FLIP!

Step-By-Step Guide for Transforming Your Financial Future by Making Smart Investments in Real Estate

BY JOSH CANTWELL

Flip!

TABLE OF CONTENTS

Who Are You, and Why Are You Holding This Book? 1

Getting the Funding Handed Over to You 5

Choose the Best Deal On Your Doorstep 21

Maximize Every Day 31

Outsource the Improvements to the Handyman 41

Property Launches 51

Outsource the Closing Checklist 60

Seven Figure Business Systems 72

About the Author 85

WHO ARE YOU, AND WHY ARE YOU HOLDING THIS BOOK?

Second question first. You're holding this book because you want something. Something more than what you've got right now. You've probably held onto a dream for a while – a dream of a life you design to work the way you want it to, a dream of all the money you need to provide for those you care about, a dream of getting paid well because of what you know – rather than for hours you work for someone else.

You're looking for information on flipping homes. To be a tad more precise… you want to learn how to make money flipping homes. You've been around long enough to know there's an important difference between doing a thing and making money at it.

You're probably a lot like I was a while back.

When I started in real estate investing, I had two things:

An inexplicable (okay, freaky) sense of confidence that I could make it work.

A commitment to learn and apply everything I could about the real estate business.

That's pretty much it. I didn't have any experience or licenses. I sure didn't have a roadmap telling me how to do this. All I knew about real estate investing could have fit on a tattoo so small you wouldn't even say "ouch" before you reached the end.

Of course, I didn't stay ignorant. (If I had, you'd be crazy to read this book.)

I went nuts learning all I could. That meant every training and boot camp I could attend. Then I took all this newfound knowledge and unleashed it on a thriving real estate market where you could pretty much throw a rock and hit a winner of a deal.

Um, no. I started in Cleveland, Ohio. Not exactly a booming metropolis. In fact, it's a market known for severe job loss, soaring unemployment rates, and a glut of houses on the market. The 'experts' – if they even considered Cleveland for a moment – would run screaming in the other direction rather than try to make a go of it in this market.

But who doesn't love a good challenge? After a while, I'd assembled a team to work with and we were taking real estate investing success to a whole new level. We were making more money than any of the ‘gurus’ would have believed possible in a sad little market like Cleveland.

Two things began to happen:

Our competitors went out of business.

We thrived.

In fact, before long, when we went to trainings and boot camps, something changed. We went from sitting in the seats to presenting on stage. We taught thousands of people all over the United States the very same strategies we use to make millions flipping homes.

I’ve gotta tell you, I like making money. I like making a lot of money… a lot.

But that happy flush-with-cash feeling doesn’t even come close to how good it feels when my students close their first deals. When they close a second deal? When they report back that their pipeline is full of flips in progress? Doesn’t get better than that.

So it’s kind of weird when I meet people who find out what I do, and they ask, “Isn’t flipping houses a ton of work? Isn’t it incredibly risky?”

A ton of work? I can think of a lot harder ways to make money. Digging ditches? Working full-time for someone else’s business? In life, if something’s worthwhile, it’s worth the work it takes to learn and do it.

Risky? Well, obviously I can’t make any sort of promises that you’ll succeed in real estate investing. I have no idea how hard you’ll study, how quickly you’ll implement what you learn, how well you’ll stick to your commitment to do this, how badly you want it.

What I do know is that my team is good at what we do.

We’re in the trenches with you. We are active investors. We work on our own deals on a daily basis. This is what we do. Now. Not just a few years ago. Not just in theory.

I’ve seen the impact a successful real estate investing business has on a family, and am so passionate about helping others win the freedom to design their own lives the way they want, too.

My name is Josh Cantwell.

I’m a lot of things:

- A husband
- A dad
- A real estate investor
- A lender
- An acclaimed author
- A mentor
- A cancer survivor

You probably didn’t see that last one coming. I sure didn’t. But it did, a few years back. Cancer left me literally on my deathbed. The doctors had zero hope I’d recover.

A guy does a lot of thinking in a situation like that. Usually, people who are dying start making a list of all the stuff they regret:

- Spending their best years working hard at a job they hate
- Going it alone in life, always trying to “figure it out” but never reaching that point
- Giving up on their dreams – or putting them off until ‘later’
- Living lives that don’t reflect what they value most – they never get enough time with the people they love
- Oh, and they go broke because while they’re sick, they’re not working.

But that wasn’t me.

I’m a very fortunate man.

Because of my real estate investing business – the same one I’m going to teach you about – I never missed a check. More than that, I spend every waking moment with the people I love. I do what I love. I live my dreams.

That’s what real freedom means. You spend your time doing what you want to do, with the people you love. You’re not worried about the market. You’re not off chasing the latest shiny object fad in investing. Your business isn’t built on a shaky foundation that could crumble in a moment. You know you can provide for your family, no matter what.

That kind of life only comes from having a proven system to follow with your business. That's the kind of life I want to help you have. In fact, I'll take you as far as you want to go with me, helping you all along the way as you turn your dreams into your day-to-day reality.

We are true experts at finding, negotiating, structuring, renovating, managing and selling properties for massive profit. We've put together deals in every corner of the country. So whether you're in New York City… or Buford, Wyoming… we can show you how to cash checks. Period.

Your part in this is to be an eager student. Read, absorb, and put into action what you're about to find in this book. You may be looking into real estate investing, foreclosures and short sales to bolster your real estate business, to create a second income or to leave your job forever. Yes, you can make significant money in real estate, but real estate can also give you the freedom to design the life you want.

That's all I want for you.

Let's get on with it!

Getting the Funding Handed Over to You

Wait! Why are we starting with THIS topic? Shouldn't we start with how to find houses to flip? Or, how to make the kinds of repairs and improvements that turn a dump into a diamond? Or how to find buyers and sell, sell, sell?

Know how every major plan has that one piece that'll make you or break you? It's that part of a business that people sweat over, trying to find a solution to make the numbers work, to create a sustainable model, to crack the code so they can make money as easily as pulling a lever on a machine.

This is that piece.

If you've got even one entrepreneurial bone in your body, if you've been listening to the siren song of real estate flipping, you've started humming along. You see the potential. You've heard of people who are making money hand over fist as they flip. You've probably also heard of people who've lost everything because they did it wrong. You know there are rocks under the surface of the water, and want to learn all you can to avoid hitting them. That's why you're reading this.

See, most people, when you talk about flipping real estate, have the wrong idea about what the most critical piece of the puzzle is. They might think it's hard to find the homes. They might shelve the whole idea because their handyman skills suck. They might take a look across the street and see that their neighbor's house STILL hasn't sold, after being on the market for forever and think the tough part is selling flipped houses. And if they think they've got those challenges covered, they might think they're good to go.

And that's where they start a crash and burn of epic proportions.

Here's the first law of success in flipping houses: You've got to have money.

The second law is just as important: It doesn't have to be YOUR money.

We're starting with the money question because when you've got this piece of the puzzle in place, the rest of it can work. Without capital, you're screwed.

In fact, it's not even just having access to money that determines how well you'll do at flipping houses. You've got to have access to money that's fast and flexible. The flipping business moves fast, and if you're hung up trying to qualify for a bank loan, you'll never make it. Find an endless source of financial backing, and you'll be able to do all the deals you can handle, though.

How About I Show You How To Find All The Money You Need?

Forget what you think you know about raising capital for real estate investing. I'm going to teach you the basics of the capital-generating system I use in my own flipping business. We're going to ramp up your investment capital knowledge and your ability to find private money partners. It's all about generating capital and getting other business people on board to help you establish your successful business.

First, What Doesn't Work

Have a ton of cash on hand? A perfect credit rating? No? Then you're out of the game automatically… unless you find a better way to fund your flipping.

Most wannabe property flippers figure they'll go to the bank, apply for a loan, then rehab and sell a house for a nice profit. Again, they focus their attention on buying and selling, because they don't realize that potential profit starts with getting favorable funding lined up first. They're off-track from the start.

See, it can be very difficult to qualify for a bank loan or institutional loan for these kinds of real estate transactions. Banks don't like this kind of opportunity. There are a multitude of reasons they want nothing to do with flipping, but it all boils down to their perception of how likely it is for the loan to be repaid. The rules banks are obligated to follow are all designed to maximize the odds of being repaid on-time while earning the highest possible interest on the loan in the meantime. Actually, anyone who lends money (more than once, anyway!) wants those same outcomes: on-time repayment and interest income in the interim.

The challenge is that banks have taken a beating in the past decade. So have many banking customers, and even those with formerly sterling credit ratings are showing some major wear and tear. While it used to be easy to get huge lines of credit from banks, with not much more than a signature, it's not like that today.

Banks are out because they don't really want to fund your flipping pursuits. But they're also out because they're freaking slow. By the time you miraculously arrange financing through a bank, it's pretty much a guarantee that any house you've had your eye on for flipping purposes is going to be gone.

Good thing banks aren't the only source of money, huh?

So, forget banks. Let's talk alternatives.

Private Investors

The first alternative we want to cover is money from private investors. There are two big rules to follow when you get funding from private investors:

Pay them back on-time.

Pay them the going private investor rate.

Follow these two rules, and you'll have no shortage of private investors who want to lend you money. A win-win business model is establishing a successful relationship with one or two private investors. That's all you'll need.

How Does the Deal Go Down with Private Investors?

There are two common ways a private investor deal might look. One is where a private investor lends through a note secured against the subject real estate with a mortgage. Essentially, the deal is between you and the private investor, who acts like a bank by holding a mortgage on the house you're flipping. The other option is forming a jointly-held LLC with your private investor, giving them an equity partnership position. In this scenario there is no mortgage but you both take ownership of shares in the LLC.

How to Find Private Investors

Private investors are all around you, constantly searching for opportunities to put their money to work for them. That's the good news.

The somewhat bad news is that if you approach prospective private investors the wrong way, you'll get in big trouble. A lot depends on who you approach, when you approach them, and how you approach them. Here's some information you need to pay attention to

– it's not complicated, but it can make or break your flipping business, and understanding it means the difference between creating a hugely profitable business, or a nightmare of legal issues.

Public Offering vs. Private Placement

A public offering is seeking money through company stocks, mutual fund companies, etc. A broker can legally solicit and sell to the general public; however, you can only make a public offer if you are a licensed broker or dealer. Odds are, you're not either of those, so we're not going to talk about that anymore.

The other option is private placement. In a nutshell, private placement doesn't involve registering with the Securities and Exchange Commission. It's not advertised to the general public. Instead, it's an opportunity offered only to a few, hand-selected individuals with enough financial resources, clout, and experience to make investments like this without the formalized protection that's implied by SEC-regulated transactions. It's used a lot to finance projects that are a bad fit for more public capital markets. It's a high-touch type of arrangement, where the parties take responsibility for vetting each other, and for doing their own due diligence to make sure the transaction goes smoothly… meaning the investor gets repaid on-time and makes enough interest income along the way to make it a worthwhile investment. The private placement investor doesn't have to get approval from a board or a bunch of stockholders to invest in your flipping project – if they want in, they invest.

Soliciting Private Placement Relationships

There are very specific rules about solicitation of private placement. You can't just take out an ad on public websites like Facebook, Craigslist, or LinkedIn. That's illegal, so don't even think about trying to do it.

The name of the game in private placement is approaching people you've already got a personal relationship with – or who have relationships with people you're already connected to. In fact, referrals are the best source of private funding. This kind of funding source is perfectly legal, as long as you do it the right way… and keep documentation proving you did it all above-board, that you didn't solicit them by making a public offer. What you're aiming for here is to form arrangements for a private loan.

It’s a Fine Line

If you meet with a potential investor and make them an offer straightaway, that would be considered a public offer. Don’t do that. You should start off by talking with them about your real estate plan and discuss with them your case studies.

You never want to solicit people trying to get them to loan you money. Instead, you take the approach of building a relationship. This not only keeps you within the bounds of the private investment rules, but also benefits you both long-term. By building a solid relationship with a select group of private investors, the kind of relationship that will extend beyond a one-time loan, you’ll all win.

You can’t just approach strangers with your “opportunity of a lifetime” and ask them for funding. Do that, and two bad things will happen:

You’ll become “that” guy. You know, the one nobody wants to get trapped into talking to at any social gathering because they know you’ll hit them up for money.

You’re likely to get in trouble. Lead with a request for a stranger to make an investment in your flipping endeavors, and you’ve crossed the line into making a public offer.

Move from a Public to a Private Relationship Before Securing Funding

Offering an investment opportunity right off the bat is out. That doesn’t mean you’re limited only to people you’re either related to or have known forever. You can build strategic relationships with investment as your ultimate goal. Just do it gradually, following the guidelines of what makes an investment private. It’s not complicated. In fact, here’s a good rule of thumb you can follow:

3 contacts within 30 days.

Make at least three contacts with someone within 30 days. Get to know them before ever discussing the investment opportunity.

This way you move from a public solicitation situation to knowing that person on a personal basis. Make sure you research the laws regarding money solicitations, since they frequently change.

Actually, one of the best moves you can make is to build a group of contacts and colleagues who can help you build your flipping business. Add the right people to the mix – some investors, some mentors, an attorney who's experienced in this area of law – and you'll benefit from having more protection and opportunity than you'd have on your own.

Remember, your biggest asset is your list of acquaintances and friends. That's true no matter what you do in life, but it's especially valid for real estate investors. Staying connected to people you already know, while building an ever-expanding circle of acquaintances is the secret formula for finding private investors who will benefit by partnering up with you on your flips. By talking about what's most exciting in your flipping business – and we'll get into more detail on that soon – you'll create a situation where everyone who knows you is aware of what you do. That makes it easy for them to refer you to other people they know who might be interested in establishing a funding relationship with you.

