale contract and calculate any other fees that have to be paid.

Settlement agents don't all work at the same speed. It's important that you stay on top of the closing process. If you feel that the process has stalled and it's not your agent's fault, then your buyer's agent may be causing the delays. If delays become major concerns, you may want to seriously consider the next buyer on your list, but inform the first buyer that you can't afford to wait any longer.

Tip 85: This covers just about everything

When settlement details are finalized, a contract is drawn up. The contract must include the following details:

> Amount/location of property
> Timing of the sale
> Transfer of funds
> Items included in, and excluded from, the sale
> Conveyance of title
> Apportionment of fees to be paid
> Insurance matters

If any of the papers contain clauses that you don't understand, have your lawyer explain them to you. Ask questions until you're satisfied that everything is crystal clear.

Tip 86: Can we change this a little bit?

Be prepared for requests from the buyer to modify parts of the contract. Don't verbally agree to anything until your lawyer confirms that the requested changes are in order.

This part of the exercise may take longer than you expected. Lawyers are shrewd creatures and will make every attempt to get the most for their clients. They're only doing their job, and they're doing what they're best at – arguing and haggling.

It is up to your lawyer to defend your interests so hopefully, the lawyer you hired is as sharp and shrewd as your buyer's lawyer.

When reviewing contracts, ask your lawyer's opinion of things you may want to change. Discuss potential consequences and how changing a clause could jeopardize your rights as a seller.

And if you do agree to change a clause, ensure that all changes are put in writing either within the body of the contract or in an addendum.

Tip 87: About that money…

Ask your lawyer about earnest money from the buyer. Some contracts require it to protect the seller: Earnest money will usually make the buyer live up to his commitment to buy the property within a reasonable amount of time.

This down payment morally obliges the buyer to finalize a mortgage with his bank, to have the property inspected within a reasonable period and to be prepared to settle by a certain date.

Earnest money is not refunded back to the buyer should the sale not take place. It may range from $1 to 10% of the purchase price (or more) and is kept in escrow by your settlement agent.

Tip 88: Crossing the T's and Dotting the I's

As soon as all paperwork is final and the parties are ready to sign, the settlement (also called a "closing") takes place in any of the following places: the settlement agent's office, bank, insurance office, or anywhere where you and the buyer and your respective agents agree to meet and sign papers… and then you get your check!

Tip 89: What, you've changed your mind?

Expect last minute surprises. A deal can be called off because:

> The buyer could not get financing and has no money of his own,

> Something went wrong with the title search or an insurance detail was not dealt with,

> Someone suddenly is afraid and wants to back out, or

> Some personal emergencies – like a sudden death in the family or terminal illness – are forcing the parties to not go through with the deal.

Tip 90: You're willing to pay more for my house?

When you advertise your house, and the price looks reasonable, you'll get end buyers. These are who are looking to buy a house to live in.

You may also be contacted by professional buyers – they include real estate brokers looking for homes to buy, builders specializing in remodeling and reselling homes, or developers who want to buy the property because of the land.   Don't be afraid of the professional buyers, because they know the true value of your house. They may push the bidding price higher. If a professional buyer offers you a price that will make you happy, then by all means, go with the professional buyer.

Tip 91: Weeding out the curious.

If after you place your ad, you get 100 phone calls, don't think that means your house is going to be sold immediately. The truth is, of those 100 callers, less than half are serious buyers. Only one of them will be a qualified buyer, and that qualified buyer is the one who can deliver the cash when it's time to deliver it. The other 99 are just "possible" buyers.

FLIP

CHAPTER 6

Qualifying Buyers

When I sell a property to a retail buyer, I make sure that the buyer gets qualified by our mortgage broker or mortgage-lending company. In our advertising and marketing I stipulate that that buyer needs to be qualified by our mortgage/lending company. The buyer does not have to use our mortgage broker, but the person does have to be qualified by our broker. This way we know whether or not the buyer is a good, qualified buyer. The sad thing is that there are a lot of home buyers running around with pre-qualification letters that are supposedly from a bona fide mortgage broker but in reality, the buyers cannot qualify for a loan.

You don't want to sign a purchase contract, and spend a lot of time with the buyer as they complete their inspection period, only to find out that they can't get financing and have to back out of the deal.

Here's what I tell potential buyers: "You do not have to get your mortgage from my broker. You can get your mortgage anywhere. But I need my trusted mortgage adviser to tell us that you are qualified for a loan because in the past, I've had dozens of people give us a pre-qualification letters even though they could not get financing.

If they have more questions, I might also say: "With all due respect, when someone's renting an apartment, the owner usually asks for an application and they want to know all kinds of things about the tenant's financial history. In this case, you are making a commitment to buy a house, so I hope you understand that I want to ask the same kinds of questions."

If my mortgage broker says, "This guy is 100-percent solid. He's got "X" amount of dollars for a down payment; his credit is good; the banks are screaming to finance him," then the buyer is my guy. I may take less earnest money from that buyer than a person who offered more money but has marginal finances.

Remember: Take the strongest buyer, not necessarily the strongest offer. That is because the strong buyer will get to the closing table.

The Cost of a Bad Close

When I was starting out, I had a bad closing experience that eventually led to an important step in my Program principles today.

I was selling a unit for $250,000. An interested buyer had a pre-qualification letter from a mortgage broker that said that he was financially qualified to buy the property, so I accepted his offer.

Unfortunately, one week before we were supposed to close I discovered that the buyer did not qualify because he did not have at least three lines of credit to show that he consistently paid his bills on time.

Apparently, the mortgage broker was swamped, so he simply wrote out a prequalification letter for the buyer without going over the man's credit history.

It turned out to be a horrific ordeal for everyone, including the buyer. The buyer was excited to purchase a home and had given notice to his current landlord that he was moving out. Everyone thought, "It's all good."

