

Build
Wealth



**Discover Simple Real Estate Secrets
And Gain Financial Independence
Through Education**

***** Flipping Properties ***
Learn how to make money fast!**



Make A Fortune Fixing N' Flipping Propertie\$

T. Donald

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Introduction

Real estate has most likely produced more millionaires than any other financial avenue.

A full-time or part-time venture in real estate investing offers many economic and personal rewards, including cash flow, security, and long-term wealth.

Real estate, like any other commodity, is bought and sold every day of the week, moreover, as there are many ways to profit in real estate; the real question is, which scheme is right for you?

First There's The Time-Honored Tactic

The conventional concept of real estate investment requires one to invest money, then basically wait for something to happen.

For the most part, individuals buy real estate for income and hopeful appreciation. They expect that once their mortgage is paid off they will receive a reasonable cash flow for their retirement years.

These assumptions are normally correct, and many people have become wealthy by just owning rental real estate.

Rental properties continue to be an excellent choice for creating long-term wealth and income for retirement.

Then again, acquiring and managing rental properties requires cash for down payments, ample credit for financing, in addition to the time and patients to deal with tenant problems.

First consider the *Tactic of: No Down* (OPM - The theory of utilizing 'other people's money')

No down is another concept in the real estate world. In fact, countless beginning investors are attracted to real estate by the late-night television programs which spotlight their "millionaire" students who bought real estate with no money.

You should be wary, as many of these people are really paid actors, and some are just fortunate.

Investing no money in real estate usually means that most of the funds for the purchase price must be on loan. Quite naturally, borrowing most of the money to purchase real estate can often lead to a negative cash flow when vacancies become common.

Of course, not all of these "gurus" are frauds, *nor* is buying real estate with nothing down *always* a flawed idea. Just be suspicious of inflated claims that real estate investing is a quick and easy way to become rich.

No matter what your source of your funding, the idea is to use as little of your own money as possible, because that is what your returns are based on.

Your (ROI,) return on investment, results from the simple ratio of the net cash left over after all expenses have been paid over the amount of your original investment, plus any out-of-pocket improvements or expenses that require an additional owner's contribution.

Another Tactic Is To Speculate

Here the investor concentrates only on properties that he expects will go up in value rapidly, thus creating a respectable return on their capital invested.

Such increases in value occur relative to outside factors, such as adjacent expansion, rezoning, and market inflation.

Even though many people have made millions with real estate speculations, just as many have been bleed dry.

Remember, speculation is a gamble, and not always a wise choice for an inexperienced investor.

When Taking Reality Into Account

In the real world, real estate is like any other business, you will not get rich overnight, and it requires a lot of hard work and time to accrue wealth.

When looking around, you'll quickly notice that while most start-up companies actually lose money their first year or two in business, at the same time, a company that survives past the first few years, often becomes profitable and continues to grow.

I mentioned the above as a great way to inform you that while it is possible to make money quickly you probably may not see a significant profit for several years.

While you can buy properties with little or no money down, you will need cash reserves to get you through the difficult times that every investor encounters. Still, a wise investor focuses first on creating cash flow and then on cultivating the business.

The purpose of this writing is to teach you, how to generate cash by buying and quickly reselling (a.k.a flipping) properties.

Whether you are looking to produce some immediate cash, are attempting to get hold of additional income, or locate a new career.

Apart from your personal situation, this book will help you earn the cash you need to accomplish your goals.

J. Donald

Types Of Investors

Despite the fact, that there are a number of tactics and techniques you can draw on to invest in real estate, one thing they all have in common is the element of time.

Naturally, you'll have an idea of the length of the holding period for properties you intend to acquire.

Be aware, that time can have a sizeable impact on the growth rate of your real estate investments, as *time* influences such things as your tax rate relating to your gain or loss.

Historically, the *long-term* capital gains tax rate has been more favorable than the *short-term* tax rate.

The Long-Term Investor

He may purchase properties and hold on to them for generations. At least he will, in general, keep the properties for a minimum of five years.

Such an investor searches for gains through capital appreciation by simply holding, and preserving their investments by making improvements relative to need. The idea is to *minimize* the related debt and *maximize* the cash flow.