The Simple Seven-Step Plan for Success with Private Investors

1. Make a list, and check it twice.

You've already built a bigger network of friends and acquaintances than you might realize. Start brainstorming a list of all the people you already know. Compile your list in a spreadsheet, including as much contact information as you can – email addresses, street addresses, and phone numbers are gold. Get out there and network with these people every opportunity you can.

2. Stay connected.

Send them your case studies and newsletters every month but DO NOT ask them to fund your project from your mailer. The contact mailer is simply to put you at the top of their minds for potential investments without you asking them for money for a particular deal. Remember, your contact should be someone whom you have identified as having the financial resources and temperament to potentially loan you money. Keep in mind that you must have an existing, prior relationship with these people before you make them a private offer.

3. Get face-to-face.

Your newsletter should have a request to have a quick call to discuss getting together in person. You are not telling your contact that you want to get together to discuss loans or investment deals, but to discuss what you are doing as a real estate professional. The idea is to establish a relationship so you can prove (if this person is a new contact for you) that you have had a relationship with them for at least thirty days and have been in touch with them at least three times. This is an important element of proving a previous existing relationship.

4. At the right time, present your opportunity.

When you meet with a potential investor face-to-face and they ask what you do, answer their question this way, "I generate funds for real estate projects. I generate those funds from private investors. I buy portfolios of distressed properties and foreclosures and I offer the private investor a fixed, double digit interest rate."

Your approach with a private investor should always be to describe the prospective deal in terms of what it means to him, not what it means to you. Be sure to tell them about the wonderful benefits they will enjoy being your financial partner. For example, once you've proven yourself and paid off their loan as you have agreed, they will be much more inclined to lend you funds for a second, third, and fourth project. You should tell them that. Let them see the long-term benefits they will enjoy by being your financial partner.

When your prospective private investor sees what you're doing, they may get excited about the opportunity to get involved. After you've established a provable prior relationship, it's time to show them various investment opportunities and options and tell them about potential investment prospects. There is really only one path in the investment choices presented, and that is to make sure they understand that other investment possibilities are not a good option and that being a financial partner with you is the best decision they could make.

5. Following up is critical.

When they ask for more information be sure to get their business card so you can send them your newsletter. Or simply ask for their phone number and call them. When you do, be sure to have them save your number so they can text you. The purpose of all this is to encourage their interest and get their phone number so you can text them. You may close the deal with them immediately, but you may also need to keep in front of them for a few months or even a year or more. Keep the long view in sight.

6. Build your team.

Your goal will be to find one private lender, one project and one contractor. If you do this you can work with this team over and over again. It's best to have a proven team in place. Everyone learns how each other works and how best to work together as a team. The private lender is an essential part of your team.

7. Care for your private investors to ensure a perpetual payoff.

The private investor is worth a lot more than just the first deal and the first $40K. They are literally worth hundreds of thousands of dollars and profits when their financial resources are put to work. Make sure your private investor is getting a good percentage rate for their money. They should get at least 12% to 15% on average.

> "I have been listening to Josh/Chris/Kyle and the rest of the team since May, and it was not easy to get out and talk to people to get them to loan me money but the lessons here have not only been a confidence booster because I know I have the info at my fingertips but also motivational by hearing some of the success stories and having people share their ideas in this group. Following Josh's instructions I now have $350k (working my way towards 1 mil by year's end!) Of private money to work with!! This stuff really works! It takes time and effort but definitely works and definitely worth every penny!"
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> **Kamilia A**

How About Funding from IRA Accounts?

Not all IRAs operate the same way. It's important to understand how different IRAs work.

The Traditional Tax Deferred IRA

A traditional tax deferred IRA is one in which, in theory, you pay the taxes on the funds only after you have legally withdrawn the funds. This typically occurs upon your retirement or when you have reached a certain age, usually 55 or older. Before then you are normally legally restricted from withdrawing the funds. In the meantime, all the revenues generated on the IRA, like interest, profits, and so on are tax deferred, meaning you pay no taxes on these sources of revenue. Of course, when you finally withdraw the funds you will pay the taxes on any earnings generated by the fund, but your tax bracket is usually lower because you are retired, in theory.

When you put money into an account from your taxed earnings, you have already paid the tax, which is typically withdrawn from your earnings before you have received them. This means that when you take the funds out of the account you will not pay any taxes since you've already paid them.

The Tax Deferred IRA is an excellent way to build tax-free and tax-deferred wealth.

Not the Only Game In Town… Check Out the Self-Directed IRA

Most people with IRAs have traditional IRAs. They buy into financial advisor services as they purchase shares in mutual funds or buy stocks directly. These are typically managed by financial advisors who work under SEC regulation. There's money to be made that way, of course. In fact, many of the largest national and international conglomerates and companies have become large and successful in part because of their financial advisors. They have a financial incentive, in the form of commissions, to sell their products that their broker has qualified and endorsed.

That's not what we're talking about here. We're talking about self-directed IRAs. Through a self-directed IRA, people can invest in all kinds of opportunities like notes, gas and oil leases, stocks, mortgages, and so on. With these accounts, investors are pretty much on their own when it comes to finding and getting in on investment opportunities. The best self-directed IRA programs have the involvement of wise advisors, though. Even though these advisors don't endorse any particular investments, they can serve to help the IRA retirement account holder in understanding whether specific investments are legal. We will cover the basics – both the legal elements and the flexibility you have with retirement accounts, including how imaginative you can get and the rules you will need to follow.

The Scoop on Using a Self-Directed IRA for Flipping Funds

You can't use your own IRA as a source of funds for yourself, or to pledge as security or collateral for your own loan, as collateral when you want to buy property you want to live in.

However, if you're in the flipping business, there are ways to buy and sell real estate in a self-directed IRA. Profits from flips done this way are either tax-deferred or tax-free, depending on the particulars of the deal. There are limits on how many you can do per year, and a host of rules you need to know and follow. Even with the legal hoops you need to jump through, this is a great way to grow your IRA and take advantage of the tax regulations to get maximum benefit from every dollar you put into your IRA.

It's a little complicated to use your IRA as a source of funds to buy property, but the gist of it is that you need to loan funds to a company and not to yourself. For example, if you set up an LLC corporation with a trusted partner, you can then lend your IRA funds to that company, which then uses the funds to buy property.

The best way to get and use a self-directed IRA to fund your flipping business is to consult with an expert on self-directed IRAs. The stakes are high, and you don't want to make a legal mistake with your retirement funds, but with solid advice and guidance to help you stay within bounds, this may be an excellent funding source.

The iPlan Group

In simple terms, the iPlan Group is a platform that people can use to invest their retirement funds into assets instead of various other kinds of investment programs and funds. iPlan doesn't give advice but instead provides their platform, which keeps current with the constantly changing laws. The company is made up of investors, and has nearly 70 years of experience with a wide range of financial programs and services. A huge amount of value is generated when the iPlan Group platform is used.

The iPlan Group provides input on how you might structure your business, and your promissory note when you get a lender or an investor to help you reach your goals. You might be surprised to find out how many deals are being made in today's real estate investment market using self-directed IRA funds.

If you're interested in rolling over your money, you can do that with the iPlan Group. The iPlan Group is an IRA custodian handling non-traditional assets. They are a self-directed retirement plan custodian we work with on a regular basis and highly recommend. They can be contacted directly at 855-604-7526.

Alternative Forms of Funding

There are other ways to secure funding, including bank lines of credit and hard-money loans. This may work particularly well if you're buying properties in more expensive regions and neighborhoods.

Bank Line of Credit

A bank line of credit is a second alternative type of corporate institutional funding, which some people find very effective. To get a line of credit from a bank you have to meet strict requirements. For example, you have to own your company for at least two years, and you must be able to present solid financial statements. If you have the financial resources to pull it off, this may be a great way to fund your flipping business.

Unfortunately, many of us do not have the kind of blue-chip financial background to secure this kind of financing. Institutional hard money and bank credit lines are solid alternatives for those of us who have a great financial picture with a lot of assets and a big income.

Not to worry, you can easily get all the cash you need to run a successful flipping business by focusing on private investors and establishing an ongoing relationship with hard money lenders.

Hard Money Loans

Sounds a little scary, right? If you aren't familiar with hard money loans, you might be picturing a guy in a dark suit pulling up in a sleek, new luxury car with the windows tinted, throwing a sack of cash out the window, uttering a threat or two, and then peeling off. Money? Check. Hard? Check. But not at all what we're talking about here.

There are a couple of different kinds of hard money lenders. There is the private individual hard money lender, and there is also the corporate, institutional hard money lender. One example of a corporate hard money lender is ReCasa Investment Group.

Private individual hard money loans are typically made to real estate investors and flippers based on the subject property rather than on the borrower's credit profile. Typically these loans carry a higher interest rate and are therefore more expensive than a regular mortgage, in many cases as much as twice what an average bank mortgage would charge.

You'll also pay higher origination fees than with other forms of funding. Hard money lenders often require that the loan be backed up, or collateralized, with real assets.

Who Uses Hard Money Loans?

Flippers, developers, and other real estate investors frequently use hard money loans to fund their projects. Why? Because often they can get hard money loans up to 100% of the purchase price.

If you know you can purchase a piece of real estate and sell it quickly for a large profit, and you are unable to secure a conventional mortgage, it would be a smart way to go. Many real estate investors use a hard money loan to buy the property, do some fast repairs to increase the value, and then get a conventional loan from a bank, based on the property's now increased value. The conventional bank funds can then be used to pay off the higher interest hard money loan.

How Difficult Is It to Get a Hard Money Loan?

Hard money loans are fairly easy to get and do a great job of cutting through all the red tape involved with conventional loans. The key is to develop a solid relationship with a local hard money lender. Once you've established that relationship, it's usually easy to get funding for a project very quickly, sometimes in just a day or two, and even without an appraisal sometimes. However, there are almost always origination fees.

Hard Money Terms Vary

Different hard money lenders have different requirements. For example, you might find a hard money lender wants to keep his money loaned out. This is the kind of lender who's going to charge 13% interest and one point origination fee if you keep the loan for over a year. Or, they might charge two more points if you're keeping the loan for less than a year. In some cases, they only do 25-year notes and want you to stay for the duration.

The typical hard money lender will usually charge right around the usury rate for hard money loans. This can vary by area, but typically might be around 18% per year. Most hard money lenders will charge a 5% origination fee on a one year note at 13% interest. Others might loan at no points but with an 18% annual rate with a shorter term.

The Positives of a Hard Money Loan

In many cases the hard money loan is not based on your credit worthiness or credit score. In addition, you can usually obtain funds within a few days (anywhere from one day to usually not more than ten to fifteen), instead of the 30 days or more with conventional loans. And you can usually get the loan on just about any property you come up with. Also, you are not normally dealing with a processing group, like you would be at a bank. Instead you are dealing directly with the person lending the funds.

If they say yes, then the loan is yours. This is much better and faster than going through a bank loan committee and an underwriting procedure.

Hard money loans are not a good idea for long-term investments. But they're a great tool when dealing with the initial purchase, flips, and rehabs.

Corporate Hard Money Financing

An alternative form of hard money financing is to use investment property lending companies like ReCasa Financial Group, which loans in ten states between Nebraska and New York. There are many other companies out there that do the same thing. This is simply one more form of financing. Private individual hard money financing is still a better option than this kind of corporate hard money financing for many reasons, but if you're looking at hard money financing, corporate hard money financing may be a great option for you.

To get a loan from a company like ReCasa, you should have excellent credit and a solid financial track record. The loan amount is up to and including 100% of the purchase cost and improvements of as much as 70% of the finished project. The term can be up to nine months with a rate of Prime plus 6.25% with a minimum of 9.5%.

Wrap It Up

Alright, you now know more about the first make-or-break element of a successful real estate flipping business than most would-be flippers out there. Without cash, you're screwed from the start. With a steady stream of cash on demand, from private investors, self-directed IRAs, and a few select hard money lenders, you've got one of the most important resources you need to make this work. Without money to use, you're done. It takes some planning and effort to explore your funding options and to get them lined up for your first flip, so get going now.

Joining in on the live coaching calls is the best way to get answers for all of your specific questions on funding. In the 40K Flips course (www.40kflips.com), we go into funding in even greater detail, talk with some legal experts, and even share information on the funding sources we use in our business. Plus, students get access to a fully editable, done for you PowerPoint presentation you can use for speaking with Private Lenders.

A few comments from our students:

"Just wanted to say thank you!! Your PowerPoint works!!! I met up with a private money lender and they said they would work with me!!! Awesome!!! This works!!!"

Long Bui

"So far I've raised just about $250K and now I'm working on another $350K. This system is moving great."

Patrick McGlynn

"What these guys do best is that nothing is filtered. They are in the trenches. They are doing deals. There's nothing that can replace that. It's just a matter of doing what they say and following their system. Their best interest is watching out for my best interest. There is no comparison. There's these guys… and then everything else."

DK Kim, Attorney and Student

Up next, it's time to put all that money you've just accessed to work for you. In the next chapter, you'll discover EXACTLY how I consistently acquire 2-4 homes per month without ever spending a dime on marketing. You'll also learn how to evaluate properties so you've got the best shot at making every flip highly profitable. How do you do that? A little hint: Pay attention to the Mini Property Launch Strategy that's coming right up.

Choose the Best Deal On Your Doorstep

While it would be great to have a large budget set aside for marketing purposes, let's face it, most of us don't have money laying around to throw at real estate marketing. After all, we are in this thing to make money, not spend it.