On my end, I was excited because I thought that I was one week away from getting my money. I was already banking on the funds to use as a down payment on another property. It was early in my career, and I was eager.

Then the deal fell apart. That really hurt because when that deal fell apart, I lost another deal, too. I had been planning on using the profits from the first deal to use to close the second deal.

That was the birth of my system of getting all potential buyers pre-qualified by my own mortgage broker. That is now part of our Program principles. This system enables me to close in record time, so I get paid quickly and can move on to the next flip. This system ensures that I only work with buyers who can close. I say to buyers, "I trust you, but my mortgage guy has to qualify you."

How the mortgage broker wins

Our mortgage broker wins, because it creates a funnel of leads for the broker. If the home buyers end up going with their broker, our mortgage broker still gets his name out there. If the other broker falls through, our broker closes on the deal. Because of the volume of business I do, I am constantly funneling leads to our broker.

Types of loans and buyers

The most prevalent loan is the Federal Housing Administration's (FHA) 3-percent-down loan because many people do not have savings for 10% - 20% down payment that conventional lending institutions require.

VA loans are strong because they are also government backed. But it may take longer to get through the approval process and to the closing table with this type of loan. So if you have a VA buyer, I would suggest that you budget your time and money for a 50-day close rather than a 30-day close.

My favorite type of buyer is obviously a cash buyer or a buyer with a 50-percent down payment. Also remember that your sales price needs to be in line with what the bank will appraise the property for during the escrow process.

BUYERS WITH A 50-PERCENT DOWN PAYMENT DO EXIST

Buyers with enough funds to put down 50 percent of the sales price are still out there. These are people who have been fiscally responsible through all the financial madness and still have savings or family money.

CONTINGENCY PERIOD

In addition to getting my buyers pre-qualified by my mortgage broker, I make sure that all my contracts have a "contingency period" written into them. This means that the buyer must put a deposit on the property, and that the buyer has a certain period of time to find financing and do other due diligence.

If the buyer does not secure financing in that time or backs out of the property after that timeframe, he or she forfeits the deposit. Without this, I would have no recourse against a buyer who walks away from a deal at the eleventh hour.

FLIP

CHAPTER 7

Paid at Closing

As a real estate investor, I get paid when I get to the closing table. So it's extremely important to have all the puzzle pieces in place. In this section, I'll go over the different puzzle pieces of the closing process, so you can cash out on all your hard work and get paid quickly.

The importance of closing the deal: the domino effect

Being able to close a deal is the key. When I first started, closing one deal allowed me to move to the next deal and then to the next deal and then to the next deal. Closing one deal leads to a domino effect.

However, if you do not do your due diligence in pre-qualifying your buyer or making legally required repairs, then your deal may quickly blow up on you. And because of the domino effect, not only will that ruin the deal at hand, but it may also blow up future deals.

Every step of the process, from qualifying your buyers to getting the final paperwork in order, ties in to keeping your eye on the prize. The finish line is where you get that monetary prize that brings you one step closer to achieving your financial goals. So you must cross the finish line by closing each deal.

A Contract Does Not Mean a Sale

A lot of people are under the mistaken impression that once a property is under contract, or there is a purchase agreement, that the deal is going to close. Novice investors start thinking about cashing a check as soon as a property is under contract. And that's not really the case.

Some retail buyers may write a clause into the standard Purchase & Sales contract that calls for a contingency period – also known as a due diligence period, or the inspection period. During this time, many contracts fall apart. So as a word to the wise, do not go to the bank until you have the money. In other words, don't mentally cash that check until it is physically in your hand.

Escrow pitfalls

Just because a contract is in place or a house is under contract does not mean that the property is sold. Here are some of the pitfalls that could delay the process:

> **Title issues**

The chain of title is not clean, maybe because a creditor filed a lien against the property. All title issues must be resolved prior to closing a sale.

> **Buyer financing**

A buyer's financing may fall through. This is why it is important to have your buyers pre-qualified by a mortgage broker that you trust. Having the seller's mortgage broker qualify the buyers is like insurance for the seller, but having your mortgage broker pre-qualify the buyers is insurance for you. Even then, sometimes events happen at the last minute that prevent the buyer from obtaining financing.

> **Sloppy work on your part**

If you are a 'Mickey Mouse' rehabber, sloppy or illegal work will come back to bite you. So don't do it. Make sure that the work you do is legal and has proper permits. End of conversation.

> **Follow the process; follow the Program**

In order to avoid these pitfalls, do your due diligence as a seller. Make sure there are no title issues. Prequalify buyers with your mortgage broker. And most of all follow the process; follow the Program. If you do not follow the Program, and you try to be a greedy son-of-a-gun you are going to have problems. One of which is that buyers, home inspectors, appraisers, etc. will see your mistakes and walk away from your property, sticking you with the asset. As a new investor, do not let your fear factor determine the choices you make. Rather, trust in the system. Knowing that you have laid a good foundation for a deal is the most important factor in getting your deal to the closing table.

The cost of a failed deal

When a deal falls apart with a buyer, people assume the problem was with the house. People think the inspection turned up a problem, even if the problem was the buyer. People ask, "What was wrong with the property? Why did the deal fall apart? Didn't you get a pre-qualifying letter from the buyer?"

The big problem is: you have to reset the clock to find a new buyer, then wait for them to qualify and close the deal. That can cost you another sixty to ninety days in holding costs, as you wait for the deal to close again.

Average time that it takes me to sell a house

Because I sell mainly to retail buyers, there's always a 15-day to 30-day period of time to get the finances lined up and the bank ready to close. So, I have little control over the escrow or closing period unless I have a cash buyer.

But I have to allocate 30 days for the financing to come through for our retail buyer. If I have a cash buyer, I can be in and out within seven days.

