
Free Report
Rental Profits
With Out the Pain
Find out
NOW..."Easy,
Simple Tricks to
know if a rental
property is a
good deal!"
NEW!
Written by Gary Wilson

NOTE: Gary Wilson is not an attorney. Readers please repeat after me, ”I know Gary Wilson is not an attorney. I am reading this book of my own free will and promise to make sure everything I do after reading this book, relative to real estate, will be in compliance with federal, state and local laws”.

A little history about the author:

- Gary Wilson
    - Scout Master in troop 194 of the Greater Pittsburgh Region.
    - Started investing in Real Estate at the age of 23, less than one year after graduating from Old Dominion University, accumulating a 250 unit portfolio while teaching others to do the same
    - Ranked in the top 5% of all Realtors in the Western Pennsylvania Market, according to annual Five Star surveys. Licensed broker in Pennsylvania and Virginia.
    - Achieved the Platinum level of service while launching and growing Win Realty Advisors, LLC which he merged with Keller Williams to create the KW Win Realty Team.

- Gary merged specifically with Keller Williams because of its Core Values and priorities- God, Family then Business. In fact, no other Real Estate Company has as much in common with the Boy Scouts of America as KW.
- Gary currently teaches thousands and coaches hundreds of other investors who want to realize the pleasure of Rental Profits Without the Pain.
- For more information on this please call me at 1-800-931-2605 or email Gary@WinReatyAdvisors.com. You can also learn more by visiting MyInvestmentServices.com and look for Investing For Rental Profits And Winning Every Time.

Introduction

I was blessed enough in college to be roommates with Socrates Demet. His father was a Greek immigrant who built quite a portfolio in rental. Soc's dad owned real estate around the Hopewell and Petersburg areas south of Richmond Virginia. He also owned a beach house in Nags Head, North Carolina. I liked the lifestyle that I witnessed in the Demets and fortunately for me, Mr. Demet was generous to teach me right alongside Socrates in the best education I could get. Mr. and Mrs. Demet took me in just like I was one of their own. After I graduated and got my first corporate 9 to 5 job Soc and I were both in a position to once again be roommates. But this time it would be different. Soc asked if I wanted to buy a house together with him. His Dad thought it would be a good idea. He also offered to help us find a good deal and show us how to work a little magic on structuring the transaction. Our first attempt missed the mark. Oh, it was a nice beach townhouse, a real chick magnet that currently had real chicks living in it which may have clouded my judgment. We offered to buy that house about an hour after we saw it. Soc's Dad saved us from making a mistake before midnight. Eventually we did find the right property for us. Mr. Demet didn’t give us money. Rather he showed us how to invest properly. In other words, he didn’t give us a fish. He taught us how to fish!

My first experience with Real Estate Investing started with 478 Leslie Terrace, Virginia Beach, Virginia. It was a 4 bedroom, 2 bathroom ranch. 10 minutes from the beach and 2 minutes from work. My first day of work my recollection is I dreaded "having to do this for the next 40 years". I liked the people but I hated doing the corporate 9 to 5 gig being stuck in an office with the beach so close and beautiful weather and beautiful girls. But I had to make money right? Anyhow, this house was owned by a military guy. We assumed his first mortgage, took a second out to pay off his second and he took a note from us for a third mortgage which represented his equity. Soc's dad cosigned for us on the second. It took a total of about $3,000.00 for me to get in that first house. Soc and I each got a room and we rented out the master bedroom to a guy named Brian. We had a great time. Soc bought a used boat and van to tow it and we went water skiing all the time, except when we were at the beach. We pioneered pulling stuff behind boats besides skis. We tried surfboards and other crazy stuff that thought would work including just us on our backs. We eventually took on another roommate and Soc and I paid a total of $50.00 per month to live there. I saved a good bit a change because I wanted to buy more property. Soc's Dad was going to show us how to retire by the time we were 35. Then guess what happened. I met the girl of my dreams. Soc and I never bought another piece of property together. He bought me out and at the current market rate and I got $8,000.00 out of the deal. Soc's dad didn't think it was such a good idea for us to own property together with me getting married. The property laws in Virginia made it a little complicated. But as you can see my first experience with Real Estate was successful. I almost tripled my money in 2 years. My new bride, Susan, and I bought our first house together. It was nice, new, and 1 mile from the ocean and only $85,000.00. Today that house is worth $350,000.00. Just a like a lot of other smart people I should have held onto it when we moved to Pittsburgh. But I didn't and while I did buy 2 more homes in Pittsburgh, one a starter and one a move upper, I didn't buy another investment property for 7 more years.