Is it possible to get your $40K flips when you have a zero marketing budget? Can you really acquire 2-4 homes to flip every month… without spending a cent on marketing to get them? Yes, you can! And you'll also learn exactly what to do to ensure you are NEVER stuck holding a deal that won't make you a ton of money.

Let's break it down for you so you can envision how to find your properties and make offers—all without money set aside for marketing.

How to Find Foreclosures

For finding the best foreclosures, we can utilize two different angles:

Approach the foreclosures as a broker using the MLS.

Approach the foreclosures as a non-broker using Zillow.com.

Obviously the approaches are different, yet both can lead you to where you want to be—finding the ideal foreclosures to match your interests, budget and to make you money when you flip them. You don't have to be a real estate agent to make this work, which is why we want to share with you the non-broker approach as well as the broker approach.

My brother Mark is not a real estate agent and he has been very successful in this industry, so I will be sharing with you how he has made it work for him. If you are like Mark and are not a real estate agent nor working closely with one, one of the best websites for finding and evaluating profitable foreclosures is Zillow.com. The site is a must-have resource for people who do not have access to a Multiple Listing Service.

For example's sake, let's say we are in the market for a home with at least 1,000 square feet, two bedrooms, and extra space you could convert into a third bedroom.

Here are the simple steps for running a search and conducting a CMA (Comparative Market Analysis):

- Set up the search on Zillow.com or on the MLS if you are an agent or are working with one.
- Choose properties for $80K and under.
- Mark the specific zip codes.
- Select 900 square-feet and larger.
- Select 2+ bedrooms (can be converted into 3).
- Select 1+ bath.
- Check the boxes for sale by agent, owner, new homes and foreclosures.

Also do a search on websites including: Homesteps.com, Homepath.com, and HudHome-Store.com.

Check out the photos of the homes and find out what has been sold in the area near the home. Check the values and compare the other homes that have been sold to the listings.

Research the price history of the listing; get this information at no cost from title companies or closing attorneys, who will work with you to help you close deals.

Conduct CMA – if you see X number of solds, pendings, and actives, only pay attention to the "solds" because the prices for the "actives" are often unrealistic and misleading.

If there aren't enough "solds," that's when you can check out the "pendings." Only look at "history sale" or "short sale," not "pre foreclosure."

Check out the listing history; a property can be listed and not sold with different agents multiple times. It is important to consider a property's DOM (days on market) and compare it with the average in the area. In my area, the average DOM is around four months.

Go see the property in person, preferably with a real estate agent.

Check out the house, drive in the neighborhood, and see what else is for sale in the area. Have a smartphone or laptop with you, so you can have quick and easy access to information you need on any given house you see while out and about.

Use your real estate agent as a resource. Realtors are especially excited to work with you if you are a cash buyer, so don't be afraid to ask questions.

Seek out normal, everyday homes, such as colonials, ranches and splits with 3 bedrooms, 1.5 bath, in a middle-class price range around 125 to 150K.

Look for homes with good driveways and decent curb appeal.

Lot size and year built are not as important.

Take a mental inventory of the potential construction or rehab process you think a home might need.

You can save these searches and reopen and run daily to see what is happening in the market. Don't feel like you aren't doing real work because you are doing it online. These days, this is the norm and truly the most effective way to search. In fact, 92% of homebuyers, including both investor and retail, start their searches online.

One important note worth mentioning about Zillow.com is that it is not a great place to look for resale price. While it is great for looking up home values and property information, it does not typically provide great results for retail value or resale price.

How to Arrive at an Offer

We use what we have dubbed the Mini Property Launch Strategy to arrive at our offers. As part of this strategy, it is important to know the neighborhood before getting in the house. There will likely be numerous buyers interested, and you will all walk through at the same time, so you can't afford to low-ball on the offers. You low-ball, you lose!

But enough about losing…the whole purpose of this book is to help you win, so let's show you how to do just that when you make your offers with our Mini Property Launch Strategy:

Get as much information as you can to obtain an accurate resale price. An agent can help you get the dollar value per square-foot. Determining the after retail value and the sale price leads to the resale price estimate.

Consider the property repair-time, then allow about 3-months to sell, then 45 days to close. The goal is to make the entire deal from start to finish go less than six months. If there are too many repairs needed, this will take you over on time, so it may not be in your best interests to buy.

Get solid advice from people who know the industry and the market. You can never get too much advice! Seek out professional opinions from others to ensure you are considering all of the options, pros and cons.

Should You Go for Big Deals?

An important part of this process to consider is to identify what type of real estate deals are right for you. Of course, you can tell by the title of this book, “40K Flips,” that I choose to go with the larger deals. The big deals seem to be a better fit for my personal skills and personality. I like to get in there and get hands-on with my properties. I’m creative, so I was immediately drawn to rehabs.

I’ve tried my hand at the wholesaling quick flips. It was fun for a time, but it was more office work and less hands-on time and creativity. The smaller, quicker deals involve short sales where you get involved with the homeowners, but with rehabbing it is more about the property and the vision you have for it. You see the product, and if you do it right, you make the big bucks. That’s what gets me excited.

Your Homework: Find the Best Deals on Your Doorstep

If you are still reading, it’s pretty certain that you are serious about this thing and ready to make it work for you. To help you along, I have a little homework for you. I know, I know, but this homework will prepare you for big profits down the road, so stick with me!

Task #1 Set Up an MLS Search

If you don’t have access to MLS, connect with a licensed agent who can help you. Identify the cities you want to focus on; start with two. Then, narrow down to 8 or 10 properties in these cities.

Task #2 Use Other Sites to Compare with MLS

The more information, the better, so in addition to MLS, we recommend using Zillow.com to get as many details about the properties as you can. If you want to go the extra mile, go ahead and search through other sites we've mentioned such as Homesteps.com, Homepath.com, and HudHomeStore.com.

Task #3 Check Out the Pictures

From photos alone, you can tell when a house needs work and when it doesn't. We focus on homes that require quite a bit of work. We want good bones, like a nice kitchen and bathrooms, but we also want to select homes that need the work invested to increase their value. Our philosophy tends to be: the more work, the better.

Task #4 Analyze Price History

With Zillow.com, you have the ability to look back at property values of the homes in previous years. Try to identify a pattern, which will help you to see what you can expect out of this property.

Task #5 Look at Properties with a Real Estate Agent

I typically plan for a half a day, but plan at least for a full hour to check out the property. You will want to pay attention to the surrounding neighborhoods and sold properties. I like to look within 45 minutes of my property of interest. I typically look at 10 to 20 properties before starting to make offers. You will see a lot of junk! So be prepared for that. Some properties will look great on the Internet, but terrible in person. When you see them in person, spend a good hour looking at the house, carefully checking both the inside and outside to get a clear picture of what you are dealing with.

When to Say No: Disqualifiers

There are some pretty blatant red flags to watch for as you are checking out properties online and in person. While you might be able to work around some issues, there are disqualifiers for a property that give you a clear idea that this is a property to avoid.

Some common disqualifiers include:

- Low ceilings
- Bad floors
- Foundation problems
- Awkward homeowner additions
- Home facing in a strange direction

The good news is that you should be able to identify these disqualifiers pretty easily, but knowing what to look for will make your job easier. If you are working with a real estate agent, make it clear that these issues are deal breakers and you want to avoid properties with these problems.

Your Relationship with Your Realtor

Working with a realtor is going to make the entire process much easier and more efficient, but it is important to have an understanding of how the relationship typically works. A real estate agent will get paid a commission on your sale. It is typically approximately 3% and is paid by the seller.

When you have cash in hand and are ready to buy, real estate agents love that, because you are less work for them, so be sure to make them earn that commission. It’s okay to be demanding and ask a lot of questions. Being able to establish a solid relationship with an agent can mean big money for both of you for many deals to come. A good real estate agent will help you as much as possible and will work hard to get you the information you need.

In my situation, my partner and agent Rob is very invested in what I do. He works hard to make sure he is meeting my research needs. He knows I am a repeat customer and will continue to bring business to him, so it is in his best interest to nurture our relationship.

Finding someone like Rob, who is willing to work with you and take care of you, will do great things for your business. If you are in for the long haul, get serious about finding the right real estate agent to partner with you. A great way to find such a realtor is to read online reviews, but even better is to get real-life recommendations from others who are familiar with agents in your area. Choose an agent with a great reputation.

Small Details to Consider to Find Your Ideal Property

We've covered the steps for finding properties, but this book is all about giving you an insider look on how to make money in this business, so I want to offer some insider tips to help you succeed.

Here are some tips I've learned over the years:

- Look for properties in areas where people are buying.
- Stay away from super low-income areas and super high-income areas; middle-class is ideal.
- Curb appeal is where it's at. Go for homes that look great from the road, have a nice driveway and can look great with a few adjustments to the exterior. If it is butt-ugly, pass!
- Identify what improvements will need to be made first, estimate the costs and decide if it is worth it before you move forward. It may seem like the perfect area and opportunity, but if the improvements needed are too expensive, it will not be a good business deal for you.
- Know the prices of contractors in your area, how long it will take them to work, and how much the materials will cost.
- Get an accurate number of what you think you are going to sell the home for and how quickly it should sell. Of course, this is all estimation, but by looking at the history and the records for the area, you should be able to get a pretty accurate estimate.
- Know when you want to close. If you want to close sooner, you need to be able to sell for less. We strive to do all our deals in six months or less.

> "The 40k flips program is so full of content and his dedication in sharing the actual steps is priceless! Josh's generosity in letting us retake the course whenever he is giving one in the future will help those of us who are not as fast to absorb the materials and take action so we can be successful too following his steps. I am grateful that I am in the program and even though I have schedule conflicts and cannot always attend the live sessions, I can study from the archive and I know I will eventually get it and be successful. Thank you Josh and the Strategic Real Estate Coaching team. This is a solid program to help members achieve their own success."
>
> **Margaret Justinich**

My Brother's Keeper? Not hardly! Check out his story.

Mark Cantwell is my brother. He's a former teacher who started doing some rehab work for me in the summer. Once he got a taste of the real estate world, he realized he did not want to go back to teaching full-time. He has been involved in real estate full-time for almost eight years now.

Mark has purchased and sold dozens of homes. From the very beginning of his real estate career, he has focused almost exclusively on big profit deals where he made $30,000, $40,000, and $50,000 profits. Sometimes even more.

In the last 18 months, we have developed a very cool partnership to systemize our business. My job has been to focus on raising the capital, while my brother Mark's focus has been on finding the deals, lining up the contractors and outsourcing the improvements, and Mark Cantwell has focused on the "buy low, improve, and sell" model.

Mark was like many of you, willing to take a risk to make significantly more money than he could make in his previous career. He decided he was going to go for it, even though there was no guarantee of income. I hadn't promised to pay his bills or back him financially. However, he saw the potential in the opportunity and was willing to learn the process and just go for it to see what could come of it.

The point I'm trying to make with Mark's story is to encourage you to either jump in and do it, or don't! Yes, there will be risks. Yes, you may feel awkward and uncertain at times. It may even feel scary. But the last thing you want is to spend your life living on the sidelines, right? You want to be a part of the game and to experience life to the fullest—that kind of life is worth the risk.

Being in real estate is almost a rite of passage. It's scary, but that shouldn't stop you. We've all had to take a step out and take that risk to get where we are today. From where I stand now, I can confidently say that the risk is well worth it.

Wrap It Up

So, now you know how to find your properties and make your offers… all with a zero marketing budget. You'll avoid the money pits other would-be flippers fall into and can't get out of, too, because now you know how to evaluate properties so you maximize your profits before you ever buy. You know which numbers to pay attention to as you evaluate homes – and which are too unreliable to base a flip decision on. In fact, you now have the exact process we use to find homes, even if you don't have access to the MLS.

If you decide the 40K Flips online coaching program is for you, you'll find more details about this part of the flipping process. Helpful, right? But what you'll probably decide is your favorite part of the lesson about property acquisition is the tools we provide to our students, including market analysis tools, a template purchase and sales agreement, an automated offer generator, a worksheet you can use to get the numbers you need for a fixer, a rehab price guide, a project repair estimate form, plus two highly-effective top-secret tactics to acquire extremely flippable homes your competitors may not even know about. Find out more about the coaching program at: www.40Kflips.com.

Up next, we're going to go deeper into the nuts and bolts of buying the RIGHT properties. You'll learn how to make your offer and how to get that purchase to closing, the no-hassle way.

MAXIMIZE EVERY DAY

Time's a wastin' folks, and there's no time like right now to get to work and start making money with our tried-and-true formula for flipping houses.

We have been buying and flipping real estate for years, and earning a net profit of $40,000 on every single flip. And so can you. We are not geniuses. We are normal, everyday folks just like you. We have become very successful at buying and flipping houses, income property, and other kinds of real estate simply by applying what we've learned over time and sticking with what works.

We Want You to Succeed

Our goal with this book – as well as our coaching program and everything that we do – is to teach you how to make money buying, and then flipping, real estate. The idea is to teach you what you need to know in order to do this on your own, putting you on the path to financial security and freedom. We want you to enjoy the wealth, success, and financial independence you deserve.

Maximizing Your Results – But First…

You're about to learn how to find great houses to flip (or, more accurately, potentially great houses!). But before you get the nuts and bolts tour, a little coaching is in order.

It would be easy to dive in kind of commando-style and rush through important details.

Bad idea. Flipping houses isn't rocket science, but it is more complicated than ordering takeout. There's a lot at stake, so you'll want to pay attention to the process and follow it to the letter.

As you go through this process, stay calm, cool and collected and take things one step at a time. You'll be fine. As we like to say, "Inch by inch, it's a cinch."