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CHAPTER 8

Home Inspection

After the contract is signed, the contingency period for a home inspection begins. Most Purchase & Sales agreements will have a seven to ten-day home inspection period for the buyer to look at that property. It is always a good idea to have the buyer do this because it injects a layer of protection between you and the buyer.

This way, if anything seems funky later on, the buyers had a home inspection that should have alerted them to any problems at that time. It takes some of that responsibility off of you, the seller, and puts it back onto the buyers in case there's a challenge down the line – something that you did not know about.

You as the seller or someone who represents you – your real estate agent or whoever – should actually be at the house during the home inspection while the licensed home inspector (typically hired by the buyer) reviews the property.

That home inspector usually has some kind of construction background. They are certified and qualified to walk through the property and assess the soundness of the asset, from the roof all the way down to the cellar (if there is one) or to the foundation's concrete slab.

The home inspector should also inspect all the mechanical systems and other aspects of the house, including: the roof, attic ventilation, wiring and electrical systems, plumbing, water pressure, as well as possibly checking for the presence of hazardous materials such as asbestos, lead and radon.

Home Inspections Lead to Seller-Buyer Negotiations

Many times you will get a punch-list of needed repairs from the buyer via the home inspector. Sometimes the seller and buyer can negotiate these items after you have already signed a Purchase & Sales agreement.

Some examples of typical buyer repair requests may include: a drip in a bathroom sink that needs to be fixed before the close of escrow, radon gas in the basement that needs to be ventilated, or a porch that does not meet building code and needs to be removed.

If you follow the rehabbing Program properly, there usually will not be anything on the buyer's repair list.

However, there are a few times when you as the seller cannot see everything that the home inspector can. If there are items on the buyer's negotiation list, the buyer may want you to fix the items. Or the buyer may want a financial exchange for the faulty item. For example, the buyer may ask for a $5,000 credit at the closing table in lieu of fixing loose tile in the flooring.

This is really a common sense type of negotiation. You have to decide which items on the buyer's repair list to say "yes" to and which to say "no." If you have followed our program for rehabbing your house, you should not have any surprises on the buyer's list by this stage.

Act Like a Home Inspector

I always reverse engineer everything that I do. When I manage and oversee my projects, I am always thinking like a home inspector. And every contractor that works for me knows that he needs to think like the home inspector. I always hold our contractors accountable. I hold them financially responsible if they cut corners or do a faulty job that needs to be redone. This is because I am always wearing a home inspector's hat.

Inspection Checklist

It is a good idea to get a standardized checklist of items to inspect from a home inspection company. Then use it as a guide, depending on your level of expertise. Now, my checklist is obviously in my head because of my experience. But a newbie investor may benefit from seeing which items a home inspector would prioritize as urgently needing repair or financial compensation. You can get a standard checklist at my website.

Do the Job Properly the First Time Around

As a rehabber, you need to do your due diligence too. Do not make repairs or renovations that a home inspector would not approve of.

You can go into a property without having any structural plans and start knocking down walls if you want. Nobody is going to stop you.

But what happens if you take out a structural wall to open up the space? Let's suppose that you plastered or dry walled the remaining walls. You sand the walls, paint them, trim them, etc. and they look gorgeous. Then the buyer's home inspector comes in and says, "Where's the support for that structure, right there?" Guess what? You'd look like an idiot, and the local home inspector would start talking about your shoddy work. Immediately, you'd get the reputation of someone who tries to cut corners.

Going forward, you'd be scrutinized for every single thing that you did. You'd be blackballed in the industry because you are a 'Mickey Mouse rehabber' that tries to make a buck at all costs. And if you get that reputation, you're out of the game before you even start.

Clear to Close

Once the house passes inspection and you have agreed to a price with the buyer, you wait for what is called a 'clear to close' from the title company or bank's closer. A 'clear to close' is a verbal or written notification that all the parties' paperwork is in line (including the buyer's mortgage documents if applicable), the deed has been researched and the title is clear. It usually takes from thirty to forty-five days for all parties to get all the pieces in place.

Your closing escrow company, the title insurance company or the closing attorney (depending on your state) will make sure that the title is clear and insurable. A property cannot be sold unless the title is clear.

As you get closer to the closing date and you receive the 'clear to close' authorization, you as the seller must put together a HUD-1. This is the Housing and Urban Development's standardized form that tallies the expenses and profits that both the seller and buyer have agreed to in negotiations.

You want to list the profits on your side of the tally sheet. Once both parties have approved this documentation, you go to the closing table.

Once the sale of the asset goes through, you hand over the keys, shake hands with the buyers and wish them well. Then, you take the nice, big, fat check to the bank.

Closing Funds

When you close a sale, the title company, escrow company, or attorney will hold and disperse some of the closing funds to pay for several items, including:

> Real estate broker commissions – up to 6 percent, depending on the state

- > Taxes and fees – you can check the registry of deed or county records for the amounts
- > Title company closing costs

In the calculation formula that I showed you in the Flip Evaluator, all these expenses are included in the category called "Miscellaneous fees," which should amount to ten percent of your budget. You should have already accounted for these fees when determining your Maximum Allowable Price for purchase. Now, at the closing table, is when those fees get paid.

At the Closing Table

If you have done all your paperwork properly and legally, then you should not face any challenges at the closing table. At the closing table, the real estate agents get a check. At the closing table, the funds are released from escrow and deposited into the seller's account. If there are extra monies coming back at the closing table, then the extra funds go to the buyer. The taxes get paid and the water bill gets paid. Everything gets paid at the closing table. So it is a one-stop money transaction event.

Recording the Transaction

The final task that needs to be done to officially close and record the sale is to register the transaction and all associated documents at the Registrar of Deeds or the office of the County Recorder . This is done by the closing attorney or the title company and usually happens within twenty-four hours of the closing. Once all is recorded, there is a public record of the transaction.