I believe that investing in Real Estate is the best path to realizing the American Dream. Sit back and relax and get ready to highlight sections of this book that resonate with you or get out a notepad and pen or pencil and take notes. My promise to you is to teach you what I have learned and not just how but why certain techniques work the way they do. This is something that I found missing in a lot of courses I have taken and books I have read. I promise that if you follow the suggestions in this book that you will Real Estate Investing For Rental Profits the Right Way.

For more information on buying rentals for profit, managing rentals for profit, flipping for profit, wholesaling for profit, or using a real estate license to leverage all of the above and make even more money, please call me at 1-800-931-2605 or email Gary@WinReatyAdvisors.com. You can also learn more by visiting MyInvestmentServices.com and even take the training course designed for you.

Buying strategies

There are a lot of ways to buy Real Estate. Two are the most basic. The first is what I call Turn Key. Buy the building the same way you would buy your own home – make a down payment and finance the rest with a mortgage and note. The second way is to buy wholesale, remodel and sell for profit or rent and refinance. That is what I learned from RER and it works, the end of a real estate cycle is approaching when there are more foreclosures.

In my experience, in a slow market, buying turn key is the preferable and traditional way to purchase property, especially if you are buying a multi-unit rental property. The banks prefer it this way also. They like the fact that the property doesn't have to or hasn't had to go through extensive remodeling. They like the fact that it is already in use and is making an income. You can also get more favorable rates and terms this way. I know it's not very glamorous and it runs counter to what you’ve seen on late night television. Yes you can buy real estate without using any of your own money but it is more expensive that way. It’s harder to get a good cash flow. The banks certainly don’t like it and when they’re offering loans at ridiculously low rates, why not take advantage of it. Plus it’s easier to have a positive cash flow when you buy the traditional way and you don’t have to make crappy offers on crappy properties.

*If you are reading this book then you will also want to read "Real Estate Investing For Rental Profits And Winning Every Time**"** and learn how to manage your properties for profit once you own them.*

If you are interested in flipping or wholesaling properties please read "Flipping For Profit Without The Risk" and "Wholesaling For Profit So Everybody Wins". Please call me at 1-800-931-2605 or email Gary@WinReatyAdvisors.com. You can also learn more by visiting MyInvestmentServices.com to get these books and others and sign up for our instruction courses where you get hands on training!

III

Money

How to Deploy it

I am a big fan of using cash to buy real estate. It gives you more advantages than any other method of acquiring property. I know all of the theorist who insist that you never touch principle. If you put things into context, what they are referring to is using principle for non-investment purposes. Deploying investment capital to build wealth and income is a good thing not a bad thing. Deploying investment capital to purchase doo dads for personal use is foolish.

Now, for one of the other pearls of wisdom I am going to encourage to not really own real estate. That's right. You will control it without actually owning it. It is far better to own companies that own real estate. Read on.

IV

LLC – Limited Liability Company

Note: I am not a lawyer. I recommend that you seek the advice of a competent lawyer when deciding on which entity to use when growing your real estate empire.

What is the best way to hold Real Estate? I have purchased a lot of properties and most of them have been held in LLC's. I have had as many as 20 properties in my own name too. I have clients who hold property in S corporations. I have clients who hold property in trusts. I have clients who hold property in partnerships – limited and general. The two easiest ways to hold property are in your own name and in an LLC. LLC is short for Limited Liability Corporation. Liability to you personally is limited because the underlying asset, your rental property, is held under a tax identification number that is separate and unique from your social security number. So, other people and entities including government entities, particularly the courts, see an LLC as another individual. It is taxed separately at the state level and any tax burden can be passed through to you personally at the federal level. Then you would include any income or loss of the separate LLC on your personal income tax statement.