This means learning how to maximize your search so you can find just the right property to suit your needs. Once you've found a property that looks like it might be a winner, you need to know how to analyze that property, from A to Z, to make sure it's a solid property for you, and to insure that all the numbers work to your advantage.

So, all of that is what you're about to learn. We'll go through the process of actually going out and making the bid on the property. You'll see each step of the bidding process to maximize your chances of success in submitting the winning bid. Then you'll learn how to write the offer in a way that protects you and your investors. Finally, after you've submitted a successful offer, we show you how to close the deal. The end result is that you will have learned how to generate a handsome profit by picking properties that make sense.

How Will You Handle Important Real Estate Issues?

Just imagine trying to muddle through this process on your own. When there is an offer that you like and it is accepted, what are your plans for the closing? What are the steps you'll need to take to insure a happy ending? How do you make sure to set up the closing properly? These few questions represent just the tip of the iceberg when it comes to buying and flipping real estate. Unless you have unlimited amounts of money and can afford to lose big chunks of it, you may want to consider getting some advice from the people who have been doing this successfully for years. The first rule of due diligence is protect yourself and don't lose your shirt. Never fear, we will answer the questions raised above, along with a lot more, as we guide you through this process.

Keep Your Focus on Three Important Steps

It's easy to get distracted as you work towards finding and buying your properties. There are a lot of details to consider and a lot of ducks that need to be lined up. Throughout it all, it's important to remember to keep your eye on the goal. If you keep these three essential steps in mind, you'll have an easier time reaching your goals.

Find a great property. The first step is successfully discovering great properties. There is a right way and a wrong way to find good properties. We've tried them all and we will share with you what works best for finding good properties in desirable areas.

Buy the property. The next step is learning the best way to make an offer on the property so it's accepted.

Get everyone to agree. The final step is getting all parties to accept the offer and show up at the closing table.

Keep these important steps in mind and you'll be well on your way to a successful flip. Now let's look at the details of each of these critical steps.

Finding a Great Property

The first step is searching for and finding great properties. We're talking about nice properties in nice neighborhoods. We do not advise buying properties in run-down neighborhoods, because there are too many obstacles, including more trouble obtaining financing. But the biggest obstacle is that distressed properties located in low-income, run-down neighborhoods are very difficult to sell.

Earlier we discussed finding the right deals and working with MLS. Now it's time to learn how to use alternative sources for finding good properties. One of the best we've found, that we've had a lot of success with, is the county sheriff's auction.

Sheriff's Auction

The Sheriff's auction is a great place to find foreclosed properties. You can get some great deals if you know how to work the system so you don't make any costly mistakes. Here's a brief breakdown of what's involved at the sheriff's auction:

Foreclosure Process

The sheriff's auction is a real live auction. You see, when someone gets behind in their payments, they eventually fall into the "delinquent" category for the first 90 days. Then the bank begins the foreclosure process and they will be served with their notice, at which time the bank will start the foreclosure process.

Pre-Foreclosure

The homeowner at this point is in default and actually finds they are in a category called "pre-foreclosure". Pre-foreclosure is that period of time when the bank is actually foreclosing on the homeowner.

Summary Judgment

A summary judgment is basically a lawsuit against the homeowner. It is a court order provided to the lender that proves they have the legal authority to foreclose. The lender is the plaintiff in this lawsuit for foreclosure and they are awarded a decision by the court saying they have the right to foreclose on the property. Through this summary judgment they also have the right to set an auction date.

Courthouse Roster of Properties

At the sheriff's auction you will be able to examine a list, or roster, of the homes up for auction. This list will serve as a starting point for finding appropriate properties.

Steps Taken at a Sheriff's Auction

First you will go to the courthouse and ask to see the roster of auction properties. Then you will review the roster, which is usually broken down by county.

Many properties are in low-income, neglected areas. Smart investors do not usually buy properties in bad low-income neighborhoods because they are hard to sell, which makes the odds of recovering your investment a crapshoot. The prices are usually very tempting, but don't let that fool you. Remember, once you've bought the property and fixed it up, you still have to sell it at a profit.

Buying the Property

The second critical step in this process is buying the right property. Fact is, there are a series of predictable steps you'll take for every single property you buy. Whether you're thinking of investing in homes, apartment buildings, or even commercial properties, the steps are pretty much the same no matter what the property. Here's a quick outline of some of these property-buying steps.

Finding the Right Property

The first step in this entire process is finding the right property to buy. You can try getting referrals to potential properties from your list of friends and acquaintances, or you might try finding properties by searching through MLS with the help of a real estate broker, or you might check out the roster of properties at the sheriff's auction, as we've outlined above.

Analyze the property

The second step, after you've found what appears to be a good property, is to analyze the property to confirm that it really is as good as you think it is. This is an important step, and there are a number of points to consider.

For example, does it have good curb appeal? You want an attractive home in a nice neighborhood. Why? Because you want to be able to sell it quickly when you're ready to flip it.

Get inside the house and see what condition it's in. A little distress is okay, but not too much. Look at the pictures on MLS or wherever they might be. Does it show well in pictures? This relates to having good curb appeal.

Go to MLS and see what you can find out about the property. Knowledge is power. The more information you have on the property the better able you are to make an informed decision.

Be sure to make note of all property specs. Note the square footage, the number of bedrooms, bathrooms, gas or electric, and all other details of the house.

Use this formula to see if the numbers make sense.

We've used a financial formula for years with great success. First, start with the sale price (say, $250K) then multiply that by .09 to cover the closing costs. Subtract $40K as your profit and another $10K for repairs. This turns out to be about $175k. That would be our very top bid price for this house at the sheriff's auction. This is just an example, but it gives you an idea of what your thinking should be like as you consider a property for flipping.

Determine market value.

This is easier than it sounds. Simply look at the values of the current sales in your target area, and compare those to the subject property. If you have access to MLS, go to Tax–Realist. This is a program accessible through MLS, and shows recent sales histories and a market analysis. It will immediately pull up homes that have sold in your target area. By doing a basic comparison of other properties that have sold in your target area, that compare to the subject property, you should get a good idea of the market value for the subject property.

Examine the subject property's previous sales.

Find out what the property previously sold for. You can find the same information on your county auditor's website, including the previous mortgages on the property.

Use the Confidence Score.

There is a "Confidence Score" created by Real AMV, which is produced by a company called CoreLogic. The Confidence Score is a good way to support the data you are analyzing. This is the forecast deviation score metric, which indicates how confident you should be in the price. The deviation is how much the price can deviate.

Get your real estate agent to help you.

Review the property with a real estate agent to get their input. All of the things that need to be done on MLS are things you can ask your real estate agent to help you with. That's why you should explain to them that you have the cash on hand for the transaction. You see, once real estate agents know you are a cash buyer, they will be far more inclined to help you consummate the sale.

With Tax-Realist you can get all kinds of information, like notice of auction, notice of foreclosure, notice of sale, auction date, auction time, auction address and other important information about the subject property. This information is all available through MLS. You can get all this information by befriending a real estate agent. Again, if the broker knows you're a cash buyer, they will bend over backwards to help.

Perform a Neighborhood Profile.

Assess the quality of life in the neighborhood. There is a lot of good information in Realist, which is a function of the MLS. Make note of the foreclosure and judgment dates. You can look back and see that for the past couple of years the median sale price has hardly moved at all.

Writing the Offer

The next step in the process, after you have found the right property, is writing the offer. If you're in a competitive situation, start off by writing the highest possible offer. First, be sure to confirm that it really is a competitive situation. Sometimes real estate agents will say that there are multiple offers, but don't let that fool you. In many cases the agent is exaggerating. Be sure to stick to the formula outlined above.

Make sure you include a general home inspection. Find a good home inspector and contractor to assist. Regarding the financing contingency, be sure to say that it's a cash offer with a private mortgage. This tells them that you are not getting bank financing and you don't need approval. Instead, it is a private lender financing and you can ask for up to fourteen days. This gives you time to do your research.

Always get your buyer's agent to read the addendum. The most important part of the addendum is the deed restriction, which lets you hold on to the property for between thirty and ninety days. You can still walk away until all addendums are signed.

Getting Everyone to Agree

Make it a team effort.

The closing should be a team effort. In our case the team consists of brothers Mark and Josh and the real estate agent. Mark's company acts as the buyer. We have set it up this way so I can loan out my IRA to his company. I can't loan the IRA to myself.

Set a closing date.

We usually put a later closing date on the contract because the funds normally aren't available yet. After the funds are wired, the closing date can be set. It's always a good idea to set the closing date a few days early. Mortgages have to be notarized but notes don't. Be sure to put any contingencies or other factors into the purchase agreement so you are protected.

Gather the necessary documentation.

Documentation is a very important part of buying any piece of real estate. The documents involved include the purchase and sales agreement, the very important note structure, and the mortgage terms if there happens to be a mortgage. You will also need to have the HUD 1 and terms for how funding will be handled (wired or transferred).

Review the addendum.

Twenty-four hours before the closing it's important to review the addendum to ensure that everything is up to snuff.

It's a Done Deal – Congratulations!

Now, finally, the deal is done and the deed is transferred. At this point you file and fund.

The filing and funding process happens very quickly. Filing simply means filing the deed and funding means that the funds are dispersed and everyone gets paid.

After the closing…

After the closing you are responsible for recording the mortgage and securing the title insurance. If there's no mortgage you can simply get title insurance, not lenders insurance. At this point you have many decisions about how to handle your new property. There are many choices and obstacles that still lie ahead for you, but with the closing of the property some of the most difficult work has already been completed.

Wrap It Up

And with that, you've just been through a walk-through of the purchase process. Of course you'll feel more confident that you know your way through it after your first couple of flips – but it sure helps to have a detailed overview you can reference along the way. It's natural to feel a little uncertain. How could you not, when you've never done this on your own before?

That's one of the biggest benefits our coaching program students keep reiterating over and over – that they don't feel so alone in the process, that they've gained confidence seeing the real life, nitty-gritty of what it's like for us as we flip homes. Just knowing others have already gotten great results from the system you're just getting started with is a confidence boost. Sure beats feeling your way through the dark and hoping for the best.

In fact, you might want to check out the results some of our students have posted here, where they tell their stories: www.StrategicRealEstateCoach.com/testimonials - makes for some inspiring reading!

Coming up next, we're going to roll our sleeves up and talk about how you'll turn your diamonds in the rough into a sweet payday – even if you never swing a hammer yourself.

Outsource the Improvements to the Handyman

Your success with real estate flips lies primarily with how well you outsource. You can't do it all yourself, and you wouldn't even want to try. So you must find the top contractors at a price you can afford. In order to successfully outsource improvements to your property, you will need to have a structured plan and budget in place. Doing this first will make your outsourcing much more effective and profitable.

From time to time in this chapter, we may reference the Rehab Price Guide. This is something we offer as part of our $40K Flips course, so although you may not have access to it now, we will cover some of the prices from that guide to help you understand some estimates for what you should plan for with your budget.

In this chapter, we will focus on:

- Outsourcing project management
- Outsourcing improvements
- Putting together your budget
- Using shortcuts to save time and money when outsourcing

In covering these four topics, we will take a look at the steps for how to manage a project once you own a property and also how you make offers on a property so you can get an idea of what your budget will need to be to improve a property, while still making a profit at sale time.

Over the years of fine-tuning real estate flips and offering coaching classes, we have come up with a foolproof system for setting up improvements and the budget in a way that creates a solid foundation for the flip. Once you know what the repairs are and what the costs will be, you will know what kind of offer you can afford to make on a property. This formula is what will enable you to have success again and again.

Outsourcing Project Management

Is it possible to make sure improvements to your property are done efficiently in a way that will allow you to make a profit, even if you have little to no trade skills? YES! You can hire and outsource improvements with confidence, and it all begins with outsourcing the project management to get your property flip on the successful track from the beginning.

Let’s begin this section with some steps for success that actually apply for nearly all business, but absolutely apply for your real estate projects.

Steps to succeed in a business:

- Hire a project manager.
- Plan and work out the plan with the managers; and the managers will then execute.
- Get your managers a piece of the pie so that they get excited and feel committed to success. Compensation drives motivation.

Finding the right project managers combined with utilizing some simple scheduling worksheets that facilitate an easy “plug and play” method will further streamline the process for you.

Keep in mind, the sooner you can get out of the actual work, the more successful you will be. In fact, the real money in this business is within the people who work in the business. Most of the people make a mistake in hiring an administrative assistant first. What you really need is to hire great project managers, people who can take orders or make a business plan, people who can oversee other people and do some of the hands-on work as well.

The project manager would be the first person on the team. He or she will see what's working or what's not working and can take the necessary steps to ensure the right contractors are on the project and steps are being followed as needed to complete the project on budget and on time.

The project manager is such an important part of your team that he can actually make or break the entire project, so choosing this person carefully is a top priority. You must find someone who can not only find the materials and supplies necessary to get the job done right, but who also has the organizational skills and guts to manage people well.

In addition to finding a project manager, you will need to take special care in finding the right contractors to handle the improvements. These contractors will often work under the project manager, so they need to be great team players as well as skilled at what they do. Below is our simple process for finding contractors.

How to find contractors:

- Create a Craigslist ad: full-time/part-time handyman needed (advertise your company as a small business).
- Get the resume, check their background and their experience. Make phone calls to check references. Good reviews are important.
- Conduct a phone interview.
- Meet face-to-face. Ideally, meet at the house you're working on. Check the honesty of the person. Prepare open-ended questions in order to really get a feel for the knowledge the contractor possesses.
- During the interview, tell them that you don't need the contractor to work with you immediately but you want to know when they are available, and whether they could work for $10- 15/ hour.
- If you think they are qualified for the job and have checked references and feel good about the honesty of the person, tell them they can start the job immediately, even if you have told them earlier you don't need one right away. If you find a good contractor who fits within your budget, don't let them slip away.