Documents to Protect You:

DUE ON SALE CLAUSE

If you do any form of owner-financing such that you defer receiving part of your money for a period of time you should receive a promissory note signed by the buyers. The note should contain a 'Due on Sale' clause.

The 'Due on Sale' clause states that if the property is sold at some future date that any amounts still owing to you will be paid in full upon closing the sale. Use whatever verbiage is deemed appropriate in your state by your attorney or financial advisor

I recommend using a Due on Sale clause for any transaction involving private investors, because it protects them in the transaction.

PAY-OFF LETTER

The escrow company will provide a pay-off letter to all parties involved in the transaction. The pay-off letter is part of the due diligence period that gets you to the closing table. It allows everyone involved to see how much money they are supposed to get at closing.

Advantages of Exiting With the Program

The advantages of exiting with this program is that you exit with large chunks of cash – $20,000, $30,000, $80,000 – depending on the size of the deal that you are doing. That is the profit center. That's why I do what I do. The payday that I get in six to eight weeks of business is more than what some people make in six months. And once I get a system in place, I can reproduce a deal multiple times. Right now I do five houses at a time. So if each house has a minimum profit of $20,000 and exits in about four months, I make $100,000 in four months.

FLIP

CHAPTER 9

Using Real Estate for Residual Income

There are several ways to make money from real estate. It all depends on what you are looking for. Whether you're looking for a one-time chunk of cash for another big purchase, or you want a little extra money to add to your yearly income, you can make it work with real estate investment.

But what happens when a property doesn't sell? The longer it stays on the market, the more you have to spend (carrying costs interest payments, maintenance and other costs associated with keeping the property). One of the questions I frequently get is how can you keep from losing money on your investment?

One alternative to flipping the property is to rent it out. There may be times when you either can't sell a property, or you don't want to. Maybe the market took a turn for the worse, and you want to wait to sell it when things start looking up.

Whatever the case may be, when you make passive or residual income, you make money by owning rental properties, not by having to work on the property itself. Rentals put money in your pocket. Eventually, you will make enough money from these properties that you will not have to work a full-time job anymore.

Profiting With Real Estate Investments

One of the most, if not the most important thing about real estate investing is to make sure that you have consistent cash flow. In addition to having cash flow, there are other ways that you can profit from real estate investments. This guide will explain some of them:

> Having rental properties and getting income from them is one of the best known ways to profit and keep a consistent cash flow going. The more rental properties you have, the better chance you have of creating sufficient wealth streams for you and your family.

> If you qualify for an equity loan, the money could be used to invest in other properties. Just be sure that the rental income is sufficient to pay the increased debt service.

> If you want to get a higher rent for your property, you may want to spruce it up a bit. Make some upgrades to it so that it will look presentable.

Buying a Property to Generate Positive Cash Flow

Now, on to the part you've been waiting for. Where does the profit come in?

Well, when looking at real estate properties as financial investments, you will have to decide whether appreciated values or positive cash flow is your main goal, and there are some things you need to consider before you make that decision.

Since you will more than likely be looking at both single family homes and multifamily homes, it's important to understand the difference between the two. With single family homes, the value of the property usually appreciates quicker. However, since more expenses are attached, you may not obtain the positive cash flow from rental income that you want.

On the other hand, multifamily units (i.e., duplexes, triplexes, etc.) can generate more positive cash flow. There are also fewer expenses involved. However, they may not appreciate quickly like single-family homes do.

Either way, you will need a reliable real estate agent who is willing to help you find properties that will produce the kind of profit you want - either appreciation or cash flow.

Calculating Your Cash Flow

It's a good idea to take an accounting class when you become an investor. You do not need to become an accountant, but an entry level course will prepare you to understand how to talk with your accountant in order to maximize your income, minimize your expenses, and track your money flow from project to project.

Changing Negative Cash Flow to Positive Cash Flow

Negative cash flow robs you of your profit. You cannot successfully operate your business by spending more money than you take in.

Here are some ways that you can change negative cash flow to a positive one:

> Implement a rent increase to bring your rental rates up to the current market rate. Don't charge more than the market rental rate or you may not have any tenants.

> Make the tenants pay some or all of the utilities. This would relieve a burden from you, but again, be careful not to overdo it.

> Petition your county to lower your property taxes. Sometimes they will. Taxes are one of the major expenses for income properties.

> Contact your insurance company about raising your deductible limit. Then make inquiries about getting a better deal for coverage on the property.

Calculating Monthly Rent

While it might be tempting to just determine how much you want to make per year and divide it by the number of units, there are a number of things that factor into determining how much rent to charge, and you may need to charge less than you would like in order to fill the building. After all, some rent is better than none!

Foremost, you have to look at the supply and demand for rental units within the local real estate market. You may know of other real estate properties similar to yours, but determining how many there are can be important. You may have a difficult time raising rents if you learn that there are a lot of vacancies in your area. A high vacancy rate may even force you to lower the rents you are already charging.

Get to Know Your Cash Flow Property Market

Determining the market rental rates in your area is a process similar to finding comparable sold properties for a flip. You can get to know your cash-flow property market in a number of ways. You can go to an online classified website such as Craigslist.com and check out the "for rent" section. Map out similar rental properties so you know where they are located. You may even want to visit the properties so you can see how many units are in the building or if the building has any special amenities. Do not trespass, but you may be able to see in the windows or take a walk around the building.

You can also call a rental agent to show you some rental properties. But, just as you should disclose to an agent who is conducting an open house to sell a property that you are an investor getting to know the neighborhood, you should likewise disclose that same information to a rental agent.

Just know that in the beginning, you're going to have to use multiple strategies to get to know your market.