This group of investors, classically seeks profits through a blend of increases in property values ensuing from an expected price appreciation in real estate, as well as, by making modest improvements to the property.

The Intermediate-Term Investor

Here reducing debt for the purpose of increasing cash flow is not as important as it is for to long-term investor. This category of investor is also more likely to be more highly leveraged.

Finally, given that these investors typically hold their properties for a minimum of two years, they are able to take advantage of the lower and more favorable capital gains tax rate.

The Short-Term Investor

A *short-term* investors is defined as one who buys and sells real estate within a shorter length of time.

They typically hold their investments less than two years. This group of investor most often hunts for gains through improvements to the property, as the shorter holding period does not allow enough time for gains through increases in the overall market.

These investors look to profit from a quicker turnover strategy, and may be willing to accept smaller returns but with greater frequency, knowing that the overall rate of return can be considerably higher than with the long-term approach.

As tax codes often penalize short-term investors by imposing higher tax rates on short-term capital gains, you must factor this into your analysis before purchasing any property.

Investors with particularly *short time goals*, are known as *flippers*.

A flipper's key function is to track down properties that are undervalued, for any mixture of reasons, add a measure of value to the property, and then quickly resell it for a profit.

There time goal varies, a flipper may hold a property for a few months, a few weeks, or even *a few days*.

In some cases, they may not even hold title to the property or take actual ownership of the property. This can legally be accomplished through options.

The Theory & Types Of Flipping, And Flippers

As mentioned, precisely like any other commodity real estate is bought and sold every day of the week.

People become real estate agents because they recognize a small piece of a large pie can mean big money.

Agents make possible a property sale, by finding a willing buyer for a willing seller, thus earning a commission of 4 percent to 7 percent of the sales price.

In most states it is reasonably simple to acquire a real estate license, and real estate sales can be a rewarding field for many people.

It should also go without saying, that there's strong competition existing among agents, and those who are successful work long, hard hours. In fact, most agents are on call weekends and nights, while keeping their cell phones glued to their ears.

Moreover, real estate agents are required to take continuing education classes and follow strict guidelines set forth by bureaucratic agencies.

A Better Way

Investors who *flip* houses accomplish the same basic goals that real estate agents do. In particular, the *flipper* buys real estate with the full intention of immediately re-selling it for a profit.

A flipper, buys properties at significantly less than the going rate. He acts as both principal and middleman, buying at one price, then reselling at a higher price.

In addition, the flipper's profit potential can be much higher than an agent's commission, for an occasional bargain purchase can bring an incredible return. Also, the flipper does not need a license to practice, nor is he under the watchful eye of a government agency.

Basic Types Of Flippers

The three primary types of flipper investors, usually based on objective and experience, are:

- The scout
- The dealer
- The retailer

Each type has its own exclusive characteristics and provides a valuable function.

A Scout

Scouts serve an important role and can be incredibly useful, as he *scout* primarily collects needed information

They sniff out potential deals and sell that information to investors. Just like the scouts in the military report vital information to those who have the power to act on it, so do real estate scouts report key facts regarding potential investment opportunities to dealers and retailers.

Many flippers get started as a scout for other investors because it does not require any cash or prior knowledge to look for *distressed* properties.

A 'distressed property' is one that generates emotional and/or financial distress for its owner.

This distress may be caused by the owner's financial problems or the fact that the property is in need of repair, thus the owner is motivated to sell the property at a discounted price.

A good scout assembles as much of the relevant data as possible so that the investor can make *well-informed* decisions.

In essence a scout finds a property for sale, collects the necessary information, and then provides this information to investors for a fee. The fee normally depends on the price of the property *and* the expected profit potential.

Pertinent information that Scouts are expected to provide the investor, includes:

- Owner's name and telephone number
- Complete address of the property
- Information about the owner's asking price and loan balance, and importantly, if the payments are current
- A summary of information about the condition of the property
- Any liens on the property
- A general photograph of the house
- Information about the owner's stated motivation to sell (that is, in need repairs, foreclosure, divorce, etc.)
- General condition of the house or property and its location, along with the general condition of the neighborhood

Equipped with adequate information, the investor is in a better position to decide whether or not to buy. That is, the dealer or retailer can quickly analyze the data and proceed with a purchase depending on the results of their analysis.