"I just bought this 3 bed 2 bath 2000 square foot home in Florida built new in 2005 in a suburb of Tampa for $13,600.00 on an online foreclose auction. I hold title in separate cell of my series LLC. I also had to pay a tax lien certificate for $2700.00. I will need to put 4k in rehab. I will have a total investment of 20k or less. After Repair Value is 240k, it had a 260k mortgage in 2005. I did this with my own money. I will rent it for 1600/month. It is in exclusive gated community. I have done three properties just like this (similar numbers) and rent them with good cash flow the name of the game."

Jon Flink

Outsourcing Improvements

From floors and walls to electrical and plumbing, there are a number of improvements your properties will need, and it is important to know what steps you will need to take and how to outsource them.

Let's cover the typical steps of improvements that you can outsource:

Step #1: Demolition

The demo process takes 1-2 weeks, sometimes less. During this phase, it is important to contact the utilities companies. You will want to make sure the electricity is on so you can have light to work inside the house. Also at this point, we suggest putting in all new locks, so no one else has access.

Step #2: Test and Repair Utilities

You will need to test out and take the steps to repair all the utilities including electrical and plumbing. This typically takes 1-2 weeks or less.

Step #3: Patch and Repair the Walls

This step is necessary, especially when you buy bank-owned properties. The length of time depends on the size of the project; the larger the project, the larger the footage. It could take a couple of days or as long as eight weeks.

Steps may involve:

- Ripping old dry walls out
- Repairing walls
- Patching walls
- Prepping walls for painting

Step #4: Paint

Paint the house, including: doors, trims, walls, and ceilings.

Step #5: Installations

This will involve primarily kitchens and bathrooms, including countertops, cabinets, toilets, sinks, mirrors, windows and landscaping.

Step #6: Flooring and Final Touches

Install carpet, tile, hardwood and laminate floors. Then get new appliances installed. You may also need to give the landscaping a bit of a sprucing up to improve curb appeal.

Step #7: Conduct the Property Launch

This step includes staging the property, vacuuming, polishing wood floors, getting rid of dust, placing pictures on the wall. You will also need to set up the MLS. This step is important for delivering the most aesthetic appeal to potential buyers. We'll cover more about the property launch later in this book.

No matter what type of property you are dealing with, the process is the same. It will be those seven steps. The only difference between a four-week project and an eight-week project is the size of the property and the amount of work needed. By keeping the process as systemized as possible, you will eliminate much of the trial and error that people new to flipping often experience and you will undoubtedly save yourself valuable time and prevent some massive headaches.

However, there will be times when you have to change your plans and adjust for those unexpected challenges that are bound to happen once in a while. Dodging and weaving. Shaking and baking. Whatever you want to call it, stay flexible! If you are too rigid, you may lose your mind if a contractor happens to take too much time with one step, or you have a break in some part of the process.

So whether you are dealing with a contractor who doesn't show up for work, or shows up at work with a hangover, or supplies that take too long to be delivered… whatever the issue might be, this 7-step process still provides the guidelines you need to stay on track in order to get your projects done on time and within budget.

Putting Together A Budget for Each Step

Each step of the 7-step process will require funds, so budgeting ahead of time is a good way to keep your project under control. Without a budget or spending guidelines, the cost can get out of hand quickly, which greatly cuts into your profit and overall success.

#1 Demo Budget

To get ready for Step 1- Demo, you will need to get ready for cleanup, so renting a dumpster is #1 on the to-do list. Depending on the company you choose, you can get a dumpster for a week, two weeks, or longer. We typically choose to go with 14 days. Seek out a company that will give you two weeks for one price, rather than a company that will give you only a week and then charge you $10 or more per day after that. A fixed price is ideal and budget-friendly.

Next you will want to stop and consider what type of labor is needed to remove fixtures, appliances, cabinets etc. Although it is okay to hire cheap labor for the demo, it is important that they have construction background, so they know what they are doing and won't damage the property in any way. Even if just one person on the demo team has a construction background, this will help.

It is important to have a specific plan laid out for your demo team, so they know what to keep and what not to keep. For example, you don't want them to go crazy and cut through the electrical and smash through the plumbing, but if you don't give them specific instructions you may have a problem on your hands.

When we demo, it is our goal to keep as much as possible to cut costs. So we try to do a lot with paint, but of course the choice is yours.

Labor for demo is typically $10-15/hour.

#2 Test and Repair Utilities Budget

In this step, we are talking about the water lines and electric lines. They need to be tested by a licensed technician and repaired by someone who meets all of the necessary qualifications. This step also includes electrical-testing the outlets and breakers. This is not an area to skimp on costs!

Cost for a professional plumber or electrician is approximately $50/hour on average up to $65-70/hour, while a total rewire would cost around $2,000.

#3 Patch and Repair Budget

This is one of the least expensive steps as far as supplies and materials go, but can be one of the most time-consuming. Most of the cost will go to the labor, which depends on the hourly rate of the contractor you choose.

#4 Paint Budget

This step is somewhat self-explanatory. You can do a lot for the visual appeal of the home with a few gallons of neutral-colored paint. You may need to paint the entire house inside and out. Again, the budget will depend upon the price of paint and the painters you choose.

#5 Installation Budget

This budget depends upon the hourly rate of the contractor you choose to install your appliances and other materials you are bringing into the home, such as carpet and counter-tops.

#6 Flooring and Final Touches Budget

The budget for this step can fluctuate greatly depending on the type of flooring you choose, as well as how far you go with the finishing touches to your property. As for flooring, we usually go with wood laminate. You will also want to consider landscaping costs, because it will be important to invest in the curb-appeal of the home. After all, how it looks on the outside is the first impression many potential buyers will experience.

Budget for landscaping will need to be around $300, but could go higher. It should not cost more than $1,000.

#7 Property Launch Budget

We will discuss how to do the Property Launch in greater detail in Chapter 5, but for budget purposes, you will need to determine whether you'll do this part yourself or outsource it to staging professionals. Outsourcing to pros who are experienced in making properties look great for viewings and launches will definitely give your property a major boost and advantage, so it is well worth the consideration for your budget.

Keep in mind when you outsource these tasks and hire a general contractor, they will present a budget of estimated costs to you, but feel free to pick it apart to save money. There are certain things you can easily do yourself, or you may be able to find the supplies and materials for less money than what they are quoting to you. While you want to be sure you have professional, qualified technicians for the big things, such as utilities repair and installations, there are other tasks, such as repairing walls, sanding wood floors, and finding discount materials that you may want to take into your own hands to cut costs.

Through all of this, we like to provide information on the little shortcuts that can save you time and money…that's what successful outsourcing is all about!

Using Shortcuts to Save Time and Money When Outsourcing

One of the reasons we wanted to share this book with you is to offer those "insider tips" you will not likely find in your typical real estate investment course. After years of trial and error, we've learned it isn't always most profitable to do things by the book. For that reason, we want to share with you some shortcuts we have found effective for saving us time and money when outsourcing improvements for our $40KFlips.

For starters, let's say that we have a 1500 square-foot home with three bedrooms and two baths. We'll be using this property as we discuss the possible expenses involved in rehabbing for profit.

Of course, you will be using the 7-step process for outsourcing improvements we've covered in this chapter, but here's some insider info on how we analyze and make profitable business decisions when it comes to these projects:

In the beginning, you will want to eyeball the property and determine how much you think it will cost you to rehab the home. Don't worry about not being 100% certain about the total – all you need is an educated estimation.

For our 1500 square-foot, 3 bed, 2 bath home, you would buy the house at $50K, go with a $30K rehab budget, which comes to a need for $80K funding from your investor.

Strive to resell the property at $135 to $140K. This step is where it is important to know how this property compares to comparable properties in the area, so you can determine the After Repaired Value (ARV) of the home.

In metropolitan areas, there's no need to specifically get the dollar price. The important thing is the reselling of the house. Consider the schools within the area; you should be seeking homes in school districts that are rated average to high.

When you work with your agent or title company, pick out areas where you initially think you want to purchase, and then give those zip codes to those people who have access to the MLS and ask them the number of days on market. How long does it take to sell a house? What's the average in the area? Days on Market (DOM) is a big part on the process of picking area. If most of the homes on the market have above average DOM, you may want to look at a different area. If DOM is low, this is a good sign to move forward with purchase.

Look for properties that are in ownership communities, with at least 80% owner-occupied.

When you have the project management, outsourcing plan, and budget in place, you can then utilize these shortcuts, tips, and tricks to make the most of your $40KFlips property. Being prepared and having plans in place makes the entire process less stressful and more profitable for you and also helps you to develop a streamlined system you can repeat again and again.

Wrap It Up

House flipping success is a numbers game, and the more numbers you can understand and predict, the better you'll do. Now you've got some solid guidelines on the rehab part of the equation so you can get those homes into great shape and make them irresistible to your buyers.

PROPERTY LAUNCHES

Over our years in the real estate market, we've established a Property Launch Formula designed to help you sell a house in 90 minutes or less. Sounds like a tall order, right? Once you see the steps in this system you will begin to see the simplicity of it all, and discover how it can work for you over and over with different real estate properties.

The components of this formula are simple. We use our buyer's list, marketing tactics, offers, and ethical bribes (Yes! There is such a thing as ethical bribes) to get numerous buyers into our homes, and you can do it too.

In addition to sharing our personal experience with property launches, we have joined forces with Jason Schlegel, operations for strategic real estate coach and general manager of Sharp Concepts Realty, who has personally gone from newbie in the industry a little more than a year ago to a full-fledged expert on property launches. He has used his knowledge to sell homes in 90 minutes, so part of this chapter will be information we have gained from working closely with him.

What Is a Property Launch?

A property launch is a concept of creating buzz, hype, and awareness about a property you are selling. Think about how film studios do their product launches or what they call "movie premiers." We have discovered you can treat property launches in the same way and have great success.

When you go out to see a movie, you typically see previews of movies that won't come out for about six months. In the months before a big movie is released, you may see previews at the theater and on television and see Internet ads and billboards and hear radio spots. All of this marketing leads up to the big premier weekend where things will just explode.

This is the same idea that we started to test back in 2006 for our real estate properties. We decided we should come up with a streamlined strategy to get the property off the ground, marketed effectively, and sold in the opening weekend, just like in a movie premier or restaurant grand opening.

If for some reason it does not sell in the first weekend, at the very least we have done all of the marketing to get the property off the ground and we will be building our buyers list, as we significantly increase awareness for both the property and our real estate business.

Our Property Launch Formula differs greatly from a traditional real estate marketing, which typically looks something like this:

- List the property and wait.
- Post the property in MLS and wait.
- Do nothing at all, except for placing the "for sale" sign on the property.

None of these options are creating excitement and buzz! So let's go with the property launch and stir up some excitement. Thankfully, we've made the Property Launch Formula easy for you with a step-by-step process.

6-Steps to a Property Launch

Step #1 Set an Open House Date

Get out a calendar and really look at where the dates fall. You want to set your property launch date and then work backwards to ensure you will have enough time to accomplish all of the tasks. Avoid scheduling the open house on holidays.

Does everything have to be set and ready for you to schedule your open house? No. In fact, it really shouldn't be. You want to get that date on the calendar so you can push through the improvements and steps of the property launch process. Remember, time is money, and the shorter the process, the better a financial deal it is for you as well as for your investors.

For most of our property launches, we schedule the open house first and begin marketing before the properties are even ready. We call this reverse engineering. The cool thing is that it forces the contractors, the painting guys, the staging people to stick to a schedule and get things done. A hard deadline keeps the people who are working on your property in line!

Step #2 Identify Improvements and Define What Is Unique about the Property

Determine what improvements need to be made to the property to make it as marketable as possible. We covered much of this in Chapter 4, but the second part to Step 2 is identifying what is unique about your property. This is what sets your property apart from the rest.

Being able to articulate the unique-factor for your property will take your marketing to the next level. Has it been 100% renovated? If so, that's a unique hook. Has it been fully remodeled? Does it have an extra outbuilding or garage? Does it have all new windows, brand-new appliances?

These are the kinds of things that grab the attention of potential buyers, so figure out what is unique and run with it. You can also do something unique at your property launch open house to grab attention… like, give away free stuff!

Step #3 Decide on a Drawing Idea

A drawing is just a prize that those who attend the open house will have a chance at winning for free whether they make an offer or not. For example, giving away a $200 gift card just for coming to a property viewing… this is what we call an "ethical bribe."

The benefit of this type of drawing is three-fold:

1. You get lots of traffic coming through your event.
2. You can get the contact information for each person who attends to add to your buyers list.
3. You put the pressure on the potential buyers who are seriously considering the property, because they think all of these people are their competition!

As for the giveaway itself, we've done chances to win a $200 gift card to Dick's Sporting Goods or a $200 spa package to people just for showing up. We've given the drawing winner the choice of two prizes. Both of those seem to bring in the potential buyers. It does a great job in getting as many people as possible to a property. Other giveaway ideas include:

- A free month’s mortgage
- A limo ride and dinner at a fancy restaurant
- iPad, iPhone, or Kindle
- Maid services
- Hotel stay

The psychology behind wanting to get anyone and everyone to the Property Launch is simple and very important. We only need one person to be interested, but that one person needs to feel like they are going to lose the house if they don’t write an offer the day of the open house.

Having lots of bodies at the property launch event puts the pressure on the interested buyers and makes them think, “Okay, I don’t have time to wait…If I don’t write an offer today, I’m going to lose this house, and I want this house!” It’s really kind of like a “Black Friday” mentality.