Respect Your Tenants

You'd amazed by how many landlords think that their tenants are not important. That attitude is not correct. Your tenants pay your mortgage; your tenants pay off your house. You have to take care of them, period. You have to respect them. And if you respect your tenants, they will respect you in return.

Bragging Rights For Tenants

With cash flow properties, go light on amenities. But your tenants need some bragging rights. You can accomplish a lot in this area through cleanliness and with color. Focus on the kitchen. Give people the bragging right of having a nice, clean kitchen – new, if you can. And if it is not new, give it a fresh coat of paint, and make sure that everything operates correctly. You should give tenants nice appliances. 'Cause that's what people want; they want to feel proud that they have a nice home and that it's clean. Give people a place that's nice and that you would rent yourself – that's the approach to take.

Can You Be A Cash Flow Owner?

That is essentially what you will be when you have real estate properties to rent out to prospective tenants, and property rental is probably one of the best ways to earn a residual income. But before you leap into the world of collecting rents and dealing with renters' issues, you'll need to realize that going into this requires great patience and understanding.

Along with that, being a landlord also means you will:

> Work together to solve problems regarding the property

> Learn to communicate effectively with your tenants

> Make decisions that are in the best interests of the renters and your investment properties

> Want to stay in it for the long haul, especially if you're looking to create wealth

Other than paying the rent, there will be times that the tenants will contact you regarding the condition of the property. Sometimes it may be regarding a needed repair; other times it may be regarding the circumstances of the tenants themselves. Occasionally you may get a tenant who pays their rent late or who will try to skip out on paying it.

It's important to:

> Be respectful to your tenants. After all, they are the ones that are helping you to create wealth (monthly rent). If they call you, return their phone calls as soon as you can. If repairs are needed, get the appropriate people to do them.

> Let your tenant know that you care about them, and that you appreciate them selecting your property to live in. Remember, they can always find somewhere else to live, and make another landlord wealthy. Effective communication is the key.

Finding tenants

ADVERTISING ONLINE

One way is to advertise. And the best place to advertise your rental is somewhere that's free, such as Craigslist.com. You can also advertise in the local newspaper's classified section or in the paper's online version. And do not forget to include beautiful photos, in color if possible.

USE AN AGENT

You can also use a rental agent to help you find tenants, but that will probably cost you a fee in the amount of one month's rent. You have to evaluate whether or not that is a cost effective option for you. For instance, think of what appliances or bragging-rights items you could put in your unit for the cost of a rental agent. Then compare that to how many tenants the agent can bring you. If it makes financial sense to use a rental agent, then go for it.

MAKE FLIERS

If you choose to advertise the property yourself, making fliers is a good option. Be sure to include attractive color photos in your flier, even if it means spending a bit more. Then post the fliers up around the neighborhood, on grocery store bulletin boards, at colleges and universities, at coffee shops, etc.

Make sure to blanket the neighborhood because people already living in the area may have friends or family members that are looking for a place to live – and people want their loved ones to live close to them! People talk and they may say to a friend, "Hey I know of a beautiful place that's for rent right up the street from me."

If you have it in your budget, you can even do flier mailings, although you can deliver them yourself to save money. You may even want to hire someone to take care of this for you if it makes financial sense.

SECTION 8 TENANTS

You might have Section 8 tenants applying to live in your property. Section 8 housing is a government-subsidy program to help low-income tenants afford housing. The Section 8 Housing Office will approve places for tenants to live, and send rental checks directly to property owners and landlords. Depending on the tenant's financial situation, the government checks may be for the full amount of the rent, or they may only a portion of the rent with the tenant making up the difference. Many landlords like working with Section 8 tenants because the government rent checks never bounce and are never late.

My Take on finding Section 8 tenants

I am a Section 8 guy; I like Section 8. I've met a lot of investors who are scared of Section 8, but it's a great way to find tenants. If a tenant has a Section 8 voucher but is not complying with his or her landlord's rules, the landlord can report that person, and he or she will lose the Section 8 voucher. That's huge leverage for a landlord; it did not used to be that way. So now if I show up to one of my Section 8 properties and I see trash all over the place, I give the tenants a warning. If I need to, I will keep complaining to the Section 8 Housing Authority, and they will put them on notice. And the next thing you know, the tenants can lose their voucher, and they end up at the back of the line again. It may take them years to qualify for a voucher again. Tenants understand that, so it's definitely a lot of leverage for a landlord.

The other thing is that with a Section 8 tenant, I get the majority of the rent deposited directly into my bank account, or I get a check sent to me. And that is huge. It is guaranteed money. A small portion will usually come directly from the tenant. And that can be a couple hundred bucks or up to $500.

Caution with finding Section 8 tenants

There are many places that you can find tenants – Section 8 or otherwise. You can make a flier and put it up around the neighborhood. But make sure you do not just say, "Section 8 tenants only" because you cannot discriminate as a landlord. Remember that the #1 rule is to comply with the Fair Housing Act and not discriminate when finding tenants. If you need additional information about that, check with the real estate professionals in your area. That way you know how to advertise and what exactly to say in your ad.

One way to get the most Section 8 funding as possible

When you have a Section 8 voucher from a specific town or city, you don't have to stay in that town. You can use that voucher throughout the entire state. Check with your own state to make sure that's the case there.

So, you can find out which town pays the most for a Section 8 tenant and advertise there. Let's say that you look up a town's Section 8 payment for a two-bed, one-bath, 1,000 square-foot unit. You may learn that they pay $982.

Then you should look at other towns. Let's say that you notice that a town located a half hour away from the first town pays $1,122 for a two-bed unit simply because the cost of living is more expensive in that town. In this way, you can find out which town pays the most for Section 8. Then, you should advertise in the highest-paying town.