V

Tax Benefits

Note: I am not a lawyer or an accountant who specialized in taxes. I recommend that you seek the advice of a competent lawyer and or accountant when deciding on which entity to use

and how you pay your taxes.

Passive Income- One of the biggest benefits of investing in real estate is that the income derived from it is considered passive income. What that means is that it is the least taxed income.

Pass Through Entity Income- One of the great benefits of using an entity such as an LLC to hold your rental property is that all profit and losses can be passed through the entity and on to you personally without the liability.

When You Pay Taxes. The bottom line is that you have much more control over when you pay taxes when you earn passive and pass through income. This is least some reprieve from a government that is now engaged in an all-out mission to take from the rich and give to the poor until the rich are rich no more.

After reading the preceding section may you may be wanting more guidance on the subject of ownership and LLC's. Please call me at 1-800-931-2605 or email Gary@WinReatyAdvisors.com. You can also learn more by visiting MyInvestmentServices.com.

VI

Financing

Just Say No to Debt

Use Cash

There are several ways to purchase real estate. If you have ever read any of Carlton Sheets material then you know that there are at least 30 + ways to buy real estate. Some are very good and some are not so good depending upon your circumstances. The bottom line is that the more money you borrow to buy real estate the more you will be at risk. The absolute best way to buy real estate is to use cash, pure cash baby. Oh, I can hear millions of you now shouting “never use your own money”. Yeah, I hear you. The problem with all the no money down gurus is that they never mention what happens when life happens.

Now having said that, I know that because you can borrow money now at around 4% that a lot of you will do it. Go ahead. I did too. I can promise you though that in the end you will learn to regret it and you will see that it is taking you longer to build your massive money producing monster. If you do borrow, promise me that you will put down at least 20%. I recommend 25% or more. This way you will get the best rates and terms. Remember, all you borrower's out there, to keep you ratios in check. Never owe cumulatively more than 2/3 of what you own and never have debt payments more than 1/3 of your gross rents. If you manage to these ratios the banks will always love you and unless you are a complete moron you should always be making money.

Before borrowing from commercial banks to buy real estate, if you have a 401K you should check with your employer because you may be able to borrow against your 401k an amount up to 50% of what you have in your 401K. It gets even better. You aren't borrowing from anyone else. You are borrowing from YOU Inc.! And guess what? The interest you pay on what you borrow is paid to YOU too! And guess what else? It isn't taxed either.

If you are just starting out and you don't have a lot of cash lying around like us seasoned veterans do take heart. You would be amazed at how easy it is to form a partnership with an individual who does have money lying around. Sometimes a veteran real estate investor will partner with one or more newbies to teach them the ropes and more importantly have one or more bird dogs out there doing the hunting.

Still, another way to acquire properties when you don’t have cash it to use hard money lenders. They call them hard money lenders for a reason. It is a hard way to do business. They charge exorbitant interest rates and exorbitant fees to get the money. They usually have a very quick term, sometimes referred to as a balloon payment. In other words, you have three to six months use of their money paying interest only, then at the end of the three or six month term you have to pay back all of the principle amount of the money that you borrowed.

For years when money was easy I would pay cash for a property and for the remodeling then borrow from a bank in the form of a traditional first mortgage with easy terms and a low interest rate. This way I would continue to build my rental property empire while at the same time increase the amount of capital I had to work with.

In the end Cash is King. If you use any other method to acquire real estate then you are putting yourself at risk and sometimes grave risk. Life happens and when it does remember the golden rule: “The man with the Gold makes the rules”. If you don’t owe the banks and other people you get to make the rules. If you owe the banks and other people they make the rules and they aren’t as nice as you are.

VI

The Right Kind of Realtor

The Investor Realtor- In the world of Real Estate Investing there is no other kind. If you are using your neighbor’s son then you are a loser and you will pay a dreadful price. Every real estate agent on the planet will tell you that he or she is the right agent for you and they are the best at helping you. Make sure you ask them how much real estate do they own? How many other investors are they working with? If they have so many other investors then how do they have the time to help you? Keep asking questions.