A scout does not purchase or take legal title to the property, leaving that part of the process to those they report to.

Given that scouts do not obtain legal possession, they typically will *not be* entitled to directly partake in the profits. However, this is not always the occurrence, as the individual performing the duties of the scout may belong to a partnership in which the profits are shared.

Most often, scouts are paid a referral fee, or finder's fee, for just as a real estate agent does not earn a commission unless a sale is made, neither does a scout earn a referral fee - unless a deal is consummated.

Without a doubt, scouts can be priceless to investors, as they help them to make the best and most effective use of their time.

A Dealer

Akin to scouts, dealers also function in the important role of passing on opportunities to investors. In that they act as wholesalers for retailers and other investors looking to buy property at below market prices.

Dealers are commonly licensed real estate agents who make their money off of the commission, plus, at times, a slight markup in the price of the property.

The dealer, like the scout, locates deals for other investors. When they find a bargain property; they sign a purchase contract with the owner, then they have the choice of closing on the property and selling it outright, or just selling their contract to another investor.

Here they are providing more than just information; they control the property with a binding purchase contract.

Of course, as the dealer often puts up earnest money to secure the deal, they assume more risk than the scout does. Also as, the dealer controls the property with a purchase contract, he has greater profit potential than the scout.

While the dealer often resells the property in its "as is" condition, they can at times amplify their profits by 'cleaning up' their properties. In fact, a simple cleanup job often boosts the dealer's profit by several thousand dollars. A spruced-up property is psychologically more appealing to any buyer, even an experienced one.

Of course, dealers can flip as many deals as they can find. On a full-time basis, a dealer can make well over \$15,000 a month without ever fixing a property or dealing with a tenant.

On a part-time basis, a dealer could easily make an extra \$3,000 a month flipping a property or two. Additionally, he can work as much or as little as he likes, with no boss and no employees.

Dealers usually have a widespread network of contacts they work with who provide them with inventory to sell.

For instance, I am familiar with several dealers who have established relationships with various banks' real estate owned (REO) departments, which deal with properties that have been foreclosed.

As banks are not in the real estate business, rather the lending business, and have no desire to retain REOs on their books, because REOs represent uncollected loans, or bad debts. Most every bank in the country has REOs in its portfolio.

While some dealers specialize in REOs, others focus on the foreclosure market. Buying and selling foreclosures requires that an individual have a working knowledge of that market.

While there are a number of good books written on the subject, many investors do not have the expertise *or* the time to find undervalued foreclosures.

On the other hand, dealers who understand the mechanics of buying foreclosed properties can easily make a market by wholesaling to their network of retailers.

A Retailer

A retailer typically buys a property from a dealer or with the assistance of a real estate agent or scout.

The retailer's aim is to fix up the property so that they can sell it for *full retail price* to an owner-occupant. Compared to nearly all other flippers, the retailer puts up the most money, takes the most risk, and stands to make the largest profit on each deal.

However, it may take the retailer months to realize their profit, unlike the scout or dealer who makes his money in a matter of days or weeks.

Before one can become a successful retailer, they must have working knowledge of how to renovate a house, particularly the cost of doing so.

Naturally, the retailer who pays too much will have a difficult time making a profit upon resale to an owner-occupant.

The retailer is limited by their financial resources and the number of properties they can rehab at once. So each deal should be evaluated separately; it is sound business practice to act at times as a dealer and other times as a retailer.

As expected the relationship between *risk* and *reward* is in most cases directly linked. This means that the greater the risk an investor is willing to assume, the greater their potential reward.

This relevance rings true among the classes of flippers.

Scouts assume virtually no risk, and their reward is most often limited to a referral fee.

Dealers assume a greater degree of risk than do scouts, and they stand to gain substantially more.

Risk for retailers is notably greater than that for scouts and dealers, as they most often take title to the property, have a longer holder period, and invest more capital.

It is the retailer, therefore, who stands to enjoy the greatest rewards from the art of *flipping* properties.



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Your friend;

Joe Myna