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Keywords: Fix and Flip Loans

Facts:

- 90% of contract/ 70% of rehab
- appraisal depends on deal
- first time investors welcome
 - ton of repeat clients (one has done 400 deals)
- funding is fast/ few hassles
- repeat borrower 5-7 days
- new borrower in as little as two weeks
- willing to leverage equity on other properties in a merged deal
- won't do owner occupied
- monthly extensions
- will lend on fix/flip- to hold and rent
- common sense lending leaning more on 'skin in the game', than credit score
- really want to work with clients to get everything moving in the right direction
- foreclosure is an absolute last resort
- this applies to everything else they do

If You're a Fix and Flip Investor- or Are Interested in Becoming One- You'll Want to Read This

So you're driving the kids home from football practice the other day, and out on the front lawn of a decent corner lot (with slightly overgrown hedges), you see the sign: For Sale By Owner- and somewhere inside of you a spark of interest has been lit... Or maybe you've done this a doze or so times and you whip the car to the curb to track down the owner.

This situation is of course also known by the acronym: FSBO. Now there can be plenty of upsides to working a deal like this, but let me present another situation: A friend of yours has taken a position in another, city, state, where ever- and he needs to get out of his house, and fast. He doesn't want to be an absentee owner/landlord and he ABSOLUTELY doesn't want it sitting vacant as he continues to pay that mortgage, AND the note on where ever else he's moving to. So he offers you a sweet deal on the property- just to clear his head.

But you're honest enough with yourself to know that for both of these opportunities (and many others that are far more common than you might realize) you'd be cutting new ground. You're a Newbie- so to speak. And although you cover your bills well enough, you know it's going to take some cash to not only cover the deal, but to make sure you do the property, or properties, justice.

This is also known as; to get your ROI, or ARV (Return on Investment - After Repair Value), because Real Estate is not a game to skate around in fine margins.

Many seasoned investors use other people's money to get this kind of thing done- even when they've got plenty of their own. You know this- or at least have heard of it. But banks often don't lend in these waters, nor do they move fast enough to get the job done, like you need it done.

But there are sources of Private Money that can help. And they are only too interested in seeing you succeed, because that way, you'll come back again for the next corner lot hosting that FSBO sign.

That's just good business. And to be honest, they're usually a little difficult to find.

Now let's step back a bit- gain some perspective: Could you imagine a fixer using the same source of Private Money 400 times? That's Four Hundred Deals! We can. Sure, that Investor is an outlier, an anomaly, and I could safely guess- very successful, but there's a reason why he's returned, time and again- something *is* working right. Yes, it's his skill, and his lender's money.

So how does a loan for 90% of the contract and 70% of the rehab sound?

Now these are maximums- you probably won't need anywhere near that if you got creative with the terms on that FSBO and really, you've just got to trim those hedges back and re-surface the tub in the master bath...

I don't know, it always depends on the deal doesn't it? But what I can tell you is that it usually will cost more than you think and take longer than you expect. So you want to keep your time-line tight, but the deal as flexible as possible, to adjust for the unforeseen.

Every single deal has it's own personality... And that can be, should be fun. But what ever you do, don't get emotionally attached! Always stay objective. This is a business- treat it like one and it'll pay you like one.

My point is, if you've got a source of working capital, that can give you extensions (believe me, that is incredibly valuable), may or may not need an appraisal, and can get funds to you to close- usually in less than two weeks if you're a new client, or 5-7 days if you've worked together before- you've got a great partner to work with.

What if you want to tie in the equity of some other properties you own to leverage that FSBO into a merged deal? We can do that too. And all of this is put together using common sense. So your credit's not perfect, but you've got 'skin in the game', great! We want to see you succeed. Win/Win/Win.

Now you can plan for the best of circumstances, but sometimes things go sideways. Real Estate investing can and usually, is a great way to build serious wealth. My point is, there are, or will be, bumps.

If your lender can accommodate you with extensions, as I've mentioned above, that can really take the heat (risk of foreclosure) off. We always want to see you get things straight- moving in the right direction.

Not all Private Money Lenders operate this way- and you might have heard horror stories. And it's true, fix and flip lending can be a risk, but if you've got the the numbers right, the stomach, have the skills (or are willing to learn them) and have the desire to see a family move into something that used to be a dog on your block, while you deposit that check- there are few things as financially, socially and emotionally rewarding.

Now we don't do owner occupied lending- and there are a number of reasons for this. But maybe you've established yourself and are interested in some commercial ventures- a four-plex, maybe a 20 room hotel. Talk to us. Let's see if we can put something together.

Now let's go back to the FSBO you just saw... Since it's for sale by owner, there's no agent. This means it's most likely 'off-market', not in the MLS. So, unless it's listed in on some other websites, that owner might be relying entirely on that sign to sell it. That could be great for you, but let's run some plays:

- 1.) An Agent swoops in and gets him to sign up- unlikely, but possible.
- 2.) He might not want to pay your Agent fees (which you should use to at least close, if you don't have a R.E. Lawyer in your pocket.)
- 3.) He very likely will have it 'listed' over it's market value. He might have tacked on 20% of emotional, historic value- after all, he raised his four girls there- or, maybe not.

As I've said, each deal has it's own personality. Some owners just can't stand Agents. I get it, but I'd suggest using one- so interview plenty before you lock into someone- and use them until for whatever reason, you decide not to. Great relationships can be forged in R.E. (Also, in most states, it's going to be the seller that pays the buyer's Agent, but far from always.)

All of that being said, it might be the sweetest deal you could imagine, and if you've got us in your back-pocket, then you've the clout to talk real numbers, real fast and make real moves.

See, most Agents won't even talk to you unless you're pre-approved for funding- at that point, it's like shopping with cash- as long as everything else hits the marks, it has to make sense. This is one way we can be of huge help to a new investor- that can see the potential, plain as day, in that corner lot.

So you get smart and decide to work with us. The house does need some work, BUT and this is big- the foundation is fine, and so is the roof. First you tackle those hedges so you can see the face- and all of the other deferred maintenance that been (not) going on. Yep, all the paint, interior/exterior- maybe pull that fake wood paneling out of the den (and of course that avocado shag carpeting). You want everything as sharp, airy and light as possible- yet neutral. Leave it as much as an open canvas as possible, this way when the wives walk in, it's very easy for them to see themselves making it 'Home.'

How far are you going to take it? Where's the line of no return? And what rooms DO give you the biggest returns? The kitchen and the bathrooms. Why? The aforementioned, wives, that's why.

The point of all this is, if you're working with a lender that fully understands what you're doing, where you're trying to take this deal and just how fast you're looking to make this happen, you've fought half the battle. This is not easy with traditional lenders, it's just not. It's the same reason most Real Estate Agents aren't investors. When I say 'most,' I mean the vast majority. They just aren't- and I don't know why either.

Honestly, I think it's just an particular breed of cat- that has some vision, is willing to do the research and spackle over those dings in the sheet rock after already putting in a full day at work. Investors not only have a vision for a particular property, but have one for their greater future as well.

'If I can get this one on the rental market in two months. Then refinance in six, while I'm already working on the second and then get that on the market... If I could just do two or three a year, maybe four- and manage them myself, or sell them off, or get someone else to manage them... In five to seven years, where will be?'

You see what I mean? It's vision. What's yours? Who are you working with?

And as a final, friendly, note: You may think the pool table that they're leaving in the garage is a great selling point for your flip, the fact of the matter is, you're probably going to either have to sell, or chuck it, so the new wife can get her soccer-car in. Unless, of course, you can sneak it into your garage at home.

Eight ball, corner pocket...