More importantly, you don't want traditional real estate agents working for you anyway. You want an investor/agent who is themselves an investor and/or has a proven track record of helping other investors profitably grow their portfolios using the rules of engagement like what I teach when I teach investors how to invest and real estate agents how to correctly work with investors.

For more information on Investor/Agents and/or becoming one, please call me at 1-800-931-2605 or email Gary@WinReatyAdvisors.com. You can also learn more by visiting MyInvestmentServices.com and look for Investor

Realtors.

VII

Locating Properties

Area's to Target

When you go out on your hunt for rental property you must keep things in perspective. First of all, you are not going to live there, your tenants are. What you perceive as being acceptable may or may not be acceptable to them and vice versa. As a result, if you find yourself saying "I could never live here, let's go" then you are already in trouble.

A good rental area may not be an area where you would live but it may have some of the same characteristics such as the proximity to schools, shopping, bus service, parks, major highways, hospitals, police stations and fire houses. Generally speaking, it is good to be near schools and parks. It is also good to be close by shopping and transportation. While you don’t want to be miles and miles away from hospitals, police and fire protection you also don’t want to be only a block away from either. You do not want to be too close to industrial sites, directly behind shopping centers or storage facilities.

How to Find the Right Neighborhood

Focus on where you will get the best return on Investment (ROI)

By now, I'm sure you have questions and maybe even concerns. If so, please call me at 1-800-931-2605 or email Gary@WinReatyAdvisors.com. You can also learn more by visiting MyInvestmentServices.com

Fear not. Millions of other have walked your path before. Here is a brief explanation of the different socio-economic classes of neighborhoods. You may be surprised to know that there are rentals in all of these areas including luxury high end.

High End neighborhoods are not where you want to be in the rental business if you want a decent return on investment (ROI).

Middle class homes may be tempting and they will provide a better ROI than high end homes. There are some areas of the country were middle class houses work well for rentals. These areas usually have a low medium home price.

Low income neighborhoods usually work well as rental neighborhoods. Notice I did not say bad neighborhood, I said lower class. What I mean by that is lower on the socio-economic scale.

War zones are usually identified by your intuition telling you to RUN!!!! Trust your intuition. Trust your powers of observation too. If you see cars up on blocks or homes up on blocks run. If you see windows and doors boarded up run. If it is a bright sunny day and you don’t see a living soul around, run. If you hear pop, pop, pop, run. Do I need to say anymore?

VIII

Target Properties

REO – REO is the accounting term banks use to categorize properties that they have taken back in foreclosure.

Short Sale – A short sale is laymen for properties that are technically in default but have not yet gone through foreclosure.

Estate sales – Estate sales come about usually as the result of the home owner dying and leaving real property to their heirs. If there isn't a spouse still alive then the ownership usually passes sibling children. More often than not the sibling children at first see dollar signs and are hopeful for a windfall. The reality is that the home they inherited is usually old and in need of a variety of repairs, systems upgrades and just downright remodeling.

Retiring Investors – At the end of every real estate investing career, successful or not, is a real estate investor who now wants to liquidate his or her properties.

Turn Key – Turn key properties are properties that are already rented out. They are in service so they are usually up to code, safe and reliable. They may not look very pretty but they are usually fundamentally sound shape. I started making my fortune buying turnkey properties.

By Low, Rehab, Rent, Refi – I don't necessarily advocate this approach for beginning investors. It requires the learning of an entirely new set of skills and disciplines and new investors already have their hands full learning the skills and disciplines of running a real estate rental business. However, whether you are starting out and have watched the late night TV real estate guru's telling you that anybody can do this or you have been to the front lines a few times, you will eventually be tempted to buy low, rehab, rent and refinance. I have done many dozens of these myself and I made a lot of money doing it. Remember though that I had at least fifteen turnkey purchases under my belt before I moved up the next rung of the real estate investing ladder.