Every city is different, so learn what each town offers for Section 8. One of the biggest mistakes that a landlord can make is to take the first offer of Section 8 funding that he or she encounters. These landlords have no idea that they are allowed to go out of their town or city, and collect from $200 to $300 more per unit than they would in the first town. Do the math: an additional $300 times three units is an extra $900 – almost $1,000. That's equivalent of an extra unit with no wear and tear on it. So that is an important strategy that people do not know is available.

Section 8 landlord eligibility

When it comes to Section 8, there are certain regulations that you have to follow. For instance, the Section 8 housing authorities will send in a housing inspector to make sure that you are compliant with building code requirements, such as: having smoke detectors, screens on the windows, railings and other safety factors. It's basic stuff that you should be complying with to begin with.

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CHAPTER 10

Screening Tenants

After you decide on a property, the next step, of course, is filling it. Back in the day, you could put up a "For Rent" sign in the window or front yard of the property and get a decent tenant in no time. However, times have changed, and unfortunately people are often not as trustworthy. Real estate investors now have to use modern technology and other tools to screen potential renters.

Along with the screening come legal issues that you need to know about upfront before you start the process. These would include:

> How the screening is done
> Housing laws (both state and federal)
> Advertising without deception

It's a good idea to read up on the policies and procedures regarding this. Knowing the information beforehand can save you from potential litigation and shelling out thousands of dollars. If you are still not sure, hire an attorney that specializes in this area. It may be expensive, but it will certainly be less so than losing a lawsuit.

When a landlord screens potential tenants, some of the things to consider include:

> Employment
> Current income
> Credit history
> Previous rental history (including any evictions)

The prospective tenant needs to fill out an application. On the application, include a code of conduct that they are to adhere by should you allow them to rent from you. The code of conduct will explain what is expected of you, and what is expected of the tenant. Make sure it is explained in a manner that they can understand it. If you're not sure about the wording, seek counsel from a real estate attorney that specializes in this.

The application should be completed in full. Anything that does not apply to them should be marked with a dash or N/A (not applicable). Go over the application to make sure it is correctly filled out. Ask the applicant to provide you with character references that can be checked, and then be sure to check them. Ask for a photo ID to make sure that the person is who they say they are. The ID, such as a driver's license, should be valid. Copy the driver's license number on the application.

Let the prospective tenant know that you will have a background check as well as a credit check done. This can help you to weed out any potential problem renters. They will have to provide their written consent for the credit check.

Once you've found a prospective tenant whose application looks good, set up a time to meet with them in person. In the world of modern technology, face-to-face meetings can get pushed to the back burner. However, meeting them in person can show you their personality and if they are someone you would want to rent your property to.

One of the most important things that you must do is to follow the policies and procedures of the Fair Housing Act, or FHA. This helps to keep you in line as well as protect prospective tenants from being discriminated against due to race, religion, gender, disability, sexual orientation, etc. Read over the policies carefully. You may have to read them several times to make sure you understand them. Violation of the rules may incur fines or litigation.

Check Credit

Check the credit of each prospective tenant, whether there will be three roommates living in your unit or a husband and wife. This way, you make sure that all the people living in the property are responsible for the rental agreement, in case you have to go after all of them if the situation goes downhill for whatever reason.

It's like asking all tenants "to put their money where their mouth is." It's asking all the tenants to be responsible individuals, who will pay rent on time and keep the place clean. And that's fair because you will be a responsible landlord who make sure they have safe, clean housing. This will create a win-win situation.

Just be honest and upfront with prospective tenants. Disclose on the application that you are going to pull a credit report. Ask prospective tenants to sign an authorization form for you to do so.

Also, ask them if there is anything on their credit report that they want to disclose upfront. It's important to communicate with people and approach them, not from the standpoint of "I'm out there to catch you," but from the standpoint that you simply want all the information upfront.

One of the biggest mistakes that people make is to surprise prospective tenants with a credit check. There are many reasons that a person may have a derogatory mark on his or her credit report. If you scare someone, they may get embarrassed and back away from renting your property.

CREDIT-CHECK COMPANIES

Keep in mind that there are many agencies out there that can check a person's credit report for you. You can check Google for agencies in your area, but also, you don't necessarily have to use a local company. National companies can pull a person's credit report for you just as easily, and they may be less expensive.

FEE FOR CREDIT CHECK

Because most companies charge a fee to pull someone's credit report, you should disclose that fee on the rental application and charge it to the prospective tenant. It keeps people honest, and if tenants do not want to pay the fee, then that tells a story about those people.

If a tenant says, "I don't want you to pull my credit because you are going to find derogatory information that I don't want you to see," or asks "Why am I throwing $30 out the window?" then perhaps that person is not going to be the best tenant.

All that being said, do not overcharge for the credit report fee. If the credit-check company charges you $30 to pull a credit report, simply charge the prospective tenant $30, not $45. Also, some credit-check companies charge less to pull a credit report on a spouse or co-applicant. Always check with the company first.

Use the credit check as a jumping off point

The credit check is just a reference point because a lot of people are renting that have just gone through a short sale or a foreclosure. Anyone with a late mortgage payment is going to have horrible credit right now. Maybe they had a mortgage that was $2,900 per month, but lost the job that supported that amount, causing them to lose the home. But now they found a new job that pays a bit less but can support a rental amount of $1200. Because he or she is downsizing, they can certainly afford to pay rent consistently.

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#1 Concern to Keep in Mind When Screening Tenants

Your main concern when renting to someone is that the person has money to pay the rent – that's the #1 concern. Your application for prospective tenants should ask questions such as: "What is your job? What is your employment? How long have you been there? And do you have a pay slip?"

You'll want to see the pay slip to verify that the person has employment. And when you look at the pay slip, look for the year-to-date earnings to verify that they haven't been jumping from job to job.

You need the security of knowing that these tenants are going to pay their bills. And if you can, you should also try to find out where the person is living now. You may even want to stop by the person's house. One way to do this is to drop off or pick up the application at the person's house. It is not 100% necessary, but you should do that when you can.