In addition to having so many people at the open house putting on the pressure, we also give them the reward of the Home Bonus Package if the offer goes through and is accepted by a certain time.

Step #4 Decide On a Total Home Bonus Package

This is a pretty simply step. Just decide on a package of extras/bonuses that someone’s going to get when they make an offer and they win the bid or the property. They key to making this work is to have a firm deadline on the offer. It needs to be made and accepted within a certain time frame in order for the buyer to receive this special package.

For example, give this package to buyers who make an offer at the open house on Sunday and the offer is accepted by 8 p.m. of the Tuesday following the open house.

Some ideas for the total home bonus package include:

- All of the staging furniture in the home
- Appliances
- Outdoor grill
- HDTV

- $1,000 toward closing costs
- A lawnmower
- Home warranty
- A trip or cruise
- Blu-ray player with surround sound
- Maid service for a year
- Lawn service for a year

Keep in mind if you are accepting the offer, that means your big Pay Day is coming, which means it is well worth the investment to make this package appealing to the potential buyer.

Also, it is important to remember that the cost of the home bonus package should already be in your property launch budget. The true expense to a property launch is only going to be the cost of your drawing, which is a hundred bucks or maybe two hundred.

What if you don't get an offer from your product launch and you have all of the home bonus package items on hand? You can return it to the store for a refund, or you can just roll it over to the next property launch.

If you plan to return this stuff, just make sure you understand the refund policies for the items you purchase. You don't necessarily want to ask upfront at the time of purchase, because it may look like you are planning to refund, which they will frown upon. But it is perfectly fine to make a phone call when you get home to ask about their policy.

Step #5 Make Sure You Are Adequately Staffed at the Event

Ideally, you will want to be staffed with at least two real estate agents, a mortgage broker who can approve any offers immediately, and an additional staff member or two just to walk around and talk to people or answer questions. You can even hire real estate agents to help you with the marketing and they will take the responsibility of bringing all the staff they need.

Whoever you have there to help, make sure they fully understand that one of their most important tasks is to be there to answer questions and ensure each and every person who comes through the door signs in with their contact info and/or enters the drawing. Making those connections and growing the buyers list are top priorities.

Step #6 Conduct the Marketing

Really amp up the marketing the week prior to and the week of the first showing or open house event. Here are some surefire marketing options to get things going:

Craigslist Ads

These are free and many, many people looking for real estate properties use this resource. We post Monday, Tuesday, Wednesday, Thursday and Friday at 9 a.m., noon, and 5 p.m. Just be sure to either mix up the language in the ad OR delete the previous one before posting the new one, because Craigslist will flag you for posting the same thing repeatedly.

Yard Signs

We use the basic, white, corrugated realtor's signs you buy at places like Fast Signs. On these signs you want to write five pieces of info with a large Magnum Sharpie:

1. Killer Price
2. "Must Sell"
3. Call Agent Name and Phone Number
4. Awesome Giveaway Deal
5. Open House Date & Time

Flyers

Include the same information you have on the yard signs with a bit more detail and pass them out around town to local businesses, car dealerships, grocery store bulletin boards, at the library… anywhere you can legally place flyers.

Open House Signs (the arrow signs)

Again, go with the white corrugated signs and write "Open House Sunday." The more generic you can keep them, the easier it is to reuse them, which cuts down on costs.

Facebook Event

Spread the word on social media and invite everyone you know to the Open House and ask them to invite others, being sure to mention the drawing.

MLS

If you are realtor, set up the MLS posting. If not, find a realtor who will manage MLS postings for you.

Texting Your Buyers List

EZtexting.com and Instant Customer help you to manage the texting campaigns and send out many texts at once.

E-mail Buyers List

We use MailChimp.com. You can use a text-based e-mail or even a video to share your message via your e-mail marketing campaign.

Get Wild

Do something crazy like placing pink flamingos in the yard next to the open house sign, or just something to catch the eyes of people who pass by.

> "I am excited to report that I have my first deal under contract! The deal is kind of a 40K Flips/Wholesale. Here is what happened. I listed the property For Sale by Owner at only $110,000. I patched some holes in the dry wall, had the house cleaned, had the carpet steam cleaned, and repaired the garage door. Altogether, I'm putting in about $600. I am going to make the difference of the amount paid by the guy at the auction ($69,000) to redeem the property and the list price ($110,000). That's about $40,000 in 1 week! How's that for a 40K Flip!?
>
> **Scott Tatge**

Property Launch Benefit: Building Your Buyers List

The main objective of all of this is simple: Get people in the door!

The more people you can get to the open house, the better. It is a numbers game! Of course, getting those qualified buyers in the door, whether they bid or not, so you can network and grow your contact list is a huge opportunity.

When you follow the Property Launch Formula, you need to be prepared for large numbers of potential buyers to show up at your open house. You will definitely want to have more than one real estate agent there to help. Everyone will likely have questions and you want to be ready and at their service. If they don't have their questions answered, they will just walk out and leave, which will mean a lost opportunity for you. It's also a good idea to have a loan officer there at the event.

Keep in mind that while the buyers present may decide this property isn't for them, you may be able to connect them with properties in the future, so make sure you have all of their contact information before they walk out the door.

Insider Tips for Selling the Property

Marketing: Exposure and getting people in the front door

Price: Preferably slightly below the other properties in the area, but the property itself should be better than other properties in the area.

Prep the property: Is it clean? Is it staged? Does it have updates? Is it move-in ready? When people see that there is work to be done to the property, they most likely will lose interest in buying.

Location: Go for properties in subdivisions/developments, instead of on busy roads and streets.

Scarcity: Meaning there's only one house. If there are 40 people looking at the house, the one who is interested to buy the house will make an immediate offer because there is only one house. When you inject scarcity in an offer, it's always going to help sell the property sooner.

When you are committed to following these processes and incorporating these tips, you never have to fear being stuck with a house or not being able to sell it or get exposure. Don't get lazy in marketing; be more proactive. Spend the time, effort and energy to get the house on the market and then go crazy with the marketing.

When you do that, it makes your total investment much shorter, so you can do a deal in 3-5 months. When you do that and you are paying your investors a piece of your profit, your investor's return on the investment goes through the roof.

With our Product Launch Formula you are going above and beyond what a typical real estate agent will do for a new property and because of that you will get a far above average response. You are really focusing on marketing, which is much more than putting a sign in the yard. But your hard effort and investment of time and money will pay off.

Wrap It Up

Truly it is as simple as following the checklist, step by step by step. We explain it as being a cut-and-paste job. Of course, you will need to find your own vendors and contractors in your local area. But, honestly, we've done most of the legwork for you in this Property Launch Formula, so you just need to plug in, play, and start making money.

Next up, you'll get a step-by-step, blow-by-blow timeline for what you need to do and when you need to do it… all with the goal of having a smooth as silk closing.

OUTSOURCE THE CLOSING CHECKLIST

Flipping houses isn't rocket science, but if you think of closing day like launching a rocket, you'll see that maybe there are some similarities after all. Each segment of pre-launch time is accounted for, counting down to blast-off day, the day we close. Yes, that's right; we're working with T-minus zero.

What we suggest is that you work up to closing day using a forty-five day pre-closing schedule. We've picked forty-five days because so many lenders need that amount of time in order to close.

T-Minus Forty-Five Days

Day T-minus forty-five (forty-five days until closing) is the day you receive an offer from your buyer. We will assume that the buyer is making an offer, that you're negotiating, and that by the end of the day, you'll have a buyer under contract. So after you have done all that, this day then becomes T-minus forty-five days until closing. You now have forty-five days to complete everything you need to do, and make sure everyone else completes what they need to do, prior to closing. Following are the items you need to address on day T-minus forty-five.

Negotiating the Offer

On day T-minus forty-five, the buyer makes an offer. This is where your negotiating skills will come in handy.

These items are part of the offer and subject to negotiation:

- Purchase Price: This is a big one and is frequently the source of vigorous negotiating.
- Seller Concessions: The buyer will frequently ask the seller to pay for the buyer's closing costs. This is referred to as seller concessions for buyer's closing costs.
- Closing Date: The date everything gets signed by all parties. This date can be negotiated.
- Transfer Date: This is the day the deed will get recorded (one to three days after closing).

- Title Company: The title company used for the closing can be negotiated. You should always try to use your own title company. You know them and know how they work. More importantly, they know you and so will generally know what you will need for the closing. Make sure their name and phone number are written into the title.
- Inspections and Inspection Dates: This can include a number of different kinds of inspections. There's the overall home inspection, the radon and septic inspection, and the pest inspection. There may also be other inspections depending on the unique property and circumstances. All inspection requests can be negotiated, including all inspection dates. It's customary that the buyer pays for all their inspections.

Earnest Money

Earnest money is a deposit posted by the buyer to demonstrate a commitment to the purchase. It generally goes into a trust account administered by the buyer's broker. It is considered a good faith deposit, not to be confused with the down payment. Usually the purchase agreement will spell out how much the buyer is putting up to lock in the contract. There is no set amount that must be deposited. The amount varies from one housing market to another. Frequently the deposit is used as a credit toward closing costs because the financing kicks in the full purchase price.

If you're in a seller's market with a lot of buyers fighting over inventory, it makes sense for the buyer to put down a very large good faith deposit to encourage the seller to accept their offer. If you're in a buyer's market, a large good faith deposit might encourage the seller to accept a lower purchase price.

In our experience, usually a check for $1000 is considered a reasonable earnest money deposit.

Home Warranty

The home warranty protects the buyer in the event of a malfunction in their new home. Since nobody knows in advance what might malfunction, buyers will request a home protection plan. The home warranty is an especially common request from first-time homebuyers, who may not have much experience maintaining a home.

Many buyers request a home warranty, but who is responsible for paying for them? Whether the seller pays for the protection plan or the buyer will depend on local customs.

In most parts of the country the seller pays the coverage because it's considered a seller benefit, ensuring the buyer will not be contacting the seller after the closing if something breaks. In some rare cases the broker will kick in the home warranty as a gift at closing.

The cost of these home warranties is fairly inexpensive, typically ranging from $300 to $500 depending on coverage. Here are two good companies that provide them: HMS and America's Preferred Warranty. You might want to contact these companies to see what their prices are in your area.

Addendums

Walk-Through Addendum: This is when the buyer walks through the property one last time to approve everything prior to closing. It usually occurs two to five days before closing. It's just intended to give the buyer a chance to make sure nothing adverse has happened to the property. This is a normal and customary part of the sales agreement, and you shouldn't have any problem with agreeing to this addendum, but you need to note the date when the buyer says they want to do the walk through.

Miscellaneous Addendums: These can vary a lot, depending on what the buyer and seller are trying to accomplish. For example, there might be an addendum about what will stay with the house and what the seller is taking. There will also be a list of appliances that will stay with the house.

Signing the Purchase and Sale Agreement

As soon as the Purchase and Sale agreement has been signed and executed, you are considered by law to be officially under contract. So at this point you've signed the P&S agreement at T-minus forty-five days. By signing the P&A, here is what you have agreed to:

Purchase Price: You have agreed to sell the property, and the buyer has agreed to buy the property at an agreed upon price. Any seller concessions would be found in this document.

Closing Date: Once again, we strongly suggest forty-five days to close. Also make sure that the transfer dates and closing date are during the normal five-day work week so that there are no weekends to hold things up at the end. In fact, we recommend you schedule these for Tuesdays through Thursdays, with no Mondays or Fridays.

Possession and Transfer Date: This date is usually one to three days after the closing date. This is the date the deed will be recorded.

Agency Disclosure Statement: These forms include the agency Disclosure Statement, which is standard in Ohio. The new version of this statement took effect in 2005 and replaced the previous form. This form includes all of the disclosures concerning the role of the brokers/agents, including if they are acting as representatives of both parties, which can sometimes happen. It just basically spells out who is representing whom, regarding the real estate agents.

Residential Property Disclosure Form: This form lists any conditions or information affecting the property that is known by the seller. A seller may or may not have lived in the property. Unless the buyer is told in writing, the seller has no more information about the property than could be gained from a property inspection by the buyer. Both parties sign this form.

Lead Based Paint Disclosure: This form certifies that no lead based paint has been found in the subject property. Lead based paints were used prior to 1974, but were considered toxic, especially to small children and pets that may have been chewing on assorted painted surfaces, so it has been outlawed since that time.

By now you have agreed to and signed the addendums and the property disclosure, the lead based paint disclosure, etc. Once all of this has been signed off and agreed upon by both the seller and the buyer, the clock starts running down to the closing date.

T-Minus Forty-Two Days

Just three days after the signing of the Purchase and Sale Agreement, a lot of things start to happen:

Documents to Title Company

At T-minus Forty-Two days (three days after signing the contracts) the listing agent and the buyer’s agent need to send the Purchase and Sale Agreement, the addendum disclosures, the agency forms, and realtor escrow letters regarding their commission to the title company (already been agreed on).

Title Search and Escrow Account

The title company will order a title search, and they will open escrow. This means that they will create a ledger in their trust account for all the funds coming to them concerning this transaction. In many parts of the country, like Ohio, title companies are used to do the title search and the escrow. In other areas an escrow company might be used to handle the escrow and an attorney would be used to do the title work. One of the main goals of the title search is to make sure there aren't any liens on the property that would have to be paid off.

Local Point of Inspection

In many municipal jurisdictions a local inspection is called for. Sometimes these local inspections are not even citywide. They may only apply to certain neighborhoods within a city. In any event, your broker will guide you on local inspection laws. If you need to do one, this is the time to get it done. In fact, your listing agent and buyer's agent are directing all of these items.