If you would like to learn more about this process, please call me at 1-800-931-2605 or email Gary@WinReatyAdvisors.com. You can also learn more by visiting MyInvestmentServices.com

IX

Analyzing Properties

He who masters the discipline of proper property analysis will become the master of profit.

The first and more critical analysis to perform is the financial analysis. The first ratio is that when you add the cost of purchasing a property to the cost of rehabbing a property the total of these two costs must not exceed seventy percent of the After Repair Value (ARV) of the subject property. This is the minimum acceptable ratio. The less money you have in purchase and rehab costs relative to ARV the better.

Financial Analysis – The following is an example of a property I owned and sold to a fellow investor. I actually sold it for $65,000.00 so it was an even better deal. Let's take a look and break it down.

<u>3834 Brighton</u>: Large up and down duplex with, new and separate G + E and new furnaces. Tenants pay G + E, I pay water. Residential neighborhood. List for 79,900

income: 1125/mo (1st fl 1 bedr = 450, 2nf + 3rd fl 3 bedr = 625, garage = 75) = 13,800 yr

taxes: 695.96/yr

insurance: 322/yr

water: 1388.50/yr (includes sewage and garbage

maint/repair: 600/yr

Net Operating Income: 899.46/mo = 10,793.54 yr

Purchase price: 70,000, Down payment: 14,000

Loan: 56,000, 20 yrs, 5%

Debt Service: 369.58/mo

Cash return: 529.88/mo = 6358.56/yr
Cash on Cash return rate = 45%, Cap Rate = 15.4%

Notice that I provide the gross income first. Then I give the basic routine expenses of the property on an annual basis. Then I provide the net operating income (NOI). This format follows closely the IRS Schedule E format. This is for a very good reason. It is a pretty good format to use when analyzing properties and it is also in the format the tax accountants and the IRS use. After the NOI, I provide a projected financing scenario based on the current lending environment. The terms may change with the economy but the mathematics is the same. This gives a prospective investor a pretty good picture of what to expect. It also allows me to project income on a cash basis and the cash on cash ratio. The cash on cash ratio is the cash income after all expenses plus debt service (loan payment of principle and interest) divided by the capital outlay to purchase the property (down payment or out of pocket cost to acquire the property). This ratio is what you can use to compare to returns on other types of investments like stocks and bonds. This to me is one of the most important ratios to look at when analyzing a property. The next important ratio is the capitalization (CAP) rate. The cap rate is the NOI divided by the total purchase price (down payment plus principle amount of any loan) or sales price of the property. In this ratio debt service is not factored in. So, the NOI is used before debt service is paid for. The CAP rate is the industry standard for evaluating a property particularly from a lenders perspective. It is used to compare properties against each other. CAP rate also reflects the relative risk of a property. So a property that has a high CAP rate may be in a less desirable neighborhood and naturally a low cap rate may reflect a property in a good neighborhood. The CAP rate is an inverse ratio. In other words, the lower the cap rate the more expensive the property and the higher the CAP rate the less expensive the property. I suggest you get used to using both ratios. I personally put more emphasis on the cash on cash return because cash is king and I want to know how much is coming in and how much is going out to get the cash coming in. Here is another way to view cash flow analysis:

Cash flow Worksheet

Gross Rent:

Expenses:

_______________________Taxes:

___________________Insurance:

______________________Utilities:

_____Maintenance and Repairs:

________Property Management:

Net Operating Income (NOI) = Gross Rent - Expenses

Mortgage payment:

Cash flow = NOI – Mortgage Payment

Cash flow Formula: Rent – Expenses = Cash flow

Terms:

Gross Rent – The highest amount you can get monthly from the property.

Expenses – The total amount of necessary payments for the property.

Cash flow – The amount of money you pocket after all expenses and mortgage payments are paid from the rent.

If I like the return I next have to determine if I like the property itself from a physical perspective.

Physical Analysis – Once you have identified properties is priced at or below market value for the neighborhoods they are in and with negotiating you can get the prices down even further (more on this later) it is time to do the physical inspection (after you do drive bye's) of the property to determine what is needed for rehab and how much it is going to cost.