Also be sure to mark on your lease or rental agreement the number of people that will live in the property. For instance, you may rent a place to Mr. and Mrs. Smith, but the next thing you know, you've got Mr. and Mrs. Smith's cousins and relatives living in the house too. And the consumption of the water and the wear and tear on the property is on you – it's an ugly situation. So just verify this stuff.

Including Utilities in the Rent

One thing that I do not like to do when I'm renting out a property – unless I have no choice – is to include utilities. This is because tenants will take advantage of included utilities; they just do. I just recently had a tenant that was looking to come in with Section 8. She said to me that she would pay $1,500 per month for this unit with no utilities, and that she would pay $1,672 if utilities were included.

When I looked at the numbers, it averaged out to where I would almost break even if I paid for utilities. But I refused to do it because I have had other tenants in the same situation. I told this lady, "Look, I really don't want to pay the utilities."

And she asked, "Why? I don't understand. I mean, the monthly rent that I am offering will cover my utilities too."

I responded, "I don't want to do it because I've driven by some of my rentals, and the windows are wide open in the middle of winter, meaning that I'm paying for utilities that are going out the window."

She said, "I would never do that. I promise I would never do that. I'm not like that."

I said, "Well, that's great! But you are going to pay for your utilities. I'm going to provide excellent housing for you at an excellent location. And you have to be responsible for your own consumption of utilities."

It was a little push and shove, but I stuck to my guns. And two weeks after the lady moved into my property – this was during the winter – I drove by the place, and sure enough I saw all the windows open. I could clearly see inside the house through the open windows. And the tenant was at work; she was not at home.

So I called her just to let her know. I said, "I just want to let you know that your windows are open."

She asked, "What do you mean?"

"I drove by your house. All your windows are open."

She asked, "Why?"

I said, "I don't know. You live there. I don't live there. But do you see my point? Even though you're paying for your own utilities, you can't even control what your family and kids are doing in the house while you are away. As a landlord, how am I supposed to?"

Things like this happen all the time. Of course, there are situations where a landlord has a three-unit building that has one heating system. In that case, the landlord has no choice. I strongly recommend that when you buy a building like that, you make sure that you account for that 'what if' or 'uh-oh' factor in regard to utilities. You have to assume the worst-case scenario because it will happen. As soon as possible, plan on removing the one heating unit and putting in separate units.

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CHAPTER 11

Maintaining Your Rental Property

Tenant Move-In Inspection

Before a tenant moves into the property, walk through the property with them, using an inspection checklist. You should even take photographs of the place as you do so, and show them to the tenant. It's also smart to have the tenant sign a statement confirming that the photos of the unit represent the actual condition of the unit.

For a copy of a property inspection checklist, visit my website.

Security deposits

Check with your local laws, so you know how much of a security deposit you're allowed to collect.

Generally, taking a security deposit in the amount of one month's rent, plus first and last month's rent will do. Take that security deposit and deposit it into a bank account for that tenant. Do not use the money from the security deposit; typically it is illegal to do so. Keep it in the bank, so it can be used for the tenant; that's what it is there for.

You do not have to be a stickler on how much of a security deposit you take. For instance, if you find a great family to rent your property and they say, "You know, we can give you first and last month's rent, but it is really taxing on us because we need to buy the kids some new clothes," then you may want to cut down the amount that you collect. A large part of this country lives paycheck to paycheck, week to week. So you may need to be flexible.

However, you need to collect some sort of security deposit so the tenant feels a sense of responsibility toward the property. If you do not collect a deposit, there is no recourse. Look at it this way: your tenants have to have some skin in the game. Choose an amount that will make a difference to them. If you only collect the last month's rent, that may not be enough to cover damages or make the tenants feel a sense of responsibility toward the property.

You may want to set a minimum threshold security amount, such as 30 percent of the monthly rental amount. Thirty percent is a fair amount because $300 on a $1,000 rental amount is still a lot of money to someone who is living paycheck to paycheck.

Make sure that the tenant knows that he or she will get the security deposit back. If people think that they are never going to see that money again, they may stop caring about the property.

Tenant move-out inspection

Before tenants move in, take pictures and have them confirm that there are no scuff marks or chipped paint on the hallway walls or what have you. When the tenants move out, make sure that either you or a representative is there.

That way if there are new scuffs on the wall, you or the representative can point them out to the tenants so there are no surprises about how much of the security deposit they are going to get back.

You should also make a decision as to whether or not you want the tenants to try to fix small damages themselves. For example, do you want to let tenants paint the walls before they move out if they have scuffed them up? Sometimes this is an easy solution, but sometimes it is more of a hassle for you than just charging them $200 for new paint. For example: what if the tenants do not know how to paint and end up making a bigger mess. Or maybe they end up hurting themselves and now it's a liability for you. It may be safer to tell tenants upfront that you will fix any damages.

Eviction

When drawing up a lease agreement, you have options. You can draw up a one-year lease, or you can draw up a tenancy-at-will lease, among other options. A tenancy-at-will lease allows the landlord to terminate the lease at his or her discretion, usually giving the tenant 30 days notice (depending on state law).

Depending on the state or the type of lease, it may be easier or harder to evict a tenant if needed. For instance, one state may allow a two-week eviction period, while another calls for 30 days. So, check with your local authorities to find out what the protocol is for evicting a tenant.

Talking Directly to Tenants

If there is a problem with certain tenants, I like to communicate with them directly. I don't like having attorneys do it. Because if I get an attorney, that pisses them off. It just makes them mad and they get offended. So, I pick up the phone or I go by the place and say, "You are not paying the rent. What's going on? Just talk to me. Just tell me the truth. What's up?"

And then I shut up. And then they talk. They may say, "I have extra car expenses this month" or "I have emergency medical bills."