T-Minus Thirty-Eight Days

At T-minus thirty-eight days your lender's clock is running down. Remember the contract said that in five to seven days the buyer must make a written loan application. In addition to this, the lender must order an appraisal, and a number of other things must happen.

Buyer Must Complete Formal Loan Application

We know the buyer has already been pre-approved, because their broker wouldn't get involved with someone who hasn't been pre-approved. But now the buyer needs to get rolling on a real loan application. This means they need to submit the following documentation to the lender:

- W-2's – Last two years
- Tax returns – Last two years
- Pay stubs – Last two months

- Bank statements – Last two months
- Proof of employment must be verified
- Credit details must be pulled

Lender Orders Appraisal

Some lenders don't order an appraisal until they get all the documentation they need from the buyer. This can hold up the process. Everyone involved in this process should by trying to encourage the buyer into getting his documentation to the lender just as quickly as possible.

Lender Orders Inspections

At T-minus thirty-eight days the lender will order inspections. These are usually due to be performed within seven days. Remember, in our contract the buyer has seven days to make loan applications and get the inspections going. Normally the home inspection, the pest inspection, septic, and radon are ordered within seven days of the execution of the contract.

Usually the buyer's agent will assist on this end of things on behalf of the buyer. The goal is to keep everyone on time and on target. The buyer's agent usually handles this for the buyer, making sure the home inspection, radon, pest, septic, and any other inspections are all done within seven days of the execution of the contract. If the buyer's agent drops the ball, your listing agent should step in and do the closing coordination for you, as we've discussed earlier. The listing agent should walk through the checklist and report back to you if there's a problem.

T-Minus Thirty-Five Days

At T-minus thirty-five days the inspections are done and one of two things happens at this point. Either the buyer and seller agree that all systems are go for continued countdown to closing – in which case things continue on schedule – or, there might be a list of items the inspectors may have found that needs to be dealt with.

If Inspections Are Fine

If, after the inspections, the buyer and seller agree that everything is fine, then they remove the inspection contingencies. There is a Contingency Removal document that the buyer and seller sign if everything is okay. This removes the inspection contingencies and says that the inspection was performed and everything is fine.

If Inspections Revealed Issues

If there are issues that the inspectors find, this becomes a negotiating point. Often the buyer wants every last little thing on the list fixed by artisans and European-trained craftsmen using gold-plated tools. But the seller wants to leave the country with no forwarding address. So it becomes a tug of war and a negotiating process.

For example, the buyer requests that the seller pays for everything on the list, and the seller doesn't want to pay for anything. They will negotiate the issue diligently because both parties want to move forward and get the deal done. It usually ends up in a situation where the seller agrees to pay for half. It's simply a negotiating point.

Appraisal

The buyer's agent handles the lender's appraisal date and schedules with the seller's agent. At this point the Local City Point of Sale Inspection is completed. Once the local Point of Sale and general house inspections are complete, the buyer and seller agree to remove the inspection contingencies if there are no violations, or they agree to negotiate the list of issues if there are violations or other issues that need to be taken care of.

T-Minus Twenty-Eight Days

At T-minus twenty-eight days you will be dealing with any lender requested repairs.

Lender Requested Repairs

As the seller, you may be dealing with possible repair issues uncovered in the inspection process. In fact, there may be issues with the lender now having requirements for things to be fixed. Those items are non-negotiable. Here again the buyer wants the seller to pay for everything and the seller doesn't want to pay for anything. In this situation the buyer and seller negotiate and may each agree to pay half.

The key point to remember with lender requested repairs is that the repairs must be completed prior to closing or the loan will not be approved.

T-Minus Twenty-One Days

At T-minus twenty-one days you will need to double check and triple check to insure that everything is on schedule and moving forward.

Lender Conditional Approval

This is a good time, halfway through, to get a conditional approval from the lender, in which the lender provides a list of what still needs to be done prior to closing.

T-Minus Fourteen Days

At T-minus fourteen days all repairs should be completed.

Point of Sale Repairs

All required city Point of Sale repairs should be completed by now.

Lender Repairs

Any FHA or other lender repairs and requirements should be completed.

Seller Repairs for Buyer

Another general home inspection can be conducted after the seller has performed all the repairs they agreed to with the buyer. The re-inspection can be handled either by the seller or the buyer. At the conclusion of all repairs, the contingencies should be removed.

T-Minus Seven Days

At T-minus seven days all financing documentation should be reviewed and financing is due to be approved.

Financing

Buyer financing is due to be approved, and is usually approved within about two days of the scheduled closing.

Another Conditional Approval

Seven days before the closing you should try to get conditional approval. This is approval on various lender conditions. The conditions could be something simple, like taking care of a few minor issues before the loan is approved. As long as their conditions are satisfied the lender will be able to grant the full loan and close. This is also the time when you would be notified of any “conditions” from the lender.

Stipulations

The title company will request payoffs from your private mortgage holders. These are your private lender or lenders. They are the ones that gave you the money to buy the property. So you used their money to buy the property, and now you own it. Those mortgages were recorded and will show up during the title search process. The title company is going to request those payoffs from the mortgage holder.

T-Minus Four Days

At T-minus four days all seller items must be removed from the house. You should do a final cleaning and remove every single item you had in that house.

Instructions to Title Company

At this time you should be instructing your title company to wire or send your profit check to your bank account. You send them a simple letter that states, “Please send any final proceeds from the sale of this property to this account at this bank. Please wire the funds to this account.”

Escrow Letter

At this point your realtors should submit an escrow letter instructing the title company to pay the commissions.

T-Minus Two Days

At T-minus two days it's time for the buyer walkthrough.

Buyer Walk Through

Two days before closing the buyer's going to do their walk through. The buyer's agent and the buyer will walk through the property. Once that's complete and everything is approved by the buyer, you are good to close. The buyer walk through contingency has been performed and can now be signed off and removed.

Mortgage Company Gives 'Clear to Close'

Two days prior to closing the mortgage company indicates everything is ready to close. This is a very big deal. You will not close until the title company is notified by the lender that everything is complete and 'clear to close'. Your closing coordinator or listing agent will be communicating with the lender on a daily basis at this point.

T-Minus One Day

At T-minus one day everything is coming to a head.

Buyer Loan Package and HUD 1

One day before closing the buyer loan package is sent over from the lender to the title company. The title company generates the HUD 1 document and the final closing documents for the buyer and seller. The HUD 1 is sent to the buyer and seller for approval. Be sure to double-check all fees on the HUD 1 to confirm they are correct. Give the HUD 1 to your agent to review for you in case there's something you might've missed.

Signing

Once approved, the buyer and seller are scheduled to sign all documents.

T-Minus Zero

At T-minus zero we have arrived at closing day. This is the happy occasion you have been working towards for the last forty-five days, and really the most important day of the entire process. This is the day that everyone meets for the last time to sign final documents and to confirm the disbursement of funds. Any last minute details should have been finished by T-minus one, so everything should be a go for launch today.

Closing Appointment

The buyer and seller appointment with the title company takes place today. The title company will always need a copy of the buyer and seller driver's licenses. In addition to the licenses, the title company will also need all final signed documents back in their office for review.

Final Closing Package Completed and Signed

Now that the documents have been reviewed by the title company, they give the okay that the final closing docs are signed and completed. At this point you have officially closed on the property. Congratulations!

Closing Day Plus One

Even though the closing has officially occurred, there are still things to address.

The Filing

One day after closing day the title company funds expenses noted on the Final HUD 1 document. This is known as the Filing.

Other Issues

The title company also records a release of any current mortgages or liens on the title, so that the house is free and clear of any previous mortgages and the new mortgage is officially recorded.

Transfer or Possession

This is usually the day, if it hasn't already happened, when keys are exchanged, the lock box is removed and the signs are removed from the property.

Closing Day Plus Three

Title Company Funds

On closing day plus three the title company funds all expenses on the final HUD 1 document. It pays all mortgages, it pays property taxes, title insurance, all closing fees, pays all realtor commissions and pays seller's proceeds to seller's account via wire transfer or check. This is called "Funding".

Closing Day Plus Two to Seven Days

It is during this period that the title company sends the HUD 1 document to the buyer and seller by mail. Occasionally the buyer and seller need to sign HUD again because there are after closing changes.

CONGRATULATIONS! You have sold your first flip!

Wrap It Up

It's kind of funny how any process, when you write all the steps down on paper, seems really involved, complicated, and halfway impossible. Try it – write the step-by-step process for grilling a steak, and see how hard it seems. Until you do it.

You may have bought real estate before. You may have sold real estate, even. Chances are, you just kind of wandered through the whole process just waiting for it to be done so you could move in… or out. A lot of what happened probably seemed sort of random and arbitrary.

Now you know it's not like that at all. There's a rhythm, a schedule, a process you can rely on time after time to be about the same. Sure, there are details that differ from one transaction to another, but most of it is predictable.

It's all about systems. Coming up next, you're going to discover a possibly less-exciting part of the business (numbers) that is critical to keeping the money you make. We'll also cover some odds and ends you'll want to keep in the back of your mind in case you run into certain scenarios as you flip.

SEVEN FIGURE BUSINESS SYSTEMS

Time to discuss a bit of accounting. Let's cover how to record your $40K earnings from each transaction, and go over a summary of the profit and loss statement and balance sheet.

Then we'll also take a look at some more advanced options for making money from your properties. Grab a pen, take notes in the margins, and let's go.

Overview of Balance Sheet and Profit & Loss Statement

It's easiest to learn how to handle these figures when you've got an example to follow. So, here's an example of the financials of a typical property transaction. We'll use this as we discuss the balance sheet:

- Initial cost of property $ 70,000
- Property repairs $ 30,000
- Private lender loan $100,000
- Resale price $152,000

The Balance Sheet

The balance sheet is a document that shows the real picture of the company's assets and liabilities. It essentially contains everything including things like credit cards, loans, and anything else. It's actually just like looking at your net worth. Remember, total assets, less liabilities equals your net worth. That's what the bank is looking for, your assets less liabilities. A balance sheet shows the owner's equity and tells you where the company stands.

The Profit and Loss Statement

This document shows how much money you made or lost. It details where the money came from and where the losses came from. It shows how much money you make, less expenses. In that way it's like a checking account.

The Income Statement An income statement might show you made a hundred thousand dollars but a balance sheet could show it the other way around. It simply shows how much money was earned, not your net profits.

Example Deal

Funds Disbursement

You are buying a property using a private lender loan. Let's say the investor loaned you $100K. You will set up an account showing the private lender provided a short-term loan and will be paid off in twelve months.

Your current liability is $100K.

On your balance sheet you show a loan of $100K, which is a liability.

The property was purchased for $70K, which is an asset less closing costs and administrative fees.

You have your asset of $70K deducted from the $100K, which leaves you $30K cash as an asset.

The owner's equity still shows zero.

Accounts: You will have a number of accounts for refurbishing including categories like plumber, carpeting, painting, and other home improvements that you are making. For now these are being carried on your balance sheet until the property is sold.

Money Flow

You sign the HUD 1 showing a $100K loan. The loan comes in through the title company. It will show that the $70K closing costs goes to the title company to cover the purchase. The remaining $30K is wired to your business account.

You purchased the property and the difference between the loan and the purchase ($30K) is deposited as cash into your business account.

Now you're going to take the cash and invest in improvements. So now you have inventory (the property) and the improvements to the inventory. Meaning the cash is gone but it reappears as improvements to the inventory. Now your asset, the property, has more money and more worth, because you have the $70K purchase price plus the repairs you made (improvements to inventory).

On the books you now have a loan of $100K and you have an asset of $70K plus the improvements of $30K. So the balance sheet would show $100K that you owe, plus an asset of $70K plus the $30K.

Now let's say you sold the property for $152k. You would then credit back the asset of $70K, which leaves you with $82k as income. You repay the $100K plus an interest payment of 10%, which was what you and the lender agreed to.

So from the $82k you subtract the $30K in repairs and improvements, and you've paid $10K in interest. Let's say you also have about $2k in expenses when the house was bought. This leaves you with $40K as your net income.

The Easiest Way to Handle Transactions

When you get the loan, you give the bookkeeper the note and mortgage so they have it on file along with the HUD 1 for their files. You will also give them any invoices from the repairs and improvements. They will pay everyone and record all those transactions.

Make sure you have a strong cash flow. Keep plenty of money in the bank with a solid buffer. Be diligent about checking the invoices from contractors, and then pay them on time. If you've got a big job underway, like a kitchen remodel, don't pay any funds until you've looked at the job, or someone you trust has looked at the job.

"I must say I was a bit skeptical about your program, after signing up for so many others that omit critical pieces of information. But your course is the real deal. It covers so much, that I think I'm getting some information indigestion. However, I can live with that, and look forward to scoring some big successes with your coaching."

Roy Leighvard

Income Statement Details

The income statement details where the money came from. Every transaction is broken down into details. You will see the dates of all transactions, and you can see everything by account.

- The two biggest expenses are employee salaries and wages, and advertising and marketing.
- Larger expenses should be depreciated for tax purposes.

Income in an LLC Corporation

In an LLC the income is going to pass into your personal return. Regarding the company's net income, the company doesn't pay federal taxes as all income is going to pass into your personal accounts.

Summary of Accounts

Record the private loan you got as a liability on the balance sheet.

Record the purchase of the property as an asset.

Record the repair and improvement expenses as improvements to the inventory, along with any marketing expenses and anything else that has anything to do with this particular property. Other general expenses like meals and parking will go directly to your income statement as an expense. Anything relating to the property is considered improvement to inventory.

Record the gross sale price of the property.

Note all expenses against income that you take in. Net income is the balance after expenses, which will show up on your income statement and balance sheet.