X

Making Offers

This is where the rubber meets the road.

You have come a long way and now it is time to make the offer. You not violate the maximum allowable offer (MAO). If you trespass beyond this line you will be tempting fate and less profit. The MAO is the most you should offer for a property. MAO is the ARV of the property less your 30% profit margin, then less your rehab costs. So, if you have a property with an ARV of $100,000.00, and subtract the 30% profit margin, that leaves $70,000.00. Then if your rehab costs are $20,000.00 you subtract that from $70,000.00 to arrive at an ARV of $50,000.00. I suggest starting out offering less than $50,000.00. Depending on the market I would offer form 5 to 20 % less than the MAO. In a market where there is a lot of inventory I would offer as much as 20% less than MAO, $40,000.00 in this case. In a market of tight inventory I would offer 5% less than the MAO or $47,500.00 in this case. ARV is arrived at by looking at comparable sales, comps, from the area. Either you or your realtor needs to be the expert in the area in which you are investing. I cannot emphasize how important this value is. If you project to low you will not get your offer accepted. If you project too high then you risk paying too much for the property. You have to get it right. Period! The following is a chart you can use in your efforts:

Maximum Allowable Offer (MAO)

ARV:

Less Costs (30%):

Less Repairs:

Equals MAO:

Starting Offer (MAO less 15%):

Formula: ARV – 30% – Repairs = MAO

Terms:

ARV – After Repair Value. This number is derived from Comps, CMA's, and other appraisal tools.

Costs – These are the costs to get into (and sometimes out of) the property. The table below depicts the cost breakdown. Costs average around 10% and include commissions to real estate agents, carrying costs and closing costs.

Repairs – These are the estimated repairs. Use the supplied Rehab Worksheet to get your initial estimate.

MAO – Maximum Allowable Offer. This is the theoretical maximum you can pay and NOT leave any of your money in the deal after refinancing. This is NOT a requirement to do a deal, however what is acceptable to leave in will be different for everyone depending on your own cash flow and financial ability.

Starting MAO – Get this number by subtracting another 15% from your MAO. This is a decent starting point to begin your negotiations. If you get no counter offers at starting MAO, you will need to increase your initial offer. Market conditions will always impact starting MAO.

Before going over the forms to use let's look at a plan for you to follow when going on your hunt:

Instructions for new Win Realty Advisor students - rentals

This is the exact plan I followed when I made all of my investments. It is the plan I used when teaching several hundred students and it is the plan I follow when I teach real estate agents how to work with investors. It is a good plan. Follow it.

1. First we will have a telephone conversation to go over goals. At this point you need to have available cash or credit to continue.
2. Send in email to me your name, email address, and phone number.
3. I will set up your search criteria on the MLS system.
4. Initially you will get an email with a link to the MLS system. The first property matching the search criteria will be shown with a drop down box at bottom left allowing you to scan forward to other listings.

You will be receiving the "FULL" listings. This first email will consist of several hundred listings.

5. Next, you will separate the good from the bad. Your objective is to narrow the list down to about 30 properties. You do this by comparing the list price to the market values for the area. The list price should be below the market value. Also, look at the photograph(s) of the property, the lot size, room sizes, and other characteristics of the property. This will take a few passes of the listings. As you narrow the list down also use the county web site for further research. This is a process that you will get better at with experience.

- For multi units my experience shows me that I should get 400 – 500 for 1 bedroom apartments, 450-650 for 2 bedroom apartments, 600-750 for 3 bedroom apartments. Taxes can be obtained from the listings. Insurance should be .5% of value annually ($100,000 property is $500 per year). I try to keep price per unit to $35,000 or less per 3 bedroom unit, $30,000 or less per 2 bedroom units, $25,000 or less per 1 bedroom unit. *NOTE: different areas will have vastly different models. Study your area and make adjustments accordingly*

- There are variables here like the condition of the property (turn-key verses needing rehab).
- Trust your instincts to focus on what you think are better deals and eliminate the rest.
- You will get better with experience and I will be guiding you.