Usually they have a problem with money. That's it. That's why they are not paying. If that is the case, you need to see it for yourself and evaluate the situation. If you have a tenancy-at-will lease, you may want to give back a tenant's security deposit and last month's rent and tell them to find another place to rent.

This may seem harsh, but it's better than dragging things out until you have to hire an attorney to evict the tenant or get back the money for rent that the person owes. You could lose whatever that person's rental amount is, $1,000 let's say, month after month for four months. So now you've lost $4,000, plus whatever you've paid for the attorney, which may be around $2,000. So all of a sudden you've lost $6,000.

Check the eviction laws in your state. Know what your options are in case you need them. You may want to offer a non-paying tenant the opportunity to move into a less expensive unit you own rather than just evicting them. Keep your emotions out of the equation, or you will lose. This is business; it's not based on emotion. Also know that when it comes to tenants, you win some and you lose some. But overall, you should win more than you lose.

Having Repairs Done

Even before you purchase the real estate property, you need to include repairs. There is no doubt that with a home, something will eventually need to be repaired. Not even counting the things your tenants will break, things will deteriorate over time: that's just the nature of the real estate investing business.

Repairs may be one of the last things that investors think about, if at all. What's more important to them is making sure they receive their rent payments on time, paying taxes, and other related issues regarding money. Of course, that's important too, but it's usually the little things that they don't think about which end up breaking the bank.

As a real estate owner, you are obligated to make sure that your tenants are reasonably safe. First, before you rent a property out to a tenant, look at the property carefully to see if there is anything that needs to be fixed. A good rule of thumb is to ask yourself, "Would I feel safe living here?" If the answer is no, something needs to be fixed. Remember to be thorough: if your tenants are injured by something you overlooked, you will be responsible.

Unfortunately for you, you are only human. There are things you are going to miss; namely, things outside your realm of knowledge. For example, if you don't know anything about electrical work, you might not recognize (or even know how to look for) amateur wiring or insufficient electrical service to the house. There are a large number of contractors that make their living servicing and maintaining homes; electricians, carpenters, and plumbers to name a few. Unless you are willing and able to learn all those jobs yourself, you will have to hire professionals.

It is important to hire professionals (or make repairs yourself) promptly after problems are reported. Ask yourself "Would I be happy living here if my 'X' didn't work?" Put yourself in the tenant's shoes for a moment. Obviously, you would want repairs done as fast as possible.

An often overlooked concern is setting aside money for these inevitable repairs. Be careful when it comes to this. You don't want to purchase a property that requires massive reworking and repair; that will not only cost you time, but setting aside that much money effectively cuts into your profits, which is why you are investing in the first place.

Cash Reserves for Vacancies and Repairs

You should budget some money for vacancies and repairs. A general guideline for cash reserves is twenty percent of the annual rental income.

One way to build instant cash reserves is to properly time the closing of your purchase transaction. When you close a new mortgage transaction, you typically do not have a mortgage payment for the first month of ownership. So if you close the transaction in September, you will not have to make the first mortgage payment until November 1st (versus October 1st). In this way, you can think of the missing October mortgage payment as extra cash reserves.

Suppose you were buying a three-unit property during the month of September. At closing, the seller should transfer reserves to you for the security deposit and the last month's rent for each of the units. If the rental income for each unit is $1,000 per month, you should get $6,000 in cash reserves at closing. Then, on October 1st, you will get another $3,000 in rental income, but you will not have a mortgage payment to make. Set this money aside as a reserve to cover unexpected repairs. If you time things right, you can build significant instant cash reserves.

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Property Management Companies

Some investors may want to hire a property management company to oversee the cash flow property. That is fine if you have evaluated the scenario and it makes sense for you.

If you choose to use a property management company, you should set aside money for the company's management fee. This will probably come to about ten percent of your rental income If you have a three-unit property that's collecting $3,000 per month in rent, you would need to set aside $300 for management fees.

Taking Calls From Tenants

If you choose to take on the property management duties yourself, be sure to set some guidelines for tenants. For example, make sure that you have a separate phone number (that is not your cell phone) where they can contact you. You may want to get an 800 number that has a voice mail service. That way you can record a message that gives instructions, such as "If this is an emergency, call so-and-so." You want tenants to be able to get in touch with you without bombarding your cell phone with calls.

There are also services that will email you once someone has left a voice message. These services may cost around $19.95 a month. That way your phone will not ring every time a tenant calls. Set yourself up correctly from beginning, by design.

Also reverse engineer things so that you get fewer calls. This means that you should make sure the plumbing works and that the roof does not leak. Put together a nice product that does not require many calls from disappointed tenants. By making sure that everything works and that things are done right, your phone will not ring off the hook.

Role of Assistants in Managing Properties

Another option is to have your business assistants help you with non-crucial tenant matters. For instance, if a tenant needs to have a toilet plunged, that's a non-critical matter that you may want to avoid.

One strategy is to give your assistant authority to make decisions up to a certain dollar amount. For example, you can authorize your assistant to make decisions that will result in spending $100 or less to fix the problem.

This way, you are not bothered if a tenant has a doorbell that does not work or is missing the downspout on the rain gutter. These are problems that require a $10 fix. Also, this allows you to keep an overall eye on multiple properties but stay out of the day-to-day stuff.

I have trained my assistants to do things the way I would do them, so I can disassociate myself from daily operations. And I keep the extra money that would go to property management companies in my pocket.

CHAPTER 12

Conclusion

Congratulations! You've done it. You have made it through the entire Program and now understand how the Program works. By now, you should be on your way. You've assembled a team, have people bringing in deals, you know how to evaluate a deal, what needs to be done to improve the house, and how to sell it.

Go out and make today, the first day of the rest of your life!

Here's to your success!

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Flip It Forward

Real Estate Program