Include your overall business expenses against your net profit/income.

Just as with any business, your books can get out of control fast if you don't know what you're doing, and don't keep up with them. If you're not sure you'll be able to handle the numbers end – and the recordkeeping that goes with it – don't hesitate to bring in professional help.

The Truth about Buyer Financing

What does it take for a buyer to get financing in today's market? Which loans are good? Are FHA loans the way to go? Or VA loans? Or conventional loans? And don't forget the unconventional loans. Maybe there are other kinds of creative loans available in the marketplace. For example, Nations Lending Corporation has a relationship with us in which we support them in marketing their company and they provide very competitive mortgage terms and very competitive closing costs. In addition they lend in every state in the US.

Nations Lending – Standards and Professionalism

We have found Nations Lending to be a very professional and ethical organization, and as good a lender as anyone could want. The thing that distinguishes them from the other lenders out there is their service levels. They encourage people to do their due diligence and check them out thoroughly.

In addition, NLC is very honest and upfront about what they do. If you happen to send them a buyer, they will do everything possible to get them a mortgage. Even if a buyer isn't ready today, they might be ready in a month or three or six. The point is to keep the buyer engaged even if they're not a buyer today. They might be one in a month.

Refinance vs. Purchase

Refinance is big right now, but if interest rates continue to slowly climb then purchase will be a bigger market. If rates go up, the market dies down and purchasing is growing every month.

Nations Lending Makes it Happen

As a real estate investor, the pile of money you make is often much larger than you could imagine. We don't suggest you buy a property and flip it unless you can make at least $40K or more. This means that Nations Lending Corporation is going to play a key role to make sure the buyer gets approved and buys your property.

If you don't have a reliable lender in your area that you can refer buyers to, you should think seriously about NLC. They are doing a lot of refinancing right now, but they also do a lot of purchase loans.

Types of Approval

Automated approval happens when you run your application through the automated system. This automated system will tell you if it likes the application or not. Of course assets are a big factor. If your buyer has a lot of assets it will be easier for them to get a conventional loan. The borrower for a conventional loan needs to have strong credit, solid income, and some cash reserves.

It's All about Credit

No matter what kind of financing you want, it all revolves around credit. The banks have tightened up and set standards that must be met before they will lend. For example, the typical credit score for approval is 640. If you have 640 and above, you have at least the minimum for a conventional loan as well as FHA and VA.

VA Loans

You must be a qualifying veteran to get a VA loan. The vet produces a document called a DD214, which is their discharge document. This will get them approved for a VA loan, if everything else checks out. The big difference between VA loans and other kinds of loans is that there is no down payment requirement, you can get 100% financing.

FHA Loans

The other kind of government loan is the FHA, or Federal Housing Administration. Nearly every bank in the US offers this very popular loan. To qualify, the bank requires 3.5% down. The down payment can even be in the form of gift from a family member. Both the FHA and the VA loans are excellent programs and a big help to borrowers.

Buyer Leads and Marketing Services Agreement

If you take on a relationship with a large lender, like Nations Lending Corporation, be aware that the lender is not allowed to market or pay you to generate loans. You will be paid as a marketing professional to market their company.

Four Marketing Responsibilities as a Professional Marketer

Display the lender's signs inside and outside the property at all times.

You must conduct one monthly email marketing campaign promoting the lender to prospects.

You must promote the lender as your preferred lender.

You must promote the lender to your agents who will then market the lender to their customers.

In exchange, the lender will pay you a monthly fee, of somewhere around $4,000 per month. The agreement is usually extended for six months with six-month extensions.

Earn Your Fee and Create Buyer Leads While Building the Business

Google Pay-Per-Click: In addition to meeting all the formal requirements of the agreement, there are also some things you can do to help the lender and help your own company at the same time. The goal is to get someone to give you money to build up your buyers list and create buyers that you can sell your properties to and also create and sell buyer leads to your real estate agents. So if that's your goal, and it should be, you can take your $4000 each month and create a Google Pay-Per-Click program.

Facebook Pay-Per-Click: This is a somewhat different approach from Google PPC, but it works quite well. You should definitely consider it.

Craigslist: We market our business on Craigslist in a way that doesn't violate any of Craigslist's increasingly tight requirements.

You can learn more about our Google and Facebook Pay-Per-Click programs, as well as our Craigslist advertising program, and lots of other good stuff, by taking the full $40K Flips program.

> "The other good news is that the hedge funds are beginning to sell off their house portfolios because they aren't getting the returns they were expecting from buying up house portfolios and then renting them out.
>
> There will be lots of opportunities for us real estate investors."
>
> **Mike Minnihan**

Lease Options

Now let's get into how to sell your properties with owner financing, rent-to-own, or seller financing. We make the most money when we sell with owner financing or rent-to-own or seller financing.

Keep in mind that you make the most money when you sell with owner financing and seller financing, or when you sell with a rent to own or lease option.

Who Should You Sell To?

You should always try to flip properties for a big profit. You should consider selling them to a retail buyer. You should often try to sell properties to FHA buyers and VA buyers. The smallest portion of your deals will probably be conventional loans. Although we don't very often sell with owner financing, we do it once in a while.

When to Sell with Owner Financing

Let's say you bought a property for $100K and you put $40K into it. You're now into it for $140K. If you find yourself listing this property and for some reason it's not selling, you should think long and hard about selling with owner financing. We have flipped the last 40 properties without selling with a rent-to-own, but there may be times when you might want to consider it. Sell the house on a lease with option to buy, because it will sell for more money.

What to Do When the House Doesn't Sell

Let's assume the purchase price of the home is $150K. Renovations are $30K. You're now into the house for $180. Let's say you've borrowed $185K. So now you have $5K cash back at closing. You're thinking that the house is going to sell for $250K. So you list the house for $270K.

Now let's assume that for whatever reason the house isn't selling. You have two possibilities to consider:

You could have marketed this property from the beginning by offering lease-option and owner financing right from the start.

Or, you could have marketed your property for retail buyers only and use the owner financing as a backup option if the property is not selling.

In a hot market you might choose option two. But in a slower market you might offer option one, just to get as much traffic to the house as possible. Not because you are really going to sell it with owner financing.

You can offer this first option in order to generate traffic and get lots of action on the house, so that serious buyers will step up to the plate and make an offer instead of trying to wait you out. The first option will always generate lots of traffic. So even if you're not really serious about selling the property on a lease-to-own or owner financing basis, it is a way to generate interest and traffic.

Generate as Much Traffic as Possible

If you want to convince the one person who is really interested in the property to make you an offer, you need to generate as much traffic as possible. You want to advertise things like "bad credit ok", "owner financing", "lease option", "rent to own". You want to advertise on Craigslist, in MLS and basically any other way possible to generate more traffic.

In Slow Market Offer Buyer Financing and/or Lease to Own

In a slow market it's highly recommended that you market your property as a lease to own and buyer financing. That doesn't mean that you have to accept an offer that comes in that way, it's simply a technique to generate more traffic.

This is especially important at the property launch and first open house. You want to get as many people there as possible, and the lease to buy is a great teaser to get people to show up to your launch. That's one reason to market your properties using terms like "bad credit ok", "owner financing", "lease option", "rent to own". You want to drive traffic to that house.

Normal Sale Scenario

If you sell a property for $250K, figure that you need 90% to get your net proceeds. This is after closing costs, etc. Sell properties for 10% less than what you think they're worth. So in this instance your net proceeds are $225K (90% of 250K).

Don't Discount Price on a Lease-Option Deal

On lease options you shouldn't negotiate off the asking price. You should demand full price. In our example above that would be $270K. You also will not be paying a buyer's agent on a lease option because they don't usually work with an agent. Most agents want someone who can pay a retail price and get a conventional bank loan. They don't want to deal with people wanting a lease option deal.

You also will not have to pay for seller's concessions. You have sold the property at full asking price with no seller concessions. So in our example, if you take $270K as your sold price you can take 95% to get your net proceeds when you sell a lease option deal, or when you sell on terms.

The difference between the two is selling the house at $250K but only netting $225K vs. selling at $270K and netting $256K (95%). The difference in these two scenarios is $31.5K.

Tax Benefits with Lease Option

There's one more reason why you may consider selling on a lease option basis. When you sell on a lease option basis, you own the property for more than one year, so you will qualify for capital gains taxes instead of ordinary income tax. That means the difference between 15% and 35%. Or if you're in a high tax bracket the numbers are 20% vs. 39.5%. This means that the taxes are essentially half.

Retail Sale vs. Lease Option

In our scenario above, the retail sale deal nets $225K and you pay ordinary income taxes. In the lease-option deal you sell it for more and net more, and pay less taxes.

How Does Owner Financing Work?

If you sell the property with owner financing, you're going to sell the property on a land contract, meaning you're going to give up the deed to the property and the buyer is going to receive the deed to the property. They're going to own the property and you're going to carry back the mortgage.

In Owner Financing You Become the Bank and Must Foreclose Upon Default

In essence you become the bank. If the buyer defaults in paying the mortgage, you will have to foreclose on them. Depending on the state in which you are operating, that foreclosure process can easily take up to a year, or even longer. So it's important that you know and understand your state's foreclosure laws. In some states it might make sense to sell on a land contract, give up the deed, carry back the mortgage and you become the bank.

Research Your State – Is it a Judicial State or a Non-Judicial State?

Find out what your state's laws are regarding owner financing. In a judicial state, if your buyer misses payments you must go through the judicial process of foreclosing on them. It's a civil lawsuit between you and the buyer. In a non-judicial state, the foreclosure process is much faster. It's usually 30 to 90 days.

In general, if you are in a judicial state you do not want to do owner financing, land contracts or contracts for deeds. If you are in a non-judicial state you can do owner financing, contracts for deeds and land contracts because the foreclosure process usually only takes 30 to 90 days. Judicial vs. non-judicial is the determining factor on whether you're going to do owner financing or rent-to-own.

Selling on a Rent-to-Own Basis

In Ohio, for example, it doesn't make sense to do owner financing. In Ohio you might sell on a rent-to-own basis.

What does that mean?

In Ohio it means that you are essentially doing two types of contract.

Rental Agreement: You are doing a stand-alone standard rental agreement.

Option to Purchase Agreement: This is a separate stand-alone agreement.

These are separate, stand-alone agreements that don't interfere with each other.

If you decide to sell on a rent-to-own basis, you retain ownership of the house. You own the deed and you are just renting the property to the tenant/buyer with an option for them to purchase it. If they default on the rent, you can evict them instead of foreclosing.

In Ohio the eviction process takes 60-90 days. The foreclosure process takes a year. So you only want to focus on rent-to-own because you don't want to get caught in a situation where you've got a year's worth of money and time locked up in a foreclosure situation.

If you join the 40K Flips course, you can download the Rental Agreement and the Option to Purchase Agreement and take them to a real estate attorney. Explain to the attorney that you bought a house, fixed it up, and now you're selling on a rent-to-own basis. Let him guide you on how to handle this situation in your state.

In Rent-to-Own Deal the Renter/Buyer Assumes Responsibility for Repairs

In a rent-to-own situation, the buyer/renter is responsible for all repairs. When you turned the house over to him it was in good shape. If something goes wrong, regardless of what it might be and regardless of the cost, the renter is responsible.

In a lease option there is no security deposit. Instead there's an Option Deposit. The option deposit is essentially their down payment, and it's non-refundable. If they move you can charge them a cleaning fee and keep their option deposit.

Wrap It Up

You'll find so many ways to make money with real estate investing – and if you're wise, you'll follow the ways we've taught here rather than chasing after the latest fad, trick, or trend.

The best advice I can give you is this: Build systems for your business. Don't try to get fancy. Do what you've learned here, and do it with a near-freakish sense of focus until you complete that first flip. Then do another. Get help where you need it. Get a mentor and a mastermind. Surround yourself with people who understand what you're doing, who can support you with solid guidance. Stay with it until you get what you want.

I hope this book has given you a foundation you can build on, the real scoop on what is possible in real estate investing. You really can do this – no matter where you are, even if you've never done it before, even if you have no home improvement skills at all. The opportunity is real, for those who will jump on it. I hope that's you.

About the Author

Josh Cantwell is the head honcho of Strategic Real Estate Coach lives and breathes his art.

He's a full-time investor who has bought, fixed, and flipped more than 600 properties. Together… his team has more than 74 years of in-the-trenches experience, closed more than 5,286 deals, and raked in over $59,400,000.00 in profit.

While his home base is Northeast Ohio, Josh regularly partners up with other investors and even students to close deals in 25 other states. So no matter where you live, Josh is the man to show you how to find, structure, negotiate, and close real estate deals for big profit.

Josh owns and operates Sharp Concepts Realty, which is the fastest growing brokerage office in Ohio. Focusing on four key revenue pillars (REOs, short sales, lease options, motivated BUYERS) Sharp Concepts is consistently able to outsell their much larger competition. Using his proprietary VIP Seller Home Liquidation Marketing And Sales Plan, Sharp Concepts' homes sell 16 days faster… and at a 9% higher price than the average MLS listing in Ohio.

A strong believer in multiple income streams, Josh also owns and operates Yellow Jacket Properties, D.A.G. Properties, and J Cantwell Properties, allowing him to dominate his market.

Josh is also the owner of Millennium Capital Investments, a private capital firm known for bringing its investors and partners double-digit returns.

No matter which area of real estate you intend on focusing on, there's no doubt… Josh can teach you a thing or two… or fifty. His commitment, along with Strategic Real Estate Coach (SREC) is to provide students with the most advanced training in the real estate investing profession, both challenging and empowering students to build the type of business they've always wanted and support their dream lifestyle.