6. The resulting list of 30 or so properties is your drive by list. Now you will drive by the properties to further narrow your search down to 10 to 15 properties.
7. At this point you will email to me the MLS #'s (in a string separated by commas) of these 10 to 15 properties. At this point I will review your homework

ad narrow the list down further. I will make notes to show you my work. This will typically result in 7 final properties.

8. Now we will schedule an appointment to go see the properties.

9. After viewing the properties you should have a list of 4 to 7 properties that you will fill out the MAO, CHAHFLOW and cost sheets for.

10. I will review this work and with my help you will decide which properties to make offers on.

11. We will fill out the ales agreement, make a photocopy of your hand money check, and provide both with your proof of funds to me. I will provide comps to verify you ARV(s).

12. Now we make the offer(s)!

To really grasp this process I recommend you take the accompanying training course for buying rental properties. To learn how Please call me at 1-800-931-2605 or email Gary@WinReatyAdvisors.com. You can also learn more by visiting MyInvestmentServices.com.

Forms to Use

Always use Association of Realtors Forms when making offers.

Always remember that when you are making an offer on a rental property to always make the offer contingent on seeing the current owners financials on the property including all income and expense data for the last three years. No exceptions! The only time you can’t do this is when you are buying a foreclosure property (I know, it’s an exception). You also want to see current leases, any contracts the current owner has for services like pest control, property management, laundry, etc. You also want a contingency on seeing every single unit in the building you are buying. This is especially in case you didn’t get to see all the units before you made the offer.

Closing

The Big day is approaching. Another income producing asset on your balance sheet!

Always use a reputable closing company.

Always get title insurance.

Always get Homeowners insurance.

Always do a walk through before closing.

XII

Rehab

What to rehab, how much and how far do you go?

Knowing what to rehab, how much you spend and how far you go with it is moving target. Always keep in mind that you are not living here tenants are. You need to rehab according to the market that your rental property is in. This means the socio-economic market. You don't put $50.00 a yard carpet in a rental that is located in an upper low end neighborhood. Likewise you don't put indoor/outdoor carpet in the living room either. This is a skill that you will develop over time. My intention here is to help you shorten the learning curve and avoid as much expense as possible.

XIII

Rent, Sell (FLIP), Lease Option

There is always more than one way to make money!

I have seen more than a few investors buy and remodel a rental property with the intention of renting. Nothing wrong with that! That's who I wrote this book for. However, many investors get to this point and wonder if they can just sell the property and cash in big now while it looks so good. I say, yes you can, maybe. If you start out on the rental path and later want to try to sell that is not a problem. If it doesn't sell, keep it. You bought it as a rental anyway! On the other hand you cannot buy a house you that you intend to flip, remodel it and then try to profit by renting it. It may work in certain circumstances, but not very often. If you are remodeling to flip a house you will use better material like paint, carpet and cabinetry. The ends will not justify the means if you rent. Your property will likely be over improved. You cost basis will likely be higher because you bought in a better neighborhood. Please read my other book on flipping titled “Flipping For Profit Like a Pro”.

Generally speaking if you bought a property to eventually rent then you should usually stock with the plan. In that case you read my book on rentals titled ““Real Estate Investing For Rental Profits and Winning Every Time”.

A lease option is really two transactions. One transaction is to rent the property to a tenant. This is strictly as lease standing on its own two feet. The option is really an option document where you, the optionor, are giving the optionee (your tenant) the right to purchase the property at a later date. They have to purchase this option from you for a fee. The option fee is non-refundable. If they don’t exercise their option by a certain date you can either extend the option period for another fee or not extend it and they simply remain as tenants if that is what you want. If they do not pay their rent you can evict them because the option fee they paid you does not count towards the purchase price of the house. They just purchased the right to purchase the house at a later date. To learn more about these different techniques please call me at 1-800-931-2605 or email Gary@WinReatyAdvisors.com. You can also learn more by visiting MyInvestmentServices.com. There are books and training courses designed for you to learn how to become an expert and profit in a number of ways with real estate investing